From measuring impact to the creation of a European sustainability label

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Executive Summary
This study draws up a state of the art in the field of sustainability and particularly in the normative, certification and labelling approaches. It proposes a non-exhaustive reading of existing approaches and presents the new European position on impact measurement and labelling. The standards, labels, certifications and reference systems of sustainable development are tools to support a sustainable development approach. These tools have become a necessity for companies, communities, administrations and organisations in Europe that are undertaking a process to measure their impact.

Valuing one's environmental, social and economic performance has become an essential issue for all actors in sustainability in Europe. Expectations are high for states, but also for companies that are faced with the obligation to show and demonstrate their sustainability to major clients. While labels, norms and other standards such as Corporate Social Responsibility (CSR), Environmental, Social and Governance (ESG), the Sustainable Development Goals (SDGs) and the Science-Based Target Initiative (SBTi) are multiplying, they are struggling to attract certain companies with their voluntarist approaches and, above all, are creating confusion in civil society.

Our society is constantly evolving in the context of climate change, loss of biodiversity or simply changes in our behaviour as consumers. This situation calls for support. We are provided with tools to define our orientations, our actions and to implement them.
The project presented in this research establishes the link between tools and their use and transparency in the field of sustainability. Finally, the study presents the projection of the unified approach of the Member States to the European level.

Keywords

#développement durable, #SDG, #ESG, #label, #certificats, #Ecolabel, #Taxonomie, #Green Bond, #Social Bond, #ESG, #GRI, #ISO

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As an expert in sustainable development, she was able to participate in the elaboration of various reports, in particular with the International Organisation of the Francophonie, but also of reports carried by civil society initiatives at the international level. She is the author of the first "White Paper on the Circular Economy and Sustainable Development in the Balkans". She has also created training programmes in the field of ecological transition in partnership with European universities.

List of abbreviations

CDP	Carbon Disclosure Project
CERES	Coalition for Environmentally Responsible Economies
COP	Conference of Parties
CDSB	Climate Disclosure Standards Board
CSRD	Corporate Sustainability Reporting Directive
CUELE	European Union Eco-labelling Board
EFRAG	European Financial Reporting Advisory Group
EPA	Environmental Protection Agency
EPD	Environmental Product Declaration
ESG	Environmental, Social and Governance
EU	European Union
GRI	Global Reporting Initiative
IIED	International Institute for the Environment and Development
ISEAL	International Social and Environmental Accreditation and Labeling
ISO	International Organization for Standardization
JOCE	Official Journal of the European Commission
MIT	Massachusetts Institute of Technology
NACE	Statistical classification of economic activities in the European Community
NAICS	North American Industry Classification System
NGOs	Non-Governmental Organisations
NFRD	The Revised Non-Financial Directive
ORSE	Corporate Social Responsibility Observatory
PNUE	United Nations Environment Programme

CSR	Corporate Social Responsibility
SBTI	Science-Based Target Initiative
SDSN	Sustainable Development Solutions Network
SDG	Sustainable Development Goals
SME	Environmental Management System
TEG	Technical expert group on sustainable finance
TCFD	Task-Force on Climate-related Financial Disclosures
UICN	International Union for Conservation of Nature
UN	United Nations

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1. INTRODUCTION

Over the last few decades, humanity has been confronted with an amplification of changes linked in their entirety to human activity. We have witnessed technological innovations that have allowed us to modify our consumption and living patterns. Our planet is constantly undergoing food, energy and economic crises, linked to climate change and the loss of biodiversity. In this context, the deployment of sustainable development is carried out more by society as a whole, with its human component at the heart of the process.

Faced with ecological, climatic and social emergencies, mankind is constantly looking for the best solutions. Among the existing range of solutions, we have a promising tool, adopted in 2015 and deployed at international level. This tool concerns the Agenda 2030 and its 17 Sustainable Development Goals (SDGs).

This programme, promulgated by the United Nations in 2015, has a 2030 horizon. It includes a set of objectives and indicators aimed at preserving the planet while ensuring the prosperity of humanity. Thus, adopted by 193 countries, this plan is a coherent, ambitious, universal and cross-cutting tool to address the social, economic and environmental issues intrinsically linked to sustainable development.[1]

The 2030 Agenda also takes into account climate change and biodiversity through commitments such as the Paris Agreement, the Aichi Targets, and for disaster risk resilience with the Sendai Goals. All these international approaches and commitments are linked by their objectives but also by the involvement of countries. Thus, they form a coherent whole, a roadmap for humanity.

“Responding to these concerns, in 1992 the United Nations (UN) attributed “the major cause of the continued deterioration of the global environment [to] the unsustainable pattern of consumption and production, particularly in industrialized countries, which is a matter of grave concern, aggravating poverty and imbalances” (UN 1992:19). Since this declaration, calls for more Sustainable Consumption and Production patterns by policy makers, businesses, Non-Governmental Organisations (NGOs), and other actors have become a core part of the Sustainable Development framework.”[2]

In a constantly changing world, economic, biodiversity and climate issues require a constant assessment of the impact of our lifestyles, production and consumption. Changing behaviour and thus acting on these consequences is a difficult task. Thus, it will be vital to measure, monitor and adapt new practices with increased vigilance.

Making sense, being transparent and harmonising evaluation practices has become a concern for all stakeholders. Based on the existing tools and measures, it is difficult for actors in the field to find their way around and make the right choice these days. All this is increasingly complex because we have a wide range of tools at our disposal but the information is sometimes difficult to access. The human being is at the heart of any transformation process through his or her decisions, so it is important to enable him or her to

1 Cf. Annex 1

2 https://unctad.org/news/world-consumer-rights-day-do-consumers-play-role-influencers-sustainable-consumption

make the best choice. The human component is the one that influences production and ultimately the impact on the planet. They must have the means to make decisions.
In this range of choices, we need benchmarks to help us make the best decisions.

Norms, standards, certifications and other labels are distinctive signs that guide, in part, the decisions of everyone. Moreover, these approaches allow for national and/or international recognition. The most visible and known by the citizen are those related to food products. However, research indicates that consumers still have difficulties in understanding the relevance of sustainability in consumer products, mainly due to a lack of information and clarity.[3]

Therefore, it seems necessary to pay more attention to the sustainability labels that surround us in order to better understand them.

This study will thus set out a framework for analysis that will allow for a comprehensive consideration of the main environmental and socio-economic issues, their interactions and above all their measurement.

Firstly, we will develop the notion of sustainable development and more particularly the Agenda 2030 as a key to understanding the concept of sustainability.

Then, we will consider an analysis of the regulatory, standardisation, certification and labelling approaches through the existing tools. In a third step, we will present and analyse European initiatives.

Finally, we will highlight existing solutions regarding transparency, visibility and sustainable certification. The recommendations of the study will focus on the sustainable label currently being developed at European level. As envisaged by the stakeholders, this tool seems promising. It will not only allow the measurement of impacts with common and coherent tools but also to have legibility and clarity in the societal commitments of all actors.

[3] Ritch 2015

2. SUSTAINABLE DEVELOPMENT FRAMEWORK

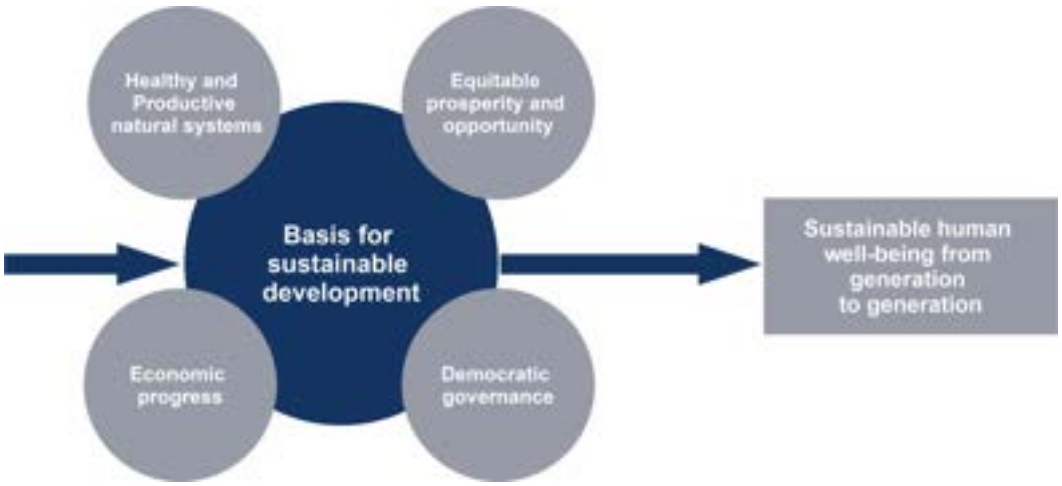
2.1. Sustainable development: an international approach

The concept of sustainable development appeared in scientific literature in the 1970s. One of the first referenced texts to use the concept of sustainability in its current sense is the Club of Rome report "Stop Growth". This report, written by two scientists, was published in 1972. It questioned our model of economic development based on infinite economic growth in a world with finite resources. Even then, it showed the ecological limits of our model of life and consumption. [4]

For the first time in 1948, the term sustainable development was mentioned at the international level in the reports of the Congresses of the IUCN (International Union for Conservation of Nature).

The **International Institute for Environment and Development** (IIED), in its guide for commissioners and managers of evaluations, presents sustainable development as follows (see Figure 1).

Figure 1: Sustainable development according to IIED



This presentation of sustainability is organized around four pillars. Thus, the authors emphasize the importance of healthy natural systems, economic production and progress, prosperity and equitable opportunities, and democracy and transparency in governance as drivers for building a sustainable future. This organisation of sustainable development will later serve as a basis for the elaboration of different approaches and notably that linked to the Agenda 2030, where we will find the bases of IIED's reflection.

[4] https://youmatter.world/fr/definition/definition-developpement-durable/)

Sustainable development allows society to be organised in such a way as to ensure a long-term existence, taking into account both the imperatives of the present and those of the future, such as the preservation of the environment and natural resources or social and economic equity.

The most common definition of sustainability is the one used in t**he 1987 Brundtland Report.** This report is the synthesis of the first **UN World Commission on Environment and Development.**

There have been several important dates and events at the international level have followed one another and have had a significant contribution to the decision-making at the international level regarding the elaboration of the **2030 Agenda**, which is today the main tool bringing together all the concepts and concerns of private and public actors at the international level. Figure 2[5] below maps some of the key events that led to the creation of the 2030 Agenda.

Figure 2: Map towards the 2030 Agenda

Sustainable development is development that respects economic needs, social needs and the environment (the three pillars used as a basis in most sustainability impact assessments). As it has evolved, the concept of development has been broadened and other dimensions have been added. In particular, sustainable development is now accompanied by a reflection on the territorial scale. Moreover, the definition of sustainable development also takes on a political dimension as well as an ethical and moral dimension. Today, sustainable development is approaching the definition of resilience, which is a way of overcoming change more easily.

[5] Eurostat report

The concept of sustainable development has become widely understood by citizens, and has been invoked as a major reference for national and international public policies or as a management principle used by companies concerned about their image.

The popularity of the term has been on an upward trajectory in recent years, most recently with the holding of **COP26** (in 2021) dealing with climate issues or **COP15** (preparatory summit in 2021 and COP in 2022) dealing with biodiversity issues, but also in the run-up to the **Stockholm +50** event. The latter international event is crucial for environmental decision-making. Anchored in the Decade of Action, under the theme "Stockholm+50: A healthy planet for all - our responsibility, our opportunity"[6], this high-level event will follow months of consultations and discussions with individuals, communities, organisations and governments from around the world.

Stockholm+50 will commemorate the **1972 UN Conference on the Environment** and celebrate 50 years of global environmental action. Recognising the importance of multilateralism in tackling the Earth's triple global crisis - climate, nature and pollution - the event aims to serve as a springboard for accelerating the implementation of the **UN Decade of Action for Sustainable Development Goals**, including the 2030 Agenda, the Paris Agreement on Climate Change, the Global Biodiversity Framework.

There would be no sustainable development without new tools of collective intelligence. We are thinking first of all about observation, understanding and forecasting. Sustainable development requires precise diagnoses of the state of the environment and the anticipation of future developments, sometimes in the long term. We are capable of conceiving sustainable development, and we must be able to measure our impacts and our actions, or at least to evaluate the realization of the actions undertaken in a concrete and coherent way.

The **2030 Agenda for Sustainable Development represents a global and holistic** (in the sense of global) challenge in a growing complexity with many possibilities, which has allowed actors to create tools whose essence we will describe.

2.2. Sustainable development: an international approach

As it is evolving in a changing reality, Europe is making sustainability a political priority. First of all, Europe indicated its commitment along with the **193 countries of the world** by signing the **Agenda 2030** agreement in September 2015. Its stance on sustainable development was earlier through the deployment of its policies. All the Sustainable Development Goals are included in one or more of the six overarching ambitions for Europe announced in the policy guidelines, making all the European Commission's work streams, policies and strategies conducive to achieving the Sustainable Development Goals (SDGs).

All the approaches and strategies such as the Green Deal, the taxonomy, the Ecological Social and Governance (ESG) criteria, green finance, climate with the commitments of the Paris Agreement, the biodiversity strategy and soon the European green label constitute

[6] https://www.stockholm50.global/

the context where sustainable development aims at a constant improvement of the quality of life and well-being of citizens without compromising the well-being of future generations.

Sustainability involves the pursuit of economic progress, while preserving the natural environment and promoting social justice. It is therefore a fundamental, holistic and cross-cutting objective of the European Union and progress towards the UN-agreed goals in this area is regularly monitored and reported.

The effectiveness and efficiency of public interventions are a major issue in most developed countries where a high level of public spending is combined with a growing mistrust of political institutions. This is why an objective approach to assessing the impact of public policies and territorial actions is necessary. This impact assessment must be distinguished from other practices, which are also legitimate, but which do not have the same objectives, such as control, audit or advice. It must also be distinguished from evaluation based on other criteria such as relevance, coherence, implementation or usefulness.

Measuring progress towards sustainable development is an integral part of the EU's strategy and the European body Eurostat is responsible for producing an annual monitoring report based on a set of EU sustainable development indicators.

The post-COVID-19 recovery plans for Member States according to the European institutions are an opportunity to invest in the SDGs, and at the same time to protect people and the environment from the effects of climate change, biodiversity loss, and to achieve carbon neutrality.

In the 2020 report, the **UN agency SDSN** notes the global findings on the opportunity to invest in the SDGs and to close the gap: "Data gaps and time lags in official statistics require urgent investments in statistical capacity and increased coordination between governments and the private sector."[7]

In the same report, a different vision of sustainability emerges. Here we find a classification approach to sustainable development around six transformations. These transformations are expressed in a priority and sectoral form for both the private and public sectors. (Figure 3)

[7] Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020, *The Sustainable Development Goals and COVID-19. Sustainable Development*, Report 2020. Cambridge: Cambridge University Press

Figure 3: SDCN - sustainable transformations

The member countries and the European Commission made strong commitments long before the 2030 Agenda appeared. The deployment of an action plan at the European level has been quite difficult to build. Nevertheless, Europe has been able to organize the processes in an efficient manner and is now a driving force in the implementation of the objectives.

Europe's strategy is organized around the promotion of the philosophy of "double materiality", i.e. the consideration of risks (consequences of climate and nature on companies) and impacts (consequences of companies on climate and biodiversity). Standards and labels are essential to ensure transparency vis-à-vis civil society.

2.3. Measuring sustainability

Valuing its environmental, social and economic performance has become an important issue for all stakeholders and actors in sustainability in Europe. Expectations are high for States, but also for companies which are faced with an obligation to show and demonstrate their sustainability to major clients. However, while labels, norms and other standards such as Corporate Social Responsibility (CSR), Environmental, Social and Governance (ESG), the Sustainable Development Goals (SDGs), the Science-Based Target Initiative (SBTi) are multiplying, they are struggling to attract certain companies with their proactive approaches and above all create confusion and even opacity among civil society.

Each framework and scheme has its own objectives that make it more or less appropriate, or mandatory, for organizations in general and companies in particular. We will provide

clarifications to enable the best understanding of the evolutions of the existing reporting frameworks on CSR, sustainability, ESG, climate (SBTi) and energy, while taking into account all the SDGs and cross impacts.

