

# 'Outcome based' standards

## *Understanding strategic and operational implications for standards systems*

Commissioned by: *ISEAL alliance*

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# Introduction

## Motivation for this research

The environment in which sustainability standards systems are operating is changing rapidly. New technology, new collaborations, and a new sense of urgency in achieving ambitious sustainability targets are driving innovation outside of standards systems. At the same time, Voluntary Sustainability Standards (VSS)<sup>1</sup> are increasingly adopted as mainstream tools to advance sustainable development, covering a wide range of sectors across the world.

While being recognised globally for catalyzing improvements and operationalising sustainability, standards systems are also under scrutiny. Their users are requiring these systems to adapt and improve in different ways. Firstly, standards are called upon to improve sustainability performance and create more impact. While the implementation of certain production or management practices and technologies was once an accepted proxy for sustainability gains, stakeholders now look for demonstrable results closer to the desired impact. Secondly, they need to become more efficient and reduce the cost of their operations. Many enterprises are unwilling or unable to cover the cost of assurance (certification or verification). Thirdly, they must deliver more value to users, for example in the form of more tangible impact data or clear risk mitigation.

Standard systems are responding to these challenges with a range of innovations. They are becoming smarter on what they certify/verify, how they do it and how they measure the results and impact of certification/verification. One such innovation that is receiving attention is the so-called 'outcome based' standard.

A large number of the member standard-setting organisations of the ISEAL Alliance are either due to undergo a standard revision or have recently completed phases of this process. ISEAL found that many of them are looking at different ways to be 'outcome based'. Due to the emerging nature of 'outcome based' approaches, members lack guidance on the potential implications for the standard and key supporting components of the wider system. To gain a better understanding of the strategic and operational implications of designing and implementing outcome based standards ISEAL therefore commissioned NewForesight to write a report. This report explores the implications – opportunities as well as challenges – of moving towards an outcome based standard, and gives a practical framework to think about the transition from a practice based to an outcome based standard.

*Outcome based standards are those standards which, to credit an entity with a certificate, require that entity to achieve an outcome or performance level rather than successful implementation of practices*

## Methodology

The report is based on qualitative research, nine semi-structured interviews with standard-setting organisations staff and a workshop during ISEAL Members Week.<sup>2</sup> In the interviews we explored:

- To what extent the interviewee considered their standard scheme 'outcome-oriented' and/or moving in that direction;
- Whether certain aspects of their standard (and sustainability criteria in general) lend themselves better to certification/verification based on outcomes than others;
- The advantages and challenges in assuring outcomes (through verification or certification).

Desk research was conducted to analyse a selection of standard documents' requirements, both inside and outside ISEAL membership, following a prioritisation of topics by ISEAL staff<sup>3</sup>.

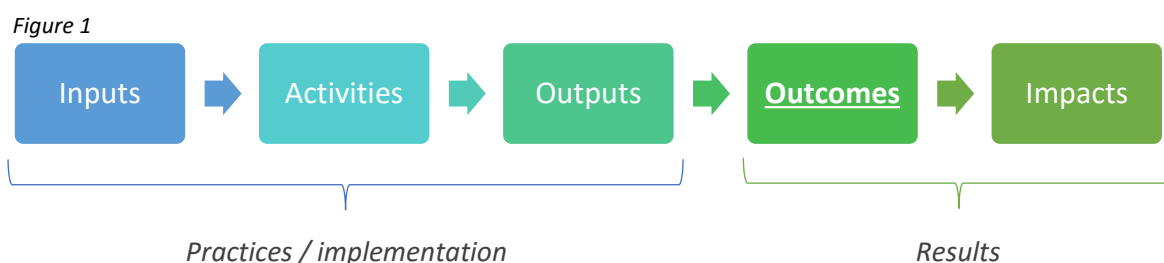
<sup>1</sup> Throughout the paper also referred to as: standard schemes, standard systems, standard organizations

<sup>2</sup> A list of interviewees and workshop attendants is provided in the annex

<sup>3</sup> The standard requirements analyzed were in line with ISEAL priority areas: forced labor, gender, child labor, wages/income, deforestation, climate/greenhouse gases

## What is an outcome?

Before we delve into outcome based standards we should be clear on the terminology: what do we mean by outcomes? To clarify this we will use the ‘causal pathway’, a planning and monitoring & evaluation (M&E) framework used in the VSS landscape to frame a Theory of Change. (Hailey & Sorgenfrei, 2005). It typically comprises a hierarchy of objectives at different levels, as well as targets and indicators:



The implementation of a strategy requires different steps: inputs are used in activities that lead to outputs. These outputs lead to results – outcomes and ultimately impacts. To give an example in the context of agricultural sustainability: a producing enterprise may rely on guidance documents, trainers and training facilities (inputs) to deliver trainings on good agricultural practices (activities), leading to a certain number of farmers receiving instructions on how to apply good agricultural practices (outputs). A direct result of this may be that farmers’ productivity increases or their use of ecologically harmful agrochemicals decreases (outcomes), eventually leading to more prosperous farmers and communities or improved soil health and biodiversity (impacts).

## What is an outcome based standard?

In the VSS landscape, many variations of the term “outcome based” are used, with different meanings and interpretations: ‘performance’, ‘results’ and ‘impact’ are used interchangeably with ‘outcome’, and ‘-focused’ or ‘-oriented’ with ‘-based’. To keep it simple we will take ‘outcome based’ to mean those standard systems that verify enterprises based at least *to some extent* on the outcomes or results they achieve, and not exclusively on the practices they implement. VSS generally formulate their standard indicators to apply mostly or exclusively at the practice level. This contrasts with a smaller number of standards that require certified entities to achieve outcomes.

