

CLIMATE CHANGE & SUSTAINABILITY SERVICES

Certification and biodiversity

Exploring improvements in the effectiveness of certification schemes on biodiversity

January 2012

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Abbreviations

4C	4C Association (formerly the Common Code for the Coffee Community Association)
B2B	Business to business
B2C	Business to consumer
СОР	Conference of the Parties
DEFRA	Department for Environment, Food and Rural Affairs (UK - United Kingdom)
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FLO	Fairtrade Labelling Organizations International
FSC	Forest Stewardship Council
ICCO	The International Cocoa Organization
IDH	Initiatief Duurzame Handel - The Dutch Sustainable Trade Initiative
IFOAM	International Federation of Organic Agriculture Movements (aka "Organic")
IISD	International Institute for Sustainable Development
ISEAL	International Social and Environmental Accreditation and Labeling Alliance
MSC	Marine Stewardship Council
NGO	Non-Governmental Organization
PBL	Planbureau voor de Leefomgeving – PBL Netherlands Environmental Assessment Agency
PEFC	Programme for the Endorsement of Forest Certification
RA	Rainforest Alliance
SAI	Social Accountability International
SAN	Sustainable Agriculture Network
SF	Sustainable Forestry
TEEB	The Economics of Ecosystems and Biodiversity
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
WRI	World Resources Institute
WWF	World Wildlife Fund

Executive summary and conclusions

The main focus of this report is to understand the current landscape and possible future trends and challenges in relation to the effectiveness of certification regarding biodiversity conservation¹. The issues of biodiversity and certification are receiving attention from various stakeholders and their complexity and interdependency is high. In this report we have identified several challenges that may be faced and possible improvement interventions that could be made by government, the business community, the certification schemes themselves and various NGOs.

Important elements influencing this debate include the need for further research using evidence based methodologies to evaluate the overall impact of certification and its impact on biodiversity the current certification scheme landscape, expected developments related to sustainable sourcing, an increase in the perceived importance of biodiversity to business and the call for greater transparency in general, particularly in relation to the origins of consumer goods.

The key issues identified throughout this report are:

 A number of attempts have been made to document the environmental impacts of certification, however only a small percentage of these studies have used evidence-based research methodologies, (i.e. research that manages to isolate the impact of certification from the impact that would happen independently of certification interference). When biodiversity in particular is analysed the complex nature of the issue becomes clear, as it is difficult to differentiate between overall environmental impacts and impacts on biodiversity.

- The majority of the certification schemes currently in operation in the Netherlands relating to priority commodities have the potential to include additional biodiversity criteria, as most already address certain environmental impacts.
- Research shows that biodiversity criteria are being addressed in certification schemes although few demonstrate a high level of maturity. Evaluating these criteria is challenging as it is difficult to separate the impact on biodiversity from other indicators (e.g. water conservation, soil management, use of pesticides).
- Factors affecting the success of certification schemes as a whole include the importance of transparent, clear and measureable criteria which have their credibility

assessed by a third party. Price premiums are important in removing barriers faced by producers entering into certification due to high costs and an increased administrative burden.

- Market trends in the demand for sustainably-supplied commodities indicate that the demand for internationally sourced sustainable commodities will rise in the coming years. The challenge lies in how to meet this increasing demand whilst meeting certain necessary biodiversity goals.
 - From a long-term perspective it appears advisable not to hinder the mainstreaming of sustainable sourcing by imposing too rigid (additional) criteria regarding biodiversity too early in the transition;
 - There is an opportunity to integrate more explicit biodiversity criteria into current schemes, however the



lifecycle stage of each commodity with regard to certification needs to be taken into consideration as this will impact the type of intervention required.

- Future action should be focused on commodities because this will lead to in-depth and tailored sustainability solutions around specific commodity value chains.
- Sector initiatives have a role to play in finding solutions to cross-sector sustainability issues, often in a precompetitive environment.
- Increased demand for transparency regarding sustainability impacts

performance, while the use of technology for keeping organisations accountable will impact how certification schemes are and should be structured today and in the near future.

• The scale of possible certification is necessarily limited to a certain extent. Not all producers or farmers can be certified or will find it worthwhile undergoing the entire certification process (e.g. smallholders that face difficulties in dealing with the administrative burden and costs of certification, which does not repay the effort due to their limited scale). Once certification increases its reach, companies will not necessarily gain a competitive advantage in being certified, and alternative options may be cheaper and easier. Another limit relates to scope. Certification schemes deal with individual producers and commodities. Complex multi-dimensional issues such as biodiversity occasionally require overarching solutions (crossproducer and cross-commodity).

• Solutions to ensure that biodiversity is more explicitly addressed by means of certification should be taken in a multi-stakeholder setting:

GOVERNMENT	The Dutch government has a multi-dimensional role that varies according to the maturity stage of the different commodities:
	• For certified commodities in a voluntary lifecycle stage, where demand is non-existent or very small, government has a larger role related to regulation in order to initiate demand.
	• For certified commodities in a stimulation lifecycle stage, where demand for sustainable commodities is still low but more mature, government has a role in policy development and green public procurement, in order to contribute to increase demand and to repair shortcomings in the market's self-regulation. Governments could for example incentivise certification schemes with a strong biodiversity component. For commodities in more advanced stages, the government role focuses on facilitating the development of stronger measurement criteria and on coordinating other actors on how to ensure the delivery of stronger biodiversity outcomes through certification.
	• A number of other options could be explored independently of the maturity level of the different certified commodities e.g. government contributions to standards setting and to the development of a higher quality bar on biodiversity criteria for certification schemes.
	• Government contribution through funding studies that evaluate the impact of certification on biodiversity is also an option that is independent of the lifecycle stage of the commodity.
	• Cooperation is also key amongst different government bodies and governments in other countries. For example, co-operation between Dutch government departments for developing programmes and with (EU) partners to avoid overlapping approaches on the role of certification to improve biodiversity.
BUSINESS	 Business will face the challenge of guaranteeing its supply of (scarcer) sustainable commodities and improving the biodiversity impact across its supply chain.
	• In the dialogue between business and certification schemes an important topic to be addressed is how to further improve the way current certification schemes address biodiversity.
CERTIFICATION SCHEMES	Certification schemes can contribute by cooperating on developing more specific biodiversity criteria in current or new schemes.
	• Collaboration between schemes and overarching organisations such as ISEAL can play an important role in addressing more biodiversity attention.
NGOs	• NGOs have an important role to play in highlighting the need for maximum transparency and traceability of biodiversity improvements in certification.
	 A contribution (from NGOs) is possible through sharing knowledge to improve biodiversity standards in certification.

About this report



In July 2011 KPMG Sustainability was requested by Agentschap-NL, on behalf of the Dutch Biodiversity Programme, to evaluate the effectiveness of certification schemes and eco-labels regarding biodiversity conservation. This report, which is the result of this project, is targeted at a broad audience which includes the Dutch government, the business community, certification schemes, NGOs and other stakeholders that are involved and interested in certification and biodiversity.

The report starts with an introduction to the topic of certification and biodiversity followed by four chapters.

Chapter 1 explores the effectiveness of certification schemes for biodiversity conservation. This was the key research element of this report, therefore it is the most extensive chapter containing a description of the research methodology used and a detailed explanation of the key conclusions. Chapter 2 looks at market trends in sustainable commodities and at the implications for certification and biodiversity. Chapter 3 focuses on the key trends in sustainability management, certification and biodiversity. And finally Chapter 4 presents the possible intervention options for the different players involved.

The puzzle of biodiversity and certification: An introduction

The impact of the world's developed economies on the biodiversity of less-developed nations has become a concern to many Western governments and was emphasised through the more stringent terms of the agreement reached in Nagoya during COP 10 in October 2010. We are also increasingly seeing governments in Western Europe taking actions with regard to biodiversity.

Biodiversity and ecosystem services have a direct impact on human health and wellbeing and are impacted by the policies and interventions of the various stakeholders. As a result, it is important to understand all the available options in order to ensure that government, business and the other participants contribute to the conservation of biodiversity.

One of the many instruments available to both the private and public sector

Figure 1:

The puzzle of biodiversity and certification



to help address biodiversity as an environmental issue is the wider use of certification schemes. The number of certification schemes increased throughout the late 1990s and early 2000s, culminating at the time of writing in approximately 410 certification schemes and eco-labels across 215 countries and 24 industry sectors registered on the Eco-label Index, the World Resources Institute sponsored website for the global monitoring of ecolabels. These certification schemes and eco-labels range from schemes that certify commodities such as coffee, forest products, palm oil etc., to those that certify broader sustainability criteria across different production processes.

Certification and eco-labelling can be used to demonstrate preferable products, services or companies based on environmental, social, health and safety, standards, criteria or other performance metrics. Certification schemes can be used within a national context such as the Dutch Milieukeur eco-label, or internationally e.g. the Rainforest Alliance, Forest Stewardship Council etc. There are a number of different types of labels that can be classified according to the players that support them and the mechanisms used to award the labels, for example:

- Labels or frameworks that are government-sponsored;
- Labels awarded by impartial third parties, which can be voluntary;
- Labels showing that particular industry standards have been met, either through self-declaration or through third party verification (see below);
- Labels that use quantified data on a product, under pre-set criteria set by a qualified third party and then verified by either that or another qualified third party.

Increasingly, companies in several sectors are facing pressure to act on and address areas of corporate and social responsibility which include: Social issues, such as labour conditions, child labour and fair trade, and environmental concerns in terms of waste, local pollution, carbon emissions and biodiversity loss. Certification can therefore provide a market mechanism to adjust for environmental and social externalities. The existence of certification-specific schemes may also be an attractive alternative to traditional policies, for those trying to address specific environmental or social concerns in other countries, such as biodiversity loss or labour conditions that supply goods to their domestic economy.

The interest of the Dutch Biodiversity Programme in the effectiveness of certification

In 2008, to ensure the implementation of the Dutch biodiversity policy, an Inter-Ministerial Biodiversity Programme Team was formed, including the Ministry of Foreign Affairs, the Ministry of Economic Affairs, Agriculture and Innovation and the Ministry of Infrastructure and Environment. KPMG Sustainability was requested by Agentschap-NL, on behalf of the Dutch Biodiversity Programme, to evaluate the effectiveness of certification schemes and eco-labels for biodiversity conservation in general, for a wide range of commodities. It is not the aim of this report to assess individual certification schemes on their impact on biodiversity conservation.

In order to prepare this report, we performed desktop research into the issues covered by each chapter. The conclusions of the three first chapters provided input for the final chapter, with concluding remarks, which explores the possible intervention options that different stakeholders could select. Government is not the central player in the market oriented topic of certification, but its role is addressed specifically in this report due to its potential to influence the biodiversity and certification agenda through facilitation, policy intervention and regulation. The overall objective of this report is to contribute to a better understanding of how certification can improve biodiversity.

