



USAID
FROM THE AMERICAN PEOPLE



EXECUTIVE SUMMARY

The Potential of Voluntary Sustainability Initiatives to Reduce Emissions from Deforestation and Forest Degradation

Executive Summary - The Potential of Voluntary Sustainability Initiatives to Reduce Emissions from Deforestation and Forest Degradation

July 2015

Authors:

Lauren Stanley
Stephanie Roe
Jeremy Broadhead
Charlie Parker

Recommended citation: Stanley, L., Roe, S., Broadhead, J., Parker, C., (2015). *The Potential of Voluntary Sustainability Initiatives to Reduce Emissions from Deforestation and Forest Degradation*. Produced by Climate Focus for USAID's LEAF Program.

The authors greatly appreciate the guidance and valuable input from:

Adam Gibbon, Althelia
Alistair Monument, Forest Stewardship Council
Aniela Maria, Asia Pulp and Paper
Barbara Bramble, National Wildlife Federation
Brian Bean, Winrock International
Febyana Suryaningrum, Climate Focus
Frank Hoekman, UTZ Certified
Helga Willer, FiBL
Jenny Edwards, Sustainable Agriculture Initiative
Liam Salter, Reset Carbon
Mauro Ciriminna, Forest Stewardship Council
Michael Pescott, The Forest Trust
Monika Zurek, Climate Focus
Oliver Bach, SAN
Peter Graham, WWF
Richard Laity, PEFC
Richard McNally, SNV
Reuben Blackie, IDH Asia
Sebastian Mittermaier, Naturland
Thomas Cierpka, IFOAM
Thorsten Arndt, PEFC
Thuy Phung, Climate Focus

Executive Summary

Background

Rising global demand for food, fuel and fiber has led to a rapid increase in deforestation and forest degradation in developing countries. A recent study estimates that the conversion of forests to agriculture alone accounts for approximately 80% of tropical deforestation.¹ To address these concerns, Voluntary Sustainability Initiatives (VSIs) have emerged as one tool among many to ensure that the production of agricultural and timber commodities for global markets does not result in forest loss.

VSIs are voluntary standards that specify requirements for producers, traders, manufacturers, retailers or service providers to demonstrate sustainability in terms of human rights, worker health and safety, the environmental impacts of production, community relations, land use planning and others.² Many companies, platforms of companies and members of commodity roundtables rely on VSIs as a framework to implement sustainable production and sourcing policies and attain market recognition.

VSIs are a common component of public and private sector commitments to reduce deforestation and forest degradation, with many companies aiming to achieve *zero deforestation by 2020*. However, the potential effectiveness of VSIs in achieving forest-related goals remains uncertain.

The overall objective of this study is to assess the potential of VSIs to contribute to reductions in emissions from deforestation and forest degradation in developing countries based on their substantive and procedural requirements.

VSI Assessment

The 26 VSIs assessed in this analysis were selected on the basis of connection with products associated with deforestation and forest degradation. They cover a wide variety of commodities, countries and production practices, and vary by scope of application, environmental targets and implementation methodology.

¹ Boucher, D., Elias, P., Lininger, K., May-Tobin, C., Roquemore, S., and Saxon, E. (2011). *The Root of the Problem: What's driving deforestation*. Union of Concerned Scientists. Washington, D.C.

² United Nations Forum on Sustainability Standards (2013) *voluntary Sustainability Standards: Today's landscape of issues & initiatives to achieve public policy objectives*.

There are two main types of VSIs assessed: **commodity VSIs** include standards, certification systems and roundtables aimed at producers of specific agriculture and forestry commodities (e.g., the Roundtable for Sustainable Palm Oil); **company VSIs** include independent and joint commitments by large multinational companies to implement sustainable practices throughout supply chains and/or commodity production within a specific company (e.g., Unilever’s Sustainable Living Plan).

The scope of VSIs assessed varies by land use. **Forestry VSIs** seek to institutionalize sustainable forest practices while **agricultural VSIs** are primarily focused on improving farming practices and resulting forest impacts. All but two VSIs included in the assessment address agricultural products, primarily palm oil, soy, coffee, sugar, cocoa, dairy and tea.

