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Voluntary Standard Systems

A Contribution to Sustainable Development

Springer

Natural Resource Management in Transition   1

Carsten Schmitz-Hoffmann • Michael Schmidt •
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Editors

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With contribution by David J. Smyth

Springer

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Foreword

Just a decade or so ago, you would never have found a book delving into sustainability standards and their diverse use around the globe. There were only a handful of examples of successful certification initiatives and the so-called first generation of standards such as Fairtrade International and the Forest Stewardship Council, among others, were just starting to consolidate and scale up their programmes. Certified products on store shelves were niche items, and mainstream companies such as Unilever, McDonald's and IKEA were not yet fully engaged in transforming their supply chains for sustainability. Today, studies, conferences, training programmes and even social media platforms overflow with information on certification and standards. Global companies have announced major commitments to source certified products and governments are increasingly choosing to reference voluntary standards through co-regulation, public procurement, or support to producers for implementing sustainable practices.

Despite the many successes in the last two decades, awareness of sustainability standards is still surprisingly low. In particular, people working in sustainability need to understand what makes a standard truly credible, what the business and producer cases are for certification, what positive impacts have been seen to date and what still needs to be demonstrated, and how stakeholders can use sustainability standards to achieve their social and environmental objectives. This book will help to build that awareness and thereby aid our future sustainability leaders in strengthening effective standards and related initiatives for the benefit of all.

London, UK   Karin Kreider
April 2013

We all know it: unsustainable patterns of production and consumption are having serious and long-term detrimental economic, environmental and social impacts worldwide. To start changing the current situation, we need game changers. Game changers that will address both consumption and production by mobilising consumers, producers and intermediaries on an unprecedented scale—making sustainable consumption and production the norm, the easy choice and the

mainstream. Game changers that address—and interact with—green growth and provide benefits from sustainable development for those most in need.

But will VSS be one of the game changers? Through my work at Consumers International, I have become more and more involved in the VSS community and space. It is an area where I see potential for a game changer, in particular where there is strong focus on the potential value of standards as tools for developing countries to achieve their sustainable development goals.

As a consumer advocate credible VSS has certainly made my life easier as they have started to populate the vacant space between 'official' standards/eco-labels and often dubious self-declared claims with very little standard behind them. But for me as an 'ethical consumer', I see the front end of the systems, more often than not in the form of labels, logos, colours and statements, attempting to help me navigate (and persuade me) of my consumption choice of products and services. And there seem to be more and more of them. At the launch of the new United Nations Forum for Sustainability Standards (UNFSS), the Committee on Sustainability Assessment (COSA) counted 435 seals and standards. For me that illustrates one of the risks of VSS not becoming a game changer as the VSS landscape develops—proliferation of (often overlapping) standards and the associated communication to end users with a focus on niche production, niche issues and niche consumers.

The reality is that we need VSS to work and to be a game changer in particular in terms of mainstreaming. And as this book illustrates there are a lot of positive case studies that can be scaled up and learned from, and there are VSS that have already made a real difference and are able to demonstrate real impact. In some specific sectors such as coffee, bananas, tea and forests, some would rightly argue that we are getting closer to the 'tipping point' for mainstreaming with market shares of certified products climbing steadily. Other areas are ripe and ready for innovation and initiative.

This book sets a milestone in the VSS debate with a state-of-the-art overview of the VSS landscape. It charts the development of VSS, their potentials and challenges and interaction with legal instruments. The various practitioner contributors provide invaluable insights as well as their outlook on the future of VSS, creating a must read for VSS practitioners, the standards community and policy makers alike.

Kuala Lumpur, Malaysia   Bjarne Pedersen
June 2013

Preface

Voluntary Standard Systems (VSS) are a promising and rapidly evolving concept with considerable potential to promote 'green economy'. They encompass the three pillars of sustainability—social, environmental and economic aspects, and consequently they can be considered as a tool, which makes sustainable development visible. Currently, VSS are becoming a significant element in international trade and in the promotion of sustainable development strategies, especially in the context of globalised markets and supply chains.