The landscape of CSR, sustainability and climate reporting frameworks is vast and complex, with the number of legal texts continuing to increase each year. More and more risks are weighing on organizations, the climate crisis is raising global awareness and many changes are expected in the coming years for most reporting frameworks, both mandatory and regulatory. The ISO 14068 standard will appear to specify the requirements and principles to be respected in order to achieve carbon neutrality and respect the Paris Agreement. The standard will also define more concretely terms related to neutrality such as "net zero emissions".[8]

The latest versions of standard-setting bodies, reporting frameworks and guidelines encourage or even require private sector actors to establish top-level governance on climate issues, and to clearly demonstrate that sustainability issues, in particular climate risk assessment, are no longer isolated to a CSR level, but are increasingly integrated and aligned with the overall strategy of the organisation.

For example, it has been common practice in the green bond market for years to use sustainability standards or labels as an appropriate benchmark for assessing the environmental character of an investment. It is not uncommon for issuers to include these standards in their framework for qualifying the environmental use of products.

Nowadays, the number of possible labels and standards is impressive at both international and European level. They are sometimes seen as a "sesame" to recognition and visibility. The main characteristic of labels and standards is that they attract the attention of stakeholders and especially consumers as a criterion of reliability and trust.

At the international level, there are two monitoring tools, the best known and oldest ones, which stand out and are part of the basis for evaluation in the private sector. These tools are :
- **the ISO 2600 standard on CSR,**

- **the GRI standard for Global Reporting International regarding sustainability in its holistic approach**.

For example, "the GRI Sustainability Reporting Guidelines - the world's most widely used framework - enable all companies and organizations to report on their economic, environmental, societal and governance performance. [9]

These two approaches are linked and deal with sustainability issues in different ways, but with a common base.

[8] Source EcoAct
[9] GRI G4 Guidelines and ISO 26000, Using the GRI G4 Guidelines and ISO 26000 together

2.3.1. ISO 26000 and Global Reporting Initiative

Founded in 1947, **ISO has published more than 19 500 International Standards** covering almost every technical and economic aspect. From food safety to information technology, from agriculture to health, ISO International Standards have an impact on everyone's life.

ISO brings together the national standards bodies of more than **160 countries** from all regions of the world, with developed, developing and transition economies. These national standards bodies are members of ISO and each represents ISO in its own country. ISO standards are developed on the basis of consensus by groups of experts from all over the world who are aware of the standardization needs in their respective sectors.

ISO 26000 provides guidance on how companies and organizations can operate in a socially responsible manner. It clarifies the concept of social responsibility, helps companies and organizations to translate the principles into concrete actions and enables the sharing of good social responsibility practices between countries.

According to ISO 26000, corporate social responsibility is: "An organization's responsibility for the impacts of its decisions and activities on society and the environment, resulting in ethical and transparent behavior that - contributes to sustainable development, including the health and well-being of society; takes into account the expectations of stakeholders; complies with applicable laws and is consistent with international standards of behavior; and is integrated throughout the organization and implemented in its relationships."

The European Commission, for its part, defines corporate social responsibility as "**the responsibility of companies for the effects they have on society (...). In order to fulfill their social responsibility, companies should have initiated, in close cooperation with their stakeholders, a process to integrate social, environmental, ethical, human rights and consumer concerns into their business activities and their core strategy. This process aims to:**

- **to optimize the creation of a community of values for their owners/shareholders, as well as for other stakeholders and society as a whole;**
- **to identify, prevent and mitigate the potential negative effects of business".**

In the UN 2018 report, "*Contributing to the Sustainable Development Goals" and through ISO standards*, the International Organization for Standardization uses the SDGs entry key to explain and make a readable link between sustainable development and existing ISO standards. In this document, we find coherent links, but in particular a clear framework concerning the evaluation of our actions and strategies.

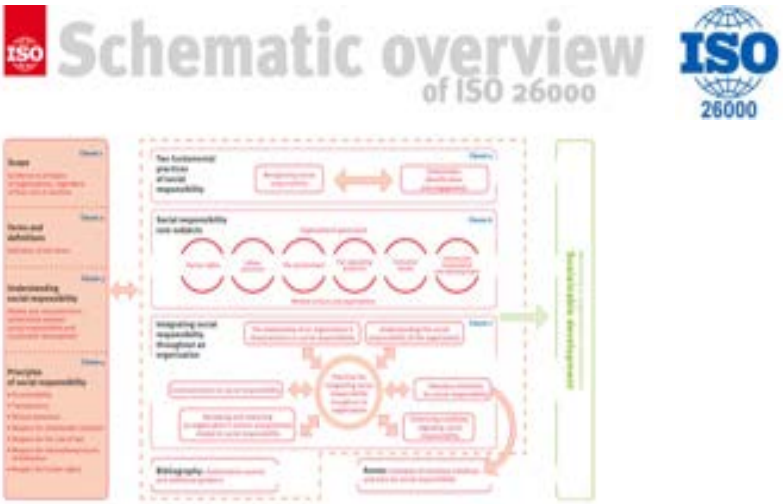
As for the Global Reporting Initiative, it is an NGO created in 1997 from the association of CERES (*Coalition for Environmentally Responsible Economies*) and UNEP (*United Nations Environment Programme)*. In its organization, it includes representatives of stakeholders (companies, organizations, associations, etc.) from all over the world. It was set up

to establish a reference system of indicators to measure the progress of companies' sustainable development programmes. To this end, it proposes a series of guidelines for reporting on the various levels of economic, social and environmental performance.

First published in 2000 and then revised regularly, the GRI Guidelines were given a so-called G4 edition in 2013. Today, the GRI G4 Guidelines are widely used by companies and various organizations to produce their CSR reports.

The GRI and ISO 26000 guidelines share the common goal of improving an organization's corporate responsibility and sustainability performance and remain the two most widely used tools in the world today. In Figure 4, we present the guidelines of the two approaches.

Figure 4: Guidelines: GRI and ISO 26000



The ISO 26000 standard approaches the assessment of sustainability in seven pillars in which we find governance, environment and social and economic issues. The GRI uses a more synthetic approach with two entries: the main entry which is governance and the three pillars of importance which are environmental, social and economic.

One of the first organizations that launched a labeling process at the international level was B Lab. It is a non-profit organization that was founded in 2006 in Berwyn, Pennsylvania.

B Lab created, awarded and still awards the **B corporation** certification (created in 2014) for for-profit organizations. The "B" stands for "beneficial" and indicates that certified organizations voluntarily meet certain standards of transparency, accountability, sustainability and

performance, with the goal of creating value for society, not just traditional stakeholders such as shareholders.

To obtain the **B-Corp Label**, an organization must achieve a sufficient number of points on a 200-question questionnaire covering various topics such as governance, stakeholders, business model, accounting, workforce, salaries, ecological impacts, etc., guidelines that we have developed in the two assessment approaches presented above.

The B-Corp label also has a community and participative dimension. The **B-Corp community** meets in working groups to improve its practices. This label is present in more than 60 countries. [10]

The B-Corp Label is awarded to companies that have responsible practices and extra-financial social, environmental, governance and transparency objectives. Their results are publicly displayed, indicating their performance on specific issues.

The intention of the creator being to make capitalism evolve with a citizen angle, the B-Corp slogan is: "Do not seek to be the best company in the world, but to be the best for the world".

2.3.2. The European Green Taxonomy

Another approach, frequently used, is that of Taxonomies which allows the classification of sustainable and green activities.

Creating a "green taxonomy" is an action launched by the European Commission in 2018. Its basis is a simple principle: define a threshold of CO2 emissions below which a given company will be considered "green" for economic activities. In June 2020, the European Parliament adopted a regulation defining this taxonomy, which should come into force in two stages. It is expected to enter into force in two stages, first partially at the end of 2021 and then fully in early 2023.[11]

In 2018, the European Commission also convened a Technical Expert Group (TEG) of academic, finance and sustainability experts to develop the European taxonomy. In March 2020, the TEG published its final report on the European Green Taxonomy aiming to enable organizations and investment firms to measure and understand the environmental friendliness of their various activities, but also to raise more capital to finance greener economic activities.

One of the structural elements and the determining factor of sustainability-related information are taxonomies, which usually provide technical criteria, terminologies, thresholds, tools and/or labels to identify sustainable activities, products or processes. Some of these taxonomies focus only on environmental aspects, and many cover, to varying degrees, ecological and social elements to classify activities as sustainable.

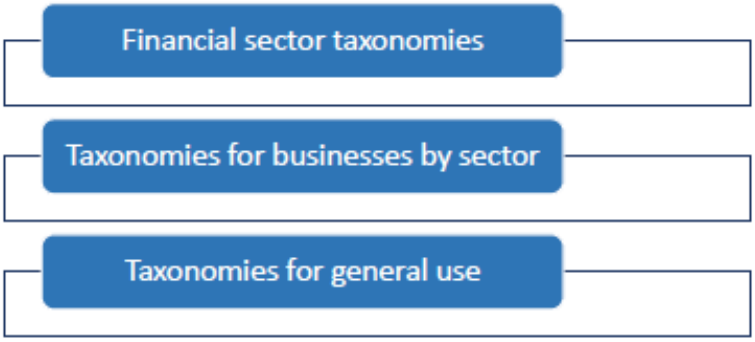
[10] Source Novethic

[11] https://www.touteleurope.eu/environnement/climat-quest-ce-que-la-taxonomie-verte-europeenne/

Taxonomies can take the form of tools for broad target groups, e.g. the EU taxonomy, which is primarily designed for the financial sector, its regulators and the financial staff of companies or banks or other securities issuers. This ambitious project succeeds in balancing the requirement and the flexibility to allow sufficient buy-in by financial actors.

Taxonomies of sustainability can be classified into three broad groups as presented in Figure 5

Figure 5: Classification of sustainability taxonomies



A summary description of each of the groups below is presented in Figure 6 of the European Commission report.

Figure 6: Description of taxonomy classifications

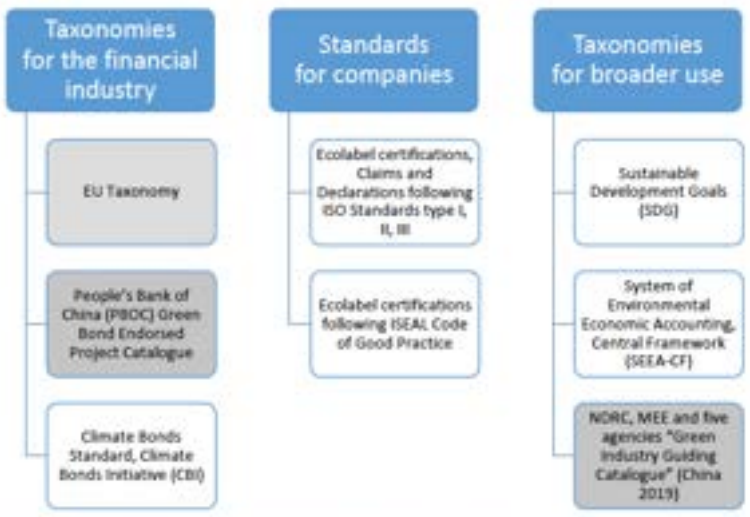


Figure 2: Examples of taxonomies and sustainability standards

The example of the financial sector is another component that has driven a new approach to assessing and communicating the impact of virtuous companies.

The financial sector was one of the pioneers in actions and reflections on sustainability and business ethics. It was in the 1920s, in the United States, that a movement was institutionalized with the creation of the first so-called "ethical" funds. These investment funds differentiated themselves from other funds by excluding any sector or company that was involved in activities considered to be immoral (activities with negative environmental or social impacts). It was not until 1971 that the first fund integrating ESG criteria into the investment process appeared with the birth of the Pax World Fund.

2.3.3. ESG criteria

The international acronym ESG is used by the financial community to designate the **Environmental, Social and Governance criteria** that generally constitute the three pillars of **extra-financial analysis,** but also the three pillars of the Agenda 2030. They are taken into account in socially responsible management. Thanks to the ESG criteria, it is possible to assess the exercise of corporate responsibility towards the environment and their stakeholders (employees, partners, subcontractors and customers).

Institutional clients are beginning to express the need for simple ESG indicators for two reasons. On the one hand, when they delegate part of their management to several companies, they want to be able to monitor and compare their portfolios on the basis of homogeneous indicators. On the other hand, they want to be sure that their investments are oriented towards so-called "green" markets.

In response to these demands, some institutions have adopted ESG performance indicators that are intended to be concrete and meaningful[12].

The ESG criteria are as follows: the environmental criteria takes into account: waste management, reduction of greenhouse gas emissions and prevention of environmental risks.

The Social criteria takes into account: accident prevention, staff training, respect for employees' rights, the subcontracting chain and social dialogue.

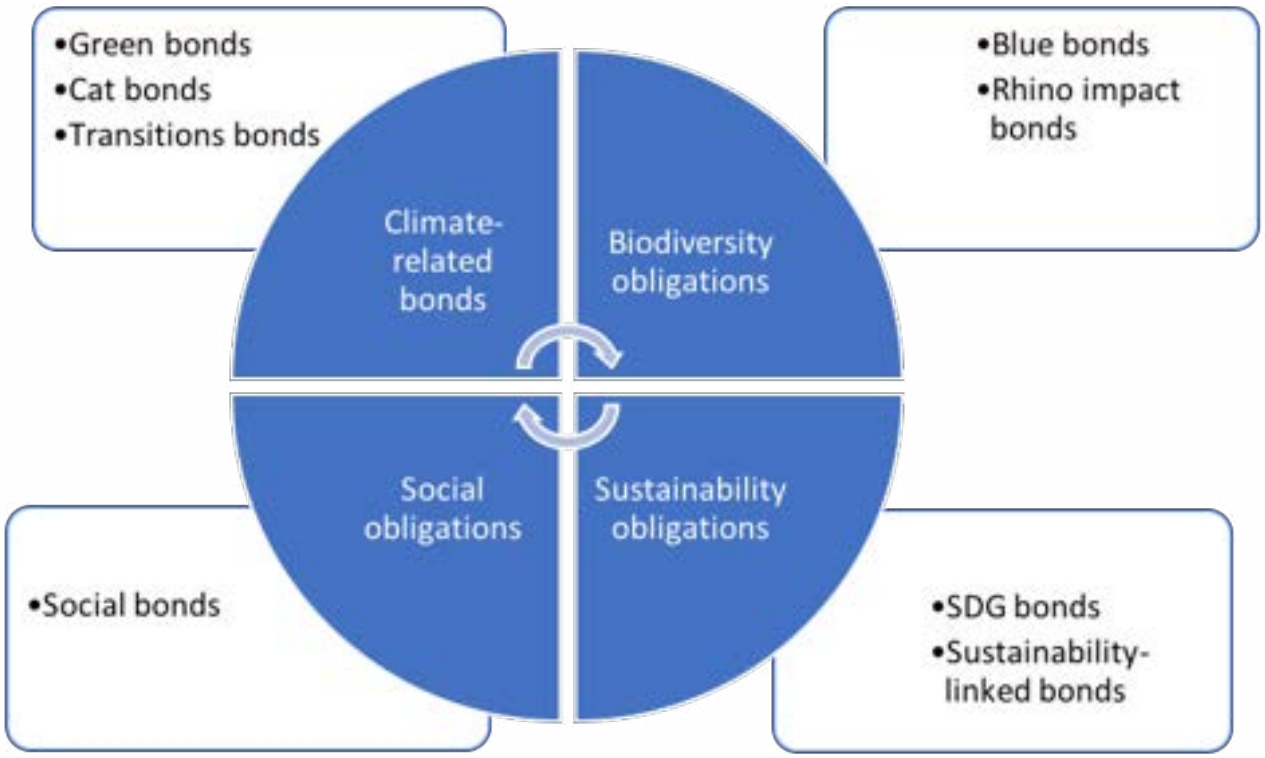
The Governance criteria verifies: the independence of the board of directors, the management structure and the presence of an audit committee. In a sustainable development and responsible investment strategy, it is necessary to link the financial performance of a company to its environmental and social impact.

