

# Preferred by Nature Theory of Change



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## Global Situation and Context in Which We Operate

We are more than 8 billion people on this planet, and every human being deserves a good life. The challenge is to reach this goal whilst protecting the natural environment on which we depend, which is increasingly under pressure. Unless we adopt smart approaches, our growing number is bound to lead to climate change, environmental degradation, and human disaster.

Many of these threats arise due to economic inequalities between those countries that typically produce and consume the most common commodities the global population uses daily. Producers of these commodities bear the burden of cost for production, including the resulting social and environmental degradation. Governance in many producer countries tends to be weak and/or poor. The scale of investment to resolve sustainability issues is often too much for the public sector to bear alone, and often is placed lower in priority on the public sector agenda compared to issues such as peace and welfare.

To pass the Earth on to coming generations in good shape, we must urgently invent and adopt more sustainable ways of living, sourcing, and trading. The good news is that it can be done, and humanity has the power to do it.

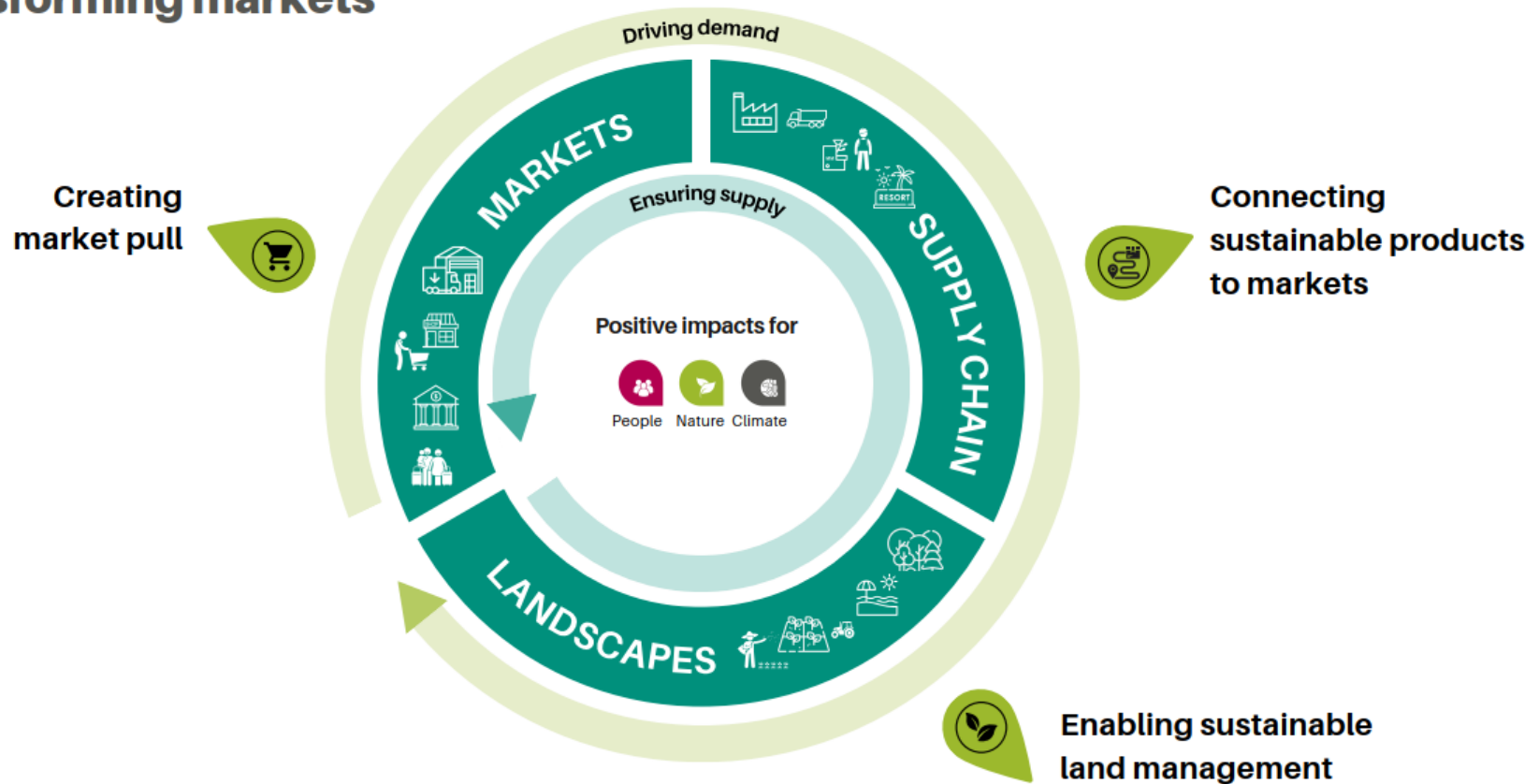
Influencing the forces that shape the markets where commodities are traded is needed to balance the burden of sustainable production and consumption via market incentives that signal the demand for environmentally and socially sustainable commodities. By working to shape, change and shift markets, they can become a force for good in ensuring global sustainability rather than an enabler for inequality and unpredictability. While markets are not an end in themselves, we believe they are a necessary and impactful means for implementing real solutions to the current sustainability crisis and can even ultimately influence regulatory measures to raise minimum requirements for how goods are produced and ensure living wages for producers in countries of origin.