Table 1: Examples of practice and outcome indicators

INDICATOR TYPE	INDICATOR TEXT	SOURCE
<b>PRACTICE</b>	“Practices are adopted that enhance biodiversity on and surrounding the farm.”	BCI Principles & Criteria
<b>OUTCOME</b>	Maximum viral disease-related mortality on farm $\leq 10\%$	ASC Salmon Standard

## Meeting standard requirements: binary versus metric

The way a standard's requirement or indicator can be achieved differs. The example of a practice indicator requires demonstration that a practice is implemented. There are two possible data points in this case: the practice is demonstrated to be implemented, or it is not; in other words, it is a 'one' value or 'zero' value. We call this the **binary** way of determining indicator achievement. The example of an outcome indicator requires the rate of viral disease-related mortality among salmon to be kept under 10% of total salmon mortality. This and other indicators that require quantified measurement of data in specified units are called the **metric** method of determining achievement.<sup>4</sup> This distinction, as well as the distinction between practice- and outcome indicators, is summarised in figure 2.

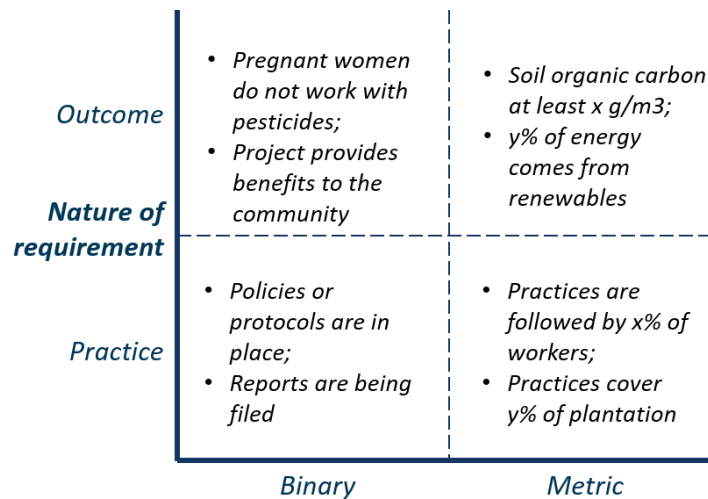


Figure 2

### Method of determining achievement

Metric-based standards are often equated with outcome based standards. This is not always the case: some practices are formulated as outcomes and some outcomes are non-metric. The table below gives two examples to clarify this point. Also note that some schemes, such as the Better Cotton Initiative, require (some of) their licensed enterprises to record and report outcome metrics without specifying a minimum or maximum level or target<sup>5</sup>; the aim of this type of measuring is to learn and drive improvement. The first indicator in the table below, taken from the BCI Results Indicators, is an example of this.

Table 2: Examples of less common indicator types

INDICATOR TYPE	INDICATOR TEXT	SOURCE
<b>PRACTICE-METRIC</b>	"Number of farmers and workers receiving BCI training who are women, by training topic"	BCI Results Indicators
<b>OUTCOME-BINARY</b>	"No work with pesticides shall be undertaken by pregnant or breast-feeding women."	RSPO Principles & Criteria

In the case of the second of these examples, it could be argued that the absence of the practice (i.e. types of workers not handling certain chemicals) is a practice- and not an outcome requirement; this is a theoretical grey area. We argue that in cases where the absence of a practice is guaranteed to have a desired outcome (i.e. the chemicals are almost guaranteed not to adversely affect the health of a woman or her child within the boundaries of the activities that woman engages in at the certified enterprise), this constitutes an outcome indicator. An example where this is not the case would be the prohibition of

<sup>4</sup> Within the metric method, there are again subdivisions: standards can set specific levels as in the example of viral-disease related fish mortality, or they can require improvement or progress compared to a previous measurement expressed as a percentage.

<sup>5</sup> Note that these Results Indicators are not part of the BCI standard, and thus are not what enterprises (in this case cotton farms) need to demonstrate in order to be licensed to grow/sell Better Cotton.

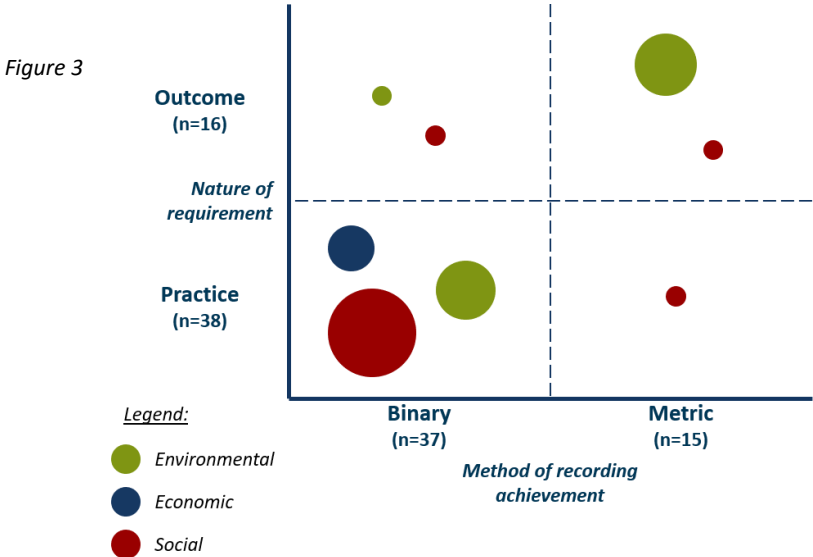
synthetic fertilizers without a limitation on the volume of alternative organic fertilizers, which can have equally detrimental effect if applied too liberally.

To summarise, there are four ways of showing compliance with standard requirements:

- Binary (yes / no)
- Metric - threshold (a certain *level must be met*)
- Metric - progress (*improvement must be demonstrated* compared to a previous audit)
- Metric - reporting (enterprise *must record and report* data for compliance but is not required to meet a level or show positive change)

Outcome indicator use in practice: mapping different VSS

To see the extent to which standards make use of outcome indicators we assessed 10 VSS, and mapped a selection of their requirements onto the same matrix used to explain the distinction between indicator types. What we can conclude from this mapping exercise confirms our initial understanding. Indeed most standard requirements or indicators are practice focused. Within our sample practice indicators generally use the binary method of demonstrating achievement<sup>6</sup> and outcome indicators metric evidence. Only a limited number of outcome indicators are formulated in a binary way (example D below), though fulfilling these requirements also necessitates quantitative measuring and reporting.<sup>7</sup>



We also looked to what extent outcome indicators are used in different dimensions of VSS: environmental, social and economic. The results show that within the environmental dimension there is an even split between outcome- (example A below) and practice (example B below) indicators. In the social dimension, all but two of the indicators reviewed are practice-based. (Examples C and D below). In the economic dimension finally, slightly more indicators are practice- than outcome-based.