This book is divided into five parts, which provide a comprehensive overview of the current VSS concepts and contains numerous examples of their implementation in different sectors of the economy. Part I introduces the concept and nature of VSS and discusses various issues related to their functioning. Part II highlights the difference between formal and private standards, their complementary characteristics and their co-functioning. Part III places VSS in the broader context of global development issues and challenges, including development policy and international sustainability commitments, progress towards achieving, green economy, and meeting climate protection targets. Part IV presents a representative selection of case studies to aid in demonstrating their wide range of applications and effectiveness in contributing to development objectives. Part V closes our publication with discussion of the current challenges related to the development of VSS and the future outlook.

The completion of this volume leaves us indebted to many people. First of all we wish to thank all authors from across the globe for their valuable article contributions, which made possible the preparation of this comprehensive publication. We are very grateful to David J. Smyth for his help in preparing this volume and for the excellent work on proofreading of all chapters and authoring introductions. We also wish to express our gratitude to Tania Wang and Bradlie Martz-Sigala for their assistance in the initial stages of preparing the manuscript.

We hope that practitioners within the field of standards application, the wider business community and policy makers, in addition to academic researchers, teachers and students will find the enclosed material valuable in their respective work and research endeavours.

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September 2013	

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Part I
Concepts and Operation of Voluntary Standard Systems (VSS)

At the outset of our investigation into voluntary standard systems, as with any endeavour, we require a secure basis from which to begin. Those new to the subject require foundation for thought, whilst those revisiting may need some reinforcement before tackling headlong into the later material. Part I sets out to frame VSSs within their contextual environment, outlining basic principles, introducing the commonly used technical language and tools, and revising the forces which conceived them and how VSS development progressed with time. Acronyms run rampant within discussions of sustainability, in an attempt to acknowledge and include all the contributing organisations and schemes involved within this relatively 'new' management arena.

Chapter 1 acts as a guide through essential terminology, linking to the structural components of a standards system and elaborating on these building blocks. A brief history follows, with reference to the various organisations spawned during VSS development and uptake from the early twentieth century to present day. Trends are highlighted relating to system models and assurance, covering topics ranging from collaboration of standard setting bodies to the alternative uses for auditors in verification as a step towards encouraging eventual certification. Concerns linked to VSS credibility and effectiveness are tackled, where obstacles are represented in the form of 'green-washing', exclusion issues and accessibility to standards for producers, and the realities of claims versus actual deliverables.

Chapter 2 features discussion upon humanity's short-comings when dealing with our environment, with the core challenges to sustainability being listed; including topics such as global carrying capacity, meeting basic needs of populations and distribution of wealth. The implications for a transition from 'unsustainability to sustainability' are also realised within this section. There is the summarised 'eight basic requirements for progress towards sustainability', tempered by the recommendation that such generic guidelines should be adapted and elaborated upon according to the context in which they are to be applied. Further insight is achieved with the acknowledgement of the practical difficulties to sustainability, exemplified in cases of resolving disagreements or how best to represent future generations in decision making, etc. The implications for sustainability based VSS feature,

including a comparison of ISEAL and IISD project standards (International Institute for Sustainable Development) with their respective merits and short-comings.

Indicators dominate Chap. 3, along with issues relating to their development and implementation. Indicators can serve as incredibly powerful tools through which a particular change can be viewed; however their complexity and sensitivity make their use an expert activity. Readers are shown how developers and users can be aided in their application of indicators and the need to acknowledge the inherent weaknesses of such tools so that they can be used effectively. Definitions of data and indicators are coupled with data gathering methods, feeding into the usefulness of indicators for application in measuring sustainability. The presentation of indicators using analytical aids and tools is discussed, where suggestions are made regarding the appropriate use of comparators, thresholds, targets and baselines, depending on the situation at hand.

Chapter 4 rolls out an expanded timeline for VSS development and use, detailing the pedigree of VSS throughout three notable periods of the twentieth century, and revealing the driving forces acting upon events at these times. The emergence of sustainability movements (1960–1990) such as IFOAM (International Federation of Organic Agriculture Movements) and Fairtrade are acknowledged, through to the 1992 Rio Earth Summit and the current age of mainstream voluntary sustainability standards being established. This retrospective view of VSS is important to ensure that those carrying development forward have experience of past events and can use that to better guide future decision making, as characterised by the obstacles being recalled e.g. proliferation of different labelling schemes, trade barriers obstructing producers, etc.