The **Corporate Social Responsibility Observatory** (ORSE) has published a mapping of sustainability obligations, which we have summarized in Figure 7.[13]

[12] Novethic

[13] *Panorama des obligations durables*, ORSE, mars 2021

Figure 7: Mapping of sustainability obligations



Today, it is urgent for large companies to make commitments to become carbon neutral. BCG Gamma estimates that barely 10% of companies seeking to reduce their emissions measure them precisely. Only 11% have actually reduced their emissions to the level of their ambitions over the past five years. In order to trigger a real dynamic in the economic world, the "Science-Based Targets" initiative published in October 2021 a first standard aiming at carbon neutrality in order to remain on a global warming trajectory limited to 1.5°C.

While today *"companies define their own carbon neutrality reduction targets without any credible and independent assessment of their ambition and integrity",* according to Alberto Carrillo Pineda, SBTi's CEO, the challenge is to put things in order by publishing a reference standard. And this standard is intended to be demanding. The SBTi standard requires companies to reduce their emissions across their entire supply chain by 50% by 2030 and by 90 to 95% by 2050. The remaining 5 to 10% can then be offset. Today, however, offsetting often takes precedence over reduction[14], as users prefer and find it easier to pay the taxes that are due than to implement sustainable reduction processes.

We have various tools (ISO 26000, GRI, ESG, Taxonomy) for measuring the impact, classification and in some cases towards standardization and labeling (B Lab) of the approaches undertaken. Today, we are witnessing an evolution in evaluation approaches

[14] Novethic - octobre 2021

and their harmonization at international level (SBTi). This evolution will allow the world to reach the objectives set in terms of respect for the environment and the protection of the planet.

In short, in this section we have seen the 2030 Agenda which is an international tool and the result of several years of research and events related to the concerns of humanity. This tool allows states to measure the impact of their actions and to build their strategies in response to environmental, social and economic issues. It allows governments to build their political strategies in coherence with others. It is also used by the private sector as a communication and evaluation tool. (see Annex 1)

Thus, in the second part of our paper we have developed the tools that are used by the private sector to assess their practices and build their sustainable strategies. In all the tools used by private sector actors we find the basic principles (pillars) of the 2030 Agenda. Whether actors choose to use the CSR, ISO 26000, GRI, ESG or Taxonomy approach, they will intrinsically work on the Agenda 2030's SDGs.

However, the question remains as to how these tools relate to existing frameworks and the use of standards, certificates and sustainability labels.

3. FRAMEWORK RELATED TO CONCEPTS: REGULATIONS, CERTIFICATIONS, STANDARDS AND LABELS

3.1. State of the art

The various crises we are facing pose major challenges to all stakeholders, but particularly to States and companies, in terms of environmental protection, social consideration and economic competitiveness. One of the characteristics of our time is the market economy in which companies and products move freely from one country to another, from one continent to another. This economy is based on free trade in goods, services, technology and capital, as well as on the free movement of companies themselves.

In this context, governments and companies must take up the challenge of changing their operating methods by integrating the various environmental components. And for the private sector, a double challenge, because it must remain competitive and attractive to consumers.

In order to respond to the need for environmental protection and fair competition between countries and companies, governments have developed environmental regulations. The response to the requirements of the States consists of setting up regulatory mechanisms as well as voluntary environmental protection mechanisms intended to provide a framework for the activities of companies. The term "regulation" covers all laws, decrees and legal regulations. It includes the entire pyramid of standards, as well as international laws recognized by the country concerned.

The private sector is constantly adapting and its role is crucial, but still remains opaque to the citizen in some cases. There is a consumer demand for more environmentally friendly goods and services. Once informed, consumers indirectly encourage companies to move towards "cleaner" technologies and approaches.

Under pressure from civil society and state mechanisms and regulatory requirements, companies find it beneficial to develop more environmentally friendly products and to label them. However, they remain under the assumption that the consumer is always well informed and able to appreciate the environmental quality of the product.

However, the reality proves the contrary. It therefore seems essential to us to discuss the hypothesis that the consumer does not know the standard that products must meet in order to be labelled and to analyse the theoretical consequences on the incentives for companies to label their products.This hypothesis is often used by the private sector. Taking into account the lack of knowledge of the labeling procedures reduces the incentives for companies to be labeled.

Thus, even if consumers are willing to pay a higher price for cleaner products, the consumer's uncertainty about the standard or label and lack of awareness of its existence reduce the incentives for companies to label and thus to be attractive.

Other reasons may also explain the fact that companies do not wish to label their products, such as the cost or the cumbersome procedures.

3.2. Validation and accountability processes

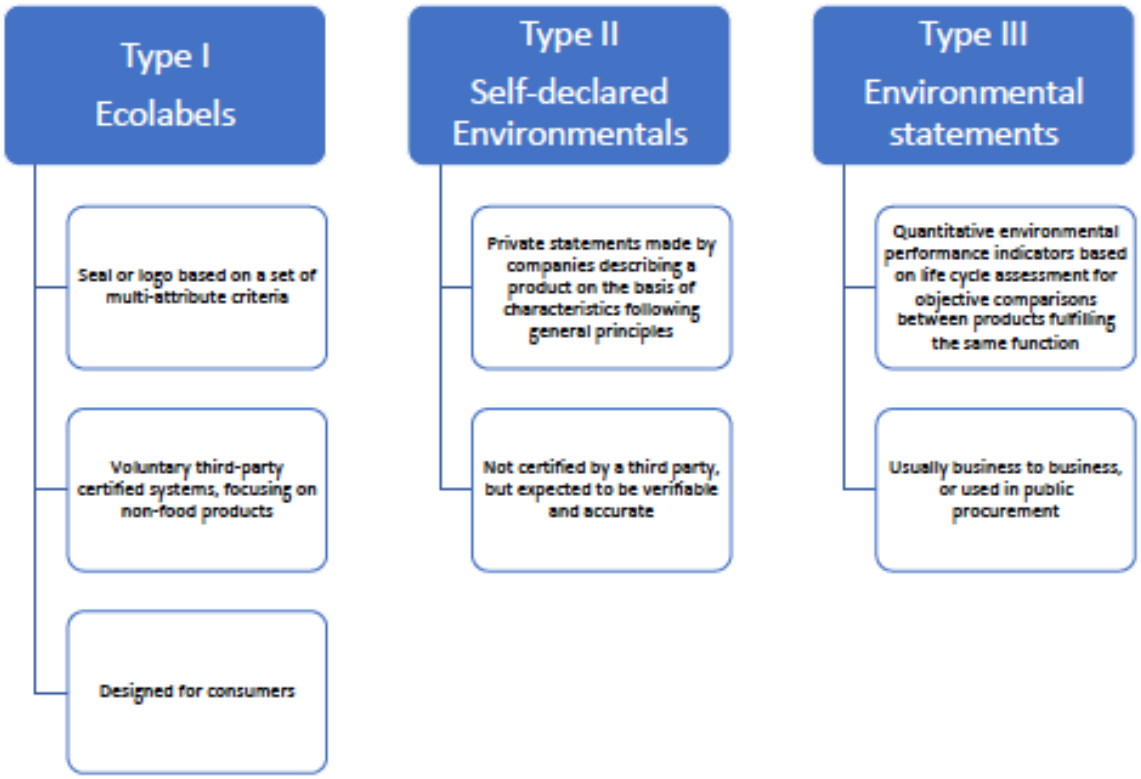
According to Meyer and Rowan (1977:340-342), as ongoing action in a given field becomes more complex and differentiated, this tends to lead to the need to formally manage and coordinate the increased internal and cross-border interdependencies. As a result, most labeling systems have established a formal organization and systematic coordination and monitoring of standard setting, evaluation and communication

Figure 8: Labelling process

Sustainability standards and labels, focusing on environmental aspects, also known as environmental labeling and information systems, are developed to convey information on the environmental quality and performance of a product, process or service to an external audience.

Although it does not fully capture the diversity of standards, labels and schemes currently in use, the **International Organization for Standardization** (ISO) distinguishes these initiatives into three categories, as follows:

Figure 9: Categorisation of standards and labels according to ISO



The global membership organization for credible sustainability standards, **International Social and Environmental Accreditation and Labeling** (ISEAL)[15], defines best practices for standards systems, for:

- ensuring that sustainability is at the heart of every standard,
- ensuring improvements resulting from the application of the standard,
- ensuring that the standard is relevant and fit for purpose, structured to ensure quality,
- ensuring that the standard is based on a multi-stakeholder, impartial, transparent, accessible, truthful and effective process.

It is therefore imperative to note that standards can be developed and administered by a variety of institutions, including private, public, for-profit and not-for-profit institutions.

Sustainability standards, labels and programmes may also differ in the extent to which they address key sustainability challenges associated with processes, activities or goods. While some standards take a holistic approach to addressing all environmental and social

[15] https://www.isealalliance.org/

risks/opportunities associated with a given process, activity or asset, others may be more selective in what they focus on.

Benchmarks have emerged to promote the comparability of standards, labels and sustainability systems. One example is the standards map[16] administered by the **International Trade Center**[17].

Figure 10: Standards map, Source www.intracen.org

The **Standards Map** compares over **300 standards and 260 standards for marketable** goods. The comparison is made in terms of the process aspects associated with the way the standard is audited:

- management of claims and labeling,
- support for the implementers of the standard,
- the establishment of the standard.

Also compared are aspects of requirements related to environmental and social considerations related to:

- management,
- quality,
- ethics.

[16] https://www.intracen.org/itc/a-propos-de-l-itc/Standards-Map/
[17] https://www.intracen.org/

The scheme is based on self-assessment by the standard, label or scheme. The **Ecolabel Index** provides an overview of the characteristics of the Ecolabel, the process of developing the standard, and information on how the standard is assessed and managed.
The tool provides comprehensive, verified and transparent information on private sustainability standards and other similar initiatives covering issues such as food quality and safety. The main objective of the programme is to build the capacity of producers, exporters, policy makers and buyers to participate in more sustainable production and trade.

The tool provides solutions to the following problems:

- the lack of a credible repertoire,
- the confusion created by the proliferation of standards applying to international markets developed by companies,
- supplier audit fatigue (e.g. buyers conducting multiple audits of the same sugar supplier from India),
- the need for more transparency and means of comparison between companies' audit protocols, in order to generate trust and mutual recognition: "one audit serves many companies".

Another readability tool is **the Ecolabels Index.** It currently lists **455 ecolabels in 199 countries, and 25 industry sectors and 432** sustainability-related product **labeling schemes**[18].

It should be noted that the ISO classifications, the ISEAL requirements, the Standards Map benchmarking tool and the Ecolabels Index are examples of benchmarks available to the public to help them assess the strength of various sustainability standards, labels and information systems. These examples are not exhaustive and this document may evolve over time to include additional examples.

Thus, **in short**, we can distinguish two types of standardisation and labelling approaches. Firstly, compulsory procedures which are limited to compliance with regulations and secondly, voluntary procedures which are put in place to give added value to a product or service.

Figure 11: Characteristics of the existing framework

REGULATION	CERTIFICATION	STANDARDS	LABELS
Required by law	Voluntary, exceeds regulation	Regulatory, Voluntary	Indicates quality in a field Issued by: a certifying body, a third party body

[18] http://www.ecolabelindex.com/

For market actors, the classification of economic activities as sustainable (whether in terms of "greenness" or holistic aspects of sustainability) or not, is of great importance, but is not sufficient to meet their need for additional assessment systems.

One system that allows for classification and is recognized as such by the private sector is the classification of taxonomies. Sustainability taxonomies define whether an industrial activity, product or process is sustainable, ecological or social and assess the extent of sustainability, ecological character and social character. Taxonomies are coherent sets of sustainability criteria.

Another system for valuation and classification is that of nomenclatures. Bills of materials are coding systems that classify economic activities, products and processes of entities in different industry sectors in order to generate economic value. Different nomenclatures are designed for different purposes, such as calculating the size of economies, tax accounting, monitoring production, tracking trade flows and tariffs and national statistics. Users of these classifications include government agencies, investors, private companies and the public sector.

3.2.1. Nomenclatures: classifications of economic activities and products

Nomenclatures are sometimes used to systematically classify economic activities and products, including goods and services, which can be further examined for information on ecology and sustainability.

For example, the **Statistical Classification of Economic Activities** (NACE) in **the EU**, the **North American Industry Classification System** (NAICS) in **the United States** and the **CSIC in China**. It is a consistent numerical coding system for identifying economic activities and products. Over the years, an international system of activity classification has been developed with two main levels: industry classifications and product classifications.

For ease of understanding, the economic classifications have been subdivided into thre broad groups as shown in Figure 12.

Figure 12: Organisation of economic nomenclatures

3.2.2. The rules

The regulations are determined by administrative authorities such as the state, legislative chambers, at the European level by the European Commission, and local authorities. They are requirements from legal texts imposed on manufacturers. If these rules are not applied, organisations are sanctioned for non-compliance.

3.2.3. The norms and standards

There are two types of standardization: **voluntary standards and regulatory standards**.

The standardization institutes, such as **the Association Française de NORmalisation** (AFNOR), oversee **voluntary norms** - apart from regulatory standards, which are related to the law and therefore mandatory.

The purpose of these standards is to establish a reference framework with **technical or qualitative prescriptions** concerning products, services or practices. They are determined by professionals and users. Any entity may propose a draft standard, and all parties concerned by the project are then heard before the standard is approved, i.e. validated.

A **norm** is, according to ISO: "**A document established by consensus and approved by a recognized body, which provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, ensuring an optimum level of order in a given context."**

The norm is a reference document on a given subject. It indicates the state of science, technology and know-how at the time of writing. To be considered a standard, the document must meet two conditions:

- **the means and methods described must be reproducible using and respecting the conditions that are indicated,**
- **it must have received the recognition of all.**

A standard is the result of a consensus developed through a process called standardization. In general, a manufacturer or service provider is not obliged to follow a standard. However, they can be imposed in two ways:

- The contractual way: when a client sets standards to be met for the performance of the reference contract;
- The more extensive way: legal or regulatory provisions impose - in specific and defined cases - compliance with standards in the design, composition, manufacture of goods and services, etc.

However, given the procedural constraints imposed on standards bodies, there is a gap, of varying degrees, between standards and practice. Some standards, which are in fact universally recognized and adopted, may become more widely known than norms, while

some technical standards may never be applied. Depending on their content, four types of standards can be distinguished[19] as shown in Figure 13.

Figure 13: Organisation of standards by content

To understand the situation, we can take the example of the **technical standard** as a nome of specialization which is a reference system officially approved by a State, or approved at European level, or resulting from an international treaty such as ISO. An independent body can be the bearer and implement the standardization process. Nowadays, all organisations, whether state or private, use the ISO 45001 standard which ensures health and quality at work.

In industry, economy or services, a standard is a set of rules of conformity or operation legislated by a mandated standardization body, such as ISO at the international level, or a body recognized by the State. A standard, on the other hand, is a set of recommendations or preferences advocated by a group of characteristic and informed users.

Indeed, norms and standards ensure the durability and scalability of content and technical choices and promote the interoperability of platforms. They also constitute a collection of best practices.

On the other hand, the standard does not seem to require that the reference framework has been subject to collective review and technical consensus building, as is the case with a norm.

If we take the example of the French law no. 2004-575 of 21 June 2004, we can read the following definition of an open standard (title I^{er}, *freedom of online communication*, chapter I^{er}, *online public communication*, article 4): "An open standard is any interoperable communication, interconnection or exchange protocol and any data format whose technical specifications are public and without restrictions on access or implementation.

This definition makes it mandatory for protocols and data formats to be independent of software or operating system publishers, manufacturers and users, and for technical

[19] Frédéric Canard, Management de la qualité : vers un management durable, Gualino Editeur, 2ème édition, 2012

specifications to be documented and not subject to patent royalties. However, it allows for the unrestricted provision of specifications, or their implementation, to be subject to a reasonable flat fee.

3.2.4. The labels

Labels are defined by distinctive signs: a **name, a logo and a set of specifications** to be respected. They can be awarded by both **private and public bodies** and therefore some are more reliable than others.