The key questions addressed throughout this analysis are:

- 1. What is the effectiveness of certification on biodiversity conservation?
- 2. What are the important market developments regarding commodities produced using sustainable methods?
- 3. What are the key trends in sustainability management, biodiversity and certification?
- 4. What is the possible intervention mix for the different players?

In addition to the information gathered through a process of consultation with key stakeholders², the preliminary outcome of our analysis was used to formulate a set of possible interventions for the different players. These results are presented in Chapter 4.

External consultation on this report

In order to complement and validate the findings of our desk research, we submitted the content to an expert consultation. The consultation process began as soon as the preliminary findings were available. On 28 September 2011 an expert meeting was organised by KPMG Sustainability as part of this project. Representatives from certification schemes, government, business and NGOs attended the event. The objective of the meeting was to obtain expert opinion on the issues being addressed and our preliminary conclusions and devise a set of possible interventions that the different players involved in certification and biodiversity could take in order to move forward. The meeting was designed to trigger discussion by presenting preliminary findings, followed by certain statements requiring debate.

The input provided by the experts prior to, during and after the meeting was incorporated into this document.

On 4 November 2011 the refined content including the results of the expert consultation was discussed in a high-level meeting organised by the Task Force for Biodiversity which comprised business leaders in the Netherlands. The main objective of the meeting was to acquire more detailed input from the business community on the possible intervention options. The outcomes of this meeting were also incorporated into this document.

Lastly, additional input from the business community and certification schemes was acquired through a series of individual interviews which provided valuable input to verify the conclusions in this report.

The need to narrow the scope

As the analysis essentially relied on desk research and consultation

with experts, some methodological boundaries had to be established from the start to ensure that the objectives of the study were achieved and that the results could not be misinterpreted.

For the purpose of this research we did not explore the direct relationship between certification schemes and their impact on ecosystem services, as the complexity of such an analysis would be too great and necessitate a more focused analysis requiring the examination of specific commodities and their related ecosystem services, and a definition of the region to be analysed. As this was outside the scope of this research, our focus was on the broader contribution of certification schemes to biodiversity. No field research was performed in order to substantiate the findings of this report.

For the purpose of this report, four central definitions need to be clarified:

• The definition of biodiversity: In this report, the definition of biodiversity used originates from the Convention on Biological Diversity, whereby biodiversity is defined as 'the variability among living organisms from all sources including inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems'. Ecosystem services were included in our definition of biodiversity and were considered when we analysed the impact of certification on biodiversity, but as a result of their direct relationship only.

The different effects of certification on biodiversity and on ecosystem services were not differentiated;

- Certification schemes: This report focuses on certification schemes, eco-labels and, to a certain extent, roundtables (where possible as permitted by their recent implementation and limited related labelling schemes) available internationally and listed on the Ecolabel Index website³;
- Government intervention options: This report focuses on the Dutch experience and refers to options available to the Dutch government, therefore the report considers the current reality of the Dutch scenario, whereby the government is increasingly stepping back

from its direct involvement in environmental and sustainability initiatives, including biodiversity, and is assuming a stronger role as a facilitator of these processes (e.g. the recent Government Green Deals: http://www.rijksoverheid. nl/onderwerpen/energie/greendeal). The possible intervention options listed in this report were defined taking this context into consideration;

 Priority commodities: As in the Dutch government's policy of biodiversity and for the actions taken by organisations such as IDH (the Dutch Sustainable Trade Initiative), the key commodities that this study takes into account are: palm oil, soya, cocoa, biomass, wood, coffee, tea, fish and cotton.



01

There is a need for better understanding of the effectiveness of certification regarding biodiversity conservation

1.1 Introduction

The starting point for this report was to explore the effectiveness of certification regarding biodiversity conservation. In order to do so, the following objectives were established:

- Define a set of quality criteria for certification or eco-labelling schemes based on a dedicated choice of literature;
- Review how the impact of certification schemes is specifically measured, using biodiversity loss as an example;
- Review whether currently active certification schemes in the Netherlands cover a focused list of priority commodities of importance to the Dutch government (see the report boundaries for the detailed list);
- Determine whether the publiclylisted certification schemes currently available in the Netherlands address different factors, such as the environment, as part of their certification processes. This review allowed us to comment on whether there is currently any potential for specific environmental concerns, such as biodiversity loss, to be addressed through certification schemes.

1.2 How did we approach this analysis?

A set of core reports and surveys (see reference list in Appendix 1) were used to determine the success criteria for certification schemes that seek to address environmental and social concerns.

The initial desk research performed looked into a preliminary set of reports and studies that reviewed the effectiveness of certification from different perspectives. The sources used for this paper were mainly independent reports that analysed several certification schemes at once. As it was not possible to find sources that fit the criteria established for the purpose of this analysis which looked directly and exclusively into the impact of certification schemes on biodiversity⁴, we focused on reports that examined the wider environmental and social impacts of certification schemes. We did not use sources that focused exclusively on the relationship between one certification scheme and one or two biodiversity topics only (species or other micro level issues).

During the literature review, we were faced with the challenge of a lack of sources with robust methodologies in determining the impact of certification on biodiversity. However, this is not the case for biodiversity only, but for information on the impact of certification as a whole. As revealed by a study conducted by ISEAL with 100 representatives from different sectors (business, government and NGOs), the main source of information used by respondents is consultation with experts (referred to as 'ask around')

Figure 2: Information sources



Source: ISEAL (2011)

and internet searches, which may be the result of a lack of specific and accessible scientific knowledge databases on the impact of certification.

Also, as shown by Blackman and Rivera (2010), there are a limited number of sources focusing on the impact of certification schemes. The study was carried out using a search performed on several databases with specific criteria looking at the impact of certification, both from a social and an environmental perspective. The analysis focused on a literature review of available research on the impact of certification for specific commodities and activities. Some of these commodities overlap with the priority commodities considered for this

⁴ For further information on how schemes address Biodiversity, please refer to recent research by UNEP for the convention on biological diversity: UNEP-WCMC 2011. Review of the Biodiversity Requirements of Standards and Certification Schemes: A snapshot of current practices. Secretariat of the Convention on Biological Diversity, Montréal, Canada. Technical Series No. 63, 30 pages.

report (coffee, timber, cocoa and fish) and their findings support the argument that few sources exist with strong evidence to prove the impact of certification schemes.

Their first finding was that there is a limited amount of scientific research connecting certification to environmental and social impacts. The second finding, from the analysis of the remaining literature, was that very little research presented robust evidence-based methods which isolate the impact of certification. This conclusion was derived from the fact that a small proportion of studies included a counterfactual to isolate the exact impact of certification. In this case, a counterfactual would be an estimate of the social and environmental outcomes if producers were not certified. With this estimate in-hand, we would be able to calculate the impact of certification, through the difference between the counterfactual outcome (which would have occurred without certification) and the actual outcome after certification. Unfortunately, as highlighted by the study, most impact evaluations of certification use problematic counterfactual outcomes that are likely to bias the results.

In the chart below we see that only a small number of studies were conducted using a counterfactual. Only commodities such as bananas, coffee, tourism, timber and agriculture products had studies including a counterfactual. The number of studies without a counterfactual was much higher.

This shows that, even amongst the few studies that examine the impact of certification, there is a lack of a strong evidence-based methodology to determine the exact outcomes of certification in comparison with conducting the same activities under a non-certified system. It demonstrates both a lack of studies that elaborate on the social and environmental impacts of certification and a lack of robust methodology approaches to evaluate these impacts in the few studies that attempt to do so. The UNEP (2005), Accenture and WWF (2009) assessment criteria and Treves et al. (2010) consider the impact of certification schemes at the level of physical environment and whether there is evidence to suggest that the use of certification schemes meets conservation and/or biodiversity goals. All report the difficulties associated with attributing ecological change to the implementation of

a specific certification scheme. In addition, all state that a lack of research and evidence in this area constitutes a weakness in the certification approach that can cause issues with credibility.

Although we also analysed roundtables there are almost no direct or indirect effects that can yet be credited to them. This is due to the fact that, as highlighted by WWF (2010), they have either just been finalised or are not yet completed. The need for further literature and scientific work connecting certification with biodiversity conservation, and the questionable methodologies used to measure the impacts of certification, make it difficult to directly connect certification with impacts on biodiversity.



Number of studies on sustainable certification, by commodity



Source: Blackman and Rivera (2010). The evidence base for environmental and socioeconomic impacts of 'sustainable' certification.

In order to deal with the challenge of available literature we decided to:

- 1. Analyse the criteria on biodiversity that are used in some certification schemes.
- Review a sample of a number of schemes that are relevant to the Dutch priority commodities to check if they contained environmental criteria. This was performed to gain a deeper insight into how biodiversity criteria are applied in practice in four selected certification schemes in order to understand how renowned schemes deal with biodiversity.
- 3. In addition, we opted for a more qualitative approach by attempting to comprehend what the success criteria are which make a certification scheme more effective.

1.3 Biodiversity is addressed by certification schemes but its impact is difficult to grasp

Aidenvironment, the International Institute for Sustainable Development (IISD), the International Institute for the Environment and Development and the United Nations Conference on Trade and Development (UNCTAD) carried out an analysis to evaluate to what extent certification schemes incorporated biodiversity criteria into their standards, in which they concluded that only a small number have more developed practices related to biodiversity. The more recent study by UNEP (2011) concluded the same, based on detailed analysis of a large number of schemes.



The criteria used by IISD for scoring the different labels were:

- Flora density/diversity: There are rules related to the genetic density of plants and diversity of the area used;
- Habitat set-asides: A certification scheme stipulating that some areas should not be used for production/ extraction in order to conserve, protect and restore habitat areas;
- Land conversion: High conservation value land cannot be converted to production areas⁵.

From results on the next page, we can see that the forest certification schemes are the most evolved in terms of including biodiversity in their criteria. However, we can also see from the analysis that there are other criteria that have an impact on biodiversity but which are ranked under other titles, evidencing the complexity of defining clear standards to measure biodiversity conservation impacts and differentiating them from other environmental impacts.

The soil, synthetic inputs (e.g. fertilisers) and water indices can also have direct consequences for local biodiversity conservation but are rated in this study under separate criteria. The standards set for how soil should be managed, how water should be conserved and how producers can use synthetic inputs in their production practices can all hinder or foster biodiversity conservation independently of the criteria set in the biodiversity index itself. For example, if high levels of pesticides are permitted, even though the label may have properly set-aside habitats, it could considerably decrease an area's biodiversity level.

Figure 4:

Biodiversity index

0 No requirement	1 recommended		122.5recommendedRequired as aRequired in lesslong-term objectivethan 3 years		ss	3 Threshold		4 Critical		
	FSC	PEFC	SFI	4C Association	UTZ	FLO	IFOAM	GLOBALGAP	SAI	Rainforest Alliance/SAN
Biodiversity Index	100%6	67%	67%	21%	0%	8%	42%	25%	0%	58%
Flora density/ diversity	4	4	4	2.5	0	1	0	1	0	07
Habitat set-asides	4	4	4	2	0	0	1	1	0	3
Land conversion	4	0	0	0	0	0	4	1	0	4

Source: IISD et al. (2010). The State of Sustainability Initiatives Review 2010: Sustainability and Transparency.