<sup>6</sup> A practice indicator with a metric overlay can be found in the case of the BCI Results Indicator referenced in table 2.

<sup>7</sup> While a net positive effect is either evident or not (binary), proving this requires fairly complex methods of determining the effect.

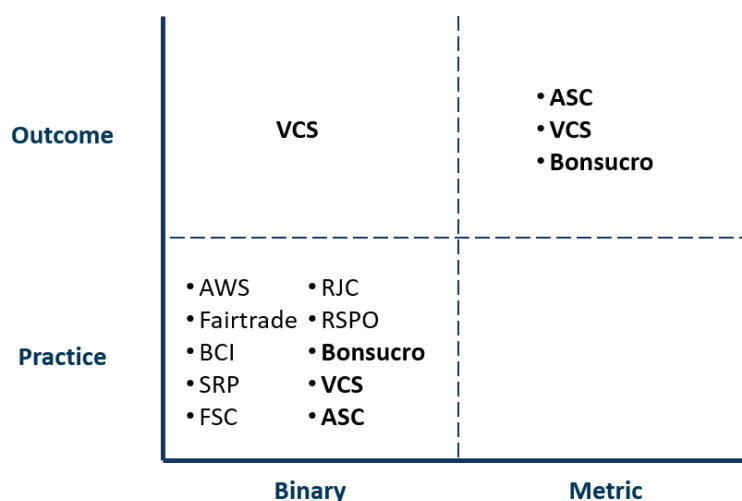
Table 3: Indicator examples from the mapping exercise

EXAMPLE	INDICATOR TEXT	SOURCE
A	“Agrochemicals applied per hectare per year: <5kg active ingredient /ha/a/y”	Bonsucro Principles & Criteria v4.2 (2016)
B	“Pesticides listed on the Banned Pesticides List cannot be used at any stage of production, or stored for use on the certified crop.”	UTZ Code of Conduct for group and multi-group certification, v1.1 (2015)
C	“Percentage of farmers who can accurately differentiate between acceptable forms of children's work and hazardous child labour”	BCI Results Indicators (June 2014)
D	“Demonstrate that the net well-being impacts of the project are positive for all identified community Groups compared with their anticipated well-being conditions under the without-project land use scenario”	VCS Climate, Community and Biodiversity Standard v3.1 (2017)

### When is a standard outcome based?

In addition to mapping indicators based on sustainability dimensions in figure 3, we can use the same matrix to see what quadrants the selection of the different standards’ requirements fall into – see figure 4. This gives an indication of the outcome focus of the different standards. Bold text indicates that the selection of requirements assessed for each standard are represented in more than one quadrant.

Figure 4



We can classify the standards into three broad categories<sup>8</sup>:

1. standards that certify/verify based on outcomes as well as practices, i.e. what we call outcome based standards (ASC, Bonsucro, VCS);
2. standards that assure exclusively based on practices and operate an enterprise-level metric overlay or -results indicators in parallel to their standard for M&E and continuous improvement purposes (BCI, SRP);
3. standards that assure exclusively based on practices and do not somehow stipulate the collecting and reporting on certain outcomes at the enterprise level (all other standards assessed)<sup>9</sup>.

<sup>8</sup> NB: a standard falls into a certain quadrant based on the selected criteria studied; this does not necessarily mean these standards don’t also employ metrics and outcome oriented approaches in parts of the standard not studied.

<sup>9</sup> Note that this does not mean the standards here don’t measure outcomes through their M&E system, but that this is separate from the standard.

There does not seem to be a 'pure' outcome based standard. Outcome based standards tend to have combinations of prescribed practices and outcomes. Moving towards or developing an outcome based standard by implication is unlikely to mean abandoning practices in standard requirements entirely.

## How to move towards an outcome based standard

Moving towards an outcome based standard is a daunting undertaking to those organisations who have not yet begun orienting themselves towards measuring and assuring outcomes. In many ways the transition represents a fundamental change in the way a standard organisation works towards its mission.

The outcome-based standards assessed as part of our research have been outcome-based from the beginning. As such they provide little direct experience for a practice based standard in becoming (more) outcome-based. Drawing on our conversations we did formulate four steps or stages in the development of an outcome based standard (also summarised in table four) as a starting point:

1. **Articulate outcomes:** clarify the intention behind standard requirements. This allows standard-setting organisations to define what outcomes they want to produce in pursuit of the goal of their organisations. The development of a Theory of Change is a similar process.
2. **Monitor outcomes:** having defined desirable outcomes, start measuring them for different types of enterprises covered by your organisation and in the most important geographic locations. Analyse the data and refine outcomes as necessary.
3. **Assure outcomes:** adjust the standard, changing practice requirements to outcome requirements where possible. Test the new standard with a group of enterprises, then roll out.
4. **Drive innovation:** create a forum or platform for enterprises, buyers, governments and other stakeholders to exchange on how outcomes are best reached through application of practices, technologies or processes.

We will go through each of the four steps in turn, answering the following questions:

- What are **key activities** to be taken by the standard-setting organisation? How does the standard document change? How are key stakeholders engaged?
- Implications for **information management:** Who records, reports, analyses, shares outcome data?
- How will the standard-setting organisation **guide** its stakeholders?
- What will make each step **successful**? What are possible complications, and how can they be solved?

### Stage 1: Articulate outcomes

**Key activities:** In this first step a standard-setting organisation will review its standard together with key stakeholders, and map the outcomes that the different standard requirements aims for. The standard document does not yet change.

**Information management:** At this stage, the standard-setting organisation decides *what information* is to be gathered *at which level*, and *who* can provide it. This sets the scene for the following stage.