We focus our resources on where we are best positioned to contribute to positive change that is truly sustainable in the long term. For our organisation, this means we enable, improve and scale up market solutions to drive sustainable production and consumption of natural resources for the benefit of people, nature, and the climate.

Market-based mechanisms are among the most effective and efficient means for implementing nature-based solutions to inequality, climate change and biodiversity crises at a global scale, ensuring that demand signals for sustainability travel effectively from consumers to producers. This drives more sustainable practices on the ground by providing incentives to producers to deliver goods and services in a responsible way while providing credible information to consumers looking to ensure their purchases support land management and commodity production that is truly sustainable.

Through our work with market-based solutions in more than 100 countries worldwide since 1994, our comparative advantage lies in enabling market-based solutions and developing stakeholder capacity to implement them. This is the starting context for our overall Theory of Change: we can have the most impact by doing what we know best.

Theory of Change  
**Driving sustainability**  
by transforming markets



## Preferred by Nature's Theory of Change

Our Theory of Change illustrates how we drive sustainability through transforming markets by raising the bar for what qualifies as being "sustainable", strengthening the quality and credibility of the market signals that shape demand for sustainable products, and enabling market actors to deliver on that demand.

With the experience of Preferred by Nature, we can make a particular difference through our ability and expertise in working to enable and assure sustainability along each step of the supply chain: from primary production in forests and farms, to manufacturing and processing, and ultimately to consumer brands and retailers that use sustainability claims to instil confidence in consumer choices. This allows us to drive demand for sustainable products while simultaneously ensuring the supply chain can deliver on that demand with credibility.

We do this by:

- Enabling and verifying sustainable management of farms and forests.
- Connecting sustainable products to the market in a credible way.
- Creating market pull by enabling companies to source sustainably.

The combined results of these activities lead to better land management and business practices that benefit people, nature, and climate.

## Impact

The overall, long-term change we want to create is stated in our mission:

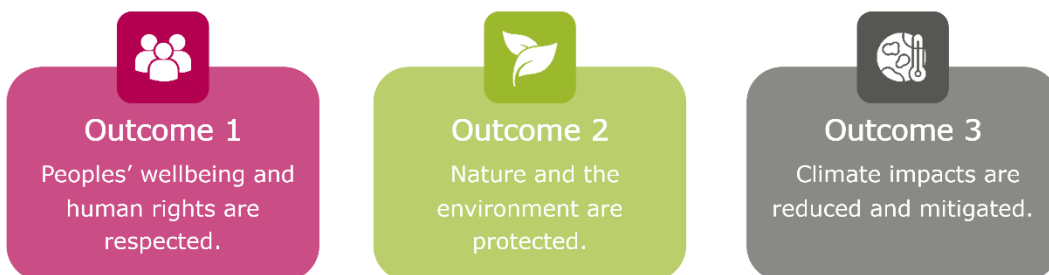
*Better land management and business practices that benefit people, nature, and climate.*

