

# The business benefits of adopting sustainability standards:

A review of literature and evidence in the last six years

September 2022





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Sustainability standards continue to be one of the most important tools to support businesses across the value chain deliver on core sustainability issues.

# Introduction

Across the globe, business and market actors are now seen as critical partners on the road to meeting the Sustainable Development Goals and addressing key planetary and social challenges. As the role and responsibility of businesses to take action on sustainability has increased, so has the range of tools and approaches at their disposal to meet their own sustainability targets and broader goals.

Sustainability standards continue to be one of the most important tools in the toolbox to support businesses across the value chain deliver on core sustainability issues. Starting as a niche movement in the early 1990s, voluntary private standards are now mainstreamed in many leading production sectors and making inroads into more sectors every year.

For developers and proponents of sustainability standards, the development case has always been clear. Standards define what good practice and performance is on key topics and provide a framework to implement such goals with actors across the length of the value chain. But what of the business case for adopting such standards? Does their adoption drive and deliver benefits to businesses themselves, beyond the sustainability outcomes we are interested in?

In 2016, ISEAL published a [comprehensive review and synthesis of existing literature and evidence of the business benefits of using sustainability standards](#). The objective of this study was to validate whether perceptions on various kinds of benefits for businesses from using sustainability standards was matched by actual evidence. The study showed that businesses along the value chain experience various business benefits beyond the social and environmental impact that sustainability standards are designed for. The use of standards can result in improvements in operations, procurement, sales and marketing, and stakeholder engagement, as well as sector-wide change.

Based upon these findings, the study recommended that standards systems should better monitor the business case for using standards, and use the improved insights to improve their value proposition to businesses and communicate more clearly about the potential benefits (early and long term, direct and indirect, internal and external, etc.). It also suggested that a comprehensive overview of business benefits can encourage businesses to extract more value out of the standards they are using, individually or within business platforms.

Now in 2022, ISEAL is doing a research refresh of this topic. The goal was to look for research and evidence published in the last six years, since the first review report, analyse trends in the evidence and draw deeper learnings on what we can understand and say about the benefits that adopting standards can drive for businesses. This research report by Aidenvironment, who also authored the 2016 study, provides the results and synthesis of this review.

Although the sustainability landscape has evolved in significant ways over the last six years, standards continue to be a central and foundational tool in the business toolbox to progress on sustainability. Our study therefore retains a focus on the business benefits of adopting independent voluntary sustainability standards. Evidence on the business case and benefits of using other sustainability tools and approaches is sorely lacking and would be a welcome next step for research in this field.

The business case for whether to adopt and use sustainability standards is usually a trade-off between the benefits and costs of doing so. This study looks at the type and extent of benefits that different types of businesses along the value chain may realise from the adoption of voluntary standards. It does not delve into the costs. Many of the individual references in our study analyse costs alongside benefits and where relevant these have been included in the analysis. There is emerging research on the costs-benefits of using specific voluntary standards, but these studies are few and far between. In this sense, this study does not present a holistic overview of the 'business case' for adopting sustainability standards as such analysis should balance benefits with costs.

The main purpose of this report is to share evidence and food for thought on the types of business-related benefits that do accrue from the adoption of sustainability standards. We hope it inspires sustainability practitioners and business representatives to think about how standards can be designed and implemented to leverage and draw more value for actors along the value chain and make good the investment in them.

# Approach and framework

This meta-review followed a similar structured approach and methodology to the previous study. This methodology focused on two aspects: (1) the selection of sources of information, and (2) the analytical framework of the business benefits of using standards. Both will be explained in this section.

## **Sources and data selection methodology**

The first step in selecting the sources used in this review was to compile a longlist of potentially relevant sources. We distinguished between two types of sources:

- Articles, reports and studies from academic institutes, research and consultancy organisations, ISEAL members or ISEAL itself. Searches were conducted using online bibliographic databases: Scopus, Evidensia and Google Scholar.
- Company reports and company presentations (referred to as grey literature).

The initial longlist consisted of 250 source documents, excluding the grey literature.

The second step was to select those documents that would be included in the final review. The selection of the shortlist was based upon the following criteria:

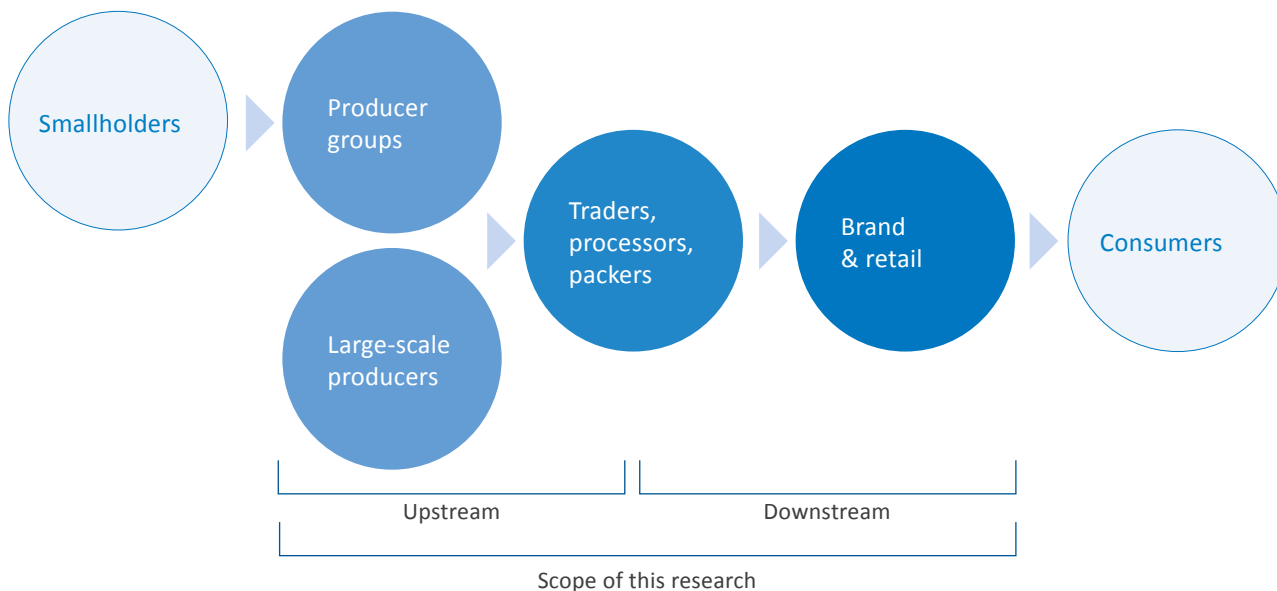
- **Relevance:** the aim was to select documents that show evidence of realised business benefits. Studies that were only on potential benefits, rather than realised benefits, were excluded. We only included studies from 2016 onwards as this is supposed to be an update of the 2016 study.

- **Coverage of business entities along the value chain:** the range of businesses in the scope of this review included large-scale producers, smallholder producer groups, traders and retailers (see Figure 1). In this report, a large-scale producer refers to a forestry, fishery, mining or agricultural company and a producer group refers to a group of small-scale producers. We make a distinction between upstream and downstream businesses. Upstream business are large-scale producers, smallholder producer groups and primary processors in the country of origin. Downstream businesses include importers, processors, manufacturers, brands and retailers in manufacturing/ consumer countries.

- **Sector coverage:** the aim was to develop a balanced evidence base regarding sectors and value chain actors. As with the 2016 study, the sectors included agriculture, forestry, fishery (wild catch and aquaculture) and mining. To represent the expanding scope of initiatives within the ISEAL community, the biomass, tourism and carbon standards sectors were added. The spread of the sources over sectors and business entities is presented in Table 1.

- **Robustness:** the aim was to select documents that provide credible insights. To do so, we developed a practical scale of three levels of credibility, as presented in Box 1. Only sources of class 2 and 3 were selected as source documents for basic analysis in this study.

Figure 1: Scope of business entities included in this research



### BOX 1: CREDIBILITY RATING OF SOURCES

**1 Low credibility, because:**

- One or very few businesses, or mix up of businesses with other actors, AND
- No evidence of clear methods used or clearly anecdotal information.

**2 Medium credibility as supportive evidence, because:**

- One or few businesses AND good methods used (i.e. an in-depth case study, cost-benefit analysis),

OR

- At least five businesses involved, AND uncertain whether credible methods have been used

**3 High credibility, because:**

- At least five businesses involved, not mixed up with other actors, AND
- Structured methods used, or probably structured methods used by looking at the results, OR
- Meta-study summarising different studies/ interviews

It was not always possible to apply the above criteria in a strict manner, as a result of lack of clarity of scope or methodology in many sources, time constraints and the ambition to strike a balance in scope. This study should therefore not be considered a full-fledged systematic review. It does, however, present a representative picture of realised benefits based upon existing evidence.

The above criteria guided the selection of 40 sources (referred to as source documents) in the shortlist, which were all reviewed (see Appendix I for a list of the source documents). The source documents provide evidence and information on business benefits using a range of research approaches and tools. These include data from business surveys run by research think-tanks or standards bodies as part of annual performance monitoring; empirical case studies analysing standards’ adoption and implementation in specific sectors and products through interviews and group discussions with business respondents; a few cost-benefit analyses; and other systematic and meta reviews studying the benefits of adopting standards (especially for upstream businesses) as part of a wider set of research questions. We considered all selected sources to have equal weight, despite having used different methods.

Care was taken to ensure that only information on benefits that have been realised or have already materialised were included in the study as against perceptions of benefits by business actors. In some cases, this distinction was not always easy to make, for example because responses from different types of stakeholders were aggregated.



**Table 1:** The distribution of source documents over sectors and upstream and downstream actors (n=40)

	TOTAL	UPSTREAM	DOWNSTREAM
<b>TOTAL</b>	<b>40</b>	<b>35</b>	<b>20</b>
<b>AGRICULTURE</b>	14	11	6
<b>FISHERY / AQUACULTURE</b>	8	8	2
<b>FORESTRY</b>	5	4	3
<b>MINING &amp; JEWELLERY</b>	3	3	2
<b>BIOMASS</b>	2	2	2
<b>TOURISM</b>	2	2	
<b>CARBON</b>	2	2	1
<b>MULTI-SECTOR</b>	4	3	4

### **Analytical framework**

The basis for this study is an analytical framework of business benefits which was gradually developed during the previous study. It attempts to identify causal relations between different business benefits. For example, certification enables businesses to meet customer demands, which improves market access, which improves profitability. Although the chain of causality in benefits may have more than two levels, we have regrouped them in two categories of early and final benefits. The early business benefits are categorised into five clusters: operations, procurement, sales and marketing, stakeholder engagement and sector-wide change. The final business benefits are divided into business benefits and sustainability impact. The early and final benefits frameworks are presented in the next chapter and in Appendix II.