Labels issued by recognised organizations with third party verification are the most reliable. The example of the European Ecolabel will be developed in the following section.

3.2.5. The certifications

Certification is a process aimed at recognizing the quality and **conformity of products** and services. Issued by an independent certification body, the procedure includes an audit and a test phase. It makes it possible to be more visible being reliable (audit, test and periodic control) and indicated by a logo. It is a real guarantee of quality.

Standards, labels and certifications are **voluntary steps** taken by the manufacturer to recognize the superior quality of these products in relation to established regulations.

3.3. The disparities in the measurement of the impact

When private sector representatives are asked about their reasons for subscribing to eco-labelling or certification programmes, the motivating factors for adopting an environmental management system are firstly "to facilitate compliance" and "to improve relations with regulatory authorities", secondly "to prevent and control pollution" and thirdly "to improve the company's image"[20].

There are many reasons for companies to adopt more environmentally friendly behaviors, pressure from different stakeholders and the desire to satisfy a demand for more environmentally friendly goods are important, but also motivations such as [21] :

- the authorities are thus less inclined to regulate industry, which seems to be increasing its own environmental protection requirements, by surpassing those already in place,
- the need to renew the productive apparatus,
- the desire to weaken its competitors.

[20] Glachant et al. (2004)

[21] (Lyon et Maxwell (2004))

Ecolabels and standards in general can be used strategically to enact the firm's interest at the expense of its competitors.

Some sustainability classifications take the form of eco-labels or standards, which in turn are used by companies to highlight and communicate, in an easier-to-understand format, the degree of sustainability of their products or activities. Private organizations and entities develop the criteria for these standards in collaboration with stakeholders.

Companies label products or processes with, for example, audited eco-labels, Environmental Product Declarations (EPDs) or environmental claims (such as "recyclable").

For several years now, we have been witnessing a growing awareness on the part of consumers of the negative impacts of the current system and the need to change the model. In this context, sustainability initiatives have multiplied: labels, certifications, private labels, progress initiatives... The result is an overabundance of information for consumers, restaurateurs and purchasing managers who are not necessarily able to find their way through this profusion of initiatives.

In this section we have presented an overview of norms, standards, labels and certifications, taking the example of the most well-known organisations at international level. These organisations gather and classify hundreds of standards and labels related to sustainability.

The inventory we have described allows us to distinguish between two approaches: the legal approach, which is compulsory for an organisation to exist, and the voluntary approaches. These tools, whether mandatory or voluntary, join the tools for measuring impact that we presented in the previous section. They are assessment tools at the macro level of organisations. They represent complementary pieces in the measurement of sustainability related to environmental, economic and social issues.

Moreover, they are communication tools vis-à-vis stakeholders, but also tools for distinguishing products and/or processes within organisations, whether state or private. In the following section we will present the Ecolabel, which will allow us to understand in a concrete way the deployment of a European tool.

4. THE EUROPEAN LABEL: ECOLABEL, WHAT IS IT?

4.1. Historical overview of the approach

The first sustainability-oriented product labeling schemes were the Type I ecolabels (see Figure 9 above). The German ecolabel (Blue Angel) was introduced in the 1970s and was followed by other ecolabels in Sweden, the United States, Canada, Japan and other countries.

A few years later, the majority of European Member States, together with other countries that had already introduced labeling, introduced Type I ecolabels. This led to the prior consideration of environmental issues at state level. In order to harmonize eco-labelling systems in Europe[22], the European Council asked the European Commission in 1990 to work on a plan for the implementation of a European eco-label[23].

After three years of debate, the first criteria for the European standard were developed in 1993. The focus of the standard is that the criteria should take into account "the most significant environmental impacts". In order to comply with the procedural norms formalized in the ISO standards for Type I ecolabels, the EU ecolabeling organizations use, partially, life cycle analysis to identify these most significant impacts. Thus, on 12 December 1991, the regulation establishing a European Ecolabel was approved by the EU Environment Ministers. The European Ecolabel, established by Council Regulation (EEC) No 880/92 of 23 March 1992.

Once established, the ecolabel is applied in all EU countries and in Switzerland, after negotiation and adoption of the specifications by a qualified majority of the representatives of the Member States, and publication in the Official Journal of the European Commission (OJEC).

"The primary function of the EU Ecolabel is to stimulate both the supply of and demand for products with a lower environmental impact than other products in the same category. On the demand side, the scheme empowers European consumers to make informed environmental choices when purchasing products. On the supply side, the EU Ecolabel has the clear objective of encouraging companies to market more environmentally friendly, officially certified products. "[24] Thus, the European Union is initiating a process that indirectly regulates and selects these environmental requirements and criteria to be met.

[22] Karl et Orwat 1999:213

[23] Neveling 2000:215-225

[24] Commission des Communautés européennes 2008a:10 ; IEFE- Università Bocconi 2005:82

The European label aims to : "promote the design, production, marketing and use of products with a lower environmental impact throughout their life cycle" and "inform consumers better of the environmental impacts of products, without compromising product or worker safety, or significantly affecting the qualities that make the product fit for use". (see Annex 4)

The ecolabel is built on a "global approach", systemic, which involves an analysis of the life cycle of the product, from its manufacture (particularly the choice of raw materials) to its elimination or recycling, including its distribution, consumption and use. (see Annex 2 and Annex 3)

Figure 14: Life cycle diagram: Ecolabel

In developing the EU Ecolabel criteria for products, the focus is on the stages where the product has the greatest impact on the environment, which differs from product to product.

If we look at textiles, for example, fabrics have a significant impact on the environment when they are dyed, printed and bleached. So experts have designed the criteria for textiles to ensure that damage at the manufacturing stage is minimized. For other products, such as detergents, the substances used in the products are one of the main priority areas. Other products, such as electronic equipment, have a very high environmental impact during their use phase, so the criteria will focus on their energy efficiency.

In addition, product-specific criteria ensure that any product bearing the EU Ecolabel is of good quality with high performance.

The criteria are developed and reviewed in a transparent manner by a group of experts and stakeholders. Thus, each type of product, from the moment of its conception, has to comply with precise specifications that take into account the entire life cycle of the product (raw materials, distribution, consumption and recycling). At the request of the Member States, the European Ecolabel has excluded from its scope certain products such as: food

products, beverages and pharmaceutical products. The central organization and administration of the EU eco-labelling scheme is carried out by the EU Eco-labelling Board (EUEB).

The EUEB is composed of representatives of the competent bodies, which are to be designated by each Member State as the lead body for the national implementation of the EU Ecolabel, as well as representatives of different interest group associations. This organization allows for the involvement of a wide range of stakeholders, but also for the dual-level management of the procedure.

The overall supervision of the scheme is carried out by the European Commission, with decentralized validation competence. The Commission is assisted by an Ecolabel Helpdesk.

The Commission also has the main responsibility for decision-making and co-ordination with the Regulatory Committee of national authorities.

It is important to note that the notion of responsibility is taken into account in the labeling approach, with the responsibility for assessment resting primarily with the national competent bodies. Compliance with the criteria of the EU eco-labelling scheme can be communicated on the product by the European symbol. In line with requests to provide more detailed information, the product information may include up to three key environmental aspects that are addressed by the labeled product.

The operation of the EU Ecolabel is defined by a Regulation of the European Parliament and the Council. The day-to-day management is carried out by the European Commission, in collaboration with Member State bodies and other stakeholders.

It is important to know that the EU Ecolabel is **a voluntary scheme**, which means that producers, importers and retailers can choose whether or not to have their products labeled.[25]

So although the labeling process is time-consuming and costly, the EU label is able to standardize 32 product groups.

Almost 30 years after its creation, we have, as of September 2021, 83,593 labeled products and 2,059 licenses in 23 of the 32 product categories.[26] (The official statistics for the European label show a boom in recent months of 2021, with an increase in the number of labels of between 19 and 28%, depending on the category and the products. Figures 15 and 16 give details of the products awarded the label.

[25] www.ecolabel.eu

[26] Official results of: www. ecolabel.eu

Figure 15: Ecolabel licences per product group

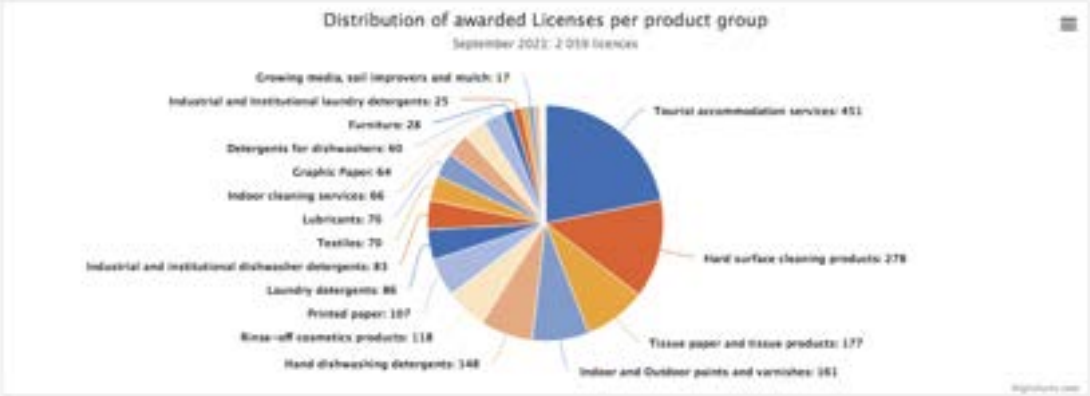
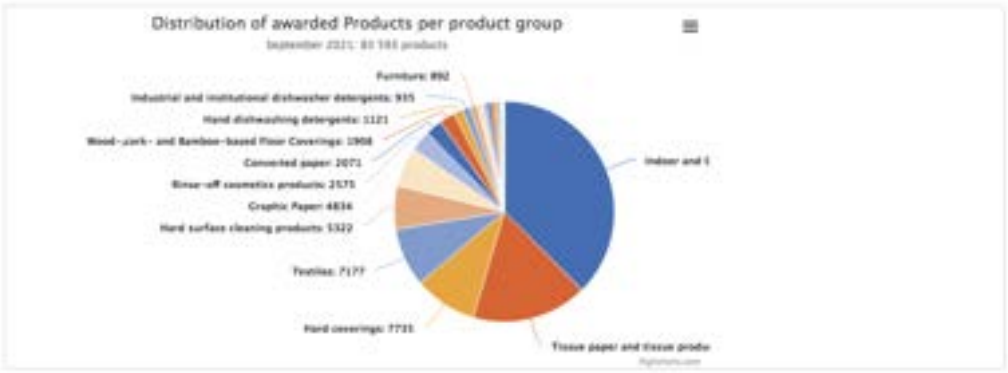


Figure 16: Ecolabel by product group



EU Ecolabel Key Figures - September 2021 Infographic

Figure 17 shows the mapping of labeling. There is a strong disparity between countries and the number of labeled products. This disparity can be explained by several factors such as the high cost, the administrative burden of the process, the lack of knowledge or recognition value given by some Member States to this standardization procedure.

Figure 17: Ecolabel product mapping[27]

Indeed, in the opacity of standards and labels, some companies spontaneously choose a

simpler, less costly approach, but with a visual appeal to the consumer. This leads us to take a brief look at the so-called "ECO" labels, the biological label "BIO" and the organic label. In principle, all three should have the same meaning, coming from organic agriculture with the specifications that are attached to it.

Nevertheless, the "BIO" logo will be used in priority in France, Belgium, Holland and Portugal. The "Organic" logo will be used more in Spain, Finland and Switzerland. In other countries, the legislation is so light that the three logos are used without strict controls. However, there is a European certification process in this area. Figure 18 shows other visual logos that can lead to confusion and influence consumer choice.

Figure 18: Images of Bio, Eco, Organic logos

While many of these schemes have focused on environmental dimensions, increasingly socially oriented and broader sustainability schemes are emerging around the world[28]. Attempts to classify product labeling schemes are almost as numerous as the number of existing schemes. The most commonly used classifications are those of the International Organization for Standardization (ISO) and the US Environmental Protection Agency (EPA).

[27] See Annex 3 and Annex 4
[28] Bratt et al. 2011:1632

Beyond the lack of clarity for consumers, this multiplication of approaches also has consequences for the public authorities, which are led to implement policies to support some of these approaches. The year 2021 is particularly significant in this respect with the arbitration of the next Common Agricultural Policy (CAP) and the National Strategic Plan (NSP) which each Member State will have to take on board and put in place by 2023.

In addition to subsidies for organic farming, this policy is moving towards financial support for other approaches, such as the example of France with the highest certification known as High Environmental Value (HVE). Not limiting itself to financial support, the State can also encourage the development and structuring of certain approaches through its public policies. This is the case, for example, with the EGalim law, which formalized an obligation to introduce 50% of sustainable products in the supply of collective catering, or with the experimentation underway for an environmental display on food products[29].

Organizations such as Greenpeace, WWF France and BASIC have studied in France the socio-economic and environmental impacts of 11 food labels, certifications and approaches to inform public opinion and decision-makers about the reality of the guarantees offered by all these initiatives.

In 2011, only 35% of French people gave scientific credence to the information on "green" products. The proliferation of declarations of ecological principles, not always followed by concrete actions, has largely contributed to sowing doubt in public opinion about the sincerity of companies, sometimes accused of "greenwashing". In existence since 1992, the European Ecolabel aims to give credibility to and harmonize environmental information in Europe. It distinguishes products and services that respect the environment, taking into account the impact of the product throughout its life cycle "from the extraction of raw materials, manufacturing, distribution, and use to its recycling or elimination after use.

4.2. European perspectives in the framework of the Ecolabel

As mentioned above, the European Ecolabel is awarded to products and services that meet the ecological criteria developed by European experts. They are awarded the specific logo that serves as recognition. Labeling remains a voluntary procedure. Only the stakeholder wishing to obtain the label submits his product for it. What the Ecolabel offers is the guarantee that ecological criteria determined at European level are respected.

The Ecolabel can be used in the 27 EU Member States and in the countries that are part of the European Economic Area: Norway, Liechtenstein and Iceland.

The assessment criteria are valid for 3 to 5 years. A product that has received the Ecolabel keeps it until the criteria for its category are revised: there is therefore a regular re-evaluation of the environmental performance of ecolabelled products. The European label complies with the ISO 14024 standard, which means that it meets very specific requirements

[29] WWWF, Greenpeace, BASIC, *Étude de démarches de durabilité dans le domaine alimentaire*, Rapport d'analyse transversale, septembre 2021

that take into account the environmental impact of products throughout their life cycle. The products are certified by an independent body, which guarantees that the product complies with the criteria of a set of standards previously drawn up jointly by professionals, consumer and environmental protection associations and the public authorities.

In some Member States, other recognised labels are available. For example, in France three Ecolabels are available: the "European Ecolabel", the "Blue Angel" Ecolabel and the "Nordic Swan" Ecolabel. The Blue Angel Ecolabel was created by Germany in 1978. It covers 125 product categories as opposed to the 32 categories of the European label. The ecolabel of the Northern European countries (Iceland, Sweden, Norway, Denmark, Finland), the Nordic Ecolabel, has existed since 1989. It covers 63 product categories.

The essential question remains: why commit to a labeling process?

First of all, because the choice of products with an ecolabel contributes to the prevention and treatment of waste and, more generally, to the protection of the environment. Their criteria guarantee the suitability for use of products and services, and a reduction of their environmental impact throughout their life cycle. For the consumer, choosing products with an eco-label is the only way to have a guarantee of the ecological quality of the products, through verification by an independent body.

The new Circular Economy Action Plan1 recognizes the valuable role of EU Ecolabel criteria to inspire mandatory legislation and prescribes the systematic inclusion of circular economy aspects in the EU Ecolabel criteria. By encouraging producers, depending on the product group, to efficiently use raw materials, generate less waste and CO2 during the manufacturing process, use less hazardous chemicals and develop products that are durable, easy to repair and recyclable, the EU Ecolabel is a crucial tool of the circular economy. At the same time, the EU Ecolabel is an enabler of sustainable lifestyles and green procurement because it guides consumers, public and private buyers towards excellent products in terms of environmental performances. As soon as EU Ecolabel criteria for financial products will be adopted, they will contribute to the promotion of environmentally sustainable investments.[30]

It is therefore our individual responsibility, but also our ability to choose correctly, to become aware of the consequences of our actions and our consumption patterns in order to be able to ultimately modify production methods towards virtuous models that respect our environment.