Chapter 1
Introduction to Voluntary Sustainability Standard Systems

Kristin Komives and Amy Jackson

1.1 Introduction

Private voluntary sustainability standard systems are an innovative market-based approach to promoting sustainable production and business practices. Adoption of these sustainability standards is intended to be voluntary: the standards are not created, run, or required by governments or government regulation. Instead, voluntary sustainability standard systems are non-government initiatives that seek to drive sustainable production and consumption by creating market demand for sustainable products, and a supply to meet that demand. They help buyers (both consumers and businesses) identify sustainably-produced products, and they guide producers, forest managers, mine and tourism operators, and factory owners and others in the choice of sustainable practices.

Voluntary sustainability standard systems have become important tools for moving production in some sectors toward sustainability. Some of the best known sustainability standards—e.g. Fairtrade International, the Forest Stewardship Council (FSC), and the Marine Stewardship Council (MSC)—are now well-known brands in many countries, and consumers rely on associated 'eco-labels' to inform buying decisions. Business attention to sustainable procurement has grown, increasing both supply and demand for products produced in accordance with sustainability standards. A 2010 study of the market presence of voluntary sustainability standards found that, as of 2009, 18 % of globally managed forests were certified to the FSC or PEFC (Programme for the Endorsement of Forest Certification Schemes) standards, 17 % of global coffee supply was produced in compliance with a sustainability standard, and sustainable bananas made up about 20 % of global banana exports (Potts et al. 2010). Parallel to the growth in these sectors with long experience with certification, new voluntary standard systems are emerging in

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sectors such as bio-trade, mining, energy, water and sports (e.g. Union for Ethical Biotrade, Responsible Jewellery Council, Initiative for Responsible Mining Assurance, Alliance for Responsible Mining, Roundtable for Sustainable Biomaterials, Golf Environment Organisation, Alliance for Water Stewardship and more). New uses for voluntary sustainability standards are also emerging. Actors such as governments and financial institutions are now employing standards to help implement policy objectives and assess portfolio risk.

Voluntary sustainability standard systems are an increasingly important market mechanism for driving sustainability, and the world of standards is rapidly innovating and evolving. In the first half of this chapter we explain what private voluntary sustainability standard systems are and how they are structured. We briefly review the history of these standards and examine recent trends in the evolution of standard systems. In the second half of the chapter, we examine concerns expressed about the credibility and effectiveness of sustainability standards and how the voluntary standards movement is addressing these concerns.

1.2 Voluntary Sustainability Standard Systems: Structure, History, and Evolution

1.2.1 Terminology

Voluntary sustainability standard systems are known by many different names. Even within this book, authors use various different terms to refer to these market-based instruments, including 'voluntary sustainability standards', 'private standards', 'standard systems', 'certification', and 'eco-labels'. Often authors employ these terms interchangeably, without attaching a particular meaning to one term. However, there are subtle differences in the terminology that are important to understand.

'Private' highlights the non-governmental nature of these systems. It does not mean that they are business-driven initiatives; often private voluntary standards are developed and managed by multi-stakeholder groups or even groups dominated by non-governmental organisations. The use of 'eco' or 'sustainability' in the name differentiates voluntary sustainability standards from other similar non-governmental, market-based initiatives that are not focused on addressing sustainability concerns.

The term 'system' highlights that these instruments rely on more than just the standard itself (the list of required practices or performance levels) to drive change. Below we describe each of these pieces of the system. 'Certification' is a reference to one piece of a standard system—the assurance process—and to one particular approach to assuring that products are actually produced in accordance with the standard.

In general, our discussion in this chapter focuses on 'voluntary sustainability standard systems'—multi-faceted, market-based systems with sustainability goals.

1.2.2 Structure

At the heart of any sustainability standard system is a standard that defines good social and environmental practices or performance in an industry or product (see Chap. 2, "Standards for Standards" for an in-depth discussion of the content of these standards). But a standard alone would not be sufficient to create a market for sustainable products. The market mechanism behind standards relies on four other important components of a standard system: assurance, labels and claims, traceability, and capacity building.