The source documents were reviewed with the aim to extract relevant information in line with the analytical framework. The analytical approach used was content analysis (how many sources reported a benefit) and a framework synthesis in which we configured and aggregated findings (in relation to actors and standard systems) using qualitative and quantitative evidence.<sup>1</sup>

### **Limitations of the approach taken**

The following limitations needs to be considered when reading this report:

- As the number of sources included was limited, this study should not be considered as a full-fledged systematic and representative review. It does not allow us to determine the exact contribution of standards to the realised benefits. However, this study presents a representative picture of realised benefits based upon existing evidence.
- Although we made a distinction between different levels of credibility (using only documents of levels 2 and 3), in the end we did not provide more weight to the priority (high credibility) documents. All documents were equally weighted.

1. For more information on these analytical methods, see: Birte Snilstveit , Sandy Oliver & Martina Vojtkova (2012) Narrative approaches to systematic review and synthesis of evidence for international development policy and practice, *Journal of Development Effectiveness*, 4(3): 409-429.



A review of 40 studies confirms that adopting sustainability standards delivers a wide range of early benefits to businesses along the value chain which can materialise at business, value chain and sector level.

# Results: the business benefits of adopting standards

This chapter is the heart of the report and presents the results of our new study on the business benefits of using sustainability standards. The chapter first presents the early business benefits of using sustainability standards – at an overall level and exploring specific categories of early benefits in detail. We also explore what’s different in the analysis of early benefits from the 2016 report. It then explores final benefits in detail along with key differences from the earlier version of the report. The analysis in this chapter is cross-sectoral, but interesting sector-specific findings have been drawn out in deep-dive boxes.

*Figure 2: Chain of causality between drivers of using standards and final benefits*



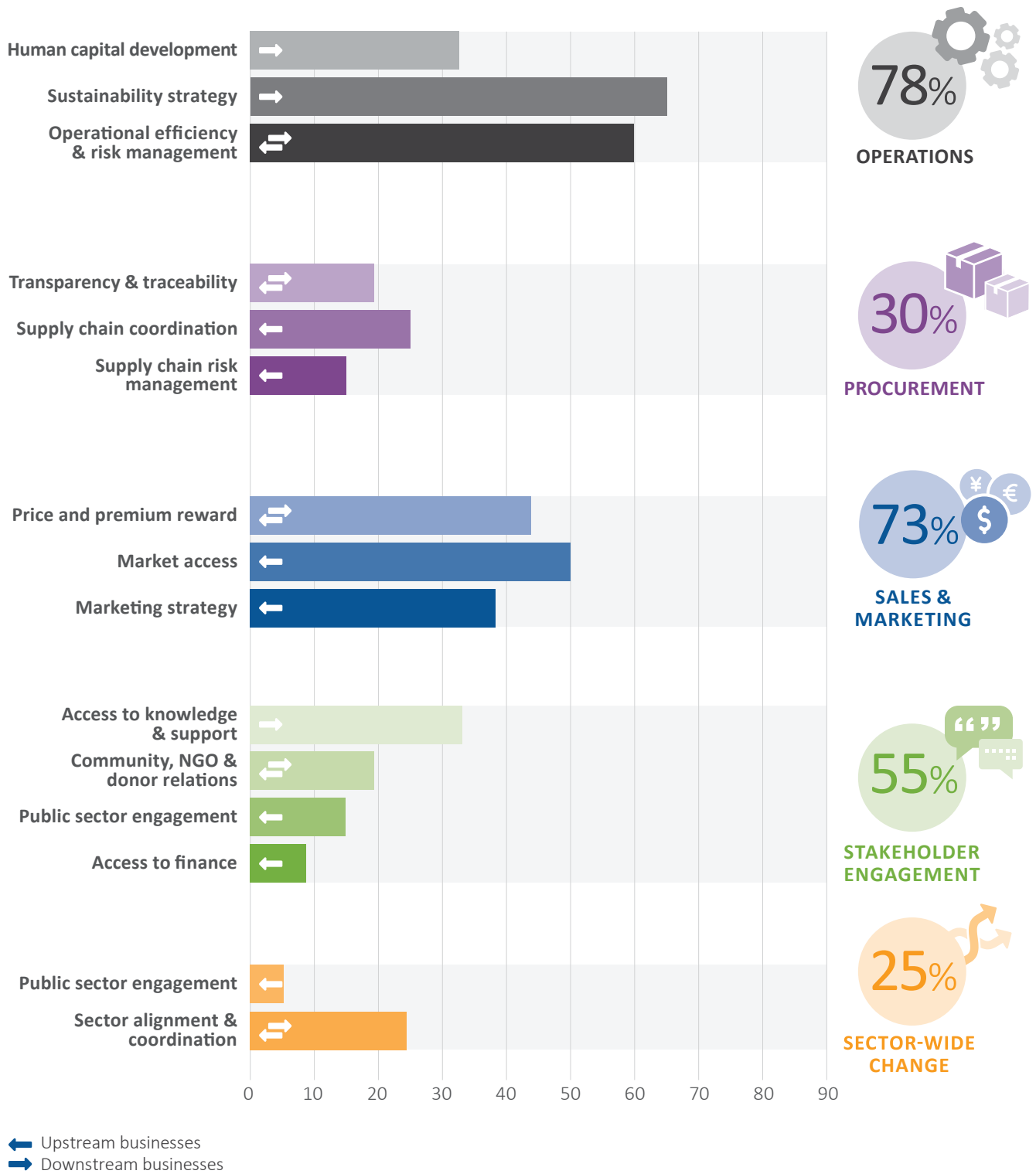
## EARLY BUSINESS BENEFITS

Early business benefits can generally be directly attributed to the use of standards. They refer to changes in capabilities, practices, processes, relationships, opportunities and other immediate results of using standards. They correspond with what are generally referred to as immediate and intermediate outcomes. The analytical framework identifies five categories of early benefits that businesses can realise from the adoption of sustainability standards linked to:

- business operations
- procurement
- marketing and sales
- stakeholder engagement
- driving sector-wide change.

The overall results are presented in the figure below. Of all the early benefits in the framework, operational benefits were most frequently referenced (83%) followed by benefits related to sales and marketing (73%). Benefits related to stakeholder engagement (55%), procurement (30%) and sector-wide change (25%) were less frequently mentioned.

**Figure 3: Early business benefits of adopting standards, with five clusters of early benefits, with proportion of sources referring to them**



Note: percentages refer to the proportion of sources that refer to the benefit, thus sub-categories may add up to more than the proportion mentioned for the higher tier level because the same source can refer to multiple sub-categories.

When comparing the review with the 2016 version (see Table 2), the same type of early business benefits are identified in both studies. Only two changes have been observed: (1) where in the 2016 study there was explicit reference to certification leading to innovation (as part of operational efficiency and risk management), in this version no such benefit was identified; (2) in the 2022 framework we added employee skills, as part of human capital development.

Caution is advised in comparing the scores for individual benefits between the previous version and this update. The scoring depends on the scope of the individual source documents, which shows great variation between the two reviews. For example, in the 2016 review the category of early benefits most frequently

referenced was around procurement. On the one hand, this shift could be a result in a shift of research focus. Indeed, this review ended up with less downstream-oriented sources than the previous one, and procurement benefits are particularly relevant to downstream actors. On the other hand, it could also be about how businesses are using and valuing standards in practice. With standards going from niche to mainstream, it is likely that procurement-linked benefits have diminished over time (or are noted as less important by business). In the current review, the high degree of reference to operational benefits and a significantly higher mention of benefits linked to achieving sustainability strategies could signify an increase in businesses setting sustainability targets and goals and purposefully using standards as a means to achieving these.

**Table 2: The scores of the 2016 and 2022 early business benefits**

EARLY BENEFIT	2016	2022	COMBINED
	n=40	n=40	n=80
<b>OPERATIONS</b>	<b>78%</b>	<b>83%</b>	<b>80%</b>
Operational efficiency & risk management	63%	60%	61%
Sustainability strategy	45%	65%	55%
Human capital development	30%	33%	31%
<b>PROCUREMENT</b>	<b>70%</b>	<b>30%</b>	<b>50%</b>
Supply chain risk management	55%	15%	35%
Transparency & traceability	20%	20%	20%
Supply chain coordination	45%	25%	35%
<b>SALES AND MARKETING</b>	<b>98%</b>	<b>73%</b>	<b>85%</b>
Marketing strategy	43%	38%	40%
Market access	85%	50%	68%
Price and premium reward	45%	43%	44%
<b>STAKEHOLDER ENGAGEMENT</b>	<b>50%</b>	<b>55%</b>	<b>53%</b>
Access to finance	30%	8%	19%
Public sector engagement	18%	18%	18%
Community, NGO & donor relations	20%	28%	24%
Access to knowledge & support	28%	33%	30%
<b>SECTOR-WIDE CHANGE</b>	<b>28%</b>	<b>25%</b>	<b>26%</b>
Sector alignment & coordination	25%	23%	24%
Public policy influence	10%	5%	8%

## BENEFITS LINKED TO BUSINESS OPERATIONS

Using sustainability standards can result in a range of operational benefits for businesses small and big (mentioned in 83% of the source documents). Businesses report most frequently on the value of standards in supporting the implementation of sustainability strategies, followed by how standards can contribute to operational efficiencies, risk management and human capital development.

### *Benefits linked to operational efficiency and risk management*

The benefits standards can deliver on operational efficiency and risk management (60%) include improvements to management systems and processes as well as improved governance and membership engagement.

- **Management systems and processes (58%):** this category of benefit refers to how adoption of sustainability standards can improve strategic, business and operational planning capacity, and result in better management systems. Management can refer to organisational processes and production processes (e.g., forestry or mining practices). Standards contribute particularly to more efficiency (in terms of cost savings, reduced inputs or less waste) or growth in production (in terms of volumes and/or quality). In several cases, these processes were linked to better monitoring of performance and impacts, i.e. standards support businesses in improved monitoring of their own performance which in turn helps businesses improve their systems and operations.
- **Operational risk management (15%):** this benefit links to procedures and due diligence processes that standards support. These enable the business to comply with local laws, and go beyond by helping assess or mitigate risks such as workplace accidents or specific kinds of abuse and violations.
- **Governance and membership engagement (5%):** this relates to benefits around increased transparency and democratic decision-making, leadership and improved service delivery towards members/clients in the case of upstream business enterprises such as farmers' associations, cooperatives or other primary producer groups.

The benefits regarding operational efficiency and risk management were mainly experienced by upstream businesses, notably producers and producer groups.

## BOX 2: OPERATIONAL BENEFITS IN THE FISHERY SECTOR



Several sources reference how certification helps fisheries improve operational efficiency and risk management. For example, the Surinamese Atlantic seabob shrimp fishery saw cost savings as a result of measures that were put in place to meet the Marine Stewardship Council (MSC) standard. These included implementing a code of conduct for the fleet and using bycatch reduction devices with escape panels which reduced time and effort spent in sorting through bycatch ([Blackmore, 2015](#)).

A study looking at several standards in salmon aquaculture (including the Aquaculture Stewardship Council (ASC), GLOBALG.A.P. and various food safety standards) refers to certification resulting in major changes in companies' internal systems and processes in relation to food safety, traceability of inputs such as feed, documentation of suppliers and their practices, public records of disease management, and collaboration with neighbouring sites. Changes mentioned include improved routines and procedures through the consolidation of documentation processes, standardisation and structuring of documentation management, and in general the creation of better and more efficient systems ([Amundsen and Osmundsen, 2020](#)).