Briefly:

- The Ecolabel is an interesting initiative for the consumer since it is a label that is already known to the public,
- Its development process is transparent,
- However, the requirements for the awarding of the label have so far been too unambitious.

[30] *Strategic EU Ecolabel Work Plan 2020 – 2024*, December 2020, Commission européenne/Europese Commissie

5. SUSTAINABLE DEVELOPMENT AND STANDARDS: ARE THERE LINKS?

5.1. Reminder of the ISO standards

In the previous sections, we have shown the existence of a market for standards and labels at the international level, governed by the supply and demand for labeled products and services. It is clear that this market is not simple, transparent, acquired and even less well understood by all stakeholders. **It is therefore important to make labels and standards more readable, transparent and recognizable by users and consumers.**

In the global context, and in particular that of climate and health emergencies and the loss of biodiversity, if we do not succeed in making our actions transparent and legible, we are heading for failure. This failure will be reflected in the disappearance of procedures, particularly due to the lack of knowledge and understanding of labels. It is therefore necessary to improve consumers' and decision-makers' understanding of labels so that they use them more in their choices, decisions and consumption and governance habits.

There is a multitude of environmental claims. At the same time we are faced with the difficulty of finding reliable guarantees. In this context, the International Standards Organisation has developed standards to regulate and harmonise environmental claims in order to ensure the reliability of products and processes.

Thus, to attest to compliance with a standard, there are one or more accredited certification bodies that have the authority to certify a product, a service or a company. The certification demonstrates that the latter meets the requirements of the said standard. The ISO standards are the best known and used at international level. These standards are deployed both in the state sector and by the private sector, and more and more organisations are positioning themselves in the harmonisation of normative procedures. Thus we will easily find town halls, ministries as well as service or production companies that display the ISO logos according to their standardisation.

In order to shed light on these new harmonisation approaches, we felt it was necessary to highlight three of the ISO standards, the best known and most widely used worldwide by state and private organisations, which are directly linked to sustainable development.

In this part of our research, we will present the existing links between standards and labels and demonstrate the links of the latter with sustainable development by taking the ISO standards as a reference framework.

5.1.1. ISO 26000 : CSR-OSR and Sustainable Development

ISO standards are an internationally recognised assessment tool for the collective communities. They are considered important because they meet the expectations of international organisations. Indeed, they meet the criteria of the sustainable development approach.

The ISO approach aims at global equity, which is why it is strongly supported by users but also by decision-makers at international level. Therefore, having ISO certification is an asset for organisations. It can be deduced from this that the **ISO standard** contributes strongly to the realisation of **sustainable development**.

In November 2010, after a decade of international negotiations and with the help of **more than 450 experts from 99 countries and 42 international organizations**, ISO published the **ISO 26000 standard**. This global standard is a benchmark for good practice and know-how for industry, governments, trade unions, non-governmental organisations and consumers.

It provides a framework for organisations to act ethically and transparently in order to contribute to sustainable development, while taking into account stakeholder expectations, applicable laws, and international standards of behaviour. It provides a framework for organisations to act ethically and transparently in ways that contribute to sustainable development, while taking into account stakeholder expectations, applicable laws, and international standards of behaviour.

"It is on the basis of its contribution to sustainable development and its impact on society and the environment that an organisation's "social responsibility" is assessed, an aspect that becomes a critical performance measure. »[31]

ISO 26000 places social responsibility, an organisation's responsibility for the impacts of its decisions and activities on society and the environment, as well as the continuous improvement approach as answers to the seven central questions that make up the standard. These core issues are organised around governance, human rights, labour relations and conditions, the environment, fair practices, consumer issues and local community development issues.

5.1.2. ISO 14001 : Environmental management

ISO 14001 is the reference standard for implementing an Environmental Management System (EMS) at the level of a company or organization in order to manage the impact of its activities and to evaluate the effectiveness of its environmental management. It can be certified by an accredited body and is applicable to all organizations and sectors of activity (industry, tertiary sector, local authorities, etc.).

Based on the principle of continuous improvement, it provides a frame of reference for identifying, evaluating and controlling all environmental impacts and processes (activities in nominal mode, measurements and controls, degraded modes and management of risk situations). As such, it is a very effective management tool for ensuring compliance with environmental regulations.

[31] ISO 26000 et les ODD, octobre 2018

It is also one of the main standards on which ISO 26000 is based and within which it is articulated to deal with the environmental components.

Unlike the ISO 9001 quality management standard, ISO 14001 does not set performance level requirements, but requires a demonstrated and measurable commitment by the organization to a process of impact and risk reduction. It also sets requirements for internal and external communication and for prevention - response to emergency situations.

Commitment to the approach is voluntary on the part of the organization, which controls the budgets, action plans and implementation schedules.

5.1.3. ISO 50001 : Energy Management

The ISO 50001 standard, published at the end of 2011, aims to improve energy performance by reducing energy-related costs and greenhouse gas emissions for all organisations. This standard is between ISO 14001 and ISO 26000 in its philosophy, the 50001 standard is based on simpler principles of implementation.

The standard enables user organisations to commit to reducing their climate impact, conserving resources and improving their bottom line through effective energy management.

5.1.4. ISO 45001 : Health and safety at work

Nearly 8,000 people lose their lives every day as a result of occupational accidents and diseases. To address this issue ISO has brought together experts in the field of occupational health and safety to develop an International Standard that could potentially save up to three million lives each year.

"ISO 45001 builds on the success of previous international standards developed in this area such as OHSAS 18001, as well as the International Labour Organization's ILO-OSH guidelines, various national standards and international labour standards or ILO conventions." [32] This standard uses and brings coherence to the principles concerning the social impacts of sustainable development and makes the link with sustainability and the 2030 Agenda.

This standard specifies the method for implementing occupational health and safety management. The aim is to achieve better risk management in order to reduce the number of accidents, comply with legislation and improve performance.

In Figure 19, we have presented the four most well-known and widely used ISO standards that are directly related to sustainability and its measurement and monitoring.

[32] https://www.iso.org/fr/iso-45001-occupational-health-and-safety.html

Figure 19: ISO pillar standards in sustainable development

5.1.5. Other ISO standards related to sustainable development

There are a number of standards that complement the above standards and may be applicable to the sustainable development of organizations, they are presented in Figure 20.[33]

Figure 20: Complementary ISO standards

ISO 14062 : Ecodesign
ISO 14064 : Greenhouse Gas Emission Assessment (GHGEA)
ISO 14031 : Environmental Performance Assessment (EPA) of an organisation
ISO 1404x : Life Cycle Assessment (LCA)
ISO 1402x : Environmental markings and labels
ISO 1774x : Methods of calculating energy savings for Projects, Territories, Organisations, Enterprises
ISO 50003 : Requirements for bodies carrying out audits and certification of Energy Management Systems EMS
ISO 50004 : Implementation and improvement of the EMSn
ISO 50006 : Baseline energy situation and Energy Performance Indicators
ISO 50015 : Energy Performance Measures
FD X30-147 : Measurement plan for energy performance monitoring
FD X30-148 : Measurement and verification of energy performance

ISO standards can provide relevant guidelines for a safer and healthier environment both in terms of production and governance of organisations.

[33] Selon https://www.nbn.be

We have listed some of the ISO standards that provide a framework for organizations in the area of sustainability. The ISO normative framework is the most used by organizations.

At this stage of the reflection, we have deepened the research by establishing links between the ISO standards and some of the Sustainable Development Goals. Thus, in the Annex we will find the lists that present the ISO standards corresponding to the SDGs 7, 8, 9 and 12.[34].

For example, SDG 7, which aims to ensure access to affordable, reliable, sustainable and modern energy services for all, links perfectly with several ISO standards that provide guidelines in support of the international project to alleviate the energy problem by 2030.

ISO standards also support an ethical and sustainable economic policy. In Annex 5 we will find an overview of the key standards that contribute to the achievement of the goals and indicators of MDG 8 which aims to promote sustained, shared and sustainable economic growth, full and productive employment and decent work for all.

Another example is the ISO standards that support the development of resilient infrastructure, inclusive and sustainable economic growth, and innovation. For the achievement of the indicators of MDG 9 (Building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation), ISO identifies 10 most important standards that contribute to the achievement of the goals and indicators. (see Annex 5)

5.2. ISO standards and their contribution to the SDGs

Norms, labels and standards can be real opportunities for organisations that know how to use them to improve their performance but also to achieve their transformation. They can bring efficiency gains as they are integrated management systems and contribute to the improvement of the whole production chain and governance.

They can bring transparency and traceability to production processes. This will improve the performance of the organization. Transparency becomes necessary to ensure the trust of stakeholders. Finally, the existence within an organization of standards and labels improves relations with all stakeholders.

The adoption of these standards is not a "panacea" for either sustainable development or corporate financial performance. But in an increasingly unstable and uncertain economic world, it does provide clear guidelines for improving overall corporate performance. It offers conditions of greater stability and resilience and, above all, it enables companies to

[34] Selon https://www.nbn.be

participate, in an incremental way and through emulation, in the achievement of the major objectives of sustainable development. [35]

ISO has published more than 22 000 International Standards. They all provide internationally collaborative and globally recognised guidelines and frameworks. They are the result of consensus and provide a solid basis for innovation.

These standards are essential tools for governments, businesses, organisations and consumers to contribute to the achievement of each of the SDGs. For each of the SDGs, ISO has identified the standards that contribute most to their achievement. ISO standards cover almost all topics, from technical solutions to systems governing processes and procedures, it is possible to find many ISO standards corresponding to each of the SDGs.

In this section we have shed some light on the link between ISO standards and sustainable development. Simplifying, understanding and harmonising in order to take simple and clear decisions and positions in accordance with the rules of more responsible communication can only be done if we position ourselves in a holistic approach such as that of the Agenda 2030.

Having responsible postures and communicating responsible messages is a preventive attitude in line with a sustainable development approach, in the same way as adopting eco-gestures in organisations and more ecological professional practices.

With regard to the "sustainable development" argument, the drift is possible, because there is not one single regulated reference framework but several agreements in principle, and the notion remains confused in the public mind. The environment and sustainable development are rising values, along with the awareness of the public, companies and decision-makers. Thus, the more coherence and simplicity we find in normative approaches, the more transparent we will be able to measure and act.

[35] https://youmatter.world/fr/standards-developpement-durable-rse-impact-performance/

6. TOWARDS A UNIFIED EUROPEAN LABELLING APPROACH

6.1. Usefulness of the approach

Enhancing its environmental and social performance has become a key issue for a growing number of companies. The stakes and expectations are high for organizations that must demonstrate their professionalism to their clients, but also to consumers.

The use of sustainability standards and labels as a reference for assessing the ecological character of an organization, product or investment is a practice that has been developing massively in recent years, as we have already demonstrated above through the multitude of approaches, labels and standards. However, while the various labels are multiplying, they are struggling to attract companies and explicit and coherent indicators are lacking.

Faced with environmental, social and economic challenges, multi-stakeholder cooperation is a lever for action for all. Working together can result in the pooling of resources, networking, expertise, transparency and collective performance.

According to the study conducted by **PwC/SDG Challenge 2019** on an international panel representing 1,141 companies from 31 countries, a large proportion of the companies surveyed use the SDGs in their communication and refer to them, but only 1% measure their performance. However, we have already mentioned that the trend towards harmonized reporting requires a common reference framework that is known and respected by all.

Figure 25: Summary of Pwc/ SDG Challenge 2019 study

In France, according to a Goodwill management study, only 800 companies out of the 4 million in the country have the label. SMEs are largely represented, but only 2% of French SMEs have the CSR label, according to the Comité 21. (French association for sustainable

development, contributes to transforming society towards a sustainable model based on the Agenda 2030 and the 17 SDGs)[36].

However, many more of them use CSR approaches. These data suggest that there is a lack of visibility and attractiveness of existing labels.

In Belgium, a study on the feasibility of a sustainability label commissioned by the Belgian government suggested the implementation of a voluntary label issued by the government, which applies to all types of products and integrates economic, social and environmental aspects throughout the production chain.

In Germany, a study by the Wuppertal Institute for the Ministry of Consumer Protection, Food and Agriculture, titled "Analysis of existing concepts for measuring sustainable consumption in Germany, including a basic concept for expansion", includes a brief discussion on the implementation of a "sustainability metalabel" (Baedeker et al. 2005).

In a follow-up project, Teufel et al (2009) developed potential definitions and market implementations of a sustainability label, involving social, economic and ecological criteria, applied on a voluntary basis, and having a broad scope in terms of product groups. Specifically, Teufel et al (2009) examined different options such as the creation of a new sustainable label design or the transformation of existing labels and their reorganization towards a single label.

At EU level, an extension of the European Ecolabel to a sustainability label has been considered on several occasions. However, this proposal was initially rejected as premature.

The rules introduced by the EU Sustainability Reporting Directive (NRFD) have established important principles for annual reporting by large companies. Companies are required to report on the impact of sustainability issues on their business, but also on their own impact on people and the environment. However, there is much evidence that the information published by companies is insufficient. However, in view of the European harmonisation of disclosure and action, there is a strong need for a common standard-setting approach across member states. The EC has therefore appointed EFRAG to carry out this research work.

Following multiple stakeholder dialogues, since its inception in September 2020, the European Financial Reporting Advisory Group (EFRAG) Project Working Group on EU Sustainability Reporting Standards has established fruitful working relationships with European and international standard setters and proponents of initiatives that advance sustainability reporting.

EFRAG's reports, published on 8 March 2021, provide recommendations to the European Commission on sustainability reporting standard setting. The first mandate received by EFRAG instructs it to undertake preparatory work for possible EU sustainability reporting standards in the context of the revision of the Non-Financial Reporting Directive (NFRD) and the creation of the new Directive on CSRD.

[36] http://www.comite21.org/

The second mandate is an invitation to the Chairman of EFRAG's Board to make recommendations on the possible need for changes in EFRAG's governance and funding if EFRAG were to become the EU standard setter[37].

After five months of intensive work, the working group delivered the result of its preparatory work for the development of possible EU standards on non-financial reporting and proposed a roadmap. The working group took into account input from global initiatives as well as feedback from outreach activities organised by EFRAG across Europe.

The proposals reflect a broad consensus and are not a first attempt at standard setting, but describe the scope and structure of future reporting standards to contribute to the achievement of EU policy objectives.

On 6 May 2021, a proposal to revise the NFRD to become the CSRD (Corporate Sustainability Reporting Directive) was adopted by the European Commission. This decision is part of a framework of international convergence, while meeting the objectives and expectations of each jurisdiction and, therefore, constructive international cooperation is required. It implies building on the progress already made and the initiatives taken in this area.

Therefore, building on the European and international momentum that creates a favorable environment, EFRAG is looking at relevant international initiatives in a spirit of partnership and co-construction.

The first declaration of cooperation was signed with the NGO GRI. The GRI standards are currently the most commonly used sustainability reporting standards for EU companies. The two organizations will share their extensive expertise to support the rapid development of European sustainability standards. Each organization will contribute to key technical projects. Both organizations will have proactive observers in their respective technical groups and will encourage the development of projects of common interest.

Eric Hespenheide, Chairman of GRI, said, "GRI welcomes the direction EFRAG is taking, which offers the potential to strengthen financial reporting while addressing the financial opportunities and risks associated with corporate sustainability impacts."

Since the beginning of 2021, EFRAG has published two reports grouping its recommendations (Annex 6) for a European standard for sustainability reporting. We will focus on the details of the recommendations given to the European Commission as well as the organization and guidelines of the new European sustainability standard.

6.2. European standard for sustainable development (guidance by EFRAG)

As discussed above, for a standardization approach to be effective, it is essential to ensure that sustainability reporting standards are consistent with public policy frameworks and regulations. It is also important to ensure its alignment with the public interest.

