



2023

Annual Report



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## Foreword: From the Executive Director

2023 was a milestone year for us with an updated organization-wide strategy. This was crucial, considering how much the world and Preferred by Nature have evolved recently. Looking ahead to 2024, our focus is on translating this global strategy into actionable plans for commodities, regions, and divisions - turning our global strategy into local actions to deliver meaningful impacts.

Another highlight of the past year was our first on-product Preferred by Nature hummingbird seal – a proud moment! Tailor-made to comply with regulatory requirements like the EU Deforestation Regulation and a broad range of sustainability requirements, this scheme is a testament to our commitment to helping the business sector meet both regulatory requirements and ESG (Environmental, Social, and Governance) best practices.

We have seen significant developments in regulatory requirements, setting the stage for our future work. The EU Deforestation Regulation is just one among many upcoming initiatives, including new requirements in Europe, India, and China for companies to independently audit their environmental and social impacts. It is no longer a niche – it is a necessity. We are perfectly positioned to meet these challenges, thanks to our years of experience in this field.

This trend was evident in 2023, with several global companies and big brands seeking our advice and support to meet new legal requirements. Many of our recent project proposals have been focused on supporting the successful implementation of regulations from forests and farms through the supply chain to the final products. It will undoubtedly continue and scale up in 2024 as

implementation deadlines for these regulations approach.

This year we welcomed more than 60 new colleagues from 35 countries, enriching our vibrant hummingbird team and filling critical roles in allowing us to create long lasting impacts. As we closed the year, our team grew to an impressive 383 members across 54 countries – a remarkable expansion.

**Peter Feilberg**  
**Executive Director**





# Overview of our impacts and strategies

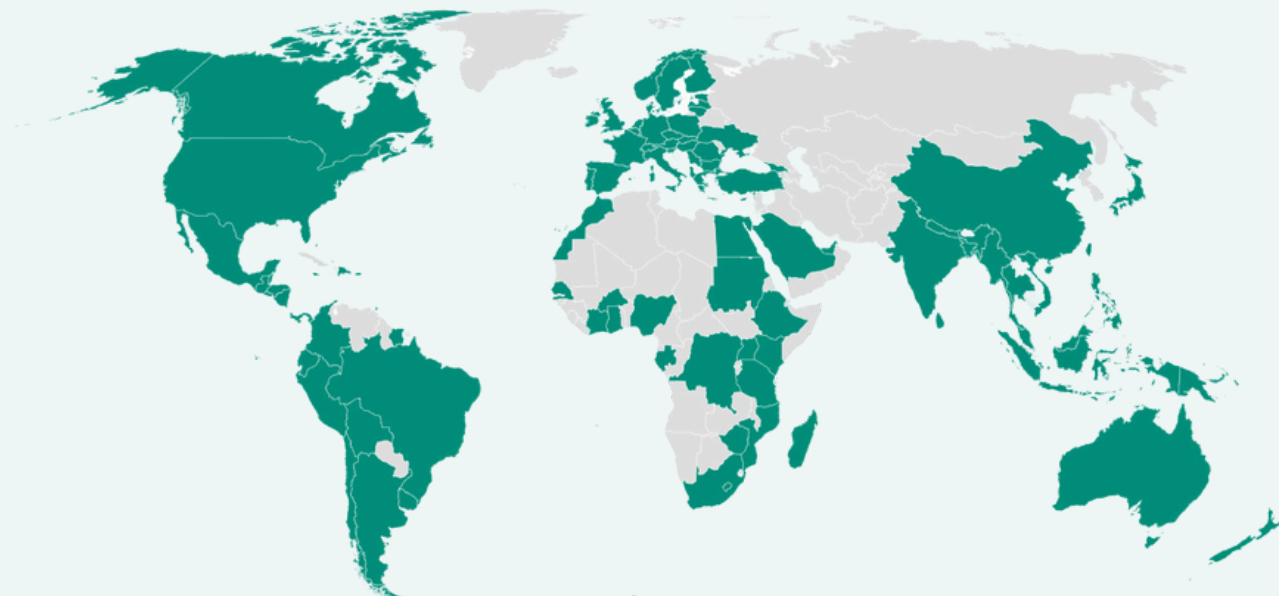


# Overview of our impacts and strategies

We are a non-profit organisation working to support better land management and business practices that benefit people, nature and climate in 100+ countries. For nearly 30 years, we have worked with smallholders, businesses, NGOs and governments on developing solutions to major global challenges such as deforestation, poverty and climate change.

Our staff work from more than 50 countries. We operate through our headquarter office in Copenhagen, Denmark, and a network of 26 additional local offices and legal entities.

## Country where we operate in 2023



We help forge businesses and people’s commitments for meaningful changes through our sustainability services and projects. Together we have assured that\*:



**~950,000**

**farmers, foresters, and related workers are assured that their well-being, human rights, and cultural heritage are respected.**



**32.5 million**

**hectares of land where nature and the environment are protected from degradation and conversion through the use of sustainability standards.**



**5,000+**

**companies and organisations manage their land and supply chains responsibly.**

\*Figures as of 31 December 2023. Impact statements are applicable only to those parcels of land and specific supply chains where we have evaluated sustainability performance. Latest impacts information is available on our website: [www.preferredbynature.org/our-impacts](http://www.preferredbynature.org/our-impacts)







## Our theory of change: driving sustainability by transforming markets

2023 gave us an opportunity to strengthen our organisational strategy. Reflecting on discussions and input received at our Staff Development Week in late 2022 – a rare opportunity for our global staff to gather together in person - we started 2023 by undertaking a process to develop a Theory of Change.