### BOX 3: CERTIFICATION DRIVING CHANGES IN BUSINESS PRACTICES IN THE ALUMINIUM SECTOR



The Aluminium Stewardship Initiative (ASI) conducted in 2021 a survey among its members on the business value derived from ASI certification. Almost two-thirds (64%) of respondents confirmed they had made changes to their business practices through ASI certification, with a further 18% noting changes in progress, giving a total of 82% of respondents. On the question of when member businesses were making such changes, 38% said improvements had occurred as part of preparing for ASI certification, 8% as a result of corrective action for non-conformities raised by ASI, and 35% as a result of both processes. This highlights the critical nature of the self-assessment process in identifying gaps that businesses need to address to meet the ASI standard, as well as the role of the audit process in identifying areas for corrective action. Key areas for improvement identified through audits include sustainable development, product development processes (sustainability and environmental consideration being increasingly embodied in design practices, development of infrastructure/skills for life-cycle assessment), due diligence processes, water management practices, transparency and public consultation, and sustainability reporting ([Aluminium Stewardship Initiative, 2022](#)).

#### *Benefits linked to support with implementation of sustainability strategies*

**Sustainability strategy (65%)** refers to the benefits of using standards to develop, operationalise and monitor a business's sustainability strategy. More specifically, using standards is reported to contribute the following benefits:

- **Awareness on sustainability issues (15%):** increased awareness throughout the business's value chain, especially on environmental and/or social issues upstream.
- **Benchmark or roadmap toward operationalising sustainability (10%):** compliance with standards provides businesses with a credible benchmark or baseline for sustainability, avoiding the need for the business to develop its own criteria. Standards enable businesses to operationalise sustainability and facilitate communication on sustainability within the business and with peers. Companies also align their own standards and internal management systems with multistakeholder standards.
- **Helping to achieve and communicate about sustainability/business goals (43%):** helps position sustainability at the core of the business and deliver on sustainability commitments and business needs around responsible production or sustainable/ethical sourcing. Standards also facilitate communication about a business's corporate social responsibility or sustainability strategy.
- **Performance/impact monitoring (23%):** increased knowledge on sustainability performance and impacts as well as systems to assess these impacts.

Evidence shows that all type of actors across the value chain realise business benefits from adopting standards to support with operationalising sustainability strategies.

## BOX 4: STANDARDS HELP TO MONITOR AND FULFILL EMISSION REDUCTION TARGETS THROUGHOUT THE VALUE CHAIN



Evidence indicates several examples of sustainability standards supporting companies in improving their monitoring on specific indicators, and through this improving environmental performance on metrics such as greenhouse gas emissions. For example, the Gold Standard (carbon credits), Bonsucro (sugarcane) and the Roundtable on Sustainable Biomaterials (biomaterials) all require certificate holders (business members) to rigorously monitor their greenhouse gas emissions. This information, combined with improvement targets, can incentivise further emissions reductions. Such data has value across the length of the supply chain as it can support emissions reporting by downstream companies that may also have reduction targets in relation to scope 2 and scope 3 emissions. The carbon standards are also highly applicable to the operations of any business along the value chain (Gold Standard 2020; Deloitte, 2021; [Roundtable on Sustainable Biomaterials, 2020](#)).

### *Benefits linked to human capital and capacity development*

**Human capital development (33%)** refers to benefits related to improved working conditions and worker benefits, employee skill development and improved employee satisfaction and retention within the business.

■ **Working conditions and worker benefits (20%):** for upstream businesses, clear benefits from adopting standards include improved occupational health and safety and improved compliance with local labour laws, including improved wages and better and/or more formal terms of contract. In the case of workers who live on/near production sites, compliance with standards is also often seen to result in better living conditions. In many cases, these benefits result in higher income for workers, with some evidence pointing to improved results, especially for women workers.

■ **Employee skill development (5%):** some businesses report that adoption of or compliance with sustainability standards has resulted in important on-the-job training and skill development for staff on sustainability issues, operational management and other areas. This benefit also refers to situations where standards produce knowledge and guidance to support businesses to improve their performance on specific topics. Evidence indicates that all of this results in better qualified staff who then perform better.

■ **Employee satisfaction and retention (13%):** increased employee motivation and trust of workers in the business is an important business benefit noted in many evidence sources. The adoption of or compliance with sustainability standards is seen to create a sense of pride in people's work, which can contribute to a stronger work ethic, productivity, team building and the opportunity to attract and retain employees.

Improved working conditions and worker benefits, as well as employee skill development, were almost exclusively experienced by upstream businesses such as fisheries and producer organisations. The benefits of employee satisfaction and retention were mostly explicitly experienced by downstream companies. There is less explicit reference to how improved working conditions among upstream companies result in higher employee satisfaction and retention.



## BOX 5: ADOPTING SUSTAINABILITY STANDARDS CAN HAVE A POSITIVE IMPACT ON EMPLOYEE SATISFACTION



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Companies with B Corp certification saw an influx of more passionate job applicants who recognised the certification. These companies felt that the certification created an emotional connection not only with its consumers, but also with its own employees ([Kalfus, 2019](#)).

A survey among retailers committed to responsible sourcing of forest products revealed that for over 70%, such commitments and action had a positive impact on employee engagement, indicating potential gains from higher employee satisfaction and retention. Anecdotally, companies in the survey reported small increases in staff retention due to being perceived as a responsible business that cares about more than just profit. Companies also used responsible sourcing as an employee engagement tool. Researchers and company managers believed that demonstrated commitment to sustainability could attract talent and help create a sense of pride in people's work, contributing to productivity and retention ([WWF, 2017](#)).

## BENEFITS LINKED TO PROCUREMENT

The most frequently mentioned benefits of using standards in the procurement sphere (30%) relate to their contribution to supply chain coordination, followed by supply chain risk management and supply chain transparency and traceability.

- **Supply chain risk management (15%):** evidence shows that standards help to inform, motivate and compel suppliers to improve due diligence and management of illegal and unsustainable practices in supply chains that are of concern to the business, its customers or external stakeholders. These benefits contribute to legal compliance and enhanced reputation of the buying companies. Standards can also address risks that could undermine future supply security (e.g., water shortage).
- **Supply chain coordination (25%), with sub-categories of:**
  - **Reliable supply (15%):** improved supply in terms of quality and volume by accessing best performing suppliers, improving resilience and becoming less dependent on volatile market developments.
  - **Quality of trading relationships with suppliers (20%):** improved supply chain management skills and communication, dialogue, coordination, long-term planning, trust, exchange of information and transfer of technology within a supply chain. This can also entail reduced supply chain length and longer-term trading relationships.
- **Transparency and traceability (20%):** improved knowledge of where products come from, understanding of the actors in the value chain and capacity to trace products back to origin. This can contribute to legal compliance, supply security and enhanced reputation. It can also provide public information about sustainability. It becomes an increasingly relevant benefit in light of new regulation, such as human rights due diligence.

The benefits to procurement are mostly referenced by downstream actors. Value chain coordination benefits are also mentioned by exporters and one source mentions that cooperatives consider certification as a means to building stronger supply relationships with their membership.

## BOX 6: THE VALUE OF TRANSPARENCY AND TRACEABILITY



Increased traceability can have a positive impact throughout the supply chain. For example, IKEA has asked its suppliers to map sub-suppliers to see which are Forest Stewardship Council (FSC) certified, and has helped those that are not actively engaged in seeking FSC certification. Many suppliers have realised that increasing their supply of FSC wood represents a better way to put themselves on the market and gives them a chance to expand. The more IKEA suppliers realise the benefits of taking control of their supply chain and sub-suppliers, the more resilient IKEA's supply chain becomes ([Burivalova et al., 2017](#)).

In the same report, Bunnings states that the business benefits of more transparent supply chains and better relationships with trusted suppliers – though unquantifiable – can be substantial. Traceability and transparency in the supply chain allows the company to not only avoid legality risks, but also respond to potential risks of supply chain disruption due to social and environmental concerns ([Burivalova et al., 2017](#)).

Sector-wide adoption of the same standards also facilitates new entrants in the sector. For example, C&A joined the Better Cotton Initiative (BCI) at a later stage than other companies, which meant it was fairly easy for C&A to rapidly accelerate its sourcing of Better Cotton. In addition, many of the big fashion brands and retailers share their supply chains, so many of C&A's suppliers were already used to supplying other brands such as H&M or Marks & Spencer with Better Cotton. This in turn enabled them to switch fairly easily and quickly to supplying C&A with Better Cotton as well. As a result, C&A achieved a 20% increase in its uptake of Better Cotton within one year of joining BCI. Through BCI, C&A has been able to source a greater variety of more sustainable cotton fibre, from more origins, helping accelerate uptake ([Cotton Up, 2018](#)).

## BENEFITS LINKED TO PRODUCT SALES AND MARKETING

Within the cluster of sales and marketing (73%), most sources refer to how adopting standards leads to improved market access, followed by improved price and premium rewards and the role of sustainability standards in supporting the company's product marketing strategy.

### ■ Marketing strategy (38%):

- **Customer/consumer communication (23%):** using or adopting sustainability standards facilitates storytelling and communication about a company's sustainability policy and achievements to customers or consumers. These benefits contribute to brand-building, enhanced reputation and customer/consumer loyalty to the brand/business.
- **Differentiation from competitors (25%):** certified products or services allow a company to differentiate itself from competitors.

### ■ Market access (50%):

- **Market retention and expansion (40%):** businesses use standards to retain existing customers or to gain access to new customers, markets and consumers (e.g., new export markets or higher-value market segments). Standards allow them to meet demands from clients and, for example, comply with sustainable public procurement policies.
- **Quality of trading relationships with customers (23%):** improved relationships with customers in terms of higher volumes sold, more stability, improved bargaining power, increased transparency and higher trust levels. Of these benefits, more stable relationships are most often mentioned.

- **Price and premium reward (43%):** evidence exists of businesses receiving a higher price or cash premium as a result of participating in a sustainability standard or scheme. This could be a result of requirements within the scheme's standards (such as a premium on certified products), access to premium markets or payments for ecosystem services. Suppliers (e.g., traders) may also be compensated by their customers for organising the supply of sustainable products (e.g. for the service of capacity building of producers, managing certification and performance monitoring). Prices and premiums can contribute to better profitability and economic resilience, especially of upstream businesses.

The benefits of using standards to support product/brand marketing are realised by both upstream and downstream businesses. Improved market access in terms of maintaining clients or gaining new ones is also felt across the whole value chain. The improved trading relationships and the higher prices or premiums are predominantly realised by producers and some exporters.

## BOX 7: FROM GAINING A COMPETITIVE ADVANTAGE TO BEING A 'LICENSE TO OPERATE'



Certification can facilitate access to new and higher value markets. For example, the first ASC certified oyster farms in Japan, part of the Miyagi Prefecture Fisheries cooperative, found that certification opened access to new markets. Sales revenues increased faster than those of similar oyster producers from other areas. The ASC label allowed the farmers to sell their oysters under the brand name to major retailers. The benefits have improved over time, as more and more retailers decided to stock ASC products. It was felt that gaining ASC certification was key to achieving the company's vision of gaining access to high-end markets ([Aquaculture Stewardship Council, 2020](#)).