The VSIs have varying environmental targets and not all explicitly address deforestation, forest degradation or conservation of forest carbon stocks. The table below indicates each VSI’s forest related targets and the variation between individual VSIs in terms of detail and ambition. Due to this variation, it is important to assess not only the nature of the forest-related targets, but also the supporting systems and procedures.

	4C	ASC	BONSUCRO	FAIRTRADE	FSC	GLOBAL GAP	IFOAM	ISCC	NATURLAND	PEFC	RSB	RSPO	RTRS	SAN	UTZ	APRIL	APP	CARGILL	CGF	DANONE	GAR	NESTLE	P&G	SAI	UNILEVER	WILMAR	
DEFORESTATION	+				+		+		+	+	+	+	+	+	+	+	+	+	+	+		+	+	+	+	+	+
DEGRADATION					+		+		+	+					+												
SFM					+		+		+	+				+		+	+				+			+			
CONSERVATION	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
ENHANCEMENT		+		+	+	+	+		+	+	+			+	+	+	+	+		+		+		+	+	+	+
GHG EMISSIONS		+	+	+				+			+	+	+	+		+	+			+		+		+	+	+	+
SUSTAINABLE SOURCING																		+	+	+	+	+	+		+	+	

To assess VSI design and gauge the ability of VSIs to achieve REDD+ outcomes,³ we use eight criteria developed through a bottom-up analysis of the core components of environmental VSIs and international REDD+ standards – outlined below.

³ The phrase “REDD+ outcomes” is used throughout this report as shorthand to refer to outcomes related to one of the five REDD+ activities. We use this instead of longer phrases such as “slowing, halting and reversing forest loss”, or “reductions in deforestation and forest degradation, conservation, sustainable management of forests and enhancement of forest carbon stocks”, or “decreased reversals and increased removals”: all of which are valid alternatives.

ASSESSMENT CRITERIA

- 1) **Definitions**
 - A) Forest
 - B) High Conservation Value

- 2) **Timelines**
 - A) Cut-off Dates
 - B) Implementation Periods

- 3) **Geographic Area**

- 4) **Baselines**
 - A) Land Use Change
 - B) GHG Emissions

- 5) **Monitoring, Measurement, Reporting and Verification (MMRV) Tools**
 - A) Monitoring
 - B) Measurement
 - C) Reporting
 - D) Verification

- 6) **Chain of Custody**

- 7) **Subsidiary Relationships**

- 8) **Noncompliance**

Findings and Recommendations

All of the VSIs assessed promote broad practices aimed at avoiding or reducing deforestation and/or forest degradation. In addition, all VSI targets prohibit conversion of High Conservation Value (HCV) or primary forests for plantation or crop production. Many also require the conservation and/or rehabilitation of HCV and High Carbon Stock (HCS) areas, and a few contain provisions for secondary and continuous forests. The main assessment findings are summarized below, according to the eight criteria and based on information from the VSI requirements and the systems and procedures for their implementation. Gaps and recommendations are provided in a summary table at the end of the section.

Definitions

Forest-related definitions are important for identifying areas under certification where clearing is prohibited, or delineating areas for restoration or expansion. As such, definitions apply in setting baselines and reference levels, establishing geographic boundaries, and in Monitoring, Measurement and Verification (MMRV).