[37] https://blog-materiality-reporting.com/2021/03/13/bientot-des-normes-europeennes-de-reporting-developpement-durable/

Thus the new European standard provides for this consistency at two levels:

a) at the global level based on the 2030 Agenda of Sustainable Development Goals, the Paris Agreement, the Convention on Biological Diversity, the ILO Conventions and the Declaration of Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises), TCFD
b) at European level: based on the Green Pact, aiming at carbon neutrality EU Taxonomy, and other related legislation and policies.

The European standard is planned in a standardised approach. It takes into account existing sectoral legal requirements, shared indicators that meet EU criteria for information quality and recognised sustainability objectives. It will allow for an analysis of sectorally relevant risks and impacts.

The working group will define a classification of sectors compatible with the existing EU framework (e.g. NACE which we have developed in the previous chapters) and design a sector-specific sustainability communication in a general or more specific way, while considering the tailored approach of the reporting entity[38].

Sustainability reporting standards should reflect a reporting entity's decision-making and reporting cycle and related processes in a structured manner.

One way forward is to articulate the reporting areas under three key dimensions of management that describe the governance and management of the entity in a structured and logical manner:

a) The strategy

The information includes the strategy, business model, materiality assessment process, responsibilities, processes and procedures for governance, management and reporting.

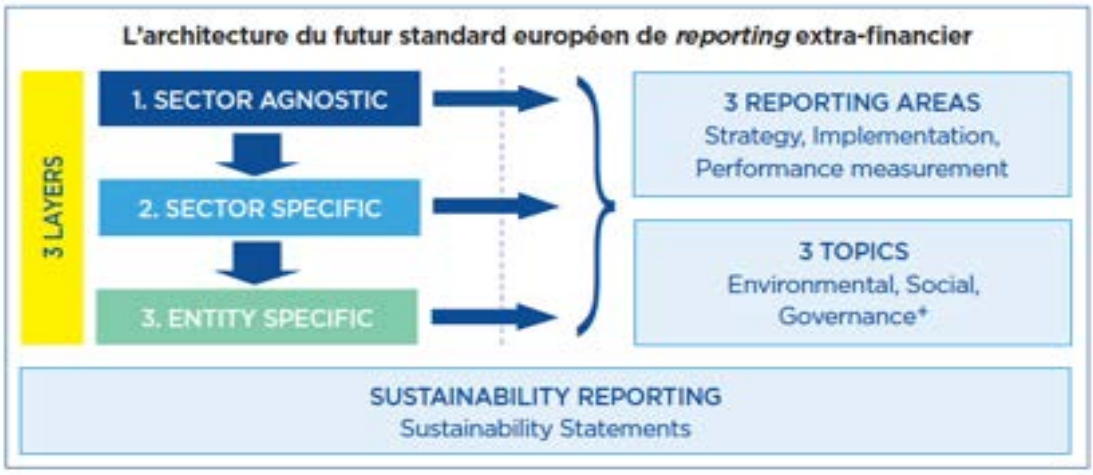
b) Implementation

How the strategy is translated into action through policies, objectives, action plans and dedicated resources.

c) Performance measurement

Analysis of compliance with policies and objectives and the transition trajectory, including hindsight and foresight.

[38] https://blog-materiality-reporting.com/2021/03/13/bientot-des-normes-europeennes-de-reporting-developpement-durable/



Source : *PROPOSALS FOR A RELEVANT AND DYNAMIC EU SUSTAINABILITY REPORTING STANDARDSETTING,* European Reporting Lab, February 2021, p.106

The ESG classification we have developed above is the approach chosen as the most accessible for users and preparers. It includes:

- **Environment (E)** would include standards defining how to report on the effects of all environmental factors: climate change, water and marine resources, biodiversity and ecosystems, circular economy, pollution,
- **Social (S)** would include standards defining how to report impacts on and from all human factors, across the entity's entire ecosystem: the workforce, value chain workers, affected communities, consumers, and end users,
- **Governance+ (G+)** would be broader than "governance". This category would include a full range of relevant issues: governance, business and ethics, stakeholder relationship quality management, organization and innovation, and reputation and brand management.

Source : *PROPOSALS FOR A RELEVANT AND DYNAMIC EU SUSTAINABILITY REPORTING STANDARDSETTING,* European Reporting Lab, February 2021, p.102

Another important element is the quality of non-financial reporting, which should be strengthened in the following areas:

- relevance,
- accuracy

- comparability,
- clarity,
- reliability,

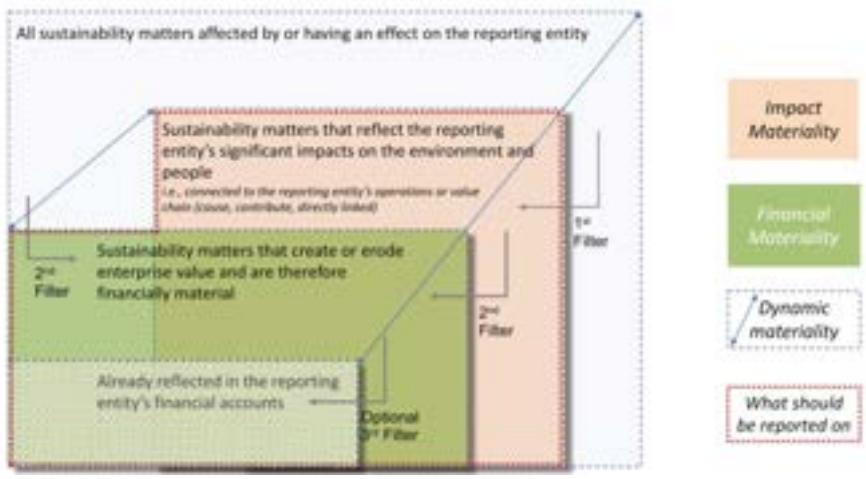
This approach will make the report equal to the existing financial report and will address the shortcomings in terms of comparability, relevance and reliability of information (investors, shareholders, NGOs, social partners) noted by reporting users (NFRD) to date. Transition trajectories will be assessed retrospectively, but also in a forward-looking perspective. Targets will be set in relation to the results, based on a baseline year and a timeframe, based on scientific evidence.

Financial materiality is another important element that is not limited to issues within the reporting entity's control. The relevant issues extend to the operations and the entire value chain based on an assessment of materiality.

The concept of dual materiality is essential to the establishment of reporting standards. Within this framework, the two perspectives of impact and finance are applied according to their relative importance.

For example, the concept of dynamic materiality is part of an approach supported by actors such as the Carbon Disclosure Project (CDP), Climate Disclosure Standards Board (CDSB), GRI, IRC and SASB.

The main purpose of the dual materiality in the new standardisation approach will be to assist in the selection of disclosures. It will highlight the information needed to understand the organisation's impacts on sustainability issues, and the information needed to understand how sustainability issues affect the company's development, performance and position." - Proposal for a CSRD



Source : *PROPOSALS FOR A RELEVANT AND DYNAMIC EU SUSTAINABILITY REPORTING STANDARDSETTING,* European Reporting Lab, February 2021, p.82

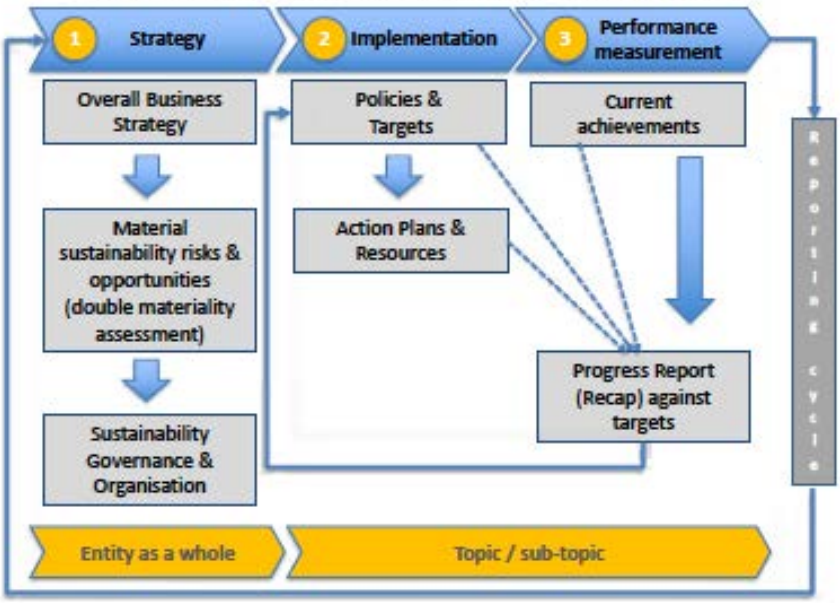
All dimensions of the organisation's information must be interconnected according to the integrated approach that will be used.

The quality of reporting must evolve in terms of its structure and presentation. Information must be more accessible and based on **a digital taxonomy** that allows more thorough access and analysis. A taxonomy aligned with the new sustainability standards would allow access to information in a virtual format, outside the paper format.

The overall architecture targets a single EU sustainability reporting platform. It should build on the foundations and conceptual guidelines to provide a comprehensive scope, which develops a clear format and ensures accessibility of information. It will also ensure an accurate representation of the sustainability impact and performance of the organisation.

Thus, in summary, Figure 9 below shows the proposed structure and areas of reporting in the EFRAG report.

Figure 9: Comprehensive and articulated structure for reporting areas



Source : *PROPOSALS FOR A RELEVANT AND DYNAMIC EU SUSTAINABILITY REPORTING STANDARDSETTING,* European Reporting Lab, February 2021, p.96

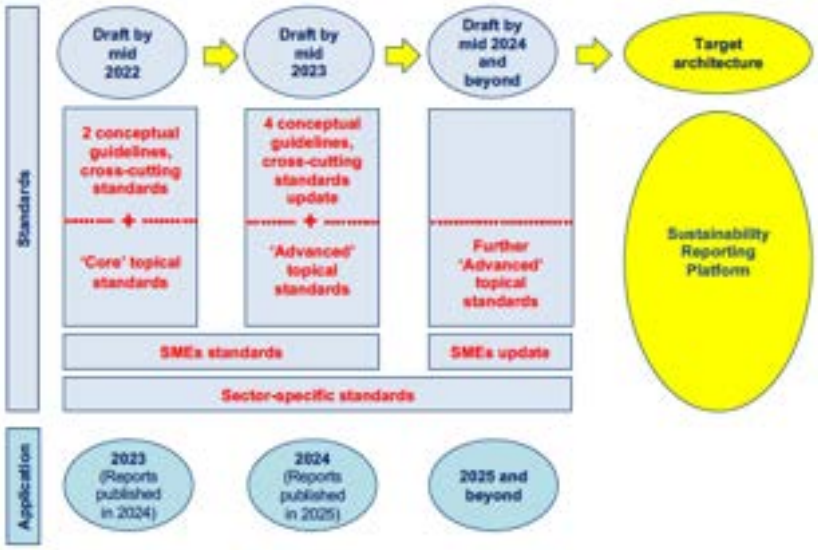
6.3. Perspectives and projections

Given the urgency of the need for standardisation in the EU, but also taking into account the complexities of a multi-stakeholder and multi-sector approach, a pragmatic multi-stage architecture has been developed and is presented below.

It takes into account that standardisation in the EU should indeed be organised in such a way as to meet the deadlines set for the first application of the NFRD. This implies the establishment of a pragmatic roadmap linked to the need to establish initial sets of

standards that change the situation according to priorities and a continuous process of "content improvement" in the long term.

Figure 2: Standard-setting roadmap



Source : *PROPOSALS FOR A RELEVANT AND DYNAMIC EU SUSTAINABILITY REPORTING STANDARDSETTING,* European Reporting Lab, February 2021, p.12

Thus, according to EFRAG :"**The prioritisation of subtopics and the sequence between (i) a first set of standards at least specifying information corresponding to the needs of financial market participants to be delivered in 2022, and (ii) a second set of standards with complementary information to be delivered in 2023, will be key and require arbitration"[39].**

It is therefore planned to create a first batch of standards capitalising on the existing standards and integrating the best practices of the reference systems currently available should form the first basis for non-financial reporting. The stated objective is to publish this first part in 2022 for application in the 2023 reporting period and therefore publication in 2024. The database will then be completed in 2024, then in 2025, in order to finalise the reporting structure on more specific and/or sectoral subjects.

[39] *'Climate standard prototype'*, Working Paper, EFRAG, 8 september 2021, EFRAG PTF-ESRS - Plenary meeting 8 Sep 2021 Climate standard prototype working paper

A standard's target architecture reflects a global ambition. However, the time factor for building the full target architecture remains critical and must be duly taken into account. Financial standard setting has taken decades to mature satisfactorily and is still evolving.

On the other hand, the setting of sustainability standards must take into account a development that has changed the situation in a limited number of years. It is therefore important to continue the collective work on the development of standards and to impose the double materiality view of the European approach at global level. In other words, taking into account the risks: consequences of the climate and nature on organisations and the impacts: consequences of the activity of companies on the climate and biodiversity. This consideration is fundamental and will enable organisations and the EU in general to achieve the objectives they have set themselves.

Thus, the European Commission considered that beyond the legislative level of a revised directive (NFDR), it was necessary to envisage the publication of sustainability reporting standards in order to obtain more relevant and better structured reporting.

In order for the EU to have a robust and coherent reporting system, the proposals are based firstly on the respect of two fundamental principles: the first is the consideration of all stakeholders in relation to the concept of double materiality and the second is a principle-based reporting system.

7. CONCLUSION

The opportunities before us in terms of innovation and international cooperation are constantly increasing. A clear, consistent and transparent assessment of the ways in which we produce and consume will be vital to protect both the global economic and financial systems; but also to strengthen the resilience of humanity and biodiversity in every territory in the world.

The year 2021 was governed by major events on climate (COP 26) and biodiversity (COP 15), which allowed for a global alignment between different frameworks, such as the European Biodiversity Strategy, the SBTi assessment standards, as well as recommendations for the creation of a European sustainability standard. This standard, once adopted, will require EU companies to not only measure but also communicate their external impacts to meet stakeholder expectations.

In the first part of our work, we studied the issues of sustainability at the international level of the 2030 Agenda with its goals. This analysis shows that it took decades and the mobilization of all stakeholders to build this unique map, which is supported by all. It allows for the deployment of holistic approaches as well as the evaluation of the impacts of all actors.

However, this approach is not used in its entirety by everyone, particularly the private sector. In this sense, in the second part we have presented the global framework that allows us to measure actions in sustainability. We have presented the measures related to standardization, certification and labeling.

We have identified a legal framework (mandatory, regulatory) and a voluntary framework that is still subject to influence. This led us to carry out a (brief) inventory of existing norms and standards. The result is a multitude of approaches, but also of actors who attribute them (today, the Map standard platform lists over 300 standards).

Nevertheless, as we described, **the internationally recognised ISO standardization framework remains a reference framework**, even for sustainable development. Indeed, we have demonstrated the specific link between certain ISO standards and the Sustainable Development Goals. In practice, even the ISO framework remains unclear and companies do not make the link to the SDGs in their normative assessment. And conversely, when the latter display their sustainability approaches, they only partially recognize the link with the SDGs and do not ultimately carry out the ISO standardization process.

As for the European level, **the EU has a coherent policy** but also a plethora of actions and a unique sustainability mapping. Nevertheless, the EC (consultation 2019) shows a growing gap between the needs of the users (those who exploit the data) and the efforts of the preparers (those who carry out the assessments). For the former the needs are in terms of comparability, relevance and reliability of impact information and for the latter the needs are expressed in terms of heterogeneity in transpositions and lack of standardisation. The understanding and exploitation of these elements will be essential for the work constituting the standardisation process. The objective of this process is to contribute to international convergence.

The rules established by the NFRD have enabled the establishment of important principles such as the publication of elements related to sustainability impacts. However, they have also highlighted difficulties such as the lack of heterogeneity in transposition, lack of standardisation, comparability and reliability of performance. This led to the need **to create specific standards** that are harmoniously applied **in Europe**. They will reduce systemic economic risks, meet stakeholder expectations and increase transparency and accountability of organisations.

In order to respond to the needs identified but also to ensure visibility at international level, the EU is considering the creation of a single framework for sustainability impact assessment. In this respect, co-construction and multi-stakeholder partnership are the cornerstones of the EU's desired contribution to long-term global progress.