Figure 5:

Other environmental indices

	FSC	PEFC	SFI	4CAssociation	UTZ	FLO	IFOAM	GLOBALGAP	SAI	Rainforest Alliance/SAN
Environmental										
Soil index	100%	50%	100%	25%	63%	100%	100%	25%	0%	25%
Conservation/erosion	4	4	4	2	2.5	4	4	1	0	1
Quality	4	0	4	0	2.5	4	4	1	0	1
Synthetic inputs index ^(b)	75%	0%	25%	50%	50%	50%	100%	75%	0%	75%
Water index	25%	0%	50%	38%	78%	44%	38%	38%	0%	56%
Dependencies	0	0	0	0	4	1	1	2.5	0	0
Use/management	4	0	4	2	2.5	1	4	1	0	2.5
Reduce	0	0	4	2	2	1	1	2.5	0	2.5
Disposal	0	0	0	2	4	4	0	0	0	4

Source: IISD et al. (2010). The State of Sustainability Initiatives Review 2010: Sustainability and Transparency.

⁶ This list is does not represent the totality of labels present in the Netherlands and is not intended to. It is restricted to labels in the Ecolabel Index collected in August 2011. It is important to highlight that there are constant additions and changes to this database, therefore the information displayed here should be taken as a snapshot of the information as was available on the website in August 2011.

⁷ The detailed methodology used for scoring the labels was not published in the IISD et al report. For any scores attributed, it is important to consider that scores were awarded according to the methodology used and the available information from labels at the year of publication and can reflect a different situation than observed today.

1.4 A snapshot of schemes in the Netherlands illustrates the potential to include biodiversity more explicitly

Taking into consideration the current landscape in the Netherlands, we identified 39 certification schemes and eco-labels, limited to those available in the Ecolable Index website, that were listed as being present within the Netherlands⁸ from two publicly available databases for review. This review was conducted in order to determine whether any eco-labels exist to account for the Dutch government's priority commodities. Of the final 39 schemes only 20 addressed one or more of the priority commodities i.e. palm oil, soya, biomass, fish/aquaculture, cocoa, tea, coffee, timber, aggregates and cotton. Of the Ecolabel Index selection of 20 certification schemes in the Netherlands (that represent one or more of the priority commodities for the Dutch economy), over 80% considered the environmental impact, with 40% considering social impacts.

CERTIFICATION SCHEME	COMMODITY	CRITERIA
Blue Angel	Aggregate and timber	Environmental
BRE Certified Environmental Profile	Aggregate	Environmental
Cradle to Cradle Certification	Cotton	Environmental
Demeter	Coffee	Environmental
Eco-INSTITUT	Cotton and timber	Social
EKO	Cocoa, coffee, cotton and soya	Environmental
Environmental Product Declaration	Aggregate, cotton, timber, agricultural commodities	Environmental
EU Ecolabel	Cotton, timber	Environmental, social
Fairtrade/Max Havelaar	Cocoa, coffee, cotton and tea	Social
Forest Stewardship Council (FSC) Chain of Custody Certification	Timber	Environmental, social
Global Organic Textile Standard	Cotton	Environmental, social
GreenGuard	Cotton	Social
NEN/NTA 8080 & NTA 8081	Biomass	Environmental
LEAF Marque	Agricultural commodities	Environmental
MADE-BY	Cotton	Environmental, social
Marine Stewardship Council	Agricultural commodities	Environmental
NATURTEXTIL	Cotton	Environmental, social
Programme for the Endorsement of Forest Certification schemes (PEFC)	Timber	Environmental Social
UTZ Certified	Cocoa, coffee and tea	Environmental, social
Rainforest Alliance	Palm oil, coffee, cocoa, tea and timber	Environmental Social

⁸ This list is does not represent the totality of labels present in the Netherlands and is not intended to. It is restricted to labels in the Ecolabel Index collected in August 2011. It is important to highlight that there are constant additions and changes to this database, therefore the information displayed here should be taken as a snapshot of the information as was available on the website in August 2011.

All commodities represented by a certification scheme have environmental criteria attached to them. From the table above, we see that there are three schemes which do not address environmental issues. However, as these three refer to cotton and there are other schemes which include environmental criteria which focus on cotton, there are no commodities which are not covered. As the potential for addressing biodiversity issues through certification schemes lies mainly with the certification schemes that consider both a priority commodity and environmental issues, all priority commodities can potentially have biodiversity criteria linked to them⁹.

1.5 A closer look into labelling: How are labels incorporating biodiversity into their principles?

In order to better understand how biodiversity is addressed within the principles and standards of existing certification schemes, we chose a sample of four different schemes, based on their international recognition, the commodities they refer to and the availability of information. The aim was to obtain a mix of different commodities and include labels that are recognised for their environmental performance (FSC, Rainforest Alliance and MSC) or a more social/fair trade focus (UTZ certified).

Figure 6:





Source: KPMG Sustainability analysis based on the Ecolabel Index website Note: This chart also considers roundtables.

To the initial list of 39 certification schemes we added the three roundtables (on sustainable palm oil, soya and biomass) to build the chart that shows how the priority commodities are covered by certification schemes and roundtables in the Netherlands.

Figure 7:

Impacts of certification schemes found in the Netherlands that consider one or more priority commodities classified by type i.e. social and environmental (excluding roundtables).



Source: KPMG Sustainability analysis based on the Ecolabel Index website Note: This chart does not consider roundtables.

Environmental criteria listed here do not necessarily comprise biodiversity.

HOW IS BIODIVERSITY ADDRESSED IN THE KEY PRINCIPLES OF CERTAIN LABELS?



- Has a whole chapter of standards focusing on ecosystem conservation.
- Ecosystem conservation Farmers must conserve existing ecosystems and aid in the ecological restoration of critical areas. Achieved by protecting waterways and wetlands from erosion and contamination, prohibiting logging and other deforestation, maintaining vegetation barriers and preventing negative impacts on natural areas outside farmlands.
- Wildlife protection Farmers should monitor wildlife species on farms.
- Water conservation Farmers should conserve water by keeping track of water sources and consumption. A farm's practices and machinery may need to be modified, or new technology installed, in order to reduce water consumption or to avoid contamination of springs and rivers on and near the property. Farmers should have the correct permits for water use, treat wastewater and monitor water quality.
- Integrated crop management Chemical products that pose a danger to people and the environment should be eliminated.



- A fishery must be managed in a way that does not lead to over-fishing or depletion of the exploited populations and, for those populations that are depleted, the fishery must be conducted in a manner that demonstrably leads to their recovery.
- Fishing operations should allow for the maintenance of the structure, productivity, function and diversity of the ecosystem (including habitat and associated dependent and ecologically related species) on which the fishery depends.
- The fishery is subject to an effective management system that respects local, national and international laws and standards and incorporates institutional and operational frameworks that require use of the resource to be responsible and sustainable.



- Forest management shall conserve biological diversity and its associated values, water resources, soils, and unique and fragile ecosystems and landscapes, and by so doing, maintain the ecological functions and the integrity of the forest.
- A reduction in the environmental impact of logging activities and maintenance of the ecological functions and values shall be maintained intact, enhanced or restored, including: Forest regeneration and succession; genetic species and ecosystem diversity and natural cycles that affect the productivity of the forest ecosystem.
- Maintenance of high conservation value forests (HCVFs) defined as environmental and social values that are considered to be of outstanding significance or critical importance.



- Producers will protect water sources from contamination and pollution and use water prudently.
- Should producers plant new shade trees, they will use diverse and native tree species.
- Areas need to have a conservation plan where there is (reference to) a baseline assessment of animal and plant diversity and abundance in the production area. The abundance of animal and plant is to be monitored.
- Producers will maintain or plant shade trees on farms to enhance biodiversity and as protection against weather risk.
- The certificate holder and producers will protect forests, endangered species and natural habitats and strengthen biodiversity.

Source: FSC, Rain Forest Alliance, MSC and UTZ certified websites.

Note: For the sake of simplifying the analysis we have selected the Utz standards for cocca producers, in an attempt to have a more diversified sample of commodities represented by this list of labels.

1.6 Certification criteria for success as an instrument for moving forward

From those reviewed, a number of specific articles contributed to the development of the final list of success criteria, providing different levels of insightful information with regard to what is needed to ensure a successful certification scheme. PBL (2010c) and Defra (2011) brought information on policy perspectives, Accenture and WWF (2009) considered specific commodities and Treves, et al. (2010) and UNEP (2005) considered the impact of certification schemes on conservation objectives. In addition, the ISEAL (2011) and Big Room and WRI (2010) surveys provided us with the perspectives of 'thought leaders' across industry, government, academia, NGOs and certification scheme owners.

This review resulted in a shortlist of criteria for success and also allowed us to identify issues and/or barriers to achieving these criteria.

The analysis of certification schemes was based on an online database called the Ecolabel Index, where we focused on a reduced sample including only international certification schemes and labels.

We used the following assessment framework to classify the criteria for success:



GOVERNANCE	In this context governance refers to a framework of rules and practices through which the certification schemes ensure that requirements relating to the manufacture, processing or provision of services are in line with those expected by the certification body.
CERTIFICATION TYPE	 Certification types for the purposes of this qualitative review include: Voluntary standards; Self-declarations; Verified claims. This category also contains information related to verification processes.
TECHNICAL CRITERIA	Technical criteria refers to the criteria used by certification schemes for measuring impact and for providing guidance for producers on how to adapt to certification.
CONSUMER MARKETS	Market considerations which may impact the uptake of certification.
ROLE OF PLAYERS	Whether the role of different players impacts the effectiveness of certification.
DIRECT AND INDIRECT IMPACTS	Whether certification schemes can be used to help drive changes in behaviour or processes that lead to enhanced social or environmental conditions.

1.7 Assessment framework

1.7.1 Governance

The main criteria for success under this classification include:

- Transparency, which was mentioned within all papers reviewed;
- The use of inspections and available sanctions i.e. the potential to withdrawal certification if criteria are not met.

The importance of effective governance and transparency is also illustrated in the findings of the ISEAL (2011) and Big Room and WRI (2010) surveys.

Figure 8:

The key perceived causes of lack of effectiveness according to the ISEAL (2011) survey



Source: ISEAL (2011)

In ISEAL (2011) we see that 42% of 'thought leaders' within the corporate sector reported 'lack of effectiveness' as a frustration and limitation to environmental and social standards.

Responses were classified into different categories (ISEAL (2011)), with the governance process being mentioned by respondents most frequently (20%) and transparency being mentioned least at 13%. Of the certification scheme providers surveyed, however, 87% stated that their labelling criteria were publicly available (Big Room and WRI (2010)).