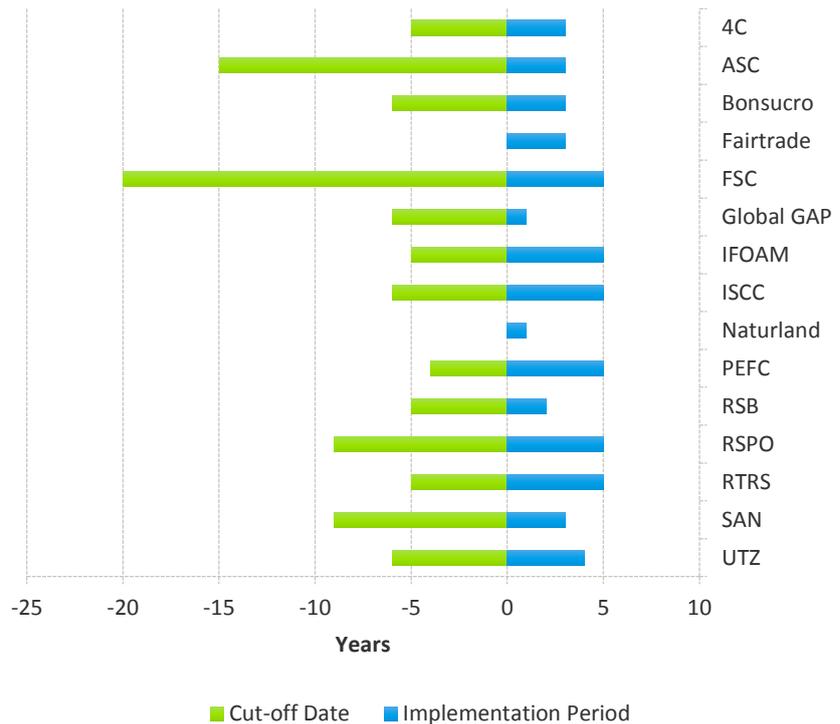
Only 11 of the 26 VSIs provide forest definitions or guidelines for determination of primary, secondary, continuous or standing forest – and most do not use internationally or nationally established definitions and land cover classifications. Lack of definitions and/or inconsistencies can lead to substantially different results, impede assessment against national and international norms and standards and prevent comparisons between VSIs.

Timelines

Although all commodity VSIs provide cut-off dates after which forest conversion is prohibited, dates vary from 0-21 years prior to certification. The majority of commodity VSIs set cut-off dates 5-8 years prior to certification, which under one extreme means that all land now covered by forest could be producing VSI certified products by 2020-2023. In this sense, static cut-off dates set deep in the past are the only real guarantee that forests have not been encroached. However, such strict rules would exclude producers who have made more recent commitments to forest conservation that potentially contribute to a reduction in overall deforestation rates. Therefore, ambition and participation must be weighed

when setting cut-off dates. There is also a risk that more ambitious cut-off dates will mean that only producers working far from the forest frontier are certified while those most likely to cause deforestation are left without incentives for reform.

Implementation periods establish the amount of time allotted to monitor, measure, report and verify results against the baseline. VSI implementation periods vary from 3 months to 5 years. Longer implementation periods are more likely to allow adequate time for VSIs to track a participant's progress throughout an entire production cycle. Shorter implementation periods provide organizations less time to achieve forest impacts and may lead to inadequate representations.



Geographic Area

Geographic boundaries are important in identifying certified production areas and monitoring forest impacts. Most VSIs do not require sufficient geographic information (e.g., geospatially explicit maps of certified and HCV/HCS areas) to establish credible baselines and monitoring plans. Maps provided in audit summaries by VSI participants and certification bodies vary substantially according to VSI requirements. Some only illustrate where a certified entity is located within a country or region, while others provide detailed information on vegetation, geographic coordinates, property boundaries, size, and the date the information collection.

Baselines

Baselines provide benchmarks against which participant's performance can be measured. VSI baselines vary according to the targets set. For example, VSIs with conservation targets will likely set land cover and/or biodiversity baselines, while those requiring reductions in greenhouse gas (GHG) emissions will require the establishment of reference levels. Most VSIs include baselines for their forest-related targets, however, the detail required varies. For example, some require both satellite imagery and ground-truthed data to establish land cover baselines for deforestation, while others require just one of these.

Monitoring / Measurement

Forest monitoring systems are essential for tracking participant performance. Depending on their targets, VSIs may monitor land-use change, GHG emissions, biodiversity levels, forest management or the certification of suppliers. This information is subsequently analyzed and measured against baseline information to determine the progress of VSI participants. Although most VSIs explicitly require participants to monitor or measure performance, many do not provide detailed requirements for the development of monitoring plans nor performance indicators guiding regular data collection. Comprehensive monitoring systems are critical for ensuring compliance with forest-related targets and accurate measurement of forest-related impacts.

Reporting

Publicly reporting a participant's status, progress and performance is an important step in promoting credibility and maintaining transparency throughout the VSI certification process. While 23 of the 26 VSIs assessed provide general information on participant or company progress in meeting VSI targets, only 13 provide detailed results of forest-related targets (e.g., MMRV methodology and disputes/noncompliance). Forest-related objectives and achievements are not reported in a way that strengths, weaknesses and progress with implementation are easily identifiable. Furthermore, variations in the level of detail reported by similar VSIs do not allow for comparability among standards.