- Producers and other businesses seeking to meet a standard (e.g. farms, fisheries, forests, factories, or operations) are assessed to determine whether they meet the standard. This is done through the *assurance system* set up by the standard-setting organisation. Assurance of compliance has traditionally been based on an independent, third-party audit leading to *certification*, though new approaches are emerging. The assurance systems gives buyers the confidence that they are buying sustainably produced products.
- Many standard setting organisations offer corporate buyers of certified products the right to use a consumer-facing *label or claim* on product packaging (e.g. Fairtrade-certified coffee or the Rainforest Alliance green frog label on certified products). Others permit only business-to-business claims. Labels and claims are appealing to buyers and consumers and thus help increase demand for products produced in accordance with the standard.
- *Traceability* systems trace the 'chain of custody' of products, from where they were produced, through the full supply chain, and through to the final product, to provide proof of the origin of products carrying a label or a claim.
- Some standard setting organisations provide *capacity building* services to help producers, operators, or enterprises come into compliance with their standard. Others work with partner organisations that provide this training service.

By combining these five elements (the standard, assurance, labels and claims, traceability, and capacity building), voluntary sustainability standard systems provide incentives for many different actors to support and implement more sustainable practices. Consumers rely on standard systems to identify products that were produced using practices they value and want to support. For businesses seeking to source sustainably, the standard systems provide assurance that they are in fact buying products produced using responsible practices. Together, consumers and purchasing businesses build a demand for sustainable production. For suppliers of this product, standard systems offer guidance on how to improve production and meet sustainability goals and connect them to a market for sustainable products (which often provides higher prices than conventional markets).

1.2.3 History and Evolution

The first private voluntary sustainability standards date from the first half of the twentieth century. These early sustainability standards were private organic standards for agriculture, for example the Soil Association in the United Kingdom. Organic standards were developed locally, each with somewhat different criteria and different required practices. IFOAM (International Federation of Organic Agriculture Movements) was established in 1972 to lead, unite and assist the organic movement. Their work continues, for example with the publication of the consolidated Principles of Organic Agriculture, an international guideline for certification criteria, in 2005.

The fair trade certification movement followed a similar path, starting with one national standard, Max Havelaar in the Netherlands in 1988, and being replicated in several other markets across Europe and North America. These national standards then came together under one umbrella organisation, Fairtrade Labelling Organisations International (today Fairtrade International, or FLO), in 1997. In identifying the need for international coordination very quickly, Fairtrade provides an interesting transition from the organic movement to the next generation of sustainability standards which took a global approach from the beginning of the standard-setting process.

These standards, which emerged in the 1990s, aimed to develop global consensus on sustainable practices for particular industries and sectors. Early examples of this are the FSC, the MSC, the Rainforest Alliance's Sustainable Agriculture Network (RA-SAN), and Social Accountability International (SAI), which set standards for forestry, fisheries, agriculture, and labour respectively. All four set their standards through multi-stakeholder processes that brought NGOs, businesses, and other stakeholders to the table, and they still use this approach today.

These systems were created at a time when market mechanisms for environmental protection were gaining in popularity due to disillusionment with the effectiveness of government regulation and legislation to address sustainability challenges. The principle reason for creating the systems was to offer a non-governmental tool for achieving social and environmental change. NGOs and other actors who promoted the creation of these systems saw them as important vehicles for changing consumer buying patterns, business purchasing decisions, and production practices. Using the market was a powerful approach for using consumer demand for sustainability in one country to drive change in production practices in others. For example, the first product sold with a Fairtrade label was coffee from Mexico sold into Dutch markets.

A third generation of standard systems emerged after the turn of the century—commodity-based 'roundtables' bringing together stakeholders from industry, NGOs, and government to develop standards for commodities with known negative impacts on the environment. The roundtable standards were an initiative of WWF, seeking to use market forces to make sweeping changes in these sectors.