In some markets, certification no longer provides businesses with a competitive advantage but has become a de facto licence to operate, or a condition for market access. For example, there is a perception among some businesses that being MSC certified will become a prerequisite for access to certain markets ([Blackmore, 2015](#)). Similar developments can be seen for example in the palm oil, cocoa, coffee and paper sectors. In such cases, certification might be a means to retain a business's existing markets and clients rather than opening new markets.

## BOX 8: ARE PRICE GAINS FROM CERTIFICATION A REALITY? MIXED EVIDENCE

Multiple evidence sources refer to certification leading to producers and upstream certified businesses receiving premiums or higher prices because they can access higher value markets. In many cases, this benefit is an important driver for them to become certified. However, evidence also indicates that such market benefits may not always reach producers. For example, a study on the Indian tea sector notes that while there has been widescale positive impact on social and environmental aspects, the business case or economic case of Trustea and other sustainability standards in the tea sector is less convincing. It states that the value of Trustea-verified tea needs to be better distributed across the value chain, from the producer to the buyer ([Consultivo, 2020](#)).

A study on the drivers and constraints for adopting sustainability standards in small and medium-sized enterprises ([Sommer, 2017](#)) finds mixed evidence on whether higher prices paid by consumers translate into price premiums for upstream producers. It is generally accepted that implementation of standards translates into higher prices and revenues along the value chain. Yet it has also been documented that the structure and governance of the value chain may unevenly allocate additional revenues to retailers and processors, casting doubt on whether significant price premiums are realised by upstream producers.

Another example comes from a study on several certified fisheries in Alaska and Japan. While some certified fisheries show a significant positive effect on market price compared to non-certified fisheries, others show no statistically significant market improvement, or even a negative effect. One reason for this could be the 'leakage' in certified fisheries, i.e., not all of the fish products produced from a certified fishery reach the consumer bearing an ecolabel ([Stemle, 2016](#)). Another study on certified fisheries in Western Australia found that not all fisheries that pay for logo-licensing of an ecolabel have been able to capture a price premium. The relationship between selling a product with the label, vertically integrated production systems, and control over the supply chain may explain why some fisheries realise better prices while others do not ([van Putten et al., 2020](#)).

## BENEFITS RELATED TO STAKEHOLDER ENGAGEMENT

The use of and adoption of standards can result in different types of benefits concerning stakeholder engagement (50%), including improved relationships with the financial sector, public sector, NGOs, donors, and knowledge and service providers.

- **Access to finance (8%):** improved access to finance or capital, as well as more favourable lending conditions. Some financial institutions require standard compliance as a financing prerequisite and even when it is not a condition, the associated prospects (product differentiation, price premiums, larger orders, access to retail value chains and to more exclusive markets) may appeal to commercial banks (Sommer, 2017).
- **Public sector engagement (18%):** improved relationships with governments as well as improved voice in policymaking and public sector investments.
- **Community, NGO and donor relationships (28%):** improved engagement and collaboration with local communities and local NGOs, international NGOs and donors, as well as partnerships and funding around the implementation of certification programmes. Improved relationships with local communities can result in a social licence to operate for the business and in positive impacts for the communities.
- **Access to knowledge and support (33%):** access to information and other services (notably capacity building). While much of the capacity building directly links to implementation of the standard, it can also support broader business objectives.

The benefit of using standards for improved access to finance, knowledge and support as well as public sector engagement are mainly realised by upstream businesses. The benefit of using standards for improved relationships with NGOs, communities and donors are felt by upstream and downstream actors.

### BOX 9: SUSTAINABILITY STANDARDS CAN STRENGTHEN BUSINESSES' CAPACITIES IN MULTIPLE WAYS



One of the sub-benefits in stakeholder engagement is how the use of standards results in access to support services. In some instances, these services are provided by the sustainability initiative itself. For example, the Fair Trade in Tourism (FTT) organisation in South Africa offers various services to tourist operators that are FTT certified. Tourist operators in the global south have limited access to market intelligence, which can prevent them from seizing market opportunities. FTT bridged this gap through proactively generating, disseminating and exploiting market intelligence, for example, by representing and marketing FTT-certified businesses through regular participation at national and international industry events, including trade fairs and road shows. It also invested in systematic training and skills development of certified members. One original approach was FTT assessors supporting the dynamic learning capability of certified businesses through assisting them to acquire new knowledge and adjust it to their organisational context. During assessments, assessors engaged in information sharing, the diffusion of best practices, and joint problem solving via coaching and mentoring (Surmeier, 2020).

## BENEFITS RELATED TO FOSTERING SECTOR-WIDE CHANGE

An important benefit of using sustainability standards that many businesses note is not linked to their individual gains from certification, but rather relates to the sector-wide or industry-wide change that standards can foster (25%). Although these kinds of benefits are least frequently referred to, a quarter of the sources mentioned one of the following benefits.

- **Sector alignment and coordination (23%):** a platform to engage, learn, share knowledge and ideas, define common strategies or orient future research to raise standards across the industry and improve sector governance. Common objectives include working together to better the industry as a whole or to encourage other businesses on the sustainability journey.
- **Public policy influence (5%):** sustainability standards facilitating or participating in policy dialogue and informing policies in producing and consuming countries. For example, certain production or assurance requirements are being incorporated in public frameworks.

Sector benefits on alignment and coordination are mentioned by upstream and downstream businesses, while the benefits on public policy influence were mentioned by upstream businesses.

### BOX 10: SUSTAINABILITY STANDARDS SYSTEMS AS A PLATFORM FOR NETWORKING AND ALIGNMENT



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Sustainability standards can support information sharing and learning between businesses and other stakeholders. For example, many B Corps mentioned the certification helping them to connect with other B Corps. They described a ‘global corporate community’ in which they can share best practices and ways to improve scores to help and push each other to continuously innovate ([Kalfus, 2019](#)). The Global Coffee Platform (GCP) promotes collaboration with public-private platforms in coffee-producing countries, and through thematic workstreams at a global level, focusing on climate-smart agriculture, economic viability, gender and youth. As a platform, the GCP enables sector-wide adoption of sustainability practices by creating a level playing field for collective reporting, in combination with mutual learning across all value chain actors ([Ugarte, 2017](#)).

## FINAL BUSINESS BENEFITS

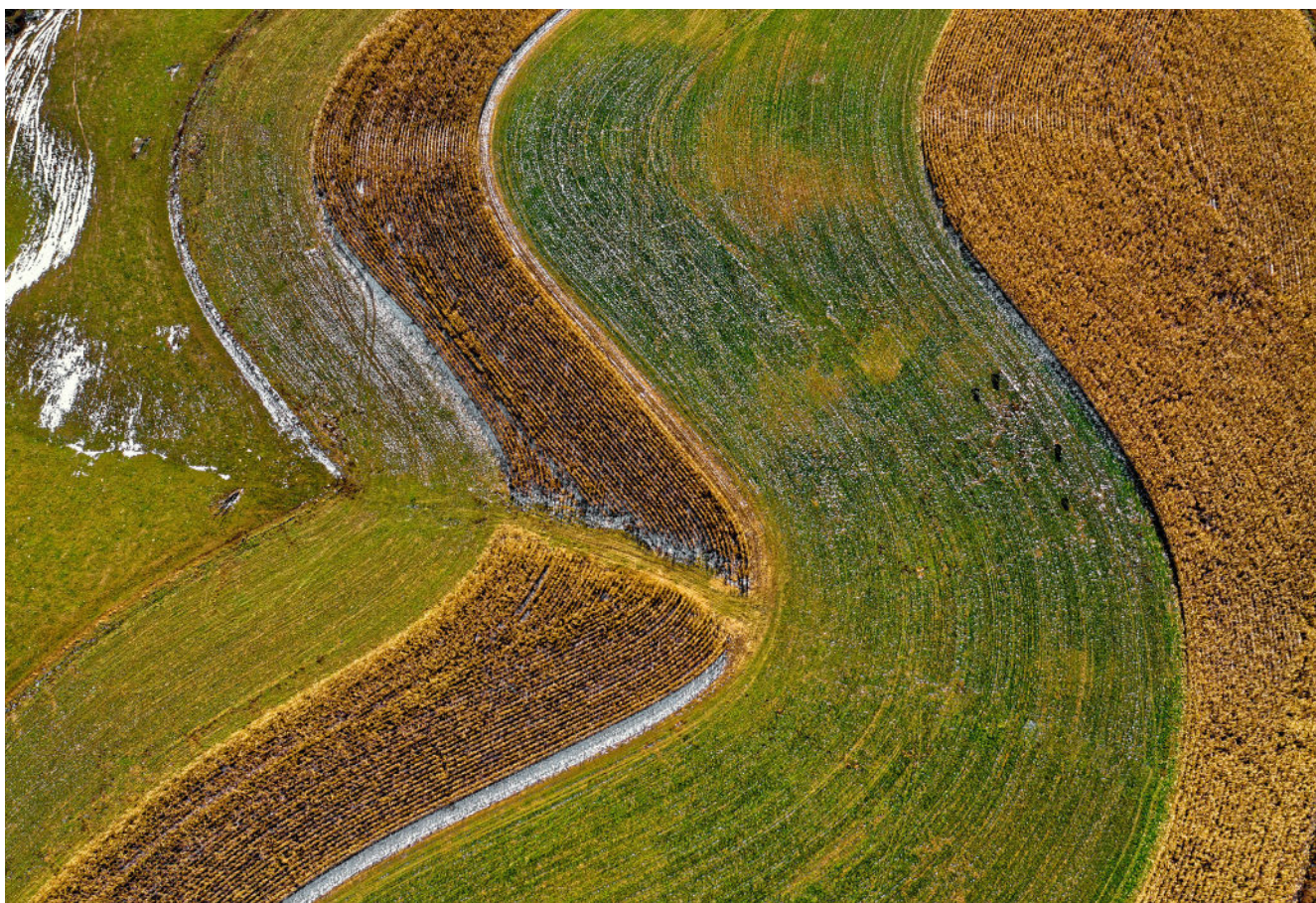
In the previous section, we examined a wide range of early benefits of using sustainability standards. This section focuses on final benefits which result from the realisation of these early benefits.

At the outset, it is important to understand the link between early benefits and final benefits that businesses realise from using standards. Realising early benefits can contribute to a range of final benefits. Final business benefits generally take more time to realise and are generally more influenced by external factors than early benefits. Adopting standards can be seen as a long-term asset in which the return on investment only becomes clear after some time.