Verification

Verification ensures that data collection and measurement is consistent and transparent, and that forest-related activities meet the requirements laid out by VSIs. All commodity-based VSIs require third-party verification, however, the frequency and depth of verification audits varies. Company-based VSIs mostly rely on commodity-based VSI certifications or internal standards to verify compliance with company policies. Holding certification bodies to external standards and ensuring results are verified by independent experts, along with requirements that all participants undergo on-site assessments at least annually, increases transparency and credibility of results.

Chain of Custody

Most commodity VSIs include chain of custody standards that require the identification of accountable actors and the percentage of the final product that is composed of certified materials. Few, however, trace supply back to the farm level where deforestation may have occurred, even when requiring the strictest "identity preserved" calculation methods. This means that there is still a risk that producers with deforestation infractions may enter the supply chain. If no traceability requirements are in place, it becomes extremely difficult to ensure that a "deforestation-free" product has truly avoided deforestation or other negative forest impacts.

Subsidiary Relationships

Many VSI participants have subsidiaries and/or suppliers providing inputs into the supply chain. It is therefore important to define subsidiary relationships and establish whether forest and environment related commitments are binding on all subsidiaries and related companies. Despite subsidiaries and suppliers utilizing large areas of land, very few VSIs delineate accountability by clarifying subsidiary relationships. This gap can significantly undermine the environmental integrity and credibility of VSIs.

Noncompliance

Noncompliance measures or consequences for breaching VSI standards are important components of VSI accountability and credibility. Most commodity VSIs have provisions for corrective action, suspension and termination based on the severity and number of violations. However, most enforcement is subjective rather than based on guidelines. Many VSIs have been pressured by NGOs and civil society to strengthen enforcement, both in relation to participants and subsidiaries and this has shed light on the frequency of violations. Various studies have found enforcement to be a critical gap in tracking compliance. The table below summarizes the main gaps identified and recommendations for each of the VSI criteria.

	MAIN GAPS	RECOMMENDATIONS
DEFINITIONS	Many VSIs lack definitions of key terms such as 'forest,' 'HCV'/'HCS' and 'forest degradation'	<ul style="list-style-type: none"> Rely on established international and national definitions of forest and HCV/HCS where possible to clarify no-deforestation, restoration and expansion areas Include sufficiently robust definitions to account for the various types of forests, potentially by using more than one type of forest definition
TIMELINES	Cut-off dates vary from 0-21 years leading to either low levels of environmental integrity or overly restrictive practices	<ul style="list-style-type: none"> Establish cut-off dates far enough in the past (i.e., >5 yrs) Establish relative cut-off dates (i.e., >8 yrs before certification) or revise fixed cut-off dates (i.e., 2005) at regular intervals Set implementation periods to allow for MMRV of full production cycle (i.e., >5 yrs) Aim for continuous improvement through a stepwise approach, increasing mandatory requirements at regular intervals
GEOGRAPHIC AREA	Few VSIs have requirements for delineating geographic boundaries, and where requirements exist many have gaps in scope and detail	<ul style="list-style-type: none"> Require geospatially explicit information of production area, including farm location maps with GPS coordinates, location of HCV/protected areas, and legal ownership
BASELINES	Not all VSIs establish baselines for their forest-related targets	<ul style="list-style-type: none"> Establish land-use and GHG baselines to adequately measure performance of participants according to the targets set Adjust/establish baselines as forest-related targets increase in scope and ambition
MONITORING / MEASUREMENT	Few VSIs have requirements or guidelines for the development of monitoring plans or the procedures for measuring progress against baselines	<ul style="list-style-type: none"> Develop a monitoring plan and robust monitoring processes that incorporate monitoring methodologies (i.e., remotely sensed and/or ground-truthed data), detailed performance indicators and routine data collection schedules. Establish consistent measurement procedures and methodologies and use national and international maps and methodologies where possible Use open-access deforestation mapping tools (e.g., WRI's Forest Watch) to efficiently monitor land-use change
REPORTING	Not all VSIs provide public, comprehensive reports on the progress of VSI participants	<ul style="list-style-type: none"> Publicly report information on a routine basis to reflect the results of monitoring and verification audits, any disputes or noncompliance and the overall status of VSIs and their participants in meeting forest-related goals Post information, including maps of participants, on an easily accessible website to strengthen transparency
VERIFICATION	Not all VSIs require annual on-site assessments, random field checks, and/or independent third-party verification	<ul style="list-style-type: none"> Carry out periodic verification audits by independent third-parties to ensure that participants adequately monitor forest impacts Ensure that all participants are audited at least once during a certification cycle Require compliance according to set performance indicators outlined in the monitoring plan
CHAIN OF CUSTODY	Few VSIs have detailed traceability or chain of custody standards that can trace forest impacts	<ul style="list-style-type: none"> Formalize and strengthen requirements to achieve traceability back to the farm or mill, including ambitious chain of custody methods Mixed commodities like palm oil can aim for higher standards, like mass balance plus (MB+) while company VSIs can map their supply chains and engage mills and farmers directly to set and enforce forest-related standards.
SUBSIDIARY RELATIONSHIPS	Few VSIs define the role of subsidiaries and/or related companies in forest-related commitments, and even fewer outline the consequences for subsidiary noncompliance	<ul style="list-style-type: none"> Clarify roles of subsidiaries in meeting targets, monitoring plans, audits and reports – particularly important for large multinationals with many suppliers Share the status of certification for each subsidiary or related company Define the consequences and procedures for participants if subsidiaries/related companies are noncompliant
NON-COMPLIANCE	Only half of the VSIs assessed provide detailed consequences for noncompliance	<ul style="list-style-type: none"> Establish measures to address noncompliance and clear guidelines for the behavior that will lead to suspension or termination of certification Provide detailed, publicly available, information on terminations and suspensions Define the necessary steps and the amount of time to address nonconformities and to undergo re-certification after termination – as well as the procedures for handling products harvested prior to termination