This is our mission because we believe that responsible business practices are crucial to ensuring that land, and the resulting natural resources that human life depends on, are managed in a way that ensures nature and the environment are protected, human rights are respected, and climate impacts are reduced. Importantly, our theory recognises that each of these elements is interlinked: none can be sustainable in the long term on their own.

## Outcomes

Based on our decades of experience working with land managers and assessing sustainability risks, mapping supply chains, and helping stakeholders implement market-based sustainability solutions, we contribute regularly to the development and improvement of a number of sustainability standards and related regulations. This allows us to understand the common themes among various systems and standards that are important to achieving sustainability. Based on this experience, we developed a unified structure – called the Sustainability Framework - that can be applied to any sector, commodity, geographic area, or actor of any scale along the supply chain, to define sustainability.

The Sustainability Framework is divided into four principles, the fundamental sustainability elements considered globally relevant. The four principles define the overall, highest-level issues that must be achieved for land management, and trade and processing of resulting commodities to be sustainable.



In our Theory of Change, three of the principles of the Sustainability Framework represent the outcomes that are necessary to achieve to realise our intended impact. These are Principles 2, 3 and 4, which focus on people, nature and climate respectively. The remaining principle, Principle 1, is focused on responsible management and business practices. It provides generic management requirements that are considered to be enablers to assuring achievement of the other three principles.

It is critical to our Theory of Change to work with all stages of the market: from landscapes through supply chains, to consumer markets. For our outcomes to be realised, we need to ensure that commodities are getting to the markets that are demanding sustainable products and services and doing so in a credible way. It is equally important that the other side of the equation is also achieved: to ensure market actors are continually driving demand by implementing sustainable sourcing practices that pull their supply chains into ensuring responsible land management at the point of harvest.



We specifically work with markets (including market-related regulations), as we believe the decisions and actions taken by companies during production and procurement have the most significant impact on sustainability—whether positive or negative. We focus on partnering with organisations to drive positive outcomes in business practices and land use. While we value individual consumer awareness and responsible purchasing, we prioritise working with organisations in order to scale our efforts for substantial impact.

## Outputs

Outputs are the specific results of our activities that are necessary to be in place to achieve the desired outcomes. In other words, they are the levers we will pull to create the outcomes.



**Output 1:** Sustainable management of farms and forests has been enabled and verified.



**Output 2:** Sustainable products are connected to the market in a credible way.



**Output 3:** Market pull is created by enabling companies to source sustainably.

### Output 1 - Sustainable Management of farms and forests has been enabled and verified.

This output is the combined result of all activities that have been implemented to ensure land is being managed according to sustainable management practices. This includes:

- Enabling sustainable land management by removing current barriers or bottlenecks, such as through capacity building of land managers (farmers, foresters, etc.), and the development of tools or other technologies that allow land managers to apply sustainable land management practices. This will allow more land to be managed sustainably.
- Verifying that sustainable land management practices have been applied and implemented correctly, resulting in increased social and environmental impacts.

### Output 2 - Sustainable products are connected to the market in a credible way.

This output describes the combined result of all activities that have been implemented to ensure that sustainability claims on products are credible and can be trusted. Credible claims are essential to

ensuring that companies and consumers have confidence that their purchase of sustainable products actually contributes to positive social and environmental impacts and, in turn, continues to drive demand for sustainable products. This work includes:

- Enabling traceability of commodities by removing barriers or bottlenecks, such as through capacity building of manufacturers, traders, and other supply chain actors, and developing tools or other technologies that allow for better and more efficient traceability practices. This will enable more companies to follow responsible supply chain management practices.
- Verifying that supply chain management practices have been applied and implemented correctly, resulting in increased credibility to sustainability claims of final products, as well as increased social and environmental impacts related to supply chain production practices.