**Guidance:** Enterprises receive guidance on how to implement the (practice) standard.

#### **Success factors:**

- **Stakeholder management:** One challenge that may surface at this stage will lie in the composition of the stakeholders consulted: producers, buyers, government representatives and NGOs will have different priorities and levels of ambition with regard to the different outcomes. Therefore, the process needs to be facilitated well. It should be open and inclusive, but with a firm (technically sound) focus on the key impact areas.
- **Specificity from the start:** It is important to articulate outcomes in a specific and measurable way at this stage already, otherwise the outcomes will be impossible to monitor or assure. The ASC



focused on this at the very beginning of its existence, defining precise and measurable outcomes before starting operations. Where a Theory of Change (ToC) has already been developed, it will be a useful starting point from which to define specific and measurable outcomes, having already determined what the overall desired vision and impact – and avenues to achieve it – should be. Organisations like the FSC or RSPO, having developed their ToC, are thus in a good position for this step.

## Stage 2: Monitor outcomes

**Key activities:** Having identified specific, measurable outcomes that will lead to the standard-setting organisation's desired impact, the organisation can move to monitoring these outcomes. Practically, this means that outcomes will be measured according to a set of indicators in different locations and for different types of enterprises: in the coffee value chain for example this would mean monitoring for the same outcomes on large, mechanised plantations in Brazil as well as smallholder plots in Uganda.

The Better Cotton Initiative (BCI) and Sustainable Rice Platform (SRP) currently have performance- / results-indicators in parallel to their (practice-based) producer standards. Whereas the SRP collects data through implementing partners (research organisations, producer group managers, extension workers), in the BCI system it is the farmers and farm managers who collect the data.<sup>10</sup>

**Information management:** During this stage, the standard-setting organisation is primarily in charge of information management, from the recording of data in the field / at the enterprises to sharing with stakeholders. This should lead to the creation of protocols for data gathering, which can later be followed and refined by other actors such as auditors or the enterprises themselves. It will be difficult for the standard-setting organisation to continue in this role when all enterprises must submit outcome data / be audited according to outcomes for assurance purposes. It would therefore be sensible to introduce auditors and enterprises to the process in this stage, for example by handing over data collection duties to enterprises after initial trials, and consulting auditors on the process of creating protocols.

**Guidance:** Actors that will start gathering outcome data, whether they are enterprises or service providers for this purpose, will need to know how to record data. They require guidance on measurement units, use of measuring technology, reporting formats and more. Enterprises continue to receive guidance on standard implementation, as they will still need to perform practices prescribed by the standard.

### Success factors:

- **Wide monitoring coverage:** The sample of sites monitored should reflect the variety of enterprises covered by the standard to inform the subsequent changes to the standard (including outcome requirements).
- **Forward-thinking and user-friendly M&E design:** Data needs and data gathering protocols should be specified clearly, unambiguously, and in the most user-friendly way possible, taking into account that in later stages data needs to be collected efficiently at scale and possibly by actors with less technical knowledge.

## Stage 3: Assure outcomes

**Key activities:** Based on a deeper understanding of outcomes in the production system under certification/verification resulting from stage two, (metric) outcome requirements are added to the standard. This is done in the same way other standard review cycles are performed, including public consultations and other ISEAL requirements. The revised standard is then used by a sample of enterprises in a pilot.

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<sup>10</sup> In the case of the SRP, it is also worth pointing out that while there are 46 requirements in the standard, the performance indicators are composed of only twelve indicators. This shows that for many criteria, multiple practice requirements can be "reduced to" one key outcome: this will allow the move towards outcomes to be more efficient, and may at a more advanced stage allow synergies between standard schemes so that outcomes can be compared for standards covering the same product, region or type of enterprise.

Once the standard has been revised and is used, the standard-setting organisation may decide to grant a grace period for some or all enterprises during which failure to reach outcome targets does not automatically result in nonconformance.

**Information management:** Ideally, outcome data is *recorded* by the enterprises as part of standard operating procedures, and passed on to assurance providers, such as certification bodies at annual audits; it is then *reported* by the assurance providers (certification bodies or verifiers) to the standard-setting organisation, with indication of which (outcome) targets or (practice) requirements were met. Two key departments then process the data at standard-setting organisations: M&E staff *analyse* it using (statistical) software to learn about the way the standard drives change and impact, and assurance staff determine which deviations from the standard's stipulated requirements lead to a loss of certification/license. M&E- or external relations staff can then *share* (aggregated) data with buyers and investors, satisfying their need for rich and meaningful data resulting from investments in certification/verification.

The specific method of data recording and reporting depends on the type of sustainability outcome that needs to be monitored or assured. There will be outcomes that are relatively straightforward to measure (such as crop yields, which can be measured with scales and recorded in a notebook) and those that are more difficult to measure (biodiversity levels or worker health and satisfaction, for instance). Of the standards assessed for this report, none *certify or verify outcomes* while covering a smallholder sector. It is therefore speculative to say that recording and reporting outcomes is something that low-tech, low-skill producers are capable of. Having said that, BCI licensed farmers or producer groups *report on outcomes* such as yield (in kilograms per hectare) and water use (in cubic meters per hectare), using Farmer Field Books. Such low-tech methods could also be audited, with deeper-going verifications taking place for a sample of producers in a group, for example.

**Guidance:** While enterprises continue to receive guidance on standard implementation, this now partly shifts towards enabling enterprises to play their role in an outcome-based system. This means that they will learn how to record the necessary data and pass it on to auditors and/or M&E staff of standard-setting organisations. Certification bodies or verifiers in turn will require protocols on how to audit outcomes.

#### **Success factors:**

- **Trialing the approach before rolling it out:** Piloting a new standard with a small but (geographically) diverse group of enterprises will produce a wealth of information on the implementation of the standard, enterprises' and assurance providers' capacity to measure, record and report outcome data, and on the quality and value of the resulting data. Fair Trade International is currently planning such a pilot (albeit for an impact standard, where farmers self-assess against impact principles while the basis of certification/verification remains in essence on the practice level).
- **Setting the standard up to deliver on its potential:** Having established an outcome-based standard, a key consideration is to create data-sharing interfaces and -agreements that are meaningful (the right stakeholders get the right data), efficient (data is shared instantaneously upon request or on a database) and legally sound (producer data is anonymized and aggregated, and agreements are in place between CBs and enterprises, enterprises and standard-setting organisations, and standard-setting organisations and buyers / governments).
- **Maintaining insights:** Once auditors begin to verify outcomes, it is possible that the achievement of the specified metric level (" $<10\text{g}$  of active ingredient of pesticide X applied per hectare per year") or progress ("5% increase in soil organic carbon per year") is recorded and reported in the audit report in a binary fashion ("compliant / non-compliant"). While certification/verification will ultimately be granted based on compliance with requirements, it is important that the actual measurements of outcomes do not get lost. This could be achieved by adjusting audit recording methods to capture this information and creating an interface between assurance providers and M&E departments of standard schemes (directly or via assurance teams).