Discussion and Conclusions

VSI commitments and standards are supportive of some REDD+ outcomes, particularly through avoidance of forest conversion and rehabilitation and conservation of HCV and HCS areas. However, **while there are overlaps between current REDD+ standards and VSI elements, VSI designs and their implementation systems are generally not sufficient to ensure significant contribution to REDD+ outcomes.**

The main weakness in both commodity and company VSIs relate to geographic area and MMRV requirements. Few VSIs provided sufficient detail on the location of farms or plantations, or monitoring, measurement and reporting requirements and guidelines. The main strengths are the provision of timelines and non-compliance requirements.

Overall, commodity VSIs showed more comprehensive coverage of the assessment criteria and sub-criteria used in the study than company VSIs. The best addressed criteria within company VSIs concerned subsidiary relationships, indicating the central role that sustainable sourcing policies have in meeting companies' forest-related targets.

The following overarching conclusions apply across the various VSIs and beyond.

There is insufficient detail on program requirements and insufficient guidance from VSIs to communicate expectations concerning both participant behavior and measurement of forest impacts. For example, ambiguity about thresholds for deforestation and how they are monitored permits possible non-compliance while maintaining certification. Disseminating robust and consistent guidance on VSI criteria helps participants meet requirements and gauge non-compliance while also promoting consistency across the standard.

Monitoring, traceability and the transparency of VSI targets - the main components in ensuring that deforestation and forest degradation are reduced - need to be enhanced. All of the VSIs assessed could make improvements to their standards and processes to more explicitly address deforestation and forest degradation and better incorporate these elements.

Lack of harmonization across VSIs in defining, monitoring and measuring forest-related targets hinders evaluation and comparison of results. While harmonization is impeded by the myriad actors and differing agendas among VSIs, the main forest-related definitions and methodologies (GHG accounting in particular) should be in accord with established international and/or national standards where possible.

Unambitious targets and procedures and lack of transparency reduce the credibility of VSIs. Environmental integrity is at the heart of buyer's motivation to purchase VSI certified and/or VSI branded products, and although ambition needs to be balanced with inclusiveness (e.g., in relation to cut-off dates for deforestation), demonstration of environmental integrity backed up by transparency and accountability is essential. Consequences for noncompliance are also crucial.