### Output 3 - Market pull is created by enabling companies to source sustainably.

This output describes the combined result of all activities that have been implemented to ensure companies can implement responsible sourcing practices and that the demand for responsible practices trickles down into pulling more suppliers and landowners into sustainable management practices. This work includes:

- Enabling responsible sourcing of commodities by removing current barriers or bottlenecks, such as through:
  - Capacity building of supply chain actors in close-to-end-consumer markets,
  - Development of company policies around responsible sourcing,
  - Development of tools, information or technologies that allow for better and more efficient sourcing practices.
- Advocating for stronger public and corporate policies that affect key commodities' sourcing practices that help decrease negative social and environmental impacts related to commodity production.

Importantly, it is the three outputs combined - working together to connect demand and supply for sustainable commodities - that will allow us to achieve the intended outcomes. Focusing on only one of the outputs (for example, sustainable land management – Output 1) is not effective in the long term as there is no incentive for land managers to keep doing so without being assured that their products are being effectively brought to the market with credible sustainability claims (Output 2) that companies are demanding in the marketplace (Output 3).

## Areas of Engagement

We operate through four primary activity areas. Each provides unique and complementary opportunities to work with land managers, markets, and supply chain actors to connect sustainable production and consumption – ultimately each supporting all three expected outputs.

### Sustainability Certification Services

We provide sustainability certification services for land managers and supply chain organisations, focusing on schemes that follow best practices in standard setting and the evaluation process.

The outcomes of our audits help organisations to know where improvement is needed, as well as to gain market recognition for their sustainability efforts.

We engage with sustainability schemes and fora to ensure that credible, legitimate certification schemes exist and deliver effective demand signals to producers and consumers regarding sustainability. Multistakeholder-based certification schemes are a viable means to achieve many of the desired outputs. Our work in certification services specifically allows us to verify sustainable land use and business practices and ensure credible sustainability claims in related supply chains.

We work with only high-quality schemes that follow best practices in standard development, assurance and governance, as well as continually advocate to raise the bar on their definitions of sustainability and how schemes are implemented.

We also develop our own standards and schemes, such as Preferred by Nature Certification, when there is a gap in the market for schemes needed for a particular commodity, sector or geography.

Benchmarking studies of standards against our Sustainability Framework standard – which our outcomes are aligned to – allows us to determine precisely how each scheme we work with contributes to the expected outcomes in our Theory of Change.

### Sustainability Advisory Services

We engage with organisations and private sector companies of all sizes to help them set and achieve goals for legal and sustainable sourcing and production of forest and agriculture commodities.

Advisory services are how we work to improve and advise on responsible management, sourcing and production practices among organisations on a broader level. While some companies are best supported through broad sustainability certification, others are best supported through focused support on specific sustainability aspects, landscapes and/or commodities. We engage with private sector companies, including the largest, to eliminate barriers to responsible sourcing of commodities while also providing open access tools to any organisation interested in continuously improving sustainability in their business operations.

### Mission-driven Projects

We work with mission-driven projects to be catalysts for change to empower and equip smallholders, local communities, and their representative organisations to promote sustainable local development that balances livelihoods, inclusion and productivity with biodiversity, climate resilience and ecosystem protection. We link the land where commodities are grown, often referred to as the first mile, with supply chains and markets that reward and invest in sustainable production and support local leadership in sustainability.

We aspire to see an increased share of land under sustainable management practices, with smallholders and communities reaping the benefits of their sustainability commitments through improved livelihoods and local environments.