In terms of other governance controls i.e. the use of (third party) inspections and available sanctions, only Defra (2010) mentioned these criteria as best practice. In addition, Accenture and WWF (2009) used the length of certification validity as part of their assessment frameworks for seafood labels.

Our findings suggest that transparency on how standards are set and monitored is a key criterion to ensure the success of certification schemes. The use of third party verification provides an additional source of reliability to current schemes.

1.7.2 Certification types

The main criterion for success under this classification was defined as the use of third party verification. Those certification schemes that allowed for the third party verification of standards were identified as either best practice or increasing the credibility of certification schemes by

Figure 9: Criteria for the certification schemes made public



Source: Big room and WRI (2010).

three of the core papers reviewed in this study; Defra (2010), Accenture and WWF (2009) and Treves et al. (2010). In addition, 64% of certification scheme providers within the Global Ecolabel Monitor survey used third party verification.

Our findings indicate that verification is likely to increase the credibility of certification schemes (ISEAL (2011)). However, certification costs and stringent certification criteria can work against the uptake of certification (Treves et al. (2010); PBL (2010c)).

1.7.3 Technical standards

1.7.3.1 Develop clear criteria The main criterion for success under this classification was defined as the development of clear technical criteria within certification standards.



HOW CERTIFICATION SCHEMES ADDRESS HABITAT SET-ASIDES

FSC	FSC requires 'long-term tenure and use rights to the land and forest resources shall be clearly defined, documented and legally established' and 'clear evidence of long-term forest use rights to the land (e.g. land title, customary rights, or lease agreements)'.
	 Rainforest Alliance standards for agriculture mention the requirement that: No natural ecosystem should have been destroyed after 2005; If any were destroyed between 1999 and 2005, compensation should be sought: 'From the date of application for certification onwards, the farm must not destroy any natural ecosystem. Additionally, from 1 November 2005 onwards no high value ecosystems must have been destroyed by or due to purposeful farm management activities. If any natural ecosystems have been destroyed by or due to purposeful farm management activities between 1 November 1999 and 1 November 2005, the farm must implement the following analysis and mitigations'.
S.	MSC standards state that A fishery must be conducted in a manner that does not lead to over-fishing or depletion of the exploited populations and, for those populations that are depleted, the fishery must be conducted in a manner that demonstrably leads to their recovery.
CERTIFIED Good inside	UTZ, on its cocoa standards, states that production will not take place in protected areas, including officially proposed protected areas and not in the immediate vicinity (two km) of these areas. Also, the degradation and deforestation of primary forest is prohibited. Farmers need to show that there has been no such degradation and/or deforestation after 2008. The certificate holder is informed which land in the production area is classified as agricultural land and/or approved for agricultural use (if this is formally determined). Producers will not plant new cocoa on land that is not classified as agricultural land and/or approved for agricultural land and/or approved for agricultural land and/or approved for agricultural use.

Source: FSC, Rainforest Alliance, MSC and UTZ certified websites.

The existence and maintenance of technical standards within a certification scheme was identified as best practice in Defra (2010). There are three important components to this criterion for success:

- The definition of clear standards within a certification scheme;
- The explicit and documented procedures to develop, review and approve standards, as identified in Accenture and WWF (2009);
- The balance between criteria strictness and the burden they pose upon farmers or producers.

Our findings suggest that there are significant problems with the development of clear measurable standards, particularly when attempting to address conservation criteria, as current standards do not provide sufficient information to prove a causal relationship between certification and environmental impacts (Treves et al. (2010)). One of the reasons for this is that little currently available literature uses evidence-based methodologies that allow us to understand the exact impact of certification and what would have happened in any case without the intervention (Blackman and Rivera (2010)). From a biodiversity perspective, certification schemes have not been in place long enough to have considerable and verifiable biodiversity improvements.

From the several criteria that could be better explained within certification schemes, we have selected the set of strict criteria in relation to habitat set-asides as an example to look at how certification schemes are addressing this area. When analysing our selection of four certification schemes in more detail, we discovered that FSC, Rainforest Alliance and Utz provided clear guidance and controls as to how producers are allowed to select and expand specific areas.

1.7.3.2 Avoid consumer confusion

The main criterion for success identified under this classification was the use of transparency to avoid consumer confusion.

The number of certification schemes has been growing in recent years and this is seen as an area of concern. As shown in ISEAL (2011), 46% of corporate 'thought leaders' believed that the certification landscape is too complex and that the existence of too many standards (31%), overlapping standards (21%) and confusion (16%) are all causes for concern.

The existence of too many competing standards results in consumer confusion (PBL (2010c)). In addition, 47% of certification schemes reported that they were currently developing additional standards as part of the GEM survey (Big room and WRI (2010)), potentially exacerbating these issues.

In order to avoid consumer confusion, which could pose a risk to further

Figure 10:

The key perceived causes of a complex landscape according to the ISEAL survey

Figure 11:

Certification schemes that report having additional standards under development





Source: ISEAL (2011).



uptake of certification schemes, more transparency on standards and the increased focus of each certification scheme is imperative. Future developments in the role of certification in 'business to consumer' and 'business to business' relationships could also help tackle this confusion. Chapter 3 will elaborate such developments in more detail.

1.7.4 Consumer markets

The main criteria for success under this classification were:

- The ability to increase market share in order to foster certification, but ensuring that benefits reach farmers (e.g. increase market access for farmers, reduced costs, gains in scale).
- The existence of certainty in net farmers income. These criteria were included due to the fact that the

uncertainty of price premiums for certified goods is seen as a barrier for farmers and producers considering certification (Treves et al. (2010)), in addition to uncertainty with regard to the future demand for certified products. As such, price premiums and positive demand trends for certified products can contribute to providing more certainty to farmers, which could result in more producers joining certification schemes.

It is important to highlight that there are other variables that influence a successful increased market share for farmers. Increased farmers' yield, improvements in product quality and better access to markets are some of the improvements that farmers need in order to realize the benefits of certification. Increase market share of certified products can create a positive impact on these variables, but this does not necessarily happen. Therefore, the criterion for success is the certainty of net farmers income, which will mean that not only premiums are paid to farmers, but that they enable farmers to improve their agriculture and management practices on a continuous basis. Certifications schemes should have mechanisms in place to ensure that benefits obtained from greater market exposure are transferred to farmers.

Evidence reported in UNEP (2005) appears to suggest that price premiums for certified goods are not sustained, with the caveat that markets are not sufficiently mature, and there is insufficient data or evidence to determine the true situation. The issue of insufficient data is re-iterated within the survey articles in terms of the information available to track market share, with only 25% of certification schemes aware of studies that assessed the market share of products carrying their certification (Big Room and WRI (2010)).

Our findings indicate that there is a lack of evidence surrounding the market share of certified products and their penetration, with the majority not tracking their impact in the market (Big Room and WRI (2010)). This constitutes an additional potential barrier to those considering the use of certification on their products. Despite certification costs in the supply chain, such as the need to continue paying premiums and/or a one-off contribution for the transition to certification, there is no guarantee that companies will receive a higher price for products that are certified or have certified source materials.

1.7.5 Role of players

The identified criteria for success include:

- Different players involved with certification need to define how they will deal with biodiversity within certification in order to ensure better biodiversity outcomes;
- The inclusion of wider stakeholders within the certification process.

Due to the significance of the various roles the different players can take, these criteria for success will be explored in-depth in Chapter 4 of this report, where the roles of government, business, certification schemes and NGOs are analysed.

Accenture and WWF (2009), Defra (2010) and PBL (2010c) state that stakeholder interaction is key to both defining technical criteria and to gaining acceptance when using a certification scheme. If wider stakeholder interests are not included within the certification schemes, communities, particularly those in developing countries, can feel that their interests are not being taken into account which can lead to increased friction with producers (PBL (2010c)).

1.7.6 Direct and indirect effects

The main criterion for success under this classification was defined as evidence to show that the use of certification schemes resulted in measureable benefits, such as a decrease in biodiversity loss. There is a lack of evidence to evaluate the impact of certification on social and environmental aspects, including biodiversity conservation. This is explored in the beginning of this chapter, which presents the research on the impact of certification on biodiversity.

1.8 Conclusion

Our literature review shows that there is not enough evidence to support whether the use of certification schemes specifically enhances biodiversity or prevents biodiversity loss. The reasons for this include:

 The lack of studies that monitor the impacts of certification (ISEAL (2011)) and the limited amount of sources focusing on the impact of certification schemes in a broader sense (considering both social and economic impacts) (Blackman and Rivera (2010));





 The fact that many certification schemes have been operating for relatively short periods of time (PBL (2010c)) and the difficulty in identifying measureable biodiversity criteria (see further points).

However, some evidence exists that shows changes in behaviour e.g. alternative land management, as a result of certification that may enhance conservation (meta-analysis), along with some anecdotal evidence (UNEP (2005));

- There are significant problems in developing clear measurable standards to determine positive impacts of certification on biodiversity conservation. Habitats are complex and a lack of scientific data for natural processes means that developing criteria to assess biodiversity is difficult. In addition, the resource constraints in terms of the availability of suitably skilled workers and scientists within certification scheme organisations compound this issue (ISEAL (2011));
- The proliferation of certification schemes has led to confusion across the various players.
 A lack of harmonisation and the existence of several overlapping standards have resulted in the

existence of a variety of different certification schemes. The problem for producers and processors is how to choose the most appropriate label for their product. In turn, consumers face problems in determining how best to compare the different certification schemes' competing claims.

Some criteria for success for certification schemes which could be taken into consideration when analysing, improving or developing a certification scheme. These are:

Despite the relatively clear definition of criteria for success, currently available certification schemes are unlikely to meet all of the criteria needed to ensure success. The biggest challenge lies in defining clear and measureable standards and providing businesses and consumers with evidence on the impacts of certification. From a biodiversity perspective, this challenge becomes more prominent due the complexity of the topic. In order to have clear guidelines on these two dimensions, certification schemes need the support of other players to broaden research into how to measure its impact and into possible technical standards to account for issues such as biodiversity. In Chapter 4, we will analyse how different players can contribute to solving this challenge.

CRITERIA FOR SUCCESS	DESCRIPTION	BEST CASE SCENARIO CHARACTERISTICS OF CRITERIA FOR SUCCESS
Governance	In this context governance refers to a framework of rules and practices through which the certification scheme ensures that requirements relating to the manufacture, processing or provision of services are in line with those expected by the certification body.	Transparency, which was mentioned within all papers reviewed, and the use of inspections and available sanctions i.e. the potential to withdrawal certification if the criteria are not met.
Certification type	 Certification types are described in full in the introduction, but for the purposes of this qualitative review include: Voluntary standards; Self-declarations; Verified claims. This category also contains information related to verification processes. 	The use of third party verification.
Technical standards	Technical criteria refers to the criteria for measuring impact and for providing guidance for producers on how to adapt to certification.	The existence of clear, measureable criteria linked to defined outcomes e.g. the definition of what constitutes an increase in conservation.
Consumer markets	Market considerations which may impact the uptake of certification.	The ability to increase market share in order to foster certification, but ensuring that benefits reach farmers (e.g. increase market access for farmers, reduced costs, gains in scale).
		The existence of the certainty in net farmers income.
Role of players	Whether the role of different players impacts the effectiveness of certification.	Different players need to define their role in dealing with certification and biodiversity in order to ensure better biodiversity outcomes.
		The inclusion of wider stakeholders within the certification process.
Direct and indirect effects	Whether certification schemes can be used to help drive changes in behaviour or processes that lead to enhanced social or environmental conditions.	Evidence to show that the use of certification has resulted in measureable benefits, such as a decrease in biodiversity loss.