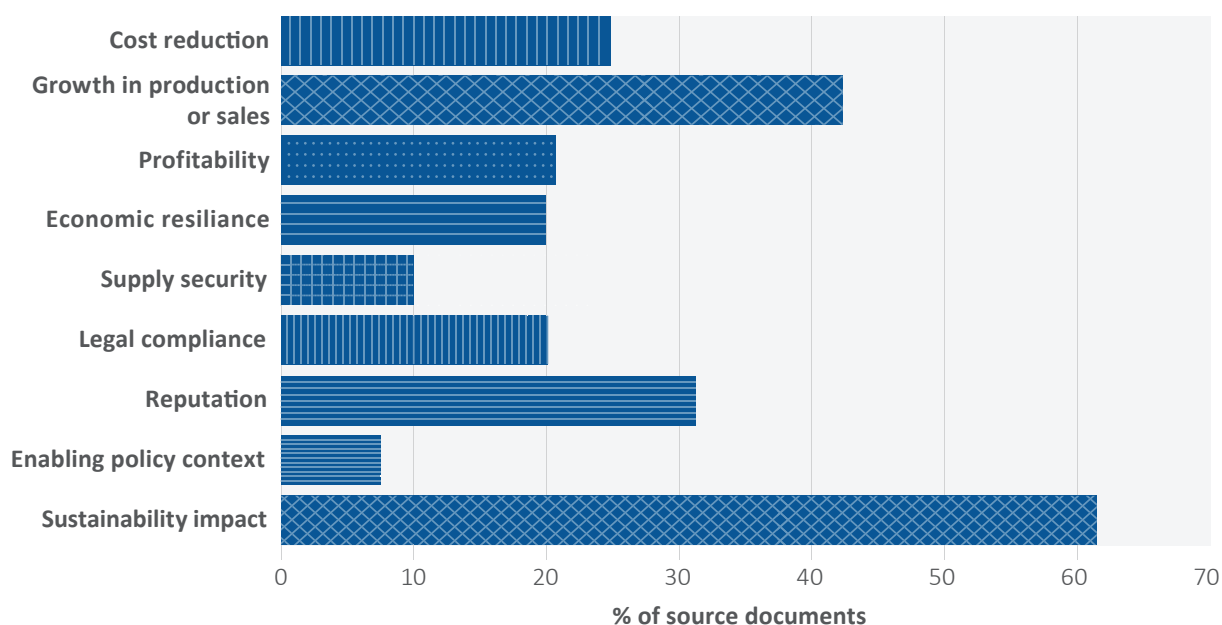
Within these final benefits, we distinguish between benefits **supporting business value** and benefits **contributing to sustainability impact**.

The first category refers to final benefits that improve the financial return on investment of the business itself. It includes aspects of profit, productivity/sales and reputation. The second category, sustainability impact, refers to the social return on investment of using standards in terms of social, environmental and economic impacts. Sustainability impact can materialise within the business entity itself (e.g., reduced greenhouse gas emissions), within the value chain (e.g. improved worker conditions at suppliers) and for other stakeholders (e.g. positive outcomes for communities living close to a production site) as well as the wider landscape (e.g. reduced pollution).

In general, our evidence search and review yielded more evidence of businesses realising early benefits. Figure 4 indicates the proportion of studies reviewed that reference a final benefit. There is strong reference to reputational gains for businesses from using standards and to improved profitability.



**Figure 4:** Proportion of sources (n=40) referring to final benefits of using standards



The review also tried to gauge if the evidence makes connections (causality) between the early benefits described and the final benefits realised. This link was not always clear in many studies but nonetheless, the exercise is useful to highlight a few points. Table 3 reports the results of this review where we try and connect the early benefits to the final benefits. For instance, we see that cost reduction can be related to operational benefits in 20% of sources, to procurement benefits in 3% and to stakeholder engagement benefits in 3%.

**Table 3:** Proportion of sources (n=40) referring to a causal relationship between a final benefit and early benefits (aggregated per cluster)

	OPERATIONS	PROCUREMENT	SALES AND MARKETING	STAKEHOLDER ENGAGEMENT	SECTOR-WIDE CHANGE	NOT SPECIFIED
<b>Business value</b>						
Cost reduction	20%	3%		3%		
Growth in production or sales	23%		20%	5%		
Profitability	5%		15%			3%
Economic resilience	13%	3%	3%			3%
Supply security		10%				
Legal compliance	15%	10%				
Reputation	8%	10%	25%	5%		
Enabling policy context				8%	3%	
<b>Sustainability impact</b>	<b>45%</b>	<b>3%</b>		<b>13%</b>		

When comparing the review with the 2016 version (see Table 4 ), the same type of final business benefits have been identified in both studies, with only a few changes observed. In this edition we found explicit reference to resilience (as in the capability to cope with external shocks) as a final benefit, which was largely absent in the previous edition, and less explicit reference to a level playing field.

**Table 4:** The scores of the 2016 and 2022 final business benefits

<b>FINAL BENEFIT</b>	<b>2016</b>	<b>2022</b>	<b>COMBINED</b>
<b>Business value</b>	<b>n=40</b>	<b>n=40</b>	<b>n=80</b>
Cost reduction	30%	25%	28%
Growth in production or sales*	30%	43%	36%
Profitability	53%	23%	38%
Resilience		20%	10%
Supply security	23%	10%	16%
Legal compliance	20%	23%	21%
Reputation	60%	33%	46%
Enabling policy context / level playing field	25%	8%	21%
<b>Sustainability impact</b>	<b>38%</b>	<b>63%</b>	<b>50%</b>

\* Compared to the 2016 study we combined growth in production with growth in sales.





## BUSINESS VALUE

Sources refer most frequently to the benefits of growth in production, sales and/or revenue (43%), improved reputation (33%), cost reduction (25%) and improved profitability (23%). Other benefits identified are legal compliance (23%), improved resilience (20%), supply security (10%) and enabling policy context (8%).

**Cost reduction is mentioned in 25% of the sources and relates mostly to early benefits of improved operational efficiency and procurement.** Cost reduction is mostly mentioned by upstream businesses, but also by some downstream businesses. It relates to early benefits linked to:

- **Operations (20%):** fewer fines and penalties linked to non-compliance with laws and regulation; reduced inputs, water and energy use; reduced waste; and in fisheries, reduced effort spent in sorting bycatch.
- **Procurement (3%):** lower transaction costs, more consistency in quality and delivery. These benefits refer to better quality of trading relationships with suppliers.
- **Stakeholder engagement (3%):** tax advantages as a consequence of government policy recognition of the certification.

**Final business benefits linked to growth in production and sales (43% of sources) relate to improved productivity and quality or improved sales and revenues.** These benefits are mostly mentioned by upstream businesses, as well as some downstream businesses. They relate to early benefits linked to:

- **Operations (23%):** improvements in productivity and/or quality as a result of improved practices and investments in new production technologies and new machinery.
- **Marketing (20%):** more sales and turnover due to access to new or higher-end markets.
- **Stakeholder engagement (5%):** increased production linked to better access to inputs. There is also a reference to increased income because certification facilitated access to government payment schemes (e.g., for environmental goods).

### BOX 11: STANDARDS CAN CONTRIBUTE TO COST EFFICIENCY, AS WELL AS TO HIGHER COSTS

An extensive study into the effect and impact of LEAF Marque among UK farmers revealed many examples of how the implementation of its standard contributed to cost-efficiency. The study reported a general decrease in the use of plant protection products with reports of falls of 8–20%, with resulting cost savings on these products. It also showed that savings in electricity were widespread and incremental. Greater fuel efficiency generated savings ranging from £10,000 to £17,000 per year. Fuel savings were obtained for example by moving to a no-till system or better panning of in-field tractor movements ([Reed, 2017](#)).

Cost reduction is mentioned in other sources as well, though the sources also show multiple examples where certification resulted in higher costs. A study on FSC certification in Italy showed that certified companies had higher operational costs that were necessary to obtain the certification and maintain compliance with scheme requirements. The study noted that these were only partially compensated, not by an increase in the selling price of certified products but by the company's ability to establish new business relationships with a consequent increase in sales ([Galati, 2017](#)).

A survey among retailers operating in different commodities found no evidence of cost savings or efficiency gains through responsible sourcing. In fact, a majority of survey respondents reported higher costs as a result of investment in expertise, training, changing systems and other human resource costs. This can be a substantial upfront expense and is by far the largest cost incurred by retailers in pursuing responsible sourcing. Given that the mass-market retailers interviewed were operating in a highly competitive, low-margin environment, they generally did not ask consumers to pay a premium for certified products, with some exceptions. Most stated that unless a certified product could compete on price it would not sell. Despite the added expenses, retailers surveyed and interviewed generally viewed these operational elements to be neutral or only moderate costs to their business. Large retailers have found ways to offset the costs, including system automation, consolidation of supply chains, and lower transaction costs through stronger relationships and secure longer-term contracts with suppliers ([WWF, 2017](#)).

## BOX 12: THE MARKET FOR SUSTAINABLE PRODUCTS IS GROWING

Several sources refer to growing sales of sustainable products at the retail level. A survey carried out in 2018 among 550 European retailers showed that 85% of retailers reported increased sales of sustainable products over the past five years. The survey looked at the following product groupings: beverages, clothing, computers, food, household and office furniture, mobile phones, printed materials, toys and games. It noted that some markets appear to be transitioning faster than others, yet the trend is similar across each country. Most recorded a more than 10% increase in sales of sustainable products, demonstrating that growth is not just widespread but also substantial. This increase in demand as shown by the retailers aligns with the increase in the supply of products certified to sustainability standards, including voluntary sustainability standards. Four out of five retailers (82%) relied at least partly on external standards, often in combination with internal codes of conduct for suppliers. Whereas large retailers often have more capacity to develop internal responsible sourcing practices and communicate their sustainable labels or lines of products, smaller companies may rely on the prominence and reputation of external sustainability labels for consumer recognition ([International Trade Centre, 2016](#)).

**Increased profitability (23% of sources) is linked to benefits in sales and marketing and operations or is reported without specific linkages to early benefits.** Increased profitability is mentioned by both upstream and downstream businesses and relates to early benefits linked to:

- **Sales and marketing (15%):** profitability increases because of improved market access, received premiums or higher prices and the ability to remain ahead of competitors.
- **Operations (5%):** profitability increases because of its relation to reduced risks, reduced costs, improved yield and more sustained yield (e.g., in relation to fisheries).
- **Certification in general (3%)** without further specification.

## BOX 13: DOES ADOPTING STANDARDS IMPROVE BUSINESS PROFITABILITY? MIXED RESULTS

The sources include various cases where certification resulted in increased profitability. For example, a study on Japanese oyster farmers showed that the ASC label allows farmers to sell their oysters under a brand name to high-end markets. This resulted in higher sales and increased profits ([Aquaculture Stewardship Council, 2020](#)). A study on certification in aquaculture found that companies with environmental certifications or labels performed significantly better than those without in total income and profit. The results suggest that certifications and labels have an impact in terms of increasing sales or prices, resulting in improved total income and, consequently, improved profits ([Peiró-Signes, 2020](#)).