Total Number of Ecolabels by Year of Launch
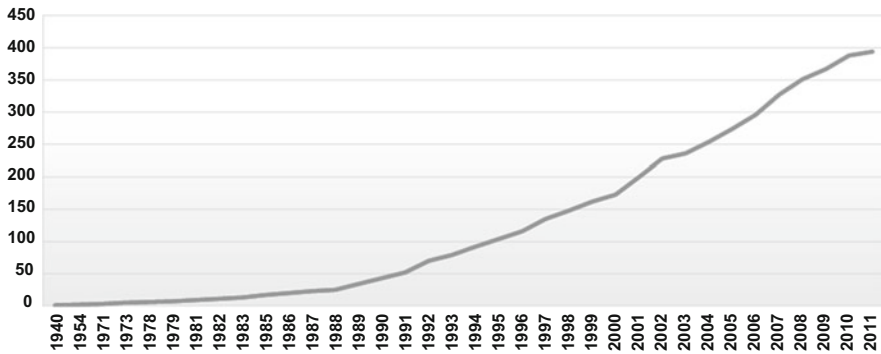
Fig. 1.1 Growth in labelling initiatives (*Source*: Ecolabel Index 2013)

Roundtable for Sustainable Palm Oil (RSPO), Roundtable for Responsible Soy (RTRS) and Bonsucro are three examples.

Since the early 1990s there has been a dramatic increase in the number of standards and eco-labels. As of July 2013, the Ecolabel Index is tracking 435 ecolabels in 195 countries (Ecolabel Index 2013; see also Fig. 1.1); more standards and labels emerge every year. The number of industry sectors employing voluntary standards as an approach for achieving sustainability is also growing, with standards in sectors like mining (e.g. Responsible Jewellery Council) and oil and gas (e.g. Equitable Origin) being established. More detailed information on the history of voluntary standards systems is available in Chap. 4, "The Evolution of Voluntary Standards Systems – From Niche to Mainstream".

The first signs of organisation within the voluntary standard system industry itself appeared at the end of the 1990s when the Forest Stewardship Council (FSC), the International Federation of Organic Agriculture Movements (IFOAM), Fairtrade International and Marine Stewardship Council (MSC) came together to discuss the feasibility and benefits of working in closer collaboration. By 2002 four more organisations—International Organic Accreditation Service (IOAS), Marine Aquarium Council, Rainforest Alliance (RA-SAN) and Social Accountability International (SAI)—joined to form the International Social and Environmental Accreditation and Labelling Alliance (now just referred to as the ISEAL Alliance). The aim of the newly formed ISEAL Alliance was to enable collaboration between its members and coordinate and represent their common interests to government and other key stakeholders. In June 2013, the ISEAL Alliance had 14 full members and 7 associate members, all international bodies involved in standard setting or accreditation.

1.2.4 Trends in Standard System Models

Over the course of the relatively short history of voluntary sustainability standards, standard setting bodies have sought to meet the changing expectations and needs of stakeholders by innovating and adopting new standard and assurance models. This has led to increasing diversity in the types of voluntary standard systems.

Traditionally sustainability standards have been practice-based standards—they required certified entities to implement specified production practices or adopt particular management systems. The assumption underlying the standard is that these practices would deliver the desired social and environmental outcomes. Field research is needed to show that this is indeed the case. More recently, standards with outcome or performance-based requirements are emerging. These standards require certified entities to meet specified performance targets (e.g. water quality or carbon measures). This approach to standard setting has the advantage that certified entities can themselves decide which practices or systems to adopt in order to meet the goal. Performance based standards also provide more immediate evidence that the standards are achieving desired outcomes. However, some stakeholders feel that these types of standards may not be appropriate in all scenarios, for example in social auditing, and performance standards are too new to fully evaluate the feasibility of implementing a performance based standard on a global scale or the relative effectiveness of process versus performance based standards. In Chap. 2, author Robert B. Gibson argues that no one solution is applicable to all sustainability challenges. Diversity in the structure of standards is likely to increase over time as standard-setters seek to improve the effectiveness of their standards.