02

Market developments indicate a growing demand for sustainable commodities

2.1 Introduction

Another key element of this study is the market for certified products, therefore this chapter is focused on evaluating the current status and future trends in sustainable commodity demand and supply.

Businesses have been using certification schemes and labels to meet both 'business to consumer' (B2C) and 'business to business' (B2B) requirements. When referring to B2C requirements, we see that companies are motivated to use certification to meet consumers' expectations or to enhance a brand's story as being part of a company that is concerned with its social and environmental performance (SustainAbility (2011)).

We see that the role played by customers in this setting is more that of a conscious civil society increasingly asking for more transparency and corporate responsibility over its products. However, as raised in the feedback from experts consulted for this report, this is not yet entirely reflected in customers willing to pay price premiums on their products because of a company's fair and environmentally-friendly value chain. Companies are therefore increasingly seeking certification on a B2B level in order to comply with expectations from a civil society that requires transparent and responsible behaviour, rather than attempting to increase market share through sustainable products.

It is here that the B2B relationship plays an important role in the increasing demand for certification. For strategic reasons and in order not to fall under public scrutiny, companies are increasing their sustainable supply chain management ambitions, searching for ways to ensure that the transactions that happen in their value chains are socially and environmentally correct. As a result, those companies that belong to any value chain as a supplier of goods, or even as a supplier of final products to a retailer, see themselves as being obliged (or encouraged) to comply to these B2B sustainable specifications and certification schemes are one of the options available to secure traceability and sustainable producing practices. We therefore see that B2B buyer specifications or reporting requirements, and government or institutional purchasing specifications, constitute some of the key reasons why businesses use certification and labels (SustainAbility (2011), expert input and output from high-level meeting¹⁰).

As the majority of certification schemes and roundtables are commonly associated with the production methods of specific commodities (such as cocoa, wood, coffee, fish etc.) we will review market developments in the demand for sustainably-produced commodities. By doing so it is possible to obtain insight into specific challenges that are intrinsic to certain commodities (in this case we will look into cocoa and fisheries), which should be addressed in order to ensure better biodiversity outcomes. In this chapter we have conducted a focused analysis, taking two commodities as an example (cocoa and fisheries). However, research has shown us that the results can also be extrapolated to other commodities, as far as the trend in the increased demand for sustainable products is concerned (PBL (2010c) and IISD et al. (2010)).

The exact growth trends in the demand for each commodity and the related sustainable supply is something that needs to be addressed by the players involved in separate detailed studies and is not in the scope of this report. However, we believe that by understanding the current landscape and future trends for the market of sustainably-supplied commodities, we are able to understand the key challenges to be faced in this market once the ultimate goal includes ensuring that certification also addresses biodiversity conservation.

2.2 The growing demand for sustainable products

Using sales of Fairtrade products in the UK as an example, as shown in figure 12, the demand for different commodities shows that the overall demand for sustainable certified products in the supply chain is rising (with only cotton and flowers decreasing in 2008-2009, after rising in previous years).

In the context of the Dutch economy, we can also illustrate this growth in certified products by looking at the

¹⁰ Biodiversity Taskforce high-level meeting 'Biodiversiteit en Bedrijfsleven', held on 4 November 2011, where there was a dedicated table to discuss certification and from where the input from the business representatives present was gathered.

consumption of sustainable foods from 2009 and 2010 (see figure 13). This analysis shows a selection of labels related to food products in general and is not restricted to the priority commodities defined for this study, but it is an illustrative example of how much the demand for sustainable products has been rising in recent years. As the business community faces a rising demand for sustainably-supplied commodities, a key challenge is how to meet this rising demand given the limited number of certified suppliers and/or volume of produced goods.

Individual companies and sectors will have to find a way to guarantee their

(fair) share of sustainably-supplied commodities in a certain year. This requires analysis tailored for each commodity from the perspective of the respective sectors. This is particularly true for commodities used in different, often highly competitive sectors. This will also require fundamental choices in the supply chain.

In addition to this challenge, comes the challenge of including biodiversity criteria in clearer and more direct ways in certification schemes. As biodiversity could be better addressed in current certification schemes (as pointed out in Chapter 1) a step forward would be to include guidance on how to do

Figure 12:



Source: PBL (2010c). The role of government in multi-player sustainable supply chains.

so at a local level whenever relevant. From the perspective of biodiversity conservation, the key question therefore is whether to focus on supporting the mainstreaming of sustainability first, or to focus on adding specific biodiversity conservation issues within existing and new certification schemes.

Although there remains a lack of sources to back-up the following hypothesis, it may be wise to avoid discussions of too fundamental a nature on specific biodiversity issues for certain commodities, markets or areas where producers are still far from being at a level that could be certified or labelled as sustainable according to the current standards of the certification schemes. Otherwise, the biodiversity conservation criteria within certification schemes could hinder scalable change. We suggest this discussion takes place within certification schemes before the process of formulating additional criteria begins. This hypothesis is based on ongoing discussions within schemes and on feedback from experts acquired during this project.

In areas and on commodities where EU regulation is unlikely to apply within a few years and the mainstreaming has already started, the following approach might prove beneficial: Once a substantial amount of producers of priority commodities have (almost) achieved a level that could be certified by one of the existing or new schemes, discussions on more explicit biodiversity



Figure 13: Consumer expenditure on sustainable foods (in the Netherlands)

Source: Ministry of Economic affairs, Agriculture and Innovation, Monitor Duurzaam Voedsel 2010.

criteria could start. Already developed alternative criteria could be incorporated into the procedures to update and review the criteria, as in a maturity model system in which producers evolve over a number of years. By then the farmers and other producers would already be used to periodically improving their production methods and would be able to include new requirements more easily.

Nevertheless, in order not to set the bar too high and make certification schemes prohibitive, first the challenge of meeting the increasing demand for sustainable products ('greening the market') needs to be met. A proportion of certification schemes already address biodiversity, but after this challenge has been (partly) resolved, the bar can then be raised and more detailed biodiversity criteria can be included in current or new certification schemes.

Alternatively, a more rigorous approach with explicit standards on biodiversity might be appropriate in situations where the mainstreaming process has not yet started and where there is a likelihood of EU regulation (e.g. as is currently the case with bio fuel).

In order to check if and how the demand for sustainably-supplied commodities is likely to increase in the future, we have taken two examples: Cocoa and fisheries.

2.2.1 The example of cocoa

In recent years sustainable cocoa demand has been pushed by leading manufacturers and retailers that have committed to sourcing certified cocoa (UTZ Good Inside, Rainforest Alliance, Fairtrade and organic farming).

However, currently only approximately 6% of total cocoa production is certified. Projections are positive but certification is difficult to achieve and requires a change in producers' production and administrative practices. The key impediments to certification are farmer fragmentation and farmer uncertainty. The first requires farmers to become organised into cooperatives, or similar forms of aggregation that can ease the burden of the certification process.

The second concerns the fact that farmers have a short planning horizon and are reliant on immediate cash to survive in the present. It is therefore more difficult for them to make investments in the farm that will payoff in the medium to long-term. When confronted with dilemmas such as this, farmers usually opt for the solution that provides benefits today and as a result cocoa farms are faced with low levels of investment. A second consequence for the value chain is that a large proportion of certified production can leak to conventional buyers if they offer farmers more attractive terms at short notice. As a further complication, the large number of steps in the value chain make it difficult to effectively align interests in favour of investing in certification, although recent commitments by manufacturers have provided a strong impetus for cross-sector cooperation.

Companies are taking the lead and working in partnership with other players in order to help increase the supply of sustainable cocoa. The graph below shows the total production of cocoa (from 1991 to 2020), represented by the size of the columns, divided into different colours representing the origin of the cocoa production, from non-certified cocoa to certified cocoa presented by the total expected production of cocoa certified UTZ, Rainforest Alliance, Fairtrade and organic.

From this data we can see that the production of certified cocoa is expected to increase considerably over the next decade.

Total cocoa production by type of origin

Figure 14:



2.2.2. The example of fisheries

The other example we looked into was fisheries, where the majority of the popular marine fish species have been overexploited or are on the brink of being overexploited, creating an availability issue as a result of destructive fishing methods. Issues arise with fish farms due to the level of (wildly caught) feed fish required, which can endanger wild species. Certification schemes should therefore also pay attention to certifying feed fish rather than focusing on certifying fish that will be sold directly to end consumers. This is of greater importance once the future trend is analysed: The growth in aquaculture

has been increasing and is expected to production of fish to feed into the supply farms and of diseases spreading to wild

The demand for sustainable fisheries will increase over the coming years. As consumer awareness increases the issues and challenge facing companies will increase as they are required to keep up with customer demand.

keep on growing in the coming years. In this example, the B2B relationships may therefore play an important role in potentially setting the standards for the chain. Also, concerns arise related to the use of medication/antibiotics in fish populations.

Source: ICCO data and KPMG Sustainability analysis



Figure 15: Historic and future total acquaculture and fish capture



Source: FAO, KPMG Sustainability analysis.

2.3 Certification will have a limit in the marketplace

It is important to bear in mind that certification schemes in themselves have a certain growth limit. As argued by SustainAbility (2011), one cannot assume that all farmers and/or producers in the world will one day be certified. From our own research and consultation with experts we see that, for example, certain smallholders are unable to bear the administrative burden and a proportion of the costs related to acquiring certification. Additionally, once certification reaches a level at which it is no longer a differentiator it may be more attractive for companies to work in pre-competitive arrangements not limited to certification. This situation resulting from the costs and burden of certification may no longer guarantee competitive advantages for companies.

This is possible when new solutions to meet the demand for sustainablysupplied commodities will appear. In the following chapter we will take a closer look at the trends involving sustainability management, biodiversity and certification and explore different ways in which companies and sectors will collaborate in the future to guarantee their sustainable supply.

03

About the main trends in corporate sustainability management, biodiversity and certification This chapter highlights the trends in three areas which are relevant to this study. These trends, either alone or in combination, will have an impact on the development of certification in general and more specifically on how certification can support biodiversity goals and ambitions. The three areas are:

- What will be the main drivers in relation to sustainability management in the future?
- What are the key trends in certification?
- What will be the main drivers in relation to biodiversity management in the future?