However, in line with earlier observations about market incentives and cost reductions, the impact on profitability is also mixed. In an evaluation of UTZ certification in Côte d'Ivoire, 6 out of 14 farmer cooperatives indicated that the premium does not cover the cost of certification ([Ingram et al., 2017](#)). A study into tropical forestry found that the overall profitability of forest certification and reduced impact logging (FSC-RIL) was lower than the profitability of conventional logging in more than half of outcomes ([Burivalova et al., 2017](#)). One source on MSC certified fisheries in Western Australia reported that the majority of respondents found the monetary costs of certification outweighed the monetary benefits, though some fisheries also referred to the importance of benefits of a non-monetary nature (e.g., improved communication between the fishing sector and the managers of the fishery). The perceived negative economic impacts of MSC certification were related to increased costs. These increased costs included expenses related to chain of custody certification and higher business costs more generally. The lack of economic benefits was predominantly attributed to a lack of brand recognition (related to a lack of market demand) in both domestic and export markets (31% of respondents), the absence of price premiums for certified product (9%), and having no need for certification to access current (mainly Asian) sales markets (8%) ([van Putten, 2020](#)).

**Economic resilience (20% of sources) can refer to financial resilience and climate resilience.** Both can be interdependent. It is mentioned mainly by producers, with one reference by producer organisations and one by a downstream company. This final benefit relates to early benefits linked to:

- **Operations (13%):** notably because of improved production and business practices, as well as the use of more resilient crop varieties.
- **Sales and marketing and procurement (3% each):** more stable and remunerative trading relationships create more stable income.

**Improved supply security (10% of sources) is realised as a result of improved value chain management.** Improved supply security is only realised by downstream actors. This final benefit relates to early benefits linked to:

- **Procurement (10%):** notably because of improved value chain coordination, improved trading relationships, and more capable and reliable suppliers. For example, traceability and transparency in the value chain allows a company to respond to potential risks of value chain disruption due to social and environmental concerns.

**Legal compliance (23% of sources) refers to standards ensuring businesses comply with laws and regulation.** Technically speaking, legal compliance cannot be interpreted as a business benefit but rather a matter of a business operating within the bounds of law. But in jurisdictions that have weak or unclear legislation or that have a weak compliance culture, sustainability standards can provide an important check by ensuring that businesses comply with the necessary national / local laws. These benefits are realised by upstream and downstream actors. This final benefit relates to early benefits of:

- **Operations (15%):** following standards allow businesses to comply with national regulations. Most emphasis is given to social and environmental regulations, and there is also mentioning of food safety and sustainability reporting requirements.
- **Procurement (10%):** buying certified products allow businesses to comply with regulation in the importing countries.
- **Stakeholder engagement (3%):** through the provision by the sustainability standards of information and tools which enable to meet regulatory demands.

#### BOX 14: THE USE OF STANDARDS CAN PROMOTE SUPPLY SECURITY AND ECONOMIC RESILIENCE

For businesses downstream, the adoption of standards by producers can result in more stable supply. One example of this is the collaboration between supermarkets Marks & Spencer and Coop and their Peruvian asparagus suppliers Barfoots and DanPer. To mitigate risks related to water shortages and hence future supply, they worked with growers in La Libertad to implement the Alliance for Water Stewardship (AWS) standard ([Ugarte, 2017](#)).

Another example comes from IKEA. IKEA sources from all over the world and sees responsible sourcing as vital for supply chain management. In the short term, responsible sourcing allows IKEA to have more control over the supply chain, which is not only beneficial from a risk management standpoint but is also useful for quality control purposes. Responsible sourcing improves reliability in supplies, allowing IKEA to ensure that its products from the source of origin to the point of sale meet its standards for quality, safety and sustainability ([Burivalova et al., 2017](#)).

Both examples also show how the adoption of sustainability standards can contribute to the economic resilience of actors across the value chain.

#### BOX 15: STANDARDS HELP TO MEET LEGAL REQUIREMENTS ON DUE DILIGENCE AND SUSTAINABILITY REPORTING

Multiple sources refer to how the use of standards gives buyers confidence that their products have been produced in compliance with legal requirements. In addition, standards can also support downstream companies in meeting their own legal requirements. For example, the Responsible Jewellery Council (RJC) developed guidance which allows companies to conduct human rights due diligence in alignment with the OECD due diligence guidance. This highlights that knowing where your materials originate from is important, but knowing that human rights were respected in relation to that same material is equally a priority. RJC standards mean that member companies do not need to seek alternative initiatives to meet their legislative requirements ([Responsible Jewellery Council, 2021](#)).

Companies also face increasing requirements by law to be transparent about their sustainability performance. Credible standards are an important aid in these reporting efforts (International Trade Centre, 2016). For example, one of the drivers for the Indonesian company PT Adaro to participate in Bettercoal is to prepare for any future scrutiny that may come from its customers, particularly in the growing Asian market; specifically, two of its main customers in Hong Kong must provide evidence of responsible sourcing to the Hong Kong energy regulator ([Sturman, 2018](#)).

**Enhanced reputation of the business (33% of sources)**

**can relate to all levels of early benefits** Reputation translates into improved credibility, increased brand value, a social licence to operate, and higher trust by customers and consumers in a business. Reputational benefits of using standards are realised by both upstream and downstream businesses. They relate to early benefits linked to:

- **Operations (8%):** improvements in the management systems and investments in monitoring enable a business to show improvements in its sustainability.
- **Procurement (10%):** reputational benefits of using standards as instruments in supply chain risk management and increased transparency in supply chains.
- **Sales and marketing (25%):** enhanced reputation by using standards (and labels) in the marketing strategy as well as by building more trustworthy trading relationships with customers.
- **Stakeholder engagement (5%):** enhanced credibility of businesses through engagement with government and NGOs as part of their certification programmes.

**Enabling policy context (8% of sources) refers to an improved policy context for individual businesses as well as sectors.** These benefits are mainly realised by producers, and relate to early benefits linked to:

- **Stakeholder engagement (8%):** public sector engagement resulting in benefits for businesses in terms of regulatory relief, tax benefits, subsidies, and preferential treatment in public goods provision (e.g., infrastructure) and the allocation of resource access rights (e.g. growing areas of marine parks).
- **Sector-wide change (3%):** changes in the policies in producing and consuming countries, which also contribute to a level playing field.

## BOX 16: CERTIFICATION ENHANCES BUSINESS REPUTATION AND CAN PROVIDE A 'SOCIAL LICENCE TO OPERATE'

A survey conducted by the Responsible Jewellery Council among its members revealed that certification can improve business reputation, with members ticking 'yes' for many of the benefits linked to marketing and reputation, such as:

- Enhanced credibility with suppliers/customers – 95%
- Protection of brand reputation – 78%
- Fulfilling customer requirements – 91%
- Competitive advantage – 69%
- Visibility on the RJC website – 89%
- Use of the RJC logo – 81%.

Other benefits that were mentioned included improvement in business practices (86%), risk management (73%) and the support/training from the RJC (53%) ([Responsible Jewellery Council, 2021](#)).

Various sources refer to how working with or adopting sustainability standards can effectively create a social licence to operate for businesses. A study in the forestry sector showed that FSC certification can provide validation – amongst a wide spectrum of social, environmental and economic stakeholders – that the company is operating responsibly. This helps buffer against being targeted for negative campaigns. The FSC standard has strong support from civil society, which to a certain extent enjoys a position of credible media influence and engenders trust with the public ([WWF, 2017](#)).

On a local scale, the same logic can apply. In a study on the benefits of ASC certification, companies refer to the ASC standard requirements concerning engagement with community stakeholders. These have made companies more mindful of local actors, proving especially valuable in areas where the aquaculture industry faces resistance. Several companies hold that while they have always been concerned with maintaining good relationships with their local community, the requirements demand regularity in their interaction and a system in place to answer grievances ([Amundsen and Osmundsen, 2020](#)).

## BOX 17: GOVERNMENT SUPPORT FOR CERTIFIED BUSINESSES IN THE FISHERY AND FORESTRY SECTOR

Evidence shows various examples where sustainability standards have contributed to a more enabling policy environment. In Indonesia, FSC certification and other voluntary certifications have influenced the development of the mandatory legality verification standard (SVLK). This also raised the bar of the standard because FSC auditing training and experience strengthened the skills of auditors ([Savilaakso, 2017](#)).

In the UK, LEAF is working with public authorities on how to offer support, training and advice to help farmers deliver public goods or be recognised for those they already deliver, through transition to integrated farm management and progression towards BB Marque certification. This is allowing farming businesses to have a positive impact on the development of a future payment system that works for their businesses ([Reed, 2017](#)).

The Responsible Jewellery Council is participating in a critical legislative-related dialogue with the European Commission that is very relevant for the jewellery and watch supply chain. Ongoing collaborations, such as RJC's webinar on EU Regulations and Human Rights Due Diligence, provide an opportunity to explore how environmental and social conditions – including respect for human rights – can be enhanced in a practical way through collaborative efforts ([Responsible Jewellery Council, 2021](#)).

In the fishery sector, there are examples where MSC certification resulted in institutional benefits. These include improved co-management and the role of resource management authorities, and the establishment of working groups which bring together a range of stakeholders including subsistence and commercial fishers, industry partners, government fisheries departments and NGOs ([Blackmore, 2015](#)).

## SUSTAINABILITY IMPACT

**Sustainability impacts are referred to by 63% of sources as important final business benefits.** Businesses value the sustainability outcomes and impacts of using standards, but also value the business benefits that are realised from such outcomes. Examples of sustainability impacts mentioned in the previous sections that have possible links to the business case of using sustainability standards are:

- Improved working conditions with positive impacts on workers' health and livelihoods, contributing to improved employee satisfaction and enhanced reputation
- Reduced conflicts with local communities, contributing to reduced costs and reputational risks
- Improved performance of (small-scale) producers, contributing to improved short- and long-term supply security and enhanced reputation
- Enhanced sustainable forest and fishery management, contributing to the preservation of the resource and thus long-term supply security
- More efficient use of water, land, inputs and other resources, resulting in cost reduction, production growth and security of supply
- Reduced carbon emissions.

Sustainability impacts are also a condition for other business benefits to materialise. For example, when standards do not result in a sustainability impact, it undermines the potential reputational benefits of using standards.

## BOX 18: METRICS SUPPORTING BUSINESS'S SUSTAINABILITY IMPACT CLAIMS

Businesses highly value the social and environmental impacts that sustainability standards pursue. Some sustainability standards collect clear metrics to substantiate their impact. Through analysis of certification data, Bonsucro found that certified operators altogether have potentially avoided 200 million kg of CO<sub>2</sub> entering the atmosphere during their first year of certification. Additionally, at Bonsucro-certified mills, water use decreased, dropping from 8.45 m<sup>3</sup>/tonne to 1.66 m<sup>3</sup>/tonne of finished products during 2013-19. After five years of certification, operators experience a continuous reduction in accident rates, by 48% at mill level and 38% at farm level ([Deloitte, 2021](#)).

The Roundtable on Sustainable Biomaterials also monitors greenhouse gas emissions. Looking to certification impacts, the volume of RSB-certified fuel produced in 2020 contributed to an emission saving of 375,016 tonnes of CO<sub>2</sub>eq. Cumulatively, RSB-certified fuels have contributed to a total saving of 2,573,031 tonnes of CO<sub>2</sub>eq emissions since 2012 ([Roundtable on Sustainable Biomaterials, 2020](#)). The Gold Standard refers to 151 million tonnes of carbon emissions reduced from 965 certified Gold Standard projects ([Gold Standard, 2020](#)).