## Stage 4: Drive innovation

**Key activities:** A fourth step in the move towards, and in some ways beyond, outcome based standards, is to set up a forum or platform for enterprises and relevant stakeholders to exchange on (innovative) best practices in reaching outcomes, as well as on improvements to information management. The purpose of the former is to allow enterprises that have not yet reached minimum outcome levels to do so, and to catalyse those that have reached these levels to raise their ambitions. The purpose of the latter is to improve efficiency and accuracy of information management. Overall, this allows standards systems to follow the dictum, “global where possible, local where necessary”: efficiency can be gained if indicators are aligned and processes shared universally, and the standard and its support systems be made more meaningful when targets and the practices to reach them are made locally relevant.

Such a platform should ideally “host” more than one standard in a sector in order to address cross-cutting issues in a region or landscape. This implies that the kinds of outcomes they measure, as well as the measuring units (metrics) and intervals should be aligned. This allows better comparability and therefore facilitates shared learning. The thresholds enterprises need to reach to gain certification/verification set by one standard however do not need to be adopted by another.

Bonsucro is currently considering the creation of regional platforms to translate into practice global learnings from six years of collecting large amounts of data. The Rainforest Alliance has created an [online platform](#) in English and Spanish (with additional resources available in up to 18 languages) to educate users of their Sustainable Agriculture Standard.

**Information management:** To process information on innovative practices and the way they lead to certain outcomes, the database that stores outcome data should be linked to a database for practices and technologies. Since this information may be held not only by enterprises but also by government extension services or the sourcing (-sustainability) departments of large buyers, interfaces with these holders of information need to be created.

In order to transmit insights to those who need to apply them (i.e. enterprises that employ innovative practices to reach outcomes; auditors who would like to measure outcomes more efficiently or effectively) this information needs to be made available in an accessible way. This should entail at least the translation of guidance documents into local languages and the creation of a web-based knowledge library. More high-tech solutions can be added later, such as push-SMS information for agricultural operations according to weather information (based on monitoring of appropriate context indicators) or smartphone apps to guide data gathering.

**Guidance:** The purpose of this phase is to develop a canon of knowledge that guides enterprises in achieving outcomes, and the standards system in assuring these outcomes better and learning from the data that is gathered and analysed.

### Success factors:

- **Empirical foundation:** For an outcome-driving innovation platform to provide high quality and accurate information, it needs to be preceded by a period of data analysis and assessment of innovative practices.<sup>11</sup> While evidence-based practice development will take several years, this does not preclude sharing approaches that appears effective in relation to certain outcomes prior to that.
- **Financial sustainability:** Organising such a platform will be costly, and thus may require sponsorship, donations or a change of the standard-setting organisation’s business model.

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<sup>11</sup> In the meantime, the standard-setting organization continues to measure and assure outcomes. If after the period of data analysis no link between practices and sustainability outcomes can be found, the organization should consider removing the practices from its standard that do not lead to the desired outcomes. If no progress on outcomes at all is seen, this should prompt serious reflection for the standard scheme.

The above is not an “implementation guide”. It is a framework to think through the transition. All four steps will bring a range of challenges: technical, political and organisational. Those moving first will be pioneers in the field. In return standard organisations will unlock a range of benefits for their stakeholders.

A “full” move along the four steps of this framework allows standard-setting organisations to realise their transformative potential: outcomes are assured, bringing the basis of certification/verification closest to the desired impact; good and innovative practices are shared, allowing enterprises to reach higher performance levels and continuously improve; and a platform is set up around the standard to share learnings and provide feedback to stakeholders that have the power to shape the enabling environment around the production system concerned.

Table 4: four steps towards outcome based standards

	<b>STEP 1:</b> ARTICULATE OUTCOMES	<b>STEP 2:</b> MONITOR OUTCOMES	<b>STEP 3:</b> ASSURE OUTCOMES	<b>STEP 4:</b> DRIVE INNOVATION
<b>DATA</b>	Collected on practices	Collected on outcomes as well as practices	Collected on outcomes as well as practices	Collected on outcomes as well as practices
<b>GUIDANCE</b>	Provided for practice implementation	Provided for practice implementation and outcome data collection and - sharing (for pilot enterprises and -CBs)	Provided for practice implementation and outcome data collection and - sharing (for all enterprises and auditors)	Provided based on review, study and analysis of both practices and outcomes and the link between the two
<b>ASSURANCE</b>	Based on practices	Based on practices	Based on practices and outcomes	Based on practices and outcomes

## Why move to an outcome based standard, and what challenges emerge on the way?

There is a range of benefits to having a greater focus on outcomes in standard systems. Indeed, the first two steps of the four outlined in the previous chapter can harbor significant value. A greater focus on outcomes, however, does not necessarily require an outcome based *standard*. Below we will focus specifically on the benefits of making the standard itself focused on certifying or verifying outcomes<sup>12</sup>.

After highlighting the benefits we will look at some of the key challenges that are anticipated in moving towards outcome-based standards.

### Moving to an outcome based standard: six key benefits

1. **Create clarity on what implementing a standard achieves:** Moving towards an outcome based standard means moving closer towards desired results in a more direct relation to sustainability goals. Standard schemes could be in a better position to claim impact when they collect data on, and certify/verify, the outcomes achieved by the enterprises compliant with their standard.

The visions of sustainability organisations are sometimes considered abstract and removed from the reality of a sector. As long as they remain ambiguous on what their realisation would look like and how it would be achieved, stakeholders have the freedom to subscribe to the idea without concretely working towards its realisation. Assuring the realisation of clearly defined outcomes can help make the debate on a sustainable sector, the accountability of different stakeholders, and the difficult choices they will have to make more concrete.