3.1 Corporate sustainability is higher than ever on the agenda and there are increasing challenges in sustainable supply chains

The recent economic crisis has not resulted in sustainability slipping down the corporate agenda. Governments in the EU rely heavily on the market in order to achieve sustainability goals and assume 'enabling roles' which guide discussions and stimulate progress. On the business side, overall development constitutes the need for companies to change their strategies. Until recently they have taken a largely risk-driven approach (managing external developments) but are now moving towards a more strategic approach, including focusing on sustainable sourcing. In light of this, KPMG

Sustainability and McKinsey research¹¹, for example, shows that the business case for sustainability is becoming stronger and several types of companies are seeking opportunities in sustainability. These opportunities relate to clear business drivers such as innovation. market differentiation, cost reduction, security of supply and risk management. The key challenge to corporate sustainability, which is directly linked to biodiversity, is safeguarding future access to sustainable resources. This relates to how we will be able to increase human development while at the same time reducing the ecological impact (see figure below). For this reason, biodiversity conservation and safeguarding access to sustainable resources should go hand-in-hand.



Source: Global Footprint Network (2009). Data from Global Footprint Network National Footprint Accounts, 2009 Edition; UNDP Human Development Report, 2009.

Higher (Western) consumer and business demand for sustainable products and solutions will continue to pose challenges for companies. As demand rises, the need for trusted and transparent sustainability (corporate and product) performance will increase.

3.2 Certification will remain instrumental to achieving sustainability

From 2000 onwards increasing attention has been paid to sustainable production in international supply chains. This development has mainly been driven by market initiatives together with NGO involvement. The trend is backed by a growing number of certification schemes. These labels and schemes have contributed to a greater awareness and visibility of sustainable production chains in general. They are now in widespread use as operational tools for businesses to make purchasing decisions, manage supply, market and sell to B2B and B2C customers, guide employees, and respond to stakeholders and regulators (SustainAbility (2011)). Based on KPMG's judgement, feedback from consultation with experts and studies we have quoted, we see the future of certification following any of the different scenarios set out below (and which may occur in parallel):

 Increased demand for certified products. This would create a challenge for certification scheme owners and certifying bodies, which might have difficulty keeping up with the speed of 'greening' and struggle to provide the required volumes. This would lead to an increase in the number of labels, with a subsequent increase in the volume covered which might, however, result in a 'certification trust crisis'. This might also lead to a greater number of inefficiencies (e.g. farmers paying for multiple certificates which represent similar sustainability standards).

- Multinationals will increasingly set their own standards to control sustainable supply and influence the market (pushing demand and generating supply). The example of the Unilever Sustainable Agriculture Code demonstrates that even though companies do work with existing certification schemes, they may create their own standards to address failures which they identify in current systems. This also applies to industries or sectors in multistakeholder settings (such as the Sustainability Consortium).
- In reaction to the proliferation of labels (and diminishing trust in such labels and certification schemes), consolidation of certification schemes (including in terms of numbers) could occur, leading to a possible future reduction in the number of labels in the market and sustainability focus areas, with labels collaborating in specific areas or in relation to specific commodities. Due to the increased demand for trusted sustainability performance, this scenario might happen quickly so that certification schemes will face greater pressure for improvements in trust and traceability in order to



FOR EXAMPLE, WE ARE ALREADY SEEING SEVERAL TECHNOLOGICAL DEVELOPMENTS IN THIS AREA:

- The GoodGuide puts sustainability data in the consumer's hands at the point of purchase via iPhone or text messaging;
- The Fairtrade Foundation is testing direct SMS and video connections between producers and consumers;
- Technology providers are racing to market software which visualises supply chains and enhances traceability in the event of supply chain quality issues. This is increasingly being used to ensure traceability of sustainable products;
- Social networking tools, from twitter to Yelp!, play a role in facilitating positive (or negative) word-of-mouth;
- Rank a Brand is a website on which customers can compare how transparent, green and fair certain brands are based on various criteria.

TO EXEMPLIFY THE MARKET TREND IN DEVELOPING ITS OWN SET OF STANDARDS TO ENSURE THAT IT MEETS THE DEMAND FOR SUSTAINABLE COMMODITIES, WE WILL HAVE A CLOSER LOOK AT UNILEVER'S SUSTAINABLE AGRICULTURE CODE, LAUNCHED IN 2010.

- Unilever has developed a special code of farming practices which should be followed by its suppliers.
- This development does not mean that Unilever does not support a set of specific labels: On the contrary, Unilever has among its portfolio products those which are for example Rain Forest Alliance or Fairtrade certified. However, by establishing its own code on sustainable agriculture it offers greater flexibility to producers in terms of the types of practices which are acceptable. By doing so, it also incentivises innovation at the level of the farmer by focusing on improvement processes rather than mere 'box-ticking'.
- This is also an issue which is moving up the sustainability agenda: Certification is not the only way in which companies can ensure that the commodities they use in their value chains are sustainably produced. The objective is to 'green' the system and ensure that sustainable production expands. The way in which this happens is not strictly related to the development of certification schemes. Certification is one of the instruments in the toolbox.
- 'The Unilever Sustainable Agriculture Code covers practices that all our suppliers should strive to achieve. Where farmers are working with other assurance schemes, our aim is not to duplicate work for farmers. Our code will act as a benchmark and we will only ask for changes in areas where the standard in place and our code are significantly different.
- For example, we are committed to sourcing our Lipton tea bag tea from Rainforest Alliance certified growers, our palm oil from RSPO certified sources and Ben and Jerry's ingredients from Fairtrade sources. However if for example farmers have found a better solution to increase yield and quality, or reduce pollution, than that listed in our code, we are happy to accept alternative approaches.'

survive. It is also worth noting in this context that certification schemes have already become 'inclusive' in recent years (PBL 2010c). Driven by more integrated approaches to sustainability in the supply chain, the originally single-issue schemes/ labels (focusing only on the social or environmental aspects) have broadened their scope and are increasingly comparable. We see labels which were focused on social aspects, such as UTZ moving towards the inclusion of environmental criteria, including biodiversity.

• Enhanced transparency and new technology developments (e.g. through technological innovations such as cloud-based information sharing and new media) will lead to a minor group of (hyper) informed consumers and professional followers. This could limit the role of (and market for) certification schemes and could determine a new area where the requirements for information/data systems trust will be higher. Additionally, the focus will be much more on sustainability information rather than specific sustainable products. This will also lead to different models of 'control' for companies in managing their sustainable supply chains. B2B sustainability quality might in this case become more important than B2C product 'stamps'.

3.3 There is a significant increase in public awareness of biodiversity and efforts to increase transparency

Between 2009 and 2010 there was a significant increase in the perception by CEOs of the costs arising from the impact of biodiversity loss (see figure below).

In general biodiversity is a subject which only recently reached high up the corporate sustainability agenda. However, there are trends which, taken together, demonstrate the increasing business attention given to biodiversity in recent years. Corporate influences on biodiversity have always been a source of reputational risk for companies. The TEEB study¹² concluded that a higher public awareness of biodiversity and ecosystem services leads to changing consumer preferences and purchasing decisions. As a result of this growing interest a number of different business, government and NGO initiatives are underway. For example:

 The World Business Council for Sustainable Development ('WBCSD') has launched a specific programme on Biodiversity and Business. This has resulted in a paper which considers a number of related proposals in the broad area of biodiversity

Figure 17:



Perception by CEOs of the costs arising from the impact of sustainability trends versus the likelihood

Source: World Economic Forum Global Risks 2010 report.



and ecosystems policy currently receiving significant attention from national and international policy makers. The WBCSD supports many of these proposals. In addition, it is able to draw on the wealth of experience of its member companies to offer a number of practical recommendations and a concise summary of views on the relative merits of the various proposals. This also includes the development of training courses to increase business awareness e.g. the business and ecosystems training (BET) under development by the WBCSD and its members in association with KPMG.

- The next phase of The Economics of Ecosystems and Biodiversity ('TEEB') and its focus on implementing the lessons learned at a national level in many countries.
- Updated standards relating to specific biodiversity indicators from the Global Reporting Initiative (GRI). Reporting on biodiversity is at an early stage.

- A joint project with the Association of Chartered Certified Accountants (ACCA), Fauna and Flora International (FFI) and KPMG Sustainability to establish the relevance of biodiversity to business.
- A forum for insurers on biodiversity issues from a liability perspective, organised by UNEP Finance Initiative, which has also established several other similar programmes.
- The Dutch Taskforce on Biodiversity and Natural Resources: This Taskforce was established on 23 January 2009 by order of several Dutch ministries including the Ministry of Economic Affairs, the Ministry of Environment and the Ministry of Foreign Affairs¹³, further to the Biodiversity Policy Programme (2007) and the appeal by Leaders for Nature (2006) initiated by IUCN NL. The Taskforce is looking for the best ways and methods of using biodiversity sustainably. Its findings have formed the basis of a set of recommendations,

issued to the Dutch government in December 2011, and for targeted actions thereafter. The Taskforce recommends¹⁴ to unconditionally choose for halting biodiversity loss (No Net Loss) by 2020. In this manner it can be ensured that ecosystems will continue to deliver their goods and services in the future. The Netherlands has a very important and promising role to play in this. The Netherlands has lost a large part of its original biodiversity and has only recently been able to slow down the deterioration, mostly by realizing the National Ecological Network and by improving environmental quality. The Taskforce has formulated three lines of action under the title of 'green growth':

- raising awareness,
- better organisation of land use,
- adaptation of the economic policies.

¹³ Ministries are listed here with their names as at the date of creation of the Biodiversity Taskforce. Some of these ministries have changed their names in more

recent times. ¹⁴ For the full report see: http://www.taskforcebiodiversiteit.nl/fileadmin/user_upload/Downloads/Eindrapport_taskforce_biodiversiteit.pdf

04

Greater impact on biodiversity through certification – A multi-stakeholder perspective on interventions Based on the findings in the previous chapters, we turn now to the main players involved in certification and biodiversity, in order to provide possible options for intervention for each of them and also to answer the question: How can the impact of certification on biodiversity be improved? In doing this we have focused on what we consider to be the four most relevant players, from the perspective of which of them has the greatest ability to intervene in relation to this issue: Government, business, certification schemes and NGOs. We acknowledge that consumers also have a role to play, but as they have limited power of intervention (as their role relates more to demanding transparency from the other

players), we opted not to look further into the possible intervention options for this group.

The interventions possible for government are placed in the Dutch government context and take into consideration the current political scenario and developments. In Appendices 2 and 3 we also set out possible alternative roles in relation to certification and biodiversity, other policy instruments and examples of choices made by other EU governments in relation to their role.

In all cases, it is difficult to provide further direction as to how to deal with

biodiversity as a separate issue in the certification debate. Accordingly we have included numerous suggestions that are also valid for issues other than biodiversity within certification. Wherever possible, we have tailored our suggestions to the specific field of biodiversity.