The EU's standardisation approach is vital and will contribute to progress in global sustainability reporting:

- making the results of its standardization activities available to partners and initiatives at the international level,
- establishing bilateral relationships that could include joint projects,
- promoting and participating in global convergence efforts on a "co-construction" basis,
- Participating in forums designed to foster consistency and integration of corporate reporting as a whole (including connectivity between financial and sustainability reporting[40].

The creation of such an ecosystem seems difficult to achieve, but smart contracts based on technologies such as blockchain could well be a solution to ensure the traceability and transparency of exchanges, but also to respond to the current difficulty of processing existing data. The aim of the new ecosystem will be to raise the level of requirements in the creation of new contracts, products or simply lifestyles. It will provide environmental, social and governmental transparency.

The transformation of European regulations with the CSRD directive, which aims to guarantee the homogenisation of transpositions in each EC country and thus ensure the comparability and reliability of performance, is a key step. It will be followed by the progressive implementation of the European standard which will ensure the standardisation of environmental, social and economic data and measurements.

The wealth of information on sustainable development at European and global level and its integration into government and governance policies, as well as the need for consistency and transparency in impact measurement, require the EU to establish a common measurement framework.

Beyond the internal development objectives of the states, the EU deploys external policies related to sustainable development. These play a central role in European actions and re-

[40] *Sustainable development in the European Union,* Monitoring report on progress towards the SDGs in an EU context, 2021 edition

main aligned with the UN's global 2030 agenda. Thus, to ensure coherence and cooperation with Member States, EU policies align with the objectives of the 2030 Agenda for Sustainable Development and promote global sustainability policies.[41]

At the European level, the smooth implementation of **specific standards** will reduce systemic economic risks, meet stakeholder expectations and increase the transparency and accountability of organisations.

This will enable **alignment with the public interest**. The latter will ensure consistency of sustainability reporting standards with public policy frameworks and regulations: at global level (Agenda 2030) and at EU level (EU Green Deal, EU Taxonomy and other related legislation and policies). The standard will ensure the strengthening of several aspects such as **quality of information**, relevance, accuracy, comparability, clarity and reliability. Thus it will meet the needs already identified by adding **dual materiality**, which provides the necessary information to understand the impacts of the company on sustainability issues and how these affect performance.

In view of the above, the establishment of a specific policy of sustainable development standardisation at European level becomes **mandatory.** It will allow the deployment of:

- A framework for policy coherence, which brings more efficiency,
- A European ranking of policies related to sustainable development,
- An understanding and coherence of the policies in place,
- Alignment with global standardisation policies,
- Compliance with the regulatory framework,
- Integration of sustainable development into all policy areas,
- Increased coordination between policy areas and improved coherence.

[41] https://www.europarl.europa.eu/factsheets/fr/sheet/163/apercu-general-de-la-politique-de-developpement

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9. ANNEXES

ANNEX 1

The United Nations Sustainable Development Goals – AGENDA 2030

Goal 1
Eradicate poverty in all its forms, everywhere in the world

Goal 2
Eradicate hunger, achieve food security, improve nutrition and promote sustainable agriculture

Goal 3
Achieve health for all and promote well-being for all at all ages

Goal 4
Ensure equal access to quality education for all and promote lifelong learning opportunities

Goal 5
Achieve gender equality and empower all women and girls

Goal 6
Ensure access to water and sanitation for all and sustainable management of water resources

Goal 7
Ensure access to reliable, sustainable and modern energy services at affordable cost for all

Goal 8
Promote sustained, shared and sustainable economic growth, full and productive employment and decent work for all

Goal 9
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Goal 10
Reduce inequalities within and between countries

Goal 11
Make cities and human settlements inclusive, safe, resilient and sustainable

Goal 12
Establish sustainable consumption and production patterns

Goal 13
Take urgent action to combat climate change and its impacts

Goal 14
Conserve and sustainably use the oceans, seas and marine resources for sustainable development

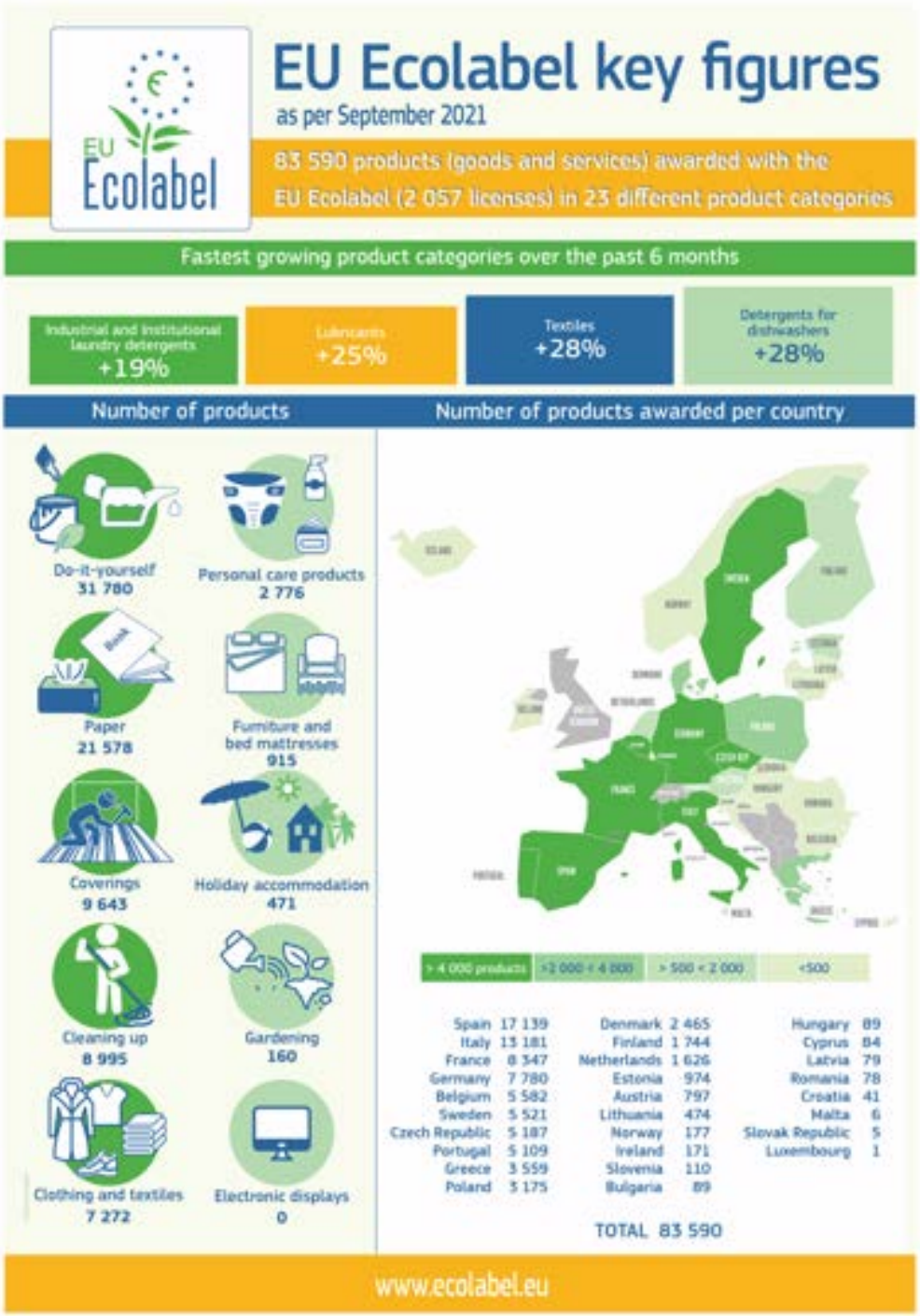
Goal 15
Conserve and restore terrestrial ecosystems, ensuring their sustainable use, manage forests sustainably, combat desertification, halt and reverse land degradation and halt the loss of biodiversity

Goal 16
Promote peaceful and inclusive societies for sustainable development, ensure access to justice for all and build effective, accountable and inclusive institutions at all levels

Goal 17
Strengthen the capacity to implement and revitalize the Global Partnership for Sustainable Development

ANNEX 2

ECOLABEL INFOGRAPHIC



ANNEX 3

ECOLABEL: FUNCTIONAL INFORMATION

ANNEX 4
ECOLABEL: HOW IT WORKS

ANNEX 5
List of ISO standards related to SDG 7

SDGs 7	**ISO 50001** Energy management systems
	ISO 14001 Environmental management systems
	ISO 14064-1 Greenhouse gas
	ISO 52000-1 Energy performance of buildings
	ISO 50047 Energy savings
	ISO 17741 General technical rules for measuring, calculating and verifying the energy savings of projects
	ISO 17742 Calculation of energy efficiency and energy savings for countries, cities and regions
	ISO/IEC 13273-serie Energy efficiency and renewable energy sources
	ISO 14025 Environmental markings and declarations
	ISO 50015 Energy management systems

List of ISO standards related to SDG 9

SDGs 9	
	ISO 9001 Quality management systems
	ISO 9004 Quality management - Quality of an organisation - Guidelines for sustainable performance
	ISO 14001 Environmental management systems
	ISO 19011:2018 Guidelines for the audit of management systems
	ISO 19600 Compliance management systems
	ISO 26000 Guidelines on social responsibility
	ISO 31000 Risk management
	ISO 45001 Occupational health and safety management systems
	ISO 55000 Asset management
	ISO 55001 Asset management - Management systems

List of ISO standards related to SDG 8

SDGs 8	
	ISO 45001 Occupational health and safety management systems
	ISO 14001 Environmental management systems
	ISO 37001 Anti-corruption management systems
	ISO 26000 Guidelines on social responsibility
	ISO 19011 Guidelines for the audit of management systems
	ISO 20400 Responsible purchasing
	ISO 31000 Risk management
	ISO 9004 Quality management
	ISO 10001 Management of quality
	ISO 10002 Quality management, complaints in organisations
	ISO 10003 Quality management - Customer satisfaction
	ISO 10008 Quality management - Guidelines for trader-to-consumer e-commerce transactions
	ISO 55000 Asset Management - Overview, Principles and Terminology
	ISO 55001 Asset management - Management systems

List of ISO standards related to SDG 12

SDGs 12	
	ISO 9001 Quality management systems
	ISO 10008 Quality management Customer satisfaction
	ISO 20121 Responsible management systems applied to the event business
	ISO 20400 Responsible purchasing
	ISO 20121 Responsible management systems applied to the event business
	ISO 20400 Responsible purchasing
	ISO 26000 Guidelines on social responsibility
	ISO 37101 Sustainable community development
	ISO 55000 Asset management
	ISO 50001 Energy management systems
	ISO 14001 Environmental management systems Use

ANNEX 6
The 54 proposals for the development of the EU standard

1.3 BUILDING BLOCK 1: SUPPORTING THE EU SUSTAINABLE DEVELOPMENT AND SUSTAINABILITY REPORTING MOMENTUM

Proposal #03

In order to support and amplify the EU sustainability reporting momentum the European Standard Setter (ESS) should consider defining an initial level playing field by developing standards drawing on existing recognised best practices.

Proposal #04

The ESS should, as a priority, consider elaborating standards facilitating the flows of relevant and reliable sustainability data between preparers and users in order to foster coherence in sustainability reporting.

Proposal #05

In its standard-setting process, the ESS should systematically consider the potential consequences of, and interaction with, reporting obligations stemming from ESG/sustainability policy initiatives in order to foster consistency and synergies.

1.4 BUILDING BLOCK 2: BUILDING FROM AND CONTRIBUTING TO SUSTAINABILITY REPORTING GLOBAL COHERENCE AND CONVERGENCE

Proposal #06

While managing the EU political, regulatory, cultural, technical and timing constraints, the ESS should strive for a co-constructive approach with relevant other international initiatives, based on a two-way exchange of experience, expertise, tools and content, feeding one another with the ultimate goal of fostering coherence and consistency between EU and global sustainability reporting.

1.5 BUILDING BLOCK 3: ADDRESSING THE SPECIFIC CHALLENGES OF FINANCIAL INSTITUTIONS

Proposal #07

The ESS should recognise financial institutions' dual role and specific challenges in reporting their indirect sustainability impacts and design standards addressing these challenges for each of the three categories of financial institutions. In doing so and to the extent possible at its level, the ESS should aim at defining as simplified and unified as possible a set of sustainability information fit to meet the multiple sustainability reporting requirements imposed on financial institutions.

Proposal #08

When determining a first set of mandatory sustainability information for all reporting entities (and then when further developing sustainability information requirements), the ESS should consider financial institutions' specific needs as users of sustainability information, in order for them to appropriately direct investment flows to relevant projects and meet their own specific sustainability reporting obligations regarding indirect impacts. In particular, the ESS should consider the following:

a) it should cover all sustainability topics, not just climate-related;

b) to be investment decision-useful, sustainability information needs to include in particular quantitative forward-looking information; and

c) sustainability information data needs to be collected in a timely manner and easily accessible.

The possible development of indicators based on monetised impacts remains a growing need in order to foster performance and goal alignment measurement and should be considered at a later stage.

1.6 BUILDING BLOCK 4: INCLUDING SMEs IN THE EU SUSTAINABILITY REPORTING LANDSCAPE IN A PROPORTIONATE MANNER

Proposal #09

The ESS should consider adopting a proportionate standard-setting approach tailored for EU SMEs. This would take the form of SME-specific standards aiming at balancing (i) the specific governance, organisational and resources availability aspects of SMEs and (ii) the need for sustainability information produced by SMEs to be relevant for their stakeholders, i.e. coherent with their own reporting requirements.

1.7 BUILDING BLOCK 5: FOSTERING SECTOR-SPECIFIC SUSTAINABILITY REPORTING RELEVANCE

Proposal #10

The ESS should consider adopting a standard-setting approach to sector-specific sustainability reporting as a complement to sector-agnostic reporting. The sector-specific standards should be built upon:

a) existing sector legal requirements;

b) widely accepted indicators meeting EU quality of information criteria;

c) recognised sector-specific sustainability goals; and

d) the risks and impacts relevant to a specific sector that would not be covered, or not covered enough, by sector-agnostic sustainability reporting.

Proposal #11

The ESS should consider defining an EU compatible classification of sectors (e.g. NACE), and design a balanced sector-specific sustainability set of disclosures that covers all sectors.

1.8 BUILDING BLOCK 6: ACKNOWLEDGING THE IMPORTANCE OF INTANGIBLES IN SUSTAINABILITY REPORTING

Proposal #12

The ESS should consider introducing in its standard-setting processes intangibles as a key dimension of sustainable company development and therefore sustainability reporting.

Part 2: Anchoring key EU sustainability reporting concepts in robust conceptual guidelines

2.1 DEVELOPING STANDARD-SETTING METHODOLOGIES TO ALIGN STANDARDS WITH EU AND GLOBAL SUSTAINABILITY POLICY PRIORITIES

Proposal #13

The ESS should consider adopting a guideline aiming at ensuring the alignment and consistency of EU sustainability reporting standards with agreements, policies, goals and standards:

a) at global level (notably the 2030 Agenda, the Paris Agreement, the Convention on Biological Diversity, the ILO Conventions and Declaration of Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises); and

b) at EU level (notably the EU Green Deal, Sustainable Governance Initiative and Sustainable Finance Strategy, and related legislation, strategies, action plans and benchmarks).

In order to avoid 'green-washing' or 'blue-washing' in companies' management reports, the ESS should seek to ensure that reporting on companies' contributions towards global policy goals such as the Paris Agreement and 2030 Agenda:

a) minimises risks of 'green-washing' or 'blue-washing',

b) facilitates the tracking of progress at an aggregated level, and

c) is based on disclosures that meet a set of clear quality criteria.

2.2 DEVELOPING CRITERIA SUPPORTING A STANDARD-SETTING PROCESS ALIGNED WITH THE EXPECTED CHARACTERISTICS OF INFORMATION QUALITY

Proposal #14

The standard-setter should develop guidance on principles governing the quality of information set out in the revised Non-Financial Reporting Directive, to be applied in its own standard-setting processes and by reporting entities.