Just as the diversity of standards models is increasing, so is diversity in the objectives and geographical base of standard systems. Early voluntary standards were developed in Europe and the United States and generally aimed to set a high bar for sustainability and focused on a niche market where price premiums were a likely benefit. More recently we have seen the emergence of standards based in Latin America and Asia (e.g. RTRS and RSPO; see also Chaps. 16 and 17 for a discussion of standards in China) and the creation of standards that aim to improve mainstream industry practice or eliminate the most egregious practices. The 4C Association, for example, developed a baseline standard for coffee, which is intended to offer a first step in moving towards sustainable production in the coffee sector (see Chap. 8, Sect. 8.3 for more information about the 4C Association). Some standard systems permit certification at different levels of performance, such as the various Green Building Council's globally which offer Platinum, Gold, Silver, and Bronze certifications for green buildings (see Chap. 23 for a detailed review of one example, the German Sustainable Building Council's (DGNB) certification system), and many standard systems build requirements for performance improvement over time into their standards (e.g. Fairtrade and UTZ Certified standards in agriculture).

Another important trend in the standards' world is the emergence of collaboration across standard setting bodies as they recognise that they do not operate in isolation. For example, 4C Association now works in collaboration with Rainforest

Alliance, Fairtrade International, and UTZ Certified to develop "stepping up" programs that would move producers from the baseline 4C standard to one of the other more rigorous standards. New standards such as the Roundtable for Sustainable Biomaterials (RSB) have benchmarked their standard to existing agricultural standards so as to accept compliance with one of these standards as proof of compliance with part of the RSB standard. Cooperation across standards is making it possible for standard systems to specialise (for example, by focussing on one sector—Alliance for Water Stewardship) and still provide standards users with the option of addressing a broad range of sustainability issues in their supply chains. One example of this is joint Fairtrade/FSC certification for non-forest timber products. These forms of cooperation could ultimately help address the complex and multi-faceted nature of sustainability challenges (see Chap. 2).

1.2.5 Trends in Assurance

Parallel to the evolution in the standards themselves have been innovations in two other components of standard systems—assurance and traceability. The traditional approach to assurance has been, and remains, the use of independent, third-party auditors checking that an enterprise complies with the standard, which results in a certificate being issued. These independent auditors are normally from a conformity assessment body or *certification body*. The ability and quality of work done by the certification body can be checked in various ways, a process generally referred to as *accreditation* or *oversight*. In the past this oversight has normally been done by the standard-setting organisations themselves, or with reliance on National Accreditation Bodies. A more recent trend is for the standard-setting organisation to appoint an independent, international body—IOAS, Social Accountability Accreditation Services (SAAS), or Accreditation Services International (ASI)—to do the accreditation for their scheme and help ensure global consistency in the performance of certification bodies. For example, this approach has been taken up by SAI, MSC, FSC, RA-SAN, a large proportion of the organic movement, and newer entrants like Aquaculture Stewardship Council (ASC) and RSPO, among others.

   At the same time, alternatives to audits as a means for checking compliance are also emerging. For example, while it is generally recognised that auditors should not give advice during an audit, some standards have identified ways to take advantage of the presence of auditors in the field or on the factory floor to help improve practices, without compromising the impartiality of the audit. Some entry-level standards with a focus on performance improvement, such as the 4C Association, use what they call 'verification' rather than certification. In this approach, the 'verifiers' may provide advice about how to improve practices during the audits. The companies that are successfully 'verified' do not receive a certificate, and companies buying these products cannot use an eco-label on their packaging, however the general level of practice is improved in the sector. Another set of emerging assurance models rely heavily on transparency and peer review to provide

assurance of compliance. One example is the Participatory Guarantee Systems (PGS), in which producers check the performance of their peers. These changes are motivated by a desire to reduce the cost and complexity of assurance and to facilitate scaling up the use of sustainability standards.

In order to substantiate sustainability claims, most standards systems employ a form of traceability, sometimes also termed 'chain of custody'. 'Identity preservation' is the most strictly controlled form of traceability, but this can require considerable work as it requires products to be 100 % traceable, from certified origins. 'Segregation' keeps certified products separate from non-certified but does not allow one to track a specific batch of product to origin. 'Mass balance' keeps track of certified volumes, but these may be mixed with non-certified products. An interesting approach that is used to connect remote producers with the market is the certificate trading system, where credits are sold that equal the amount of certified product produced, but the actual product is not shipped to the buyer of credits. This is mainly used in large commodities such as palm oil, or where traceability of the product itself is impractical.