4.1 A strategic view on the stakeholders involved

There are several different stakeholders involved in certification within the biodiversity arena. The role of each one of them is summarized in the figure. This is a general rather than a limited overview.

Figure 18:

The interconnections between the different players on biodiversity and certification



In this section the roles and possible interventions of each stakeholder will be explored in more detail, to provide inspiration for policy interventions. As we were not asked to make suggestions at the level of individual labels, schemes or commodities, we advise readers to use the



suggestions in this chapter as a starting point for discussion in their respective networks, councils and roundtables on certification and biodiversity rather than as straightforward recommendations. The final direction taken should be chosen in the context of the specific situation of the commodity and the stage of certification scheme development.

4.2 Government: Facilitating improvements in biodiversity through certification and adopting a stronger role when necessary

This section provides a model for understanding the different potential roles which government can take during transition periods. These roles vary in the level of government intervention involved, from a stronger positioning through legislation to a more enabling role through promoting and facilitating dialogue and cooperation between

Government: Facilitating improvements in biodiversity through certification and adopting a stronger role when necessary

LIFECYCLE STAGE	GOVERNMENT OPTIONS
Voluntary Sectors still negotiating criteria	Governmental regulation role to stimulate the discussion in relation to certain commodities and to stimulate the demand for those products.
Stimulation Jump market share heading towards stabilisation	The market will take on the challenge of expanding certification in order to answer the B2B and B2C demand. However, this will reach a ceiling when the market share of certified products evens off. At that point government intervention will be required through facilitation and collaboration with other players in order to bring sustainable production to the level of regular production.
Regular production Need for intervention to overcome market share stabilisation	Government becomes more of a 'watchdog' to ensure that sustainable criteria are truly embedded in production systems. It intervenes through policy design and cooperation with players such as ISEAL.

Source: KPMG Sustainability analysis based on PBL (2010b).

different players. This analysis takes as a starting point the current political paradigm in the Netherlands, where we see the government stepping away from more direct interventions in environmental affairs. Instead, the government is focusing more on an enabling role. In view of the current Dutch political environment, government intervention appears likely to be most effective and achievable through enabling market developments and facilitating discussions in relation to raising awareness of the importance of considering biodiversity criteria in certification. This applies particularly to sectors and commodities where the pressure on businesses to adopt sustainable practices is not yet as strong. In this context the government will need to step in to introduce the topic to the business community's agenda.

The chart below illustrates the different stages of certification of different types of commodities. The role of government at each stage may differ, as the support required will differ, but as highlighted by PBL (2010c) certification cannot fully achieve its total potential market share without government intervention. In these circumstances government may need to adopt a stronger role to ensure that sustainable supply is mainstreamed.

These lifecycles focus solely on certification. This does not reflect the stage at which each of the commodities presented is in relation to biodiversity conservation practices.

Figure 19: Trends in certification of products, 2000-2008



Source: PBL (2010b), Breaking boundaries for biodiversity conservation: expanding the policy agenda to halt biodiversity.

4.2.1 Is there a role for government in relation to certification and biodiversity?

Before taking a more in-depth look at the different possibilities for government intervention in relation to biodiversity as a part of certification, a strategic decision should be made as to whether additional public investment is necessary to enhance biodiversity conservation. This is generally a political decision which cannot be made solely on the basis of conclusive research in this project. Market trends indicate that the volume of certified or otherwise sustainably sourced products and commodities will increase autonomously. In this report we suggest that there is a logical role for government to play with regard to certification and other labels in relation to biodiversity conservation. The Dutch cabinet's sustainability goals also appear to support the taking of responsibility at a commodity level, particularly in relation to bio fuels.



4.2.2 Depending on the current status of certain commodities and the political decisions made, there are different options for intervention The model below was developed by KPMG¹⁵ to illustrate the different roles of government in steering sustainable transitions. Given the phases of transition for different commodities, and the current economic and political climate, an enabling and facilitating role should prevail, but at some points a more regulatory role could also be adopted.

In this section we offer a more in-depth look at possible interventions into certification by the Dutch government, depending on the role it decides to play. These options focus only on certification as the chosen path to biodiversity conservation.

However, it is important to bear in mind that there are other instruments which could be used in combination with certification to ensure biodiversity conservation. An overview of some alternative policy instruments to certification, other than regulation, subsidies and protection sites is presented in Appendix 3. Appendix 2 also provides an overview of policy options adopted by other EU governments.

GOVERNMENT ROLE	LIFECYCLE	CERTIFICATION RELATED OBJECTIVE	GENERAL INTERVENTION OPTIONS FOR BIODIVERSITY IN CERTIFICATION
Policy development	Stimulation	Define standards	 Support market approach by ensuring that certification schemes can function properly (e.g. by removing trade
Development of new		Create demand	barriers)
enable sustainability innovation		Deliver better sustain- ability results	Help mainstream sustainability by supporting priority commodities which need extra stimulation
		Demonstrate delivery of better sustainability	 Develop voluntary agreements on required criteria or targets for biodiversity in certification schemes
		outcomes	Work in international biodiversity diplomacy to improve biodiversity goals in international frameworks
			 Support small producers in developing countries to participate in certification and address their impact on biodiversity through international development policies
			 Repair shortcomings of market self-regulation (e.g. proliferation of standards, lack of transparency, lack of proven impact on biodiversity)

GOVERNMENT ROLE	LIFECYCLE	CERTIFICATION RELATED OBJECTIVE	GENERAL INTERVENTION OPTIONS FOR BIODIVERSITY IN CERTIFICATION
Facilitation Cooperation with business, society and the public sector in order to achieve sustainability policy objectives	Regular production	Define or refine standards Create demand Deliver better sustainability results Demonstrate delivery of better sustainability outcomes	 Support market self-regulation and standards (through cooperation with organisations such as ISEAL to further integrate biodiversity in current and new standards) Support the identification of critical biodiversity targets and areas, in cooperation with other players Support research on certification effectiveness for biodiversity conservation (e.g. thorough analysis of the impact on biodiversity in relation to a broad range of existing labels) Support the market to monitor certification performance by supporting the development of clear indicators to measure the impact on biodiversity Support and fame of front-runners by setting up a benchmark instrument
Regulation All government initiatives in legislation, administration and enforcement	Voluntary	Create demand	 Where technically possible, implement subsidies and special tax arrangements for certified commodities which have a stronger perspective on biodiversity Establish import bans on illegally sourced commodities (e.g. set obligations related to traceability efforts) Develop government (minimum) standard setting and monitor systems to ensure biodiversity conservation through certification
Green public procurement CSR of each government body as an employer and producer of products/services	Stimulation	Create demand	• Use public buying power to influence the market in sustainable products and solutions that include biodiversity; be explicit in terms of the criteria related to biodiversity and include the whole supply chain (e.g. food consumption, spatial planning, building and construction)

Source: KPMG Sustainability analysis based on PBL (2010b, 2010c) and SustainAbility (2011).

4.3 Certification schemes: Establishing a level playing field for biodiversity

Certification schemes have a number of clear roles to play in order to achieve better sustainability results, as illustrated by SustainAbility (2011). However we need to understand how these roles need to work together in order to ensure that increased biodiversity conservation can be achieved through certification. The table below summarises possible intervention options for certification schemes in order to ensure better biodiversity outcomes:

MAIN CERTIFICATION RELATED OBJECTIVE	POSSIBLE OPTIONS FOR INTERVENTION BY CERTIFICATION SCHEMES TO INCORPORATE BIODIVERSITY IN CERTIFICATION
Define standards for better sustainability outcomes	 Collaborate with knowledge institutions to further research biodiversity in order to determine appropriate standards for certification Collaborate with stakeholders (e.g. NGOs and academic institutions) to define measurable criteria for biodiversity conservation so that the impact of certification on biodiversity can be better evidenced Contribute to the research of business front-runners in evaluating their impact on biodiversity Contribute to the development of roundtable criteria on biodiversity by sharing knowledge and the challenges faced by current schemes Increase transparency on data related to certification by improving monitoring systems on key metrics (e.g. price, volume, market share, potential future supply capacity). This can improve the business case for certification and help mainstream the sustainable production of commodities
Deliver better sustainability outcomes through capacity-building, expertise, infrastructure and networks	 Identify knowledge and capacity gaps in relation to biodiversity which need to be tackled in order to ensure that certification schemes address biodiversity more effectively Collaborate with other certification schemes, by sharing knowledge and training materials on transparency, monitoring and biodiversity Innovate in using new techniques to monitor and measure biodiversity conservation following trends in sustainability management and technology developments to guarantee that certification schemes adapt to market developments Equip producers, auditors and trainers with tools to understand what biodiversity conservation is, how to deal with it and how to measure it
Demonstrate delivery of better sustainability results	 Collaborate with other certification schemes to establish common and evolving criteria for biodiversity conservation Share knowledge on challenges and hurdles related to certification processes to have a clear understanding of challenges which could hinder the biodiversity objectives of certification schemes in order to develop mitigation plans Collaborate with other schemes to simplify multiple certification for farmers in order to reduce the costs and burden of certification and increase the number of certified producers. This could also contribute to creating the grounds for the clearer inclusion of biodiversity criteria in certification standards, as explained in Chapter 2
Create demand for better performing sustainable products and services	 Adapt schemes to enable mainstreaming and the more structural inclusion of biodiversity criteria in current and new schemes (e.g. move from certifying commodities or even products to certifying companies and processes instead. An example here is the CO2 'performance ladder', an instrument that is used in the Netherlands as a procurement instrument in the building and construction sector. Certification is based on a carbon management maturity model and is purely B2B. A higher maturity means higher reward in the tender¹⁶

Source: KPMG Sustainability analysis based on SustainAbility (2011).

4.4 Business: The business community plays a key role but we should not underestimate the role of government

From the lessons learned from our consultation process it appears that further investment in mainstreaming the sustainable supply chain for specific commodities is required to meet demand, as the trends show an inherent increase in consumer and 'business to business' demand over the next decade. However, it is important to consider that the sustainable supply chain for specific commodities is not restricted to certified products only. There is a limit to certification and this limit will eventually be reached.

For both companies that will continue to work with certification schemes and those that will develop their own set of criteria for the sustainable production of commodities, a way to increase the importance of biodiversity on the agenda is to follow the market trend. It may be easier to include additional biodiversity criteria in requirements once basic criteria are met by producers. This could be achieved through the creation of a maturity model, where certification schemes evolve and increase their complexity once they meet the basic criteria at each level. In this case, stricter biodiversity criteria would be included not in the initial stages but as certification schemes mature. As explored in more detail in Chapter 2, the strategy would then be to start with a 'controlled' set of priority commodities and increase the outreach of existing certification schemes, by adding more direct biodiversity criteria. Meanwhile, it could be useful to obtain research focusing on identifying the real



impact of certification on biodiversity. Another stream of research that could be followed in parallel would be to establish a clear set of basic criteria which could be integrated into certification schemes standards to guarantee that biodiversity was adequately addressed.