Proposal #15

The standard-setter should assess all disclosures at both sector-agnostic and sector-specific levels – whether new disclosures or drawn from existing reporting standards – against criteria that test the validity of the insight the resulting information can provide to users and the potential for unintended consequences from their application.

2.3 DEFINING DETAILED RETROSPECTIVE AND FORWARD-LOOKING SUSTAINABILITY INFORMATION COMPONENTS

Proposal #16

The ESS should develop guidelines supporting the development of standards that reflect both retrospective and forward-looking information and provide guidance to report preparers on how to apply meaningful time horizons, building on existing frameworks and standards where possible.

Proposal #17

When developing the standard on business model, the ESS should consider the need for reporting entities' disclosures to include information regarding:

a) the degree of alignment of an entity's business model and strategy with the Paris Agreement (using climate scenario analysis) and its plans to increase alignment where necessary, starting with carbon intensive sectors;

b) the degree of alignment of an entity's business model and strategy with other EU or international environmental goals, and its plans to increase alignment where necessary;

c) the extent to which material risks to or impacts on people are linked to aspects of an entity's business model and strategy and, where this is the case, how they are being addressed through adaptation of the model or strategy, or mitigation measures.

Proposal #18

Through its standards and guidance, the ESS should encourage the disclosure by reporting entities of targets and progress towards their achievement in relation to all material sustainability matters. In line with the reporting principles of relevance, verifiability and (wherever possible) comparability, the ESS should adopt guidelines for ensuring the value of target-based disclosures to users of reporting. Such guidelines may reflect that information regarding targets is typically of most value where they are:

a) articulated in terms of their relevance to outcomes for affected stakeholders and/or the environment;

b) specific, measurable, achievable and time-bound;

c) set against a base year from which progress can be measured;

d) developed with input from internal or external subject-matter experts and, wherever possible, from affected stakeholders and/or their legitimate representatives;

e) science-based wherever feasible (in particular for climate and environmental issues) or, where this is not possible, linked to key EU or global policy objectives;

f) reported in combination with a set of key performance indicators that are used to monitor and assess progress against targets and which factor in feedback from affected stakeholders and/or their legitimate representatives.

2.4 DEVELOPING STANDARD-SETTING METHODOLOGIES TO DEFINE LEVELS OF REPORTING BASED ON CLEAR BOUNDARIES

Proposal #19

The ESS should develop clear guidelines regarding the levels of reporting to guide its own standard-setting processes as well as the data gathering and reporting processes of reporting entities. These guidelines should recognise that:

a) The financial materiality of a sustainability matter is not constrained to matters that are within the control of the reporting entity; it should also include risks, opportunities and outcomes 'attributable to or associated with other entities/stakeholders beyond the financial reporting entity that have a significant effect on the ability of the financial reporting entity to create value'.

b) The impact materiality of a sustainability matter is similarly based not on the level of a reporting entity's control or influence with regard to the impact, but on:

(i) evidence of a direct link between the impact and the entity's own activities, products or services (including through the value chain); and

(ii) an assessment of the relative severity of the impact, with the most severe impacts being judged material.

c) The determination of the level (within a company and its value chain) where a material sustainability matter arises should be informed by the reporting entity's materiality assessment.

d) Despite the narrower scope of financial reporting, points of connectivity between financial and sustainability reporting may extend beyond the control-based scope and reflect sustainability matters in the value chain.

Proposal #20

Given that:

a) a material topic may manifest at different levels in different entities' scope of operations and/or value chain, and

b) the dynamics that generate and mitigate risks and impacts can involve more than one of those levels and may be linked to the entity's own business model,

the ESS should seek to ensure through appropriate guidelines that both its own standard-setting processes and the reporting processes of entities:

a) ensure that disclosures reflect information that is sufficiently specific to the level at which the material matter arises;

b) support holistic and coherent reporting that recognises that the appropriate level(s) of information may vary by entity and context (while also recognising topics where certain risks and impacts are clearly linked with certain sectors and levels);

c) ensure that where data from different levels, or multiple locations within a level, is aggregated, this is done in a way that avoids obscuring the specificity and context necessary to interpret the information;

d) recognise the dynamics and causal connections between levels and avoid presuming that material information is constrained to one particular level;

e) ensure that disclosures enable relevant insight into those dynamics and connections and are not limited to generic and tick-the-box reporting (for example on value chain codes of conduct and value chain audits);

f) provide for disclosures to reflect connections to the reporting entity's business model and its role in generating positive or negative impacts on people and the environment and creating or destroying value for the enterprise as a result.

Proposal #21

The sequence in which the ESS first develops and subsequently refines reporting standards should reflect:

a) the urgent need to improve reporting on the most severe impacts and significant dependencies connected to a reporting entity's operations and value chains, regardless of its level of control or influence over them;

b) while being cognisant of the fact that it is typically easier for reporting entities to gather robust information within the scope of their controlled operations and most challenging to do so at remote points in the value chain (especially when bargaining power vis-à-vis business partners is low), and that it takes time to develop sustainability reporting systems that cover this.

2.5 DEVELOPING STANDARD-SETTING ASSESSMENT GUIDELINES TO OPERATIONALISE THE DOUBLE MATERIALITY CONCEPT

Proposal #22

The ESS should adopt guidelines in order to be clear and unambiguous in its application of the double materiality concept (as set out in the revised NFRD): double materiality requires that both the impact materiality and financial materiality perspectives be applied in their own right, while recognising the dynamic relationship between the two.

Proposal #23

The ESS should adopt double materiality guidelines that will guide its own determination of material sector-agnostic and sector-specific matters and disclosure requirements as well as the double materiality process to be conducted by reporting entities. These principles should align with international standards of conduct such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises as well as the Taskforce on Climate-related Financial Disclosures.

Proposal #24

The guidelines should articulate:

a) sector-agnostic sustainability matters and disclosures that are mandatory for all reporting entities, based on: public policy goals, information that in aggregate reflects changes in systemic or structural risk; or their materiality for most or all reporting entities;

b) sector-specific sustainability matters and disclosures that are mandatory for all reporting entities within specific sectors based on: public policy goals, information that in aggregate reflects changes in systemic or structural risk; or the likelihood of their materiality for entities in those sectors;

c) guidance to reporting entities on the double materiality process to be implemented in determining any additional sustainability matters and disclosures that are material for the entity's reporting; and

d) guidance for reporting entities in the event that they determine a mandatory sustainability matter or disclosure is either not material, or only in a limited or specific way in their particular case, enabling them to accompany that matter or disclosure with adequate justification.

Proposal #25

The PTF recommends that ESS should distinguish between, on the one hand, the determination of sustainability matters as material based on principles underpinning the two perspectives within double materiality, and, on the other hand, the viability of mandating specific disclosures in relation to those material matters. The mandating of specific disclosures should be based on a rigorous assessment of both existing and newly developed disclosures against both general and specific characteristics of information quality.

Proposal #26

The ESS should provide clear guidance for reporting entities on the process to follow in applying the double materiality concept in order to establish information to disclose. The ESS should ensure that these processes align with existing EU and international initiatives and standards for the identification and prioritisation of impacts on people and the environment (in the case of impact materiality) and established processes for determining financially material sustainability matters (in the case of financial materiality).

2.6 DEFINING METHODOLOGIES AND PROCESSES ENABLING CONNECTIVITY BETWEEN SUSTAINABILITY REPORTING AND FINANCIAL REPORTING

Proposal #27

The ESS should define through appropriate guidelines methodologies and processes enabling connectivity (direct and indirect) and reconciliations between financial reporting, under IFRS or local GAAP, and sustainability reporting.

Proposal #28

The ESS needs to promote, in cooperation with the financial standard-setters, the coherence of the respective standards and ultimately of corporate information.

Part 3: Elaborating standards from a state-of-the-art target sustainability reporting architecture

3.1 PROMOTING PROPORTIONALITY, COMPARABILITY AND RELEVANCE THROUGH A THREE-LAYER REPORTING APPROACH: SECTOR-AGNOSTIC, SECTOR-SPECIFIC AND ENTITY-SPECIFIC DISCLOSURES

Proposal #29

The ESS standards architecture should be supported by three layers of sustainability information:

a) a sector-agnostic layer applicable to all reporting entities,

b) a sector-specific layer applicable to reporting entities within each sector,

c) an entity-specific layer.

3.2 DESIGNING A COMPREHENSIVE SCOPE FOR EU STANDARD-SETTING

3.2.1 Defining the relevant detailed sustainability reporting areas to ensure proper coverage

Proposal #30

The ESS should consider structuring sustainability reporting standards around three reporting areas: Strategy, Implementation and Performance measurement, in order to ensure full coverage of all sustainability dimensions across a reporting entity's business cycle.

Proposal #31

The ESS should consider prescribing Strategy disclosures to be reported on the reporting entity as a whole while Implementation disclosures (under common definitions to be designed by cross-cutting standards) and Performance measurement disclosures would be reported on a topic-by-topic basis.

Proposal #32

The PTF therefore recommends that the ESS consider structuring the Strategy disclosures under three sub-areas:

a) overall business strategy (including business model);

b) material sustainability risks, opportunities and impacts (as resulting from the double materiality assessment); and

c) sustainability governance and organisation.

Proposal #33

The ESS should consider structuring the Implementation disclosures under two key components:

a) policies and targets, and

b) action plans and resources.

Proposal #34

The ESS should consider structuring the Performance measurement disclosures around two key perspectives:

a) retrospective view of current achievements at reporting date, and

b) forward-looking progress report on trajectory.

3.2.2 Adopting the detailed sustainability topics and sub-topics structure covering all aspects of the European sustainability goals and agenda

Proposal #35

The ESS should consider structuring its standard-setting work around the following three sustainability topics: **Environment, Social and Governance+**. The ESS should also consider building a clear list of all sub-topics included in each of these three categories, while allowing for future flexibility so as to capture new reporting lenses and innovative approaches. In doing so, the ESS should consider EU policy priorities and legislation, as well as a combination of existing frameworks, standards, scientific and experts' consensus and international sustainability trends.

Proposal #36

When defining the **Environment** sub-topics structure, the ESS should ensure it covers all environmental issues legally defined and required in the EU. If possible within that context, the ESS should consider making it consistent with the EU Taxonomy, as follows:

a) climate change mitigation

b) climate change adaptation

c) water and marine resources

d) circular economy

e) pollution

f) biodiversity and ecosystems.

Proposal #37

When defining the **Social** sub-topics structure, the ESS should ensure it covers all social issues legally defined and required in the EU. If possible within that context, the ESS should consider following a stakeholder-centred approach and further ensuring that the list of social sub-sub-topics to be covered for each relevant stakeholder group:

a) is aligned with international and EU reference frameworks and standards, including the UNGP on Business and Human Rights, the OECD Guidelines – and the other international declarations and principles such texts refer to – as well as with the Charter of Fundamental Rights of the EU;

b) covers all social matters listed in such EU and international references as a minimum, organised in a way that combines the management perspective with the Human Rights, regulatory compliance and intangibles perspectives;

c) organises and adjusts such social matters to best represent their specific impact on each category of stakeholders;

d) is consistent with EU social objectives and priorities;

e) makes the distinction between the entity's workforce and other affected stakeholders.

Proposal #38

When defining a **Governance+** sub-topics structure, the ESS should ensure it covers all issues legally defined and required in the EU. If possible within that context, the ESS should consider developing a Governance+ sub-topics structure that would cover the drivers of sustainability for reporting entity itself, including:

a) governance,

b) business ethics,

c) management of the quality of relationships,

d) organisation, and

e) innovation, products and services, reputation and brand.

3.3 PROMOTING A UNIFIED SUSTAINABILITY REPORTING FORMAT AND THE RELATED DATA TAXONOMY MECHANISM ALLOWING EASY DIGITISATION

3.3.1 Sustainability statements: location and structure

Proposal #39

The PTF view is that standardised sustainability information, both of qualitative and quantitative nature, should be preferably reported in a separate section of the management report clearly identified as 'sustainability statements'.

3.3.2 A digital taxonomy: on-boarding a tagging technique from the beginning

Proposal #40

The ESS should consider translating the classification and the segmentation of sustainability disclosures into a digital taxonomy from the outset and as soon as required from preparers (i.e. in parallel to the issuance of the standard itself) fostering different levels of reading as well as the use of extensions when necessary.

Part 4: Rolling out a phased-in standard-setting roadmap

4.1 ESTABLISHING CRITERIA FOR PRIORITISATION

Proposal #41

As part of the first set of standards, the ESS should consider developing the three cross-cutting standards on reporting areas relating to Strategy and the two cross-cutting reference standards on reporting areas related to Implementation.

Proposal #42

The ESS should consider developing a standard, in the first set, on the detailed reporting structure, following a logical rationalisation of the defined perimeter of sustainability reporting in accordance with the overall architecture and allowing for easy digitisation.

Proposal #43

The ESS should consider developing successive versions of standards allowing for progressive 'enhancement of content'.

Proposal #44

The ESS should aim as a first step at (i) a set of 'core' disclosures offering a coherent coverage of sub-topics and (ii) more extensive disclosures for certain priority sub-topics.

4.2 DEFINING THE FIRST TWO SETS AND A ROADMAP FOR STANDARD-SETTING

4.2.1 Getting started with a first set of sector-agnostic 'core' standards

Proposal #45

Should there be a need to prioritise, in the first set of guidelines and standards, the ESS should consider developing two conceptual guidelines – double materiality and quality of information – as well as cross-cutting standards covering reporting areas, reporting structure and entity-specific materiality assessment.

Proposal #46

In the first set of standards, the ESS should consider developing 'core' standards for most sub-topics and 'advanced' standards for some priority sub-topics such as, for example, climate change.

4.2.2 Enhancing coverage and depth of topical standards in the second and following steps

Proposal #47

Taking into account any political or legislative decision, the ESS should determine during the elaboration of the first set of standards the priorities to be covered in the second and following sets under the 'enhancement of content' strategy.

4.2.3 Considering possible options for sector-specific standards coverage in the first sets

Proposal #48

The ESS should consider starting from a clear definition of sectors (i) derived from the EU NACE classification and (ii) presenting a reasonable level of convergence and coherence with other classifications from international initiatives.

Proposal #49

The ESS should start from EU priorities and consider including in the first set of standards some sector-specific disclosures for most impacted/most impactful sectors that are particularly relevant in the EU landscape and specificities and completing the sector coverage over time.

Proposal #50

The ESS should consider defining sector-specific standards with a particular attention to streamlining existing international and EU requirements to ensure coherence and simplification.

4.2.4 Developing an enabling SME approach

Proposal #51

The ESS should consider focusing on two levels of sustainability reporting for SMEs, based on a combination of the risk profile and size: (i) sector-agnostic "core" sustainability reporting disclosures to ensure coherence and efficiency in value chains for small and medium-sized enterprises and (ii) additional sector-specific sustainability reporting disclosures based on a risk-based approach differentiating highly critical sectors from less critical sectors.

Proposal #52

The ESS should consider developing proportionate SME standards (i) focusing on the business model, a summary of major sustainability challenges and retrospective KPIs and (ii) corresponding to the expectations of the SME leadership team, the value chain counterparts, and financial institutions.

4.3 POSSIBLE WAY FORWARD TO ON-BOARD INTERNATIONAL INITIATIVES: A TWO-STEP APPROACH

Proposal #53

When building on international initiatives, the ESS should consider a two-step approach:

a) Assessing initiatives and disclosures' (i) congruence with EU priorities; (ii) due process and governance context; and (iii) compliance with the European standard-setting objectives, guidelines and roadmap and if need be adapting and complementing the selected disclosures to fit EU needs.

b) Translating the selected disclosures into an EU regulatory compliant wording, ensuring overall coherence of EU standards.

Proposal #54

The ESS should contribute to sustainability reporting progress globally by:

a) Making available internationally the outcome of its standard-setting activities,

b) Establishing confident and fruitful bilateral relationships and stimulating joint projects,

c) Promoting and participating to convergence efforts on a co-construction basis, and

d) Participating in fora dedicated to fostering coherence and integration of corporate reporting as a whole (in particular connectivity between financial and sustainability reporting).