2. **Highlight potential trade-offs:** Certifying/verifying outcomes rather than practices can heighten awareness of potential tradeoffs to be made in realising diverse outcomes, which implementation of certain practices may obscure. For example: balancing environmental and economic impact. Forbidding the use of certain fertilisers (for environmental reasons) while stimulating the use of fertiliser in general (for economic reasons) may still not lead to a healthy soil fertility level, which may ultimately be the most desired outcome – and could be certified directly.
3. **Stimulate innovation in realising outcomes:** If outcomes are assured and practices remain optional or unspecified this creates room for innovation. It will incentivise enterprises to develop expertise, technical know-how and acquire more efficient and effective technologies, which will reduce the costs of attaining certain outcomes. Requiring the implementation of certain practices on the other hand can have a negative effect on innovation. Stakeholders are also incentivised to create specific (local) strategies to collectively support realisation of certain outcomes.
4. **Facilitate continuous improvement:** Outcomes can incentivise continuous improvement more effectively than a practice-based step-wise approach. A metrics-based range for a certain outcome, from basic to aspirational, does justice to the variety of enabling environments and capabilities of different stakeholders. Small producers in developing countries would have a different trajectory than large producers in developed countries, but all would be contributing to realising the same outcomes over time. Standards could stimulate rewarding progress towards basic targets to incentivise those far removed from current standard criteria and reward others for progressing towards criteria higher up the scale. A more nuanced scoring system could be developed, shifting the baseline requirements once achieved or requiring net positive change for re-certification/verification
5. **Measure what matters:** Provided reaching the outcome requirements indeed needs to be demonstrated using metrics (at least to some extent), standard-setting organisations will acquire

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<sup>12</sup> Implicit to most of these benefits is a focus on *metric*-based measurement and certification/verification specifically.

a wealth of data on sustainability results and -risks, which can be aggregated and analysed for internal purposes (standard review or producer guidance improvement) and key stakeholders (buyers and investors). Progress over time is also more easily tracked when the assurance process creates metric data, rather than a list of “Yes” and “No” answers to binary practice requirements.

- 6. Communicate differently with customers and other stakeholders:** When a standard system produces more (and assured) outcome data, opportunities arise to communicate in different ways to consumers and businesses purchasing certified products. *Consumers* may be interested in learning what the brand they purchased is realising with regards to climate change, or attribute more credibility to the meaning of a simple “certified sustainable” label when it becomes clearer what sustainable means.

*Businesses* can start giving preferential treatment to suppliers with higher performance (and efficiency) in relation to sustainability. Risks can be mitigated by moving away from suppliers with lower scores on certain key issues.

*Governments* will have more immediate insight, and can channel additional resources, into areas where producers perform poorly. Alternatively they can also invest in areas which show greater potential through higher scores on sustainability outcomes.

It should be noted that the evidence base around these benefits is thin. One cannot yet say that ASC or Bonsucro, let alone some of the more recent initiatives, have proven that they will materialise. One could say that both organisations are working on step 4, figuring out how best to “drive innovation” on the basis of a standard system that seems well-suited for this purpose.

## Moving to an outcome based standard: five key challenges

Many standard-setting organisations see at least some benefit in changing their standards and requiring enterprises to achieve (progress on) outcomes as well as practices. However, as we have seen in our mapping of standard requirements (figure 3), most standard-setting organisations have not yet done so. Our interviews and workshop revealed that there are broadly speaking two reasons why standard organisations remain hesitant: some consider it a difficult and/or costly move, while others consider it an unnecessary or even counter-productive one. The following section highlights the key challenges standard organisations anticipate, as well as some potential solutions.

- 1. Attribution and fairly rewarding effort:** A question that quickly surfaces within a debate on moving towards outcome based standards is that of attribution. Achieving outcomes is dependent on a wide range of actions. Some stakeholders may be doing the right thing, while not achieving the right outcomes due to factors outside of their control. Vice versa, some stakeholders may not be doing anything while freeriding on other stakeholders doing work that will help them realise the outcomes for which they should also be accountable. If stakeholders no longer feel that their efforts are fairly recognised and rewarded within a standard system they may opt out.

*Implementing sustainable practices through a practice-based standard has similar issues of free-riding and context-dependency. The key will be to isolate as best as possible those on-site outcomes that stakeholders can be held accountable to, and complement those with a set of outcomes that stakeholders work towards collectively. The feedback on this issue from the stakeholders of existing outcome-focused standards, like ASC and Bonsucro, does not seem to be different from what other sustainability standards encounter.*

- 2. Dealing with standard contradictions:** Highlighting trade-offs was mentioned as a benefit of measuring and assuring outcomes. It would be in the long run, but in the short run contradictions within the standard’s required outcomes may provide serious implementation challenges to those seeking certification/verification.

*The extent to which this is the case will mostly become clear over time, once an outcome based standard has been implemented and the sustainability impact in different dimensions tracked for a number of years. One way to address it would be to set minimum / maximum levels for a variety of key outcomes, allowing some flexibility for an enterprise to balance the different outcomes.*

- 3. Defining globally relevant outcomes:** When thresholds or targets need to be defined (and when the way to determine achievement is metric), it may be difficult to decide on a value that is suitable across all applications of a standard: water use targets should be different in arid landscapes than in climates with more rainfall.

*Standard organisations will need to decide what deviations, if any, can be allowed before the deviation results in a nonconformity – and how many nonconformities in one category or across the whole standard will lead to loss of certification, or license from verification. Here, it may be helpful to use results- or impact studies to discern appropriate levels, and to analyze nonconformities together with M&E colleagues. The ASC could provide some lessons here: it uses different levels of acceptable sea lice incidence per fish depending on the location of the fish farm. Other VSS designate only a number of their indicators as essential to certification/verification. The Sustainable Rice Platform Standard on Sustainable Rice Cultivation is an example. Outcome-based standards could adopt a similar approach.*

- 4. Interacting with different capacity levels:** While some enterprises will see a move towards outcomes without specifying the exact practices to reach them as opening possibilities of innovation, others will lack the knowledge or skills to reach these outcomes.