The choice of traceability system can have important implications for the overall functioning and impact of the standard system, as illustrated with an example from the Renewable Energies Directive (RED) of the European Commission. RED establishes that mass balance approach to traceability is acceptable for their requirements to demonstrate responsible sourcing of biofuels, however, some stakeholders are expressing concerns that this could allow false claims to be made. Conversely, if traceability requirements are too high, it could decrease the uptake of the scheme and therefore threaten its broader impact. There is additional detail on the chain of custody considerations and their implications in one sector, forestry, in the second half of Chap. 10 "Environmental Standards and Embedded Carbon in the Built Environment".

Standard systems are seeking new solutions to these dilemmas, including how to use technology to increase accessibility whilst maintaining rigour of traceability systems. Online traceability is seen as a possible replacement or supplement to traceability systems, to decrease on-site audit time and cost. Technology can also be used to add valuable controls to combat fraud, which is a risk given the price margin sometimes available for certified goods. FSC is currently setting up an online system to verify and trace the use of FSC claims. Many systems provide access to databases to provide real time certification information (i.e. that a company is still certified to handle certified products) to help reduce fraud.

Traceability systems are one area where active collaboration between systems is already being seen. UTZ Certified, for example, hosts the 'Good Inside Portal' which tracks UTZ Certified products, and has begun outsourcing this to other standards, beginning with RSPO. The ASC has accessed the MSC chain of custody standard and certification methodology and hosts their data within the same database as MSC. This improves accessibility for participants in their shared seafood supply chains and leads to more efficiencies within the newer ASC to allow for faster growth.

1.2.6 Trends in the Uses of Voluntary Sustainability Standard Systems

Sustainability standard systems offer a global approach to reward and encourage actors to stop harmful practices and adopt practices and systems that will improve sustainability outcomes. The standard systems themselves and many of their key stakeholders see this as the primary goal and long-term benefit of standard systems. And yet, as the standard system industry has matured, other actors have begun to use sustainability standard systems for other purposes as well.

Although initially conceived of as an alternative to government regulation, many governments now rely on voluntary standards systems to help enforce or implement their own policies. For example, LEED standards have been incorporated in green building policies of numerous state and local governments in the United States. Tunisia based its national organic agriculture policy on IFOAM standards, which it saw as global best practice (Carey and Guttenstein 2008). These are examples of what a recent report (*Toward sustainability: The roles and limitations of certification*) characterises as 'superseding' private standard systems by incorporating them as part of legislation (Steering Committee 2012). In 'hybrid' models of interaction between governments and standard systems, there is a division of labour and function between governments and sustainability standard systems. For example, the European Union has recognised voluntary sustainability standards as a mechanism for verifying compliance with EU biofuels regulation and its requirements on forest product legality verification.

Sustainable public procurement is another example of government use of sustainability standards. The crucial advantage of sustainability standards systems for public procurers is that they 'outsource' the identification of sustainability hotspots in the supply chain and the verification of compliance with sustainability criteria. This is particularly significant when public purchasers are procuring in multiple categories, with limited time and expertise available to assess each and every product category in detail. In some regions, legal frameworks place limits on the extent to which sustainability standards can be included or referred to in public procurement processes.

Like governments, retailers, manufacturers, and brand managers use procurement of certified products to help meet their own sustainability commitments. The appeal of standard systems to businesses, however, goes beyond sustainable procurement. Partnering with standard systems helps reduce the risk of exposure of unsustainable practices in their supply changes, where one example of bad practice highlighted in the media can significantly damage brand value. Standard systems with consumer facing labels also offer the potential to market certain values to consumers, and to potentially recover higher costs of procurement. Global brands use different sustainability standards in different products in order to appeal to different consumer groups.