We engage with donors and various partners to ensure inclusivity in global supply chains, developing solutions to enable smallholders and landless people to participate in sustainable activities that allow for decent livelihoods while strengthening their influence on their own lives and society. This work provides opportunities for fixing gaps or bottlenecks in market mechanisms, thereby bringing positive impacts to traditionally underserved stakeholders. For example, this could be teaching smallholders in Indonesia about sustainable rice cultivation methods, working to connect cocoa farmers in Ghana to food product manufacturers that are seeking sustainably grown cocoa, and ensuring living wages for producers in commodity-origin countries.

### Learning Programmes

Through our training and learning programmes, we facilitate a knowledge hub for organisations that seek practical tools and information for sustainable sourcing and land management. Through our open-source approach, we collate and share information related to sustainability risks and mitigation.

We offer training courses to facilitate learning within our areas of expertise and focus sectors to build and multiply stakeholder capacity to enable and support each of the other activities we implement.



## Assumptions

In any Theory of Change, key assumptions have been made that are presumed to be true as the point of departure for the theory. Assumptions will be monitored broadly in relevant media, journals, etc., in the sustainability sector. We will implement a specific study, if necessary if there is sufficient information indicating that one of these assumptions may not be holding true at a scale of enough significance to threaten the basis of our Theory of Change.

Key assumptions identified in our Theory of Change include:

- **Sustainability will remain high on the global agenda**, including aspects related to climate change and biodiversity (compared to issues like war, economy, and other global key topics).
- Sustainability **changes are driven mainly by an increasing number of progressive companies** close to the consumer markets (retailers, wholesalers or simply companies with well-known brands), who are creating market pull for sustainable products and who in turn can be role models and inspiration for others.
- **Regulations related to trade in commodities** (such as the EU Deforestation Regulation) are an increasing force for driving change, setting new bars for best practices, and driving demand for sustainable products.
- **Verifying sustainable land management practices** (through certification and other tools) continues to evolve and be valued as an important tool for driving sustainability by companies and land managers.

## Unintended Consequences

When trying to make a positive change in one area, it is always a risk that the organisation may inadvertently cause negative impacts in other areas. We have identified the following key unintended consequences for our Theory of Change. They will be monitored broadly in relevant media in the sustainability sector. We will implement a specific study, if necessary, if there is information indicating that one of these consequences may be leading to negative impacts to a significant degree.

The most probable and important unintended consequences of our model include:

- **Focus on specific aspects of sustainability at the expense of others.** - For example, focusing on maximising the growth of biomass using fast-growing species to maximise carbon sequestration at the expense of biodiversity and ecosystem complexity; or addressing environmental aspects of commodity production without considering social aspects could compound issues such as forced labour or fair remuneration.
- **Contributing to further inequality gaps.** - For example, the exclusion of small players as companies prefers sourcing from larger organisations to create more consolidated supply chains with more resources to mitigate sustainability risks and simplify complexity related to sourcing.
- **Greenwashing around sustainability claims and actual impact.** - There could be too much compromise between setting the standards around sustainability claims and making them feasible enough for industries to be willing to engage and comply. For example, public policies around land management or commodity trading, or voluntary sustainability standards that are not fit for purpose, or potentially building sustainability recognition for consumer brands that may not be moving in a positive direction in terms of sustainability.
- **Further contributing to geopolitical tensions.** - By focusing on and elevating specific regulatory tools (such as the EU Deforestation Regulation), we could indirectly contribute to geopolitical tensions. In some cases, supporting regulatory tools from certain countries could even lead to indirectly supporting political regimes that act contrary to our mission.

## About us

Preferred by Nature is an international non-profit organisation working to support better land management and business practices that benefit people, nature and climate.

We do this through a unique combination of sustainability certification services, projects supporting awareness raising, and capacity building.

For 30 years, we have worked to develop practical solutions to drive positive impacts in production landscapes and supply chains in 100+ countries. We focus on land use, primarily through forest, agriculture and climate impact commodities, and related sectors such as tourism.

Learn more at [www.preferredbynature.org](http://www.preferredbynature.org)

## Contact

Katie Miller

Impacts Programme Manager

[kmiller@preferredbynature.org](mailto:kmiller@preferredbynature.org)



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