In a resource constrained world, businesses will be confronted with the need to meet the rising demand for sustainable products and the necessity of securing their own sustainable supply of commodities. In answer to this challenge, businesses might start working towards creating complementary policies and their own standards to secure the supply of sustainable commodities, independent of certification schemes. These complementary policies could also address biodiversity.

The increasing business understanding of the impact on biodiversity of certification and specific issues relating to ecosystem services (including better definitions and monitoring) may contribute to obtaining better results and could be part of the mainstream agenda. However, we have learned from our consultation process that it is important to consider certification and biodiversity in its context, looking at specific commodities, regions and producers. Without this the mainstreaming of sustainable sourcing may be blocked by raising standards too high through focusing on new and complex issues too early in the process.

COMMODITY LIFECYCLE	MAIN CERTIFICATION RELATED OBJECTIVE	POSSIBLE BUSINESS INTERVENTION OPTIONS FOR BIODIVERSITY IN CERTIFICATION
Voluntary	Define standards	 Sponsor and commission research on the impact of certification on biodiversity Start discussions within the business community to collaborate in a pre-competitive scenario to boost the impact of certified products on biodiversity Refine business principles and (sourcing) strategies in relation to priority commodities Analyse the impact of business operations on biodiversity and research its relationship with certification
Stimulation	Deliver better sustainability results Demonstrate delivery of better sustainability results	 Analyse the sustainable supply chain for priority commodities in order to understand how biodiversity criteria can be included in corporate procurement strategies Create sourcing policies which directly address the challenges faced in meeting the demand for sustainable commodities because of the challenges encountered by certification schemes. Be explicit about the desired approach to land set-asides Include (or develop in collaboration with other players where necessary) measurement criteria to demonstrate results of certification on biodiversity Set own sustainable procurement standards when current standards (e.g. certification) are failing or missing in order to control own supply chain. In this case, ensure that biodiversity is addressed with clear standards and measurement criteria
Regular production	Create demand Demonstrate delivery of better sustainability results (through certification or alternative sustainable supply chain policies)	 Study possible ways to increase the supply of sustainable products in order to facilitate the inclusion of more detailed biodiversity criteria Analyse each case where certification schemes are the most appropriate way of ensuring the sustainable supply of commodities and consider the impact on biodiversity as an outcome. Otherwise, use own developed standards to address biodiversity

Source: KPMG Sustainability analysis based on PBL (2010b) and SustainAbility (2011).



4.5 NGOs: Ensuring accountability and collaborating with other players

As one of their main roles NGOs act as a watchdog for certification schemes, challenging practices where appropriate. The inclusion of more explicit and measureable criteria in relation to biodiversity could be brought to the attention of certification schemes, businesses and governments by NGOs.

Another important role for NGOs is exercising pressure on key players in order to ensure transparency in relation to criteria setting, impact disclosure and traceability. Additionally, NGOs have an important role in sharing their knowledge with certification schemes and businesses, in order to help them to better understand their impact on biodiversity and possible ways to tackle it.

In a world where everyone is more connected through technology and cooperation among different players such as businesses, NGOs, certification schemes and government is more common, NGOs could also seek to establish partnerships and cooperation to ensure that biodiversity is properly included on the certification and sustainable supply chain agenda.

To tackle the challenges identified in the first chapter of this report, such as the lack of evidence and lack of clear criteria for establishing the impact of certification on biodiversity conservation, we note that solutions require joint and collaborative action by the different players.

This report does not provide step-bystep guidance on how these challenges should be tackled, but it explores the different ways in which the challenges can be addressed. A more detailed overview of our key conclusions can be found at the beginning of the report in the executive summary.

COMMODITY LIFECYCLE	MAIN CERTIFICATION RELATED OBJECTIVE	POSSIBLE NGO INTERVENTION OPTIONS FOR BIODIVERSITY IN CERTIFICATION
Voluntary	Define standards	Help businesses to better understand biodiversity and their impact on biodiversity so that they can develop strategies to improve it
		• Collaborate with certification schemes through knowledge sharing and combined research in order to define clearer criteria to measure the impact of certification on biodiversity and to define clearer standards for certified production which address biodiversity
Stimulation	Deliver better sustainability results Demonstrate delivery of better sustainability results	 Highlight good and bad practices from certification schemes, businesses and governments in their policies and actions in relation to biodiversity and certification in order to stimulate best practices and submit bad practices to public criticism Suggest tangible criteria that would increase the effectiveness of current biodiversity criteria in certification and implement pilots in collaboration with other players to test criteria developed
Regular production	Create demand Demonstrate delivery of better sustainability results (through certification or alternative sustainable supply chain policies)	 Put pressure on other players to demonstrate more accountable certification schemes and sustainable supply chain models in relation to their impact on biodiversity

Source: KPMG Sustainability analysis based on PBL (2010) and SustainAbility (2011).

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Appendix

Appendix 1

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Appendix 2

What are other governments doing

How are other EU governments intervening? A quick scan

Countries within the European Union have taken different approaches to policy relating to certification and biodiversity. They vary from heavy state involvement in some cases to relatively little in others, where the government has chosen to take a facilitator role.

Research has found that these differing approaches can result in differences in consumer confidence among labelling schemes. For example, government backed schemes can be more trusted in certain circumstances where there is also a high level of trust in the government: Research conducted in relation to four countries (the UK, Denmark, Germany and Switzerland) showed a link between consumer trust of a certain label and overall trust in government institutions.

In Denmark, the government has committed to ensuring that all of its fishing fleets are Marine Stewardship Council (MSC) certified by 2012, showing clear support for a specific label. In addition, the Danish government also has its own state backed organic label. In the research referred to above there were found to be high levels of consumer confidence in the state backed organic label in Denmark.

However, not all governments decide to support specific certification schemes and prefer instead to take a more guiding role. For example, the UK does not back specific certification schemes and focuses more on voluntary activities rather than regulation. It has recently produced a guide to making 'green claims' which has a section dedicated specifically to the use of certification. The guidance considers both the criteria for success and information which should be accounted for when considering the use of specific certification schemes by businesses.

The UK government does not have a national certification scheme and believes that there is limited potential for such a scheme. It chooses instead to focus on the European Ecolabel which is fully embedded into the UK Department of Environment and Rural Affairs (Defra) Green Public Procurement (GPP) policy. It strongly supports the European Ecolabel's aims and actively contributes to the label's future development. Defra also supports international work in the areas of biodiversity and forestry.

In both Denmark and the UK problems relating to national levels of biodiversity are still being tackled and different policy options explored. The UK Natural Environment White Paper 2011 explores different policy options for environmental management, most of which centre around voluntary activity rather than increased regulation. In addition to this paper, two other reviews, the National Ecosystem Assessment and the Lawton review, have sought to track the changes seen in national ecosystems and habitat fragmentation. In Denmark a number of scientists contributed to a report highlighting national biodiversity issues.

There are other examples of how governments have been working in relation to certification and biodiversity, highlighted in PBL (2010c). In Germany, the federal owned agency that supports the government in its policies on sustainable development, GIZ (der Deutschen Gesellschaft für Internationale Zusammenarbeit, formerly GTZ), is involved in the development of standards in organic farming and fair trade, social standards in agriculture and sustainable coffee production. In 2001 it set up a programme to evaluate the impact of private certification systems to determine possible government interventions.

Some governments also become involved in supporting the implementation of these systems. In the late 1990s, the Swiss government led a consortium of international donors to financially support the fair trade movement. More recently, the Swiss government intervened through policy making when it established tax breaks for biofuels, which are exempt from the 'mineral oil tax'.

At a regional level, in 1992 the European Commission launched the 'European Ecolabel' to encourage businesses to market products and services produced sustainably. The label is supported by several countries including the UK, Germany, the Netherlands, France, Belgium, Italy and Denmark, among others. There are three management groups which meet regularly: A policy management group (focusing on developing the strategy of the scheme and integrating policies developed in European countries); the cooperation and coordination management group (for which the Dutch competent body is responsible, with the objective of progressively coordinating product group development in the different labelling schemes in the EU. The Ecolabel Working Plan specifies in more detail the work to be performed by the management groups; and a marketing management group (focusing on marketing initiatives relating to the European Ecolabel)¹⁷.



Appendix 3

Alternative policy options

Complementary interventions in relation to certification: A political choice

There are many other policy instruments which may be used to realise biodiversity policy goals. The general belief is that a mix of instruments is needed. Selecting which of these instruments is a priority is a political choice.

These alternatives include both market and public oriented alternatives. Here we present some of the most recent alternative options, aside from certification, regulation, subsidies and site protection. This is an illustrative list and does not provide an in-depth analysis of the efficiency of these different policy options in addressing biodiversity:

 Payments for ecosystem services: Linking beneficiaries with providers of services to directly incentivise behavioural change. This mechanism aims to protect ecosystem services by providing an economic incentive to land/resource managers to adopt use or management practices favourable to the protection of ecosystem services. In its strictest terms PES is:

- A voluntary transaction;
- A well-defined environmental service, or land use likely to deliver that service;
- A service is 'bought' by at least one buyer from at least one provider, conditional upon the provider securing continued provision;
- Examples include the payment of upstream land managers by downstream water users to compensate for activities which influence the quantity and quality of downstream water.
- Biodiversity offsetting: This works together with other measures relating to compensation, and assumes that mitigation has already taken place
 e.g. where a developer has an impact on one hectare of natural habitat, but pays a third party to protect or restore more than one hectare. There are a number of issues to consider, most importantly around determining the equivalence between different resources and determining those which are affected and those which benefit from different schemes.

- Biodiversity and accountancy: Understanding the materiality of biodiversity in relation to different commercial players is also gathering pace. The inclusion of biodiversity within accounting sits alongside other policy options as a way of ensuring that biodiversity is included within business decision making.
- Valuation: Valuation is a tool rather than a policy option, but this approach can be used in conjunction with many others to help inform, where appropriate, the above policy options. Valuation is defined as:
 - 'Assigning monetary value to environmental factors that are normally not taken into account in financial valuation.'

Appendix 4

List of stakeholders/experts consulted for this report

KPMG would like to express its gratitude for contributions by the following experts:

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ALEX BRUIJNIS	Ministry of Economic Affairs, Agriculture & Innovation
ARTHUR EIJS	Ministry of Infrastructure & Environment
AUGUST MESKER	VNO-NCW/VNM/IUCN Biodiversity platform
FRANS PLADDET	SMK (Stichting Milieukeur)
HENK VAN TRIGT	Ministry of Foreign Affairs
JARNO DAKHORST	Nederlands Normalisatie Instituut
JEROEN KROEZEN	Solidaridad
MARIEKE DOUMA	Wageningen University
MARK VAN OORSCHOT	Plan Bureau voor de Leefomgeving (PBL)
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STEFANIE MILTENBURG	Sara Lee
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