One key driver for the growth in standards has been some businesses' recognition of the value of sustainability standards as an approach to securing long-term

supply of products and ingredients. For example, Unilever joined forces with WWF to form the MSC shortly after the collapse of the Grand Banks cod fishery, as this lack of supply was a clear threat to the success of their Birds Eye and Iglo frozen fish business. This trend is also now visible in agriculture where climate change, land use pressures, and aging farming populations threaten to reduce supplies. Companies operating in these sectors see certification helping them secure future supply in three ways. The first is that by addressing sustainability issues (e.g. environmental problems that limit production, vulnerability to climate change, and farmer incomes) they will make the production more viable into the future and help ensure continued supply. The second is that the standard system itself creates a link between producers and buyers, which can help ensure a particular company access to the supply they need. Thirdly, having made this link it can help to drive change at the production level, where the longer term relationships can act as reassurance that investments in improved practices have an interested customer, and so will be repaid at a later date.

1.3   Addressing Concerns, Defining Credibility, Demonstrating Effectiveness

Growth in the supply and demand for certified products, increasing diversity in standards and standard systems, and the emergence of new actors and uses for standards are all signs that the world of voluntary sustainability standards is maturing. With this maturity comes also more attention and scrutiny of standard systems in general and of individual systems. Both standards proponents and sceptics have raised important concerns, and standard systems are working to address them.

What are the major concerns that proponents and critics of standard systems have raised about voluntary sustainable standards? And how are standard systems seeking to address those concerns? Three broad areas of concern discussed in the second part of this chapter are growth and market, accessibility and exclusion, and impact and claims.

A first set of concerns relates to the market for sustainable products created by voluntary standard systems. There is concern that these systems will not grow quickly enough—that they will not develop enough supply for the market, or conversely, not generate rapid uptake in the market when certified supplies are available. Finding a balance between demand and supply is tricky. The oversupply of certified products that do not end up being sold with the relevant claim is referred to as leakage. Leakage reduces any margins or benefits from securing customers as a result of certification and can reduce the incentive of producers, factories, or other operations to seek to demonstrate compliance with a standard. Where there is not sufficient supply of certified product available, it can prevent larger customers from making commitments to sourcing from a particular standard because they do not

think these commitments can be met. This in turn reduces the market demand for the products produced according to sustainability standards. For this reason, anticipating market demands, developing a market, providing connections between buyers and suppliers, and ensuring that capacity building and assurance services are available to help boost supply are important functions of standard owners. Some standard-setting organisations take on this challenge themselves with strong market development departments and capacity development areas, while others seek partnerships to address the issue. Regular discussions with potential buyers about their sourcing needs helps standard systems and their partners determine where to invest in building new supply. Partnerships with capacity building organisations and donor institutions provide farmers, factories, and enterprises in target commodities and markets support to prepare for certification.

A related concern is that voluntary standard systems are not well-suited to mainstream production, that they are appropriate only for select producers, operators, factories, and fisheries, and not for reaching the vast majority of entities with unsustainable practices. Not only does this threaten to limit the growth of standard systems, it also raises concerns about equal access to standards and the markets they create.

The accessibility of standards is of particular concern regarding smallholder farmers and fishers, manufacturers, and other operators in the developing world. The concerns about accessibility stem from both the costs of achieving compliance (needed investment) and demonstrating compliance (auditing processes). Improving practices in order to meet the sustainability standard can be seen as an investment in the future of the business. However, there are concerns that those who cannot afford to make the initial investment in improvement, or lack the know-how to do so, will be excluded. The cost of audits or verification to demonstrate compliance also creates a possible source of exclusion. When the assurance process includes a site visit, this is typically done at the cost of the entity being certified. Although participation in sustainability standard systems is voluntary, standards compliance is a condition for some buyers. This means that an inability to make investments to come into compliance with voluntary sustainability standards or to cover the cost of compliance checks could exclude producers from certain markets. On the other hand, voluntary sustainability standard systems are actually, at their core, a mechanism to connect producers with new markets, which might not have been accessible to them without the standard system mechanism. Moreover, standards systems and buyers of certified products can provide or facilitate provision of capacity building activities and credit to producers that do not otherwise have access to this assistance.

Sustainability standard systems are addressing concerns about exclusion and accessibility in many different ways. Expanding capacity building and facilitating finance for improvements is one approach. Another area of intervention is in the standard setting process itself: including stakeholder groups in different countries and from different production models in standard development and revision processes and seeking strategies to make global standards nationally relevant and applicable. The on-going revision of Sustainable Agriculture Network