*On the one hand this can be addressed through a comprehensive hybrid standard comprised of metric outcome- and binary practice indicators, such as that of Bonsucro; on the other hand, standard setting staff could collaborate with producer support departments on how to create accessible complementary guidance for enterprises. The [Online Training Platform](#) developed by Rainforest Alliance for their Sustainable Agriculture Standard is a good example*

Similarly for data collection for assurance purposes: this will likely become more complicated. Measuring, recording and reporting outcome data is more involved than monitoring the presence of a certain practice. Less sophisticated producers like smallholder farmers, may not be able to perform these tasks themselves.

*As the Better Cotton Initiative shows, producers of all types and size can be tasked with recording outcome data. Using farmer field books, and organised in “learning groups”, small farmers keep track of data in eight categories of results indicators, which are checked against the results produced by periodic independent studies. Any major discrepancies can then be investigated.*

- 5. Transition costs:** many of the benefits of moving to an outcome based standard will materialise in the longer run, while many of the costs to facilitate the transition will have to be made in the short run: auditors need to be retrained and assurance processes need to be adapted; the actual standard revision will cost money; and initial investments in monitoring technology is likely high. Similarly, technological advances may erase cost increases eventually but will require investments in the short run. Who will (be willing to) incur those costs?

*Standard systems need not make huge investments to allow for outcome based assurance. Rather they need to be equipped to guide the debate on what technology should be in place where, to most efficiently monitor and assure outcome data. VSS stand to gain from technological advances in remote sensing and mobile telecommunications: satellites enable the monitoring of land use changes on a vast scale; drones can more closely visually inspect production areas and even collect air quality and crop disease data; and (smart) mobile phones can empower producers as agents in data collection, increasing the granularity and frequency of incoming data. The same structures that will facilitate more effective and efficient M&E will facilitate more effective and efficient assurance, complementing (and substituting where possible) boots on the ground audits. And unlike classical audit structures, many of these technologies have multiple purposes contributing to a more positive business case for their implementation.*

## Conclusion

More clarity and transparency in *what* sustainability standards achieve, helping establish a more credible link between standards and outcomes, providing more solid proof of their overall impact. More innovation and continuous improvement in *how* they achieve it, potentially reducing standard implementation costs and adding more value beyond certification/verification alone. Outcome-based standards hold a big promise. They could provide a key component of the solutions to the main challenges sustainability standards are facing.

But if these types of standards are a revolution, then it is slow in the making. While many standard schemes have responded to the challenges to their impact claims by closer monitoring of sustainability outcomes in the production systems they certify/verify, only a few have gone all the way and certify/verify based on outcomes. The two prominent examples in this report that do, have been doing so since their foundation several years ago.

This report aims to contribute to the debate on how outcome-based standards could become a revolution. It sought to provide conceptual clarity and a practical approach to transitioning towards a (more) outcome-based standard, as well as insight into the key challenges and benefits of such standards. A wider body of evidence for those benefits will likely be provided by the pioneering group of sustainability standards that will take up the gauntlet and start focusing at least parts of their standards on outcome-assurance over the coming years. We encourage these pioneers, as well as organisations that already certify/verify outcomes, to share their experiences and find synergies. ISEAL can play a role in facilitating this exchange, starting with a webinar to discuss this report in early 2018. Furthermore, recognising the various directions in which it is pursuing innovation, it must be a priority for ISEAL to provide clarity for its members on the connections between the various research reports and working groups. For example, the forthcoming practice adoption study connects with this report insofar as both look at how standards drive continuous improvement; it would be a shame if the two reports were not assessed from the perspective of these connections.

The real challenge in starting the process of outcome assurance may not be one that is specific to outcome-based standards, but likely to standard organisations in general. There are currently so many demands on them to change that keeping a coherent perspective on the different opportunities to do so becomes daunting. As a result different change trajectories within these organisations operate in isolation and outcome-based assurance may lose out to a different priority – not because the former is not important but because the urgency and immediate benefit of another is more apparent.

This is where ISEAL could play a role in doing justice to this important topic: by exploring and clarifying its relation with other key strategic areas where standard organisations are currently changing.



## Annex 1: list of interviewees

<b>NAME</b>	<b>ORGANISATION</b>
<b>SONKE FISCHER</b>	Accreditation Services International (ASI)
<b>RICHARD ROBERTSON</b>	Alliance for Water Stewardship (AWS)
<b>KENDRA PASZTOR, GREGORY JEAN</b>	Better Cotton Initiative (BCI)
<b>NICOLAS VIART</b>	Bonsucro
<b>GELKHA BUITRAGO</b>	Fairtrade International
<b>CHISARA EHIEMERE</b>	Field to Market
<b>BAS GEERTS</b>	Index Initiative
<b>BILGE DALDENIZ</b>	Proforest
<b>SOO CHIN OI</b>	Roundtable for Sustainable Palm Oil (RSPO)
<b>PETER SPRANG</b>	Sustainable Rice Platform (SRP)
<b>JULIANNE BAROODY, SAM HOFFER</b>	Verified Carbon Standard (VCS)

## Annex 2: list of workshop attendants

ISEAL Members Week, Joint Community of Practice session: outcome based systems  
London, 24 October 2017