All these figures are based upon data collected by individual companies, which can also use that data to communicate to their customers and other stakeholders.



# How sustainability systems work to deliver business benefits

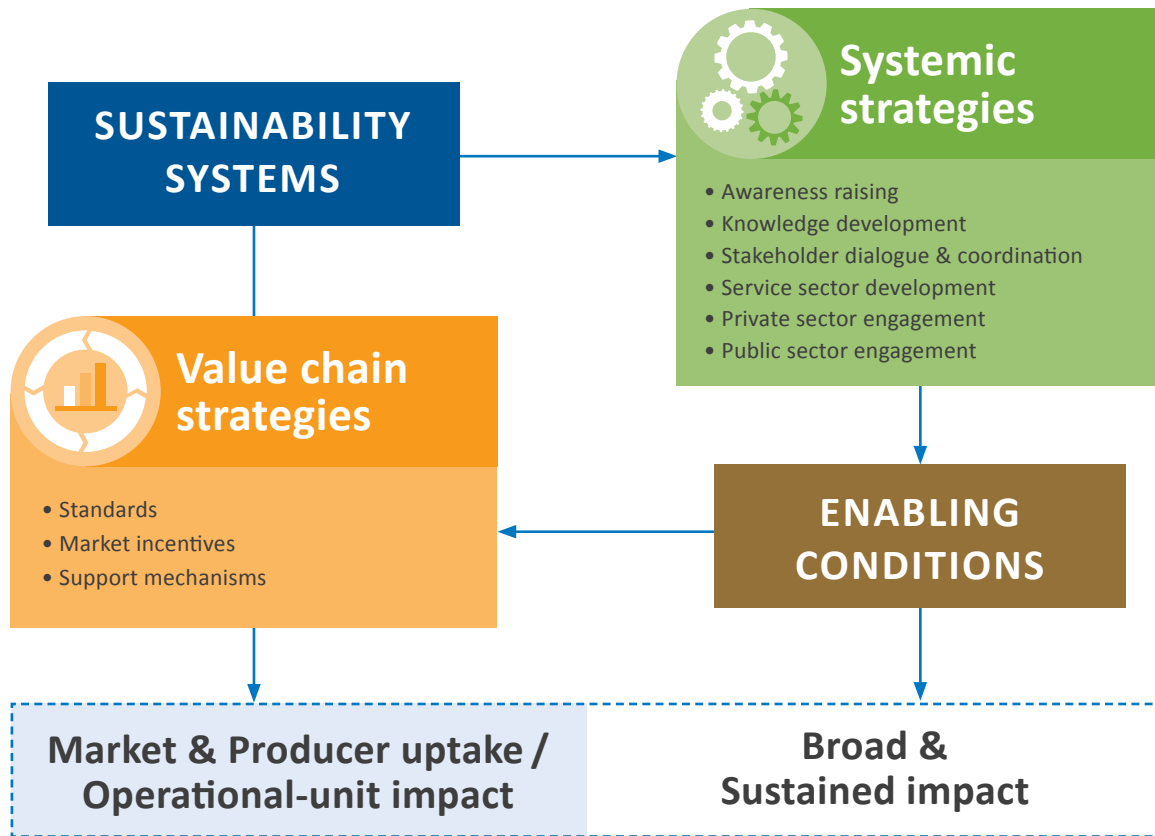
Our research review has highlighted evidence that indicates how the adoption and use of sustainability standards can result in the realisation of a range of early and final benefits for upstream and downstream businesses. But what brings this about? In this section we share insights on how voluntary standard-setting organisations, now often referred to as sustainability systems, are structured to support the realisation of these business benefits.



ISEAL defines sustainability systems as market-based tools designed to address the most pressing social and environmental challenges of our time. They give people power to make an impact. By defining responsible practices, assessing the implementation of these practices and measuring impacts over time, sustainability systems are used in many sectors worldwide to successfully improve social and environmental performance. Sustainability systems adopt a range of strategies to promote sustainability improvements among target groups. In 2021, ISEAL published a paper that made the case for two distinct types of strategies that such systems adopt to drive change: value chain strategies and systemic strategies.

Value chain strategies refer to market-driven approaches that aim to directly influence the behaviour of producing enterprises or actors along the value chain. They do this by introducing incentives through the value chain in the form of norms (e.g. standards), rewards (e.g. market incentives) or support (e.g. value chain-driven capacity building). In contrast, systemic strategies seek to create the favourable conditions that would enable existing value chain strategies to become more effective, successfully scale or have a lasting impact within their specific context. Systemic strategies can address the root causes of unsustainable practices and strengthen the enabling conditions for positive change.

Figure 5: Overview of value chain and systemic strategies



Applying this framework to the current study, we note that the business benefits realised are linked to both value chain strategies and systemic strategies. Table 5 below provides an overview of our interpretation of how various system characteristics can be linked to specific

types of business benefits. It is important to note that this chapter is our interpretation of the link between these two frameworks, as the evidence reviewed often does not make a direct link between system characteristics and types of business benefits.



Table 5: Linking sustainability system strategies to early business benefits

	VALUE CHAIN STRATEGIES								SYSTEMIC STRATEGIES					
	Standard design	Assurance model	Chain of Custody & Traceability	Premiums & trading practices	Claims & labelling	Implementation support	Monitoring & evaluation	Communication & marketing	Public awareness raising	Knowledge development	Stakeholder dialogue	Service sector development	Private sector engagement	Public sector engagement
<b>OPERATIONS</b>														
Operational efficiency & risk management	X					X				X	X	X		
Sustainability strategy	X						X	X	X					
Human capital development	X	X				X	X	X	X					
<b>PROCUREMENT</b>														
Supply chain risk management	X	X	X								X			
Transparency & traceability		X	X											
Supply chain coordination				X		X								
<b>SALES AND MARKETING</b>														
Marketing strategy	X	X	X		X		X	X	X					
Market access	X	X	X	X	X				X				X	X
Price and premium reward			X	X	X									
<b>STAKEHOLDER ENGAGEMENT</b>														
Access to finance	X	X						X			X			
Public sector engagement	X							X			X			
Community, NGO & donor relations	X							X			X			
Access to knowledge & support		X				X				X		X		
<b>SECTOR-WIDE CHANGE</b>														
Sector alignment & coordination									X	X	X		X	X
Public policy influence									X	X	X		X	X

Sustainability systems can work on realising business benefits through a combination of strategies, in which value chain and systemic strategies are often complementary. The following observations can be made when looking at the five clusters of early business benefits.

**Operational benefits are primarily driven by the scope of the standard and supported by a mix of implementation support and investments in the knowledge and services base, as well as the brand value of the standard.** As noted in the diagram above, sustainability systems adopt a wide range of value chain strategies that can deliver important business benefits for value chain actors that adopt them. A good example is standard content or standard stringency. Most sustainability systems set a standard or define a code of conduct that details what good practice looks like and principles and criteria that a value chain actor must meet to be compliant with that standard or code. These requirements are very often the impetus that helps businesses realise operational benefits – especially linked to improvements in management systems, practices or risk management. Operational efficiencies can result from the standard requiring that the business adopt or put in place specific operational practices which, over time, lead to improvements in business processes and operations. These operational improvements can result in the realisation of benefits such as improved working conditions and improved legal compliance – precisely because the standard or code requires that the business or company meet such requirements.

Continuous and stepwise improvement approaches in standard design can guide a more gradual change in business practices. Capacity building, including field implementation programmes, can support a more profound change in business practices, potentially even beyond the scope of the standard requirements. Complementary systemic strategies such as knowledge development, investments in service delivery and the promotion of learning between sector stakeholders (e.g., through multi-stakeholder platforms) can also indirectly contribute to operational efficiencies.

The relevance of certification in supporting businesses' sustainability strategies very much depends on the scope of the standard (i.e. how it aligns with the company's sustainability priorities) as well as how well-known and credible the standard is. Attention to monitoring by the

certificate holder or sustainability initiatives can support the implementation and communication about progress. Outcome-based standards offer valuable metrics for this.

Employee satisfaction can be driven by the brand value of the sustainability system and the ability to retrieve and share stories on its impact. Monitoring and reporting can provide valuable input to this latter, while public awareness-raising and communication and marketing by the sustainability initiative can promote the former.

**Procurement benefits highly depend on the scope of the standard, the assurance and chain of custody and traceability model.** In combination, they can provide credibility to buyers that sustainability or business risks are being mitigated or positive impact has been achieved. Supply chain risk management benefits may depend on the level of traceability (e.g., segregation vs. mass balance, whether it goes until the source or not). Supply chain coordination can also be enhanced by additional requirements on the nature of trading relations, as well as the implementation projects between certified producers and value chain actors. The organisation of multi-stakeholder dialogue can also facilitate the linkage of value chain actors.

**Sales and marketing benefits are closely linked to the brand value of the sustainability system, the ability for on-package logo use and requirements on premiums and trading practices.** As a market-driven strategy, the value of certification largely depends on the demand for certified products. This demand is influenced by using on-package logos and marketing and communication efforts by the sustainability system to build its brand value. Monitoring and setting a reputable, science-based target support the credibility of marketing efforts. Various systemic strategies can promote demand, including public awareness-raising and direct engagement with public and private sector actors. The quality of trading relationships also depends on whether a sustainability system prescribes market incentives such as premiums and, similar to procurement benefits, whether it has trading practices within the scope of its standard. Even when these things are not in scope, such benefits can still materialise between trading partners. The implementation of projects between producers and value chain actors, as well as direct engagement with end-users on, for example, living income or living wage policies can also contribute to better trading relationships.

**Stakeholder engagement benefits are linked to the scope of the standard, implementation support and various systemic strategies.** Relationships with local communities and public institutions very much depend on how standards engage with them. For example, the Marine Stewardship Council and Alliance for Water Stewardship standards have a strong focus on co-management and the role of resource management authorities. Some standards also support field implementation projects, which can have a positive effect on stakeholder relationships.

The benefits of access to finance and better relationships with international NGOs, donors and the public sector partly depend on the reputation of the standard to mitigate social and environmental risks (e.g., through the standard scope and assurance system). The presence of multi-stakeholder dialogue, either through the system's governance model or its facilitation efforts, can also improve relationships between businesses and various stakeholders.

The access to knowledge and capacity building for standard implementation and beyond depends on whether the sustainability systems provide these services, or whether they are provided by value chain partners or NGO/development agencies. Multi-stakeholder dialogue and multi-stakeholder-based governance of the sustainability systems can improve relations between businesses and other stakeholders. In some cases, audits or pre-audits also result in information-sharing, the diffusion of best practices, and joint problem-solving via coaching and mentoring.

**Sector-wide benefits are very much driven by systemic strategies.** Strategies which contribute to these benefits include the establishment of national or international platforms, roundtables or events which can support learning and alignment between stakeholders. Sustainability systems can also be engaged in direct policy advocacy, possibly in collaboration with other stakeholders.