While commodity VSIs may prove useful for companies, they may also set and meet their own targets if standards are adequately robust and transparency is sufficiently maintained. The eight assessment criteria are generally more comprehensively addressed by commodity VSIs through certification schemes, and company VSIs therefore tend to rely on these to meet forest-related and other environmental targets. However, some companies are choosing to go beyond certification targets and/or reduce their reliance on certification by transparently tracking their products and impact on their own. For example, some companies publicly map the source of all of their materials back to the farm and then require changes of production standards where needed. Patagonia provides a good example of this with their Footprint Chronicles, where all materials are traced to individual farms and published online, production standards are set (e.g., for wool, cotton), and impact is monitored and publicly reported on a periodic basis.⁴

There are areas beyond the eight criteria assessed in this report that VSIs can employ to address forest loss and promote positive impacts on forests. Some agriculture VSIs, for example, increase their direct impact by restoring degraded and deforested areas, or by establishing minimum forest cover limits in certified areas. Similarly, some forest VSIs enhance their forest-related impacts by working with governments in locating plantations adjacent to HCV or primary forests, so as to provide a buffer for these areas. Having VSI certified forests next to forest frontiers, especially in tropical countries, would likely have a positive impact compared to VSI certified agriculture as they can maintain similar microclimates and vegetation for biodiversity conservation, and also limit development and subsistence farming expansion.⁵ Such practices could be more widely adopted and incorporated within VSI targets and requirements.

In addition to addressing gaps and taking steps to increase impact, adequate capacity to implement VSI targets and processes is essential. Various studies have shown that VSI participants have limited capacity for monitoring and enforcing sustainability and forest-related targets.⁶ While overcoming the challenges highlighted above is important, equally important is the capacity to implement the standards.

Engagement of non-VSI actors may help improve forest-related impacts. VSIs may benefit from collaboration with outside constituencies where potential synergies exist. For example, conservation stakeholders may support agricultural VSIs in improving the traceability and transparency of their supply chains and with forest VSIs in tropical forest frontiers to establish primary forest buffer zones. Additional studies that generate field-level empirical results could also help indicate VSI performance on the ground, and verify VSIs' forest impact.

⁴ Patagonia Footprint Chronicles website – accessed June 2015: <http://www.patagonia.com/us/footprint>

⁵ Lindenmayer D., and Franklin, J. (2003) *Towards Forest Sustainability*. CSIRO Publishing, Australia. ISBN 0 643 06832 5.

⁶ Smit, H., McNally, R., Gijzenbergh, A. (2015) *Implementing Deforestation-Free Supply Chains – Certification and Beyond*. SNV REAP.

Lastly, additional **efforts by companies, governments and other actors will be needed for improved forest-related impacts *outside of certified production areas***. In this context, a range of measures could be adopted, including:

- **Companies can work with communities and governments outside certified areas to promote sustainable practices.** Nestlé, for example, has worked with communities on rural development and on improving livestock management in Colombia, which helps to reduce pressure on forests outside of company-controlled areas.⁷
- **Governments can promote landscape level planning** in collaboration with companies implementing VSIs to protect forest frontiers and areas outside companies' jurisdiction. Governments and VSIs may also strive for landscape-wide and/or jurisdictional certification for the main commodities produced to promote REDD+ outcomes at scale.
- **Governments can ensure that national legal frameworks and programs are consistent with and supportive of VSIs.** For example, governments can provide incentives to encourage adoption of VSIs or impose levies on companies that do not adopt sustainable practices. Governments can also work with VSI companies to extend practices to SMEs and engage smallholders and other actors in implementing VSI standards, providing financial support to cover initial certification costs where necessary.
- **Industry and government can work together to increase the demand and market share of sustainable commodities.** To have real impact on global deforestation rates, VSIs need to be implemented on a large scale. Even very effective VSIs' impact on deforestation will be minimal if they only account for a small percentage of the market. VSIs can exert greater influence over production when a large proportion of the commodities produced are consumed in environmentally sensitive markets, as in the case of premium certified coffee exported to the US and EU for example.⁸ To increase demand for certified commodities, governments in consumer countries may implement public procurement policies or trade measures that exclude deforestation from the supply chain, particularly in relation to forest-risk commodities.

⁷ Nelson, N. and Durschinger, L. (2015). "Supporting Zero-Deforestation Cattle in Colombia". USAID-supported Forest Carbon, Markets and Communities Program. Washington, DC, USA.

⁸ Smit, H., McNally, R., Gijsenbergh, A. (2015) Implementing Deforestation-Free Supply Chains – Certification and Beyond. SNV REAP.