<b>NAME</b>	<b>ORGANISATION</b>
<b>RICHARD ROBERTSON</b>	Alliance for Water Stewardship (AWS)
<b>GRAHAM BRUFORD</b>	Better Cotton Initiative (BCI)
<b>GREGORY JEAN</b>	Better Cotton Initiative (BCI)
<b>SHANNON AVISON</b>	Better Cotton Initiative (BCI)
<b>NICOLAS VIART</b>	Bonsucro
<b>LAURA BARRINGTON</b>	Fairtrade International
<b>DANIEL CASTRO</b>	Fairtrade International
<b>JOSEFINA REY</b>	FLOCERT
<b>MARION KARMANN</b>	Forest Stewardship Council (FSC)
<b>ROB UKKERMAN</b>	Forest Stewardship Council (FSC)
<b>LARS KAHNERT</b>	Global Coffee Platform (GCP)
<b>GEORGE WATENE</b>	Global Coffee Platform (GCP)
<b>TODD GARTH</b>	GoodWeave
<b>BIKO NAGARA</b>	GoodWeave
<b>JENNY CLARK</b>	Linking Environment and Farming (LEAF)
<b>ASHLEIGH ARTON</b>	Marine Stewardship Council (MSC)
<b>DAN HOGGARTH</b>	Marine Stewardship Council (MSC)
<b>ROBERT LEFEBURE</b>	Marine Stewardship Council (MSC)
<b>CHANTAL LYONS</b>	Marine Stewardship Council (MSC)
<b>ANNETTE SCHEFFER</b>	Marine Stewardship Council (MSC)
<b>DAVID HUGHELL</b>	Rainforest Alliance
<b>PETER DAWKINS</b>	Responsible Jewellery Council (RJC)
<b>BETHAN HERBERT</b>	Responsible Jewellery Council (RJC)
<b>MARIA MURSELL</b>	Responsible Jewellery Council (RJC)
<b>MONICA STANIASZEK</b>	Responsible Jewellery Council (RJC)
<b>ELENA SCHMIDT</b>	Roundtable on Sustainable Biomaterials (RSB)
<b>HANNA DENES</b>	Textile Exchange
<b>LEE TYLER</b>	Textile Exchange
<b>SIMONA D'AMICO</b>	Union for Ethical Bio-Trade (UEBT)
<b>ELLEN BROWER – VAN HAASSTERT</b>	UTZ
<b>HENK GILHUIS</b>	UTZ
<b>INDIRA MORENO ECHEVERRI</b>	UTZ
<b>KAUSHIK RAMAKRISHNAN</b>	UTZ
<b>ANDRÉ JELLEMA</b>	Data Impact – UTZ First Mile Project
<b>JOOST GORTER</b>	NewForesight
<b>NIKO WOJTYNIA</b>	NewForesight
<b>ANDRINA BEAUMOND</b>	ISEAL alliance
<b>ROSIE FORSYTH</b>	ISEAL alliance
<b>ANA GARZON</b>	ISEAL alliance
<b>MARTA MAIRELES</b>	ISEAL alliance
<b>PATRICK MALLET</b>	ISEAL alliance
<b>ELEANOR RADFORD</b>	ISEAL alliance
<b>VIDYA RANGAN</b>	ISEAL alliance

## Annex 3: outputs of workshop discussion

ISEAL Members Week, Joint Community of Practice session: outcome based systems  
London, 24 October 2017

### Overall goal

The objective of this exercise was to gain a better understanding of how to move from measuring/assuring practices in a standard to measuring/assuring outcomes through exploring one concrete cases on this transition in each of the break-out groups.

Groups discussed the following questions:

1. What could be measured to be able to assure the outcome of selected practices?
2. Discuss (and summarize on the flipchart) what would be the benefits of making such a transition?
3. Discuss (and summarize on the flipchart) what would be the challenges in making such a transition
4. Discuss (and summarize on the flipchart) what could be solutions to that challenge

### Exercise output

<b>Case</b>	<b>What to measure</b>	<b>Benefits</b>	<b>Challenges</b>	<b>Solutions</b>
<b>ENVIRONMENTAL:</b>				
<i>duck / goose bill cutting</i>	animal mortality; animal density	better communication of impact of standard	hard to establish a benchmark since non certified sites (i.e. those that practice bill cutting) won't allow measurements; difficult to measure mortality; attribution (why did the animal die)	work with those who make the noise: PETA; establish research partnerships to establish animal welfare norms and determine links between practices and outcomes as well as desirable levels of outcomes
<i>integrated pest management</i>	reduced toxic load (volume of pesticide; active ingredients)	demonstrate continuous improvement; environmental AND social impact; gives information to producers;	IPM is about more than just pesticide use; capacity needed to collect and analyze data; attribution	for attribution: benchmark against non-certified producers; producer education / training
<i>Soil management and mapping</i>	soil organic matter; soil erosion	monitor & verify actual change; rich data;	requires resources: skills, cost; no pathway defined (what is the practice required to...); no definition of good soil!;	define soil quality: use existing data to find what a good soil is in different contexts; suggest practices to reach outcomes; control outcomes / thresholds
<i>protecting HCV areas,</i>	forester / farmer is actively	measures and potentially	takes time;	break it down over time, do it in stages;

<i>though difficult to profess at landscape level for farmers / foresters</i>	involved in an initiative for conservation; long-term investment in HCV areas	demonstrates enterprises' engagement and activity on an issue that is very difficult to measure (how much has farm x moved into HCV area y; what is the value of HCV area y vs HCV area z, etc.)	stakeholders (companies) might want to make greater claims; all local actors across sectors need to participate;	does the claim need to always be related to assurance? ("we assure that our foresters invest in HCV areas after 5 years, and over time we see that this leads to xyz")
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<b>Case</b>	<b>What to measure</b>	<b>Benefits</b>	<b>Challenges</b>	<b>Solutions</b>
<b>SOCIAL:</b>				
<i>human rights</i>	number of adverse impacts identified by an enterprise; % of impact remediated; % of HR risks mitigated or monitored	transparency; reduced adverse HR impact	difficult to define a single set of metrics for the entire supply chain; difficult to define appropriate remediation; cost of compliance; unclear if this continuous improvement approach can be communicated to consumers	prioritize specific HR impacts for specific parts of the supply chain; link to theory of change; define simple indicators to ensure understanding by enterprises and consistency in application
<i>forced labor</i> <i>child labor</i>	zero debt bondage proven by wage records freedom of workers to leave (?);  0% child labor; educated children; children safe to enjoy childhood (?)	understanding of root causes; targeted interventions; reporting on metrics	attribution: outcomes to practices vs. external factors auditability; lack of guidance on how to achieve outcomes	remediation and prevention projects; unannounced inspections; combine practices and outcomes in standard; landscape level partnerships;
<i>women's empowerment</i>	women in PO boards (target: half or as close to as possible); female voting in PO general assemblies (% of votes)	women have a voice; equality with men; inspiration for other women	women aren't aware of the possibility; women aren't able to perform board member functions; women feel threatened to vote against male members / their husbands	add practice of awareness raising and education on the topic to the standard; establish women's committee in PO to exchange experiences; voting by secret ballot in GAs