# Key insights and recommendations to inform future action

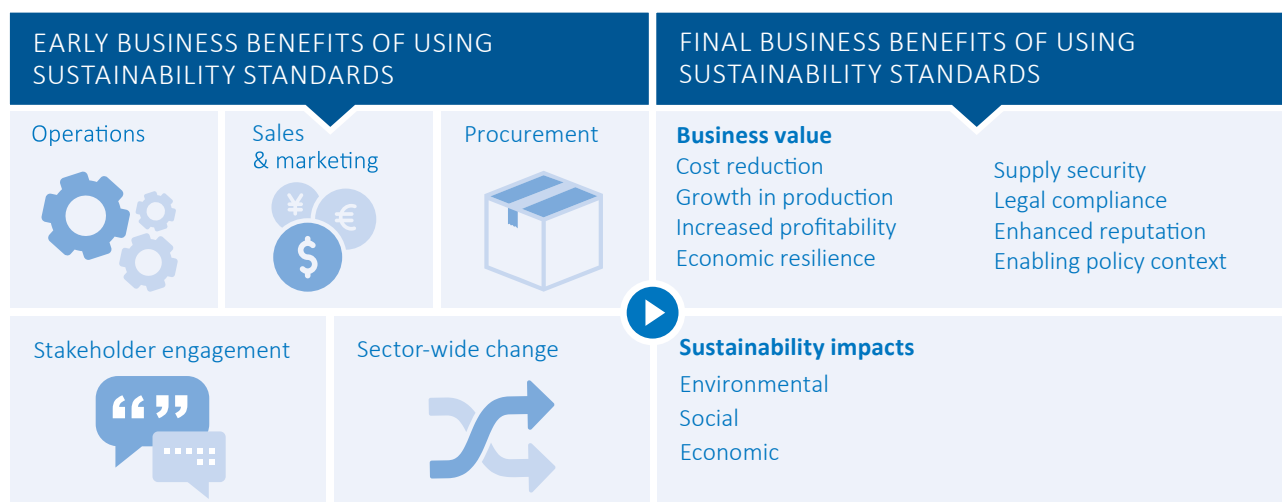
This research refresh was motivated by a desire to take stock of research published in the last six years that could provide evidence and insight on whether the adoption of sustainability standards results in tangible benefits to businesses. In the concluding section, we summarise our main takeaways from this study and some recommendations to inform both action and research.

**Our study confirms that the adoption of sustainability standards results in the realisation of a wide range of early benefits to businesses along the value chain which can materialise at business, value chain and sector level.** The 2016 and 2022 editions show a consistent picture of similar types of business benefits. Important examples of benefits from the research base include improvements to a business’s operations, procurement, sales and marketing, and stakeholder engagement. Benefits related to sales and marketing and operations were most frequently mentioned in the sources. Some businesses also report how standards can contribute to sector-wide change and consider this a benefit to their business.

**Early benefits of using sustainability standards strengthen business value and sustainability impacts in the long term.**

The early benefits realised from the adoption of standards can significantly contribute to a range of final benefits – both business related and sustainability related. Final benefits demonstrating the business value of using standards include improved reputation, increased profitability and cost reduction. Other final benefits identified are growth in production, improved supply security, an enabling policy context and a level playing field. Sustainability impact refers to social, environmental and economic benefits, at producer, community, landscape and sector level. These impacts can support the business case of adopting sustainability standards for businesses along the value chain. Sustainability impact can also be a condition for the business benefits to materialise; when standards do not realise the expected impact at producer level, this will undermine many of the business benefits experienced along the value chain.

Figure 6: The business benefits framework of using standards



**The specific structure of a sustainability standard and services that it offers can influence whether certain business benefits materialise or not.** For example, operational efficiencies can be a result of the requirements in the standard or related capacity building, while sector-wide benefits very much relate to systemic strategies such as sector dialogue and public sector engagement.

**Business benefits are not realised uniformly, and a lot depends on the duration of adoption of the standards, the nature of the sector and the broader context.** The length of engagement with the standard is an important element to bear in mind in materialising benefits. The value of standards also depends on the nature of sectors and the broader context. For example, it may be different for consumer products and business-to-business products (or ingredients). The value of standards may also depend on the degree of NGO attention on sustainability issues, the transparency or opaqueness in existing value chains and the degree of law enforcement.

**Upstream and downstream actors should be aware of the differentiated types of business benefits that can be realised from the adoption of standards and should support each other in deepening these.** For example, one company may integrate a standard as another checkbox in its anonymous and unstable procurement practices, while another company may use them to help develop more direct and stable relationships with its suppliers, which may even include producer support activities. The market advantages for suppliers in both scenarios can be very different, as well as how the business benefits can be shared between the actors along the value chain. The potential value of the use of standards is likely to be higher in more stable value chains with actors that are mindful of each other's needs.

**The business case for using sustainability standards involves an assessment of the benefits and costs.** Although not the focus of this study, the case boxes in chapters two and three show that benefits such as improved market access, premiums and profitability do not always materialise, although businesses might expect standards to deliver such benefits consistently. Using standards can also introduce new limitations such as high compliance costs, too much need for administration and record-keeping, supply-side challenges and increased public exposure. These limitations should not be underestimated.

## Recommendations to inform future research and action

**Businesses adopting sustainability standards should be aware of the full range of benefits that can accrue when standards are used strategically and holistically.** The benefits of using standards can go well beyond the commonly expected benefits

of premiums, market access or supply chain risk management. The wide range of potential benefits suggests that businesses can approach the choice of adopting standards with a more strategic and long-term perspective. Using standards can contribute to many early and final business benefits. Benefits may depend on the context and the value proposition of a particular standard system. They also depend on how businesses use standards, how they embed them in their strategies, systems and procedures, and what sector they are involved in. Rather than using them as a standalone tool, businesses should use standards as part of more medium- and long-term integrated strategies on improved management, procurement, sales and marketing, stakeholder engagement and promoting sector-wide change.

**Standard systems should expand the scope of their monitoring and evaluation to capture the business benefits and use the insights to strengthen and communicate the business case of using standards to all actors along the value chain.** This review included a few studies that explicitly assessed a wide range of business benefits for businesses across the value chain. This is encouraging as more detailed insights on the business benefits (as well as limitations) of using standards can help sustainability systems to communicate more clearly about the potential value to their users. This can promote uptake but also increase the value that users derive from using standards. These insights can also be used to create a value proposition which improves the business case for adopting standards or joining initiatives. A comprehensive scope is recommended when assessing or exploring potential business benefits and related strategies. This could include strategies which increase the value of the production and trade of certified products (e.g., with explicit attention to value chain relationships), and the systemic strategies which can create the enabling conditions for even broader and more sustained benefits and sustainability impact (e.g. awareness creation and policy influencing).

**We encourage the research community to do more research on the value of the production and trade of sustainable products for all business along the value chain.** Many researchers tend to focus on the benefits for upstream actors and particularly producers. This is a pity, because several of the benefits which producers experience depend on whether other actors, including exporters, manufacturers and retailers, also perceive certain benefits. There is a need for more evidence on the return on investment of using standards (including financial costs and benefits) for all actors along the value chain. This review included some interesting examples of cost-benefit analysis of the use of sustainability standards, including some looking at both tangible and intangible benefits. This is a positive development, though they mainly looked at these benefits for producers, not on the rest of the value chain.



Our study confirms that the adoption of sustainability standards results in the realisation of a wide range of early benefits to businesses along the value chain which can materialise at business, value chain and sector level.

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## Appendix II: Benefits framework

### Overview of realised early benefits of using sustainability standards

CLUSTER	EARLY-BENEFIT	SPECIFIC BENEFITS
OPERATIONS	Operational efficiency & risk management	<ul style="list-style-type: none"> <li>■ Improved management systems and processes</li> <li>■ Improved operational risk management</li> <li>■ Improved governance &amp; membership engagement</li> <li>■ Innovation</li> </ul>
	Sustainability strategy	<ul style="list-style-type: none"> <li>■ Increases awareness on sustainability issues</li> <li>■ Benchmark or roadmap to operationalise sustainability</li> <li>■ Helps achieve sustainability / business objectives</li> <li>■ Improved performance / impact monitoring</li> </ul>
	Human capital development	<ul style="list-style-type: none"> <li>■ Improved working conditions &amp; worker benefits</li> <li>■ Employee skill development</li> <li>■ Employee satisfaction &amp; retention</li> </ul>
PROCUREMENT	Supply chain risk management	<ul style="list-style-type: none"> <li>■ Improved management and mitigation of risks in supply chains</li> </ul>
	Supply chain coordination	<ul style="list-style-type: none"> <li>■ More reliable suppliers</li> <li>■ Improved quality of trading relationships with suppliers (e.g. stability, volumes, payment terms)</li> </ul>
	Transparency & traceability	<ul style="list-style-type: none"> <li>■ Increased product traceability and transparency</li> </ul>
SALES AND MARKETING	Marketing strategy	<ul style="list-style-type: none"> <li>■ Facilitates customer communication (e.g. claims)</li> <li>■ Enables to differentiate from other brands or businesses</li> </ul>
	Market access	<ul style="list-style-type: none"> <li>■ Client retention, access to new customers and markets (e.g. geographies)</li> <li>■ Improved quality of trading relationships with customers (e.g. stability, volumes, payment terms)</li> </ul>
	Price and premium reward	<ul style="list-style-type: none"> <li>■ Additional cash premium or higher prices</li> </ul>
STAKEHOLDER ENGAGEMENT	Access to finance	<ul style="list-style-type: none"> <li>■ Improved investor communications</li> <li>■ Improved access to finance and more favourable finance conditions</li> </ul>
	Public sector engagement	<ul style="list-style-type: none"> <li>■ Improved relationships with the government</li> <li>■ Improved voice in policymaking and public sector investments.</li> </ul>
	NGO & donor relationships	<ul style="list-style-type: none"> <li>■ Improved civil society communication and dialogue</li> <li>■ Opportunities in partnership building, programme development and access to donor funding</li> </ul>
	Access to knowledge and support	<ul style="list-style-type: none"> <li>■ Improved access to information</li> <li>■ Improved access to capacity building</li> <li>■ Improved access to inputs</li> </ul>
SECTOR-WIDE CHANGE	Sector alignment & coordination	<ul style="list-style-type: none"> <li>■ Networking, learning and dialogue</li> <li>■ Improved sector-wide alignment on sustainability</li> </ul>
	Public policy influence	<ul style="list-style-type: none"> <li>■ Public policy dialogue and influence</li> </ul>

## Appendix II: Benefits framework

Overview of realised final benefits of using standards

MAIN CLUSTER	FINAL BENEFITS
BUSINESS VALUE	<ul style="list-style-type: none"><li>■ Cost reduction</li><li>■ Growth in production</li><li>■ Increased profitability</li><li>■ Economic resilience</li><li>■ Supply security</li><li>■ Legal compliance</li><li>■ Enhanced reputation</li><li>■ Enabling policy context</li></ul>
SUSTAINABILITY IMPACT	<ul style="list-style-type: none"><li>■ Improved social sustainability, e.g. child labour, health and safety, reduced conflicts with local communities</li><li>■ Improved environmental sustainability, e.g. reduced carbon emissions, no deforestation, sustained availability of natural resources</li><li>■ Improved economic sustainability of producers or supply chain actors, e.g. fair wages, smallholder income</li></ul>

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### IMAGES

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