While the organisational strategy described what we wanted to do, a Theory of Change would allow us to better specify, evaluate and monitor how well our activities are allowing us to achieve our intended impacts (i.e., our mission).

After an extensive process involving consultations with key experts from across the organisation, our full staff, and the Board of Directors, we launched our new Theory of Change in October 2023. The model describes how we create impact: we believe responsible business practices are key to ensuring that nature and the environment are protected, human rights are respected, and climate impacts are reduced.

Our mission is at the centre of this approach to creating lasting impact by driving sustainability through transforming markets. We do this by:

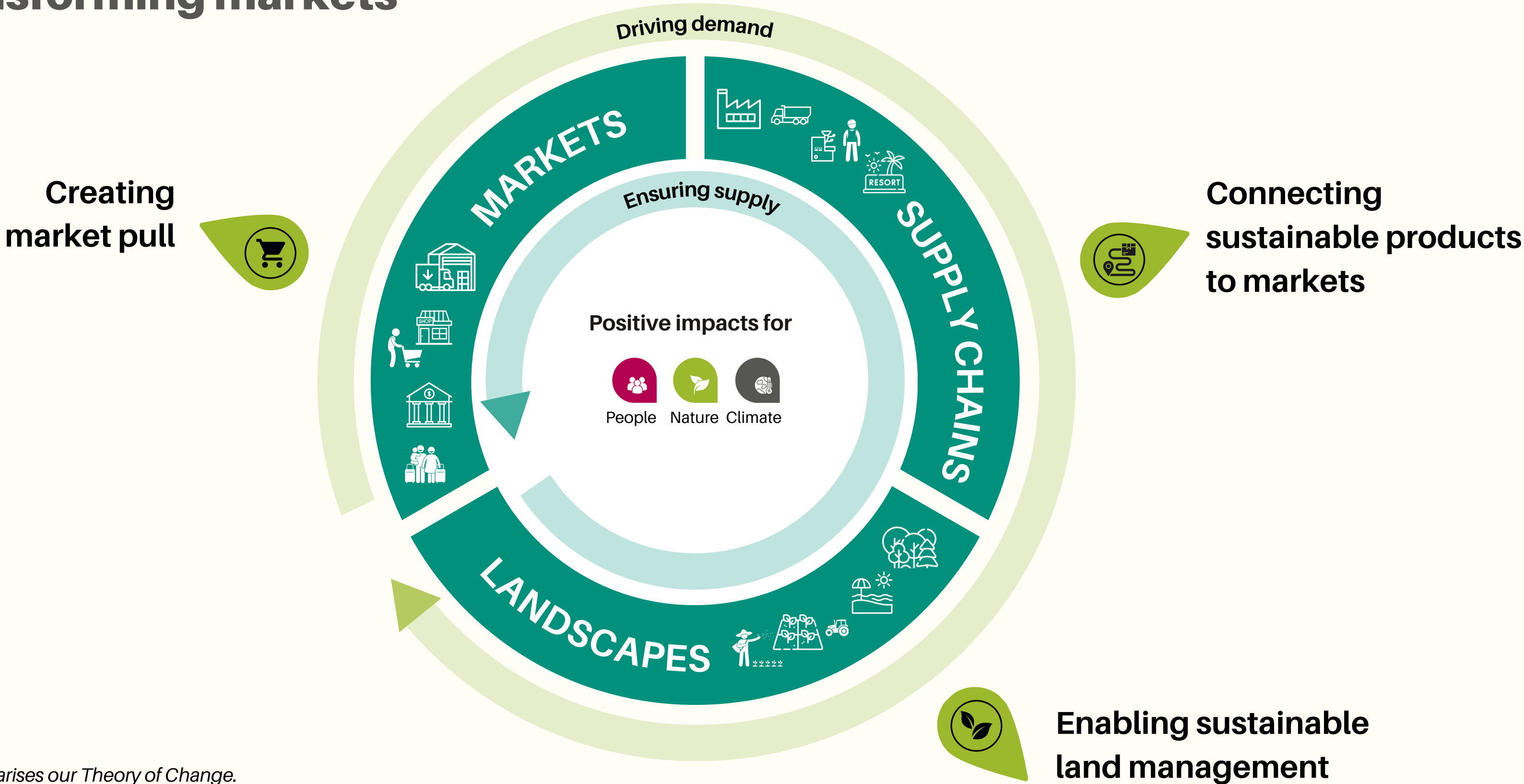
- raising the bar for what qualifies as being “sustainable”
- strengthening the market signals that shape demand for sustainable products, and
- enabling market actors to deliver on that demand.

With nearly 30 years’ experience, Preferred by Nature’s unique strength is our expertise in enabling and assuring sustainability in each step of the supply chain. From forests and farms to manufacturers and processors, as well as close to market brands and retailers, we ensure that consumers can remain confident in sustainability statements and labels. This allows us to drive demand for sustainable products, while simultaneously ensuring a credible supply chain that can deliver.

The full Theory of Change model and description can be downloaded from our [website](#).



# Driving sustainability by transforming markets




This figure summarises our Theory of Change.



New Year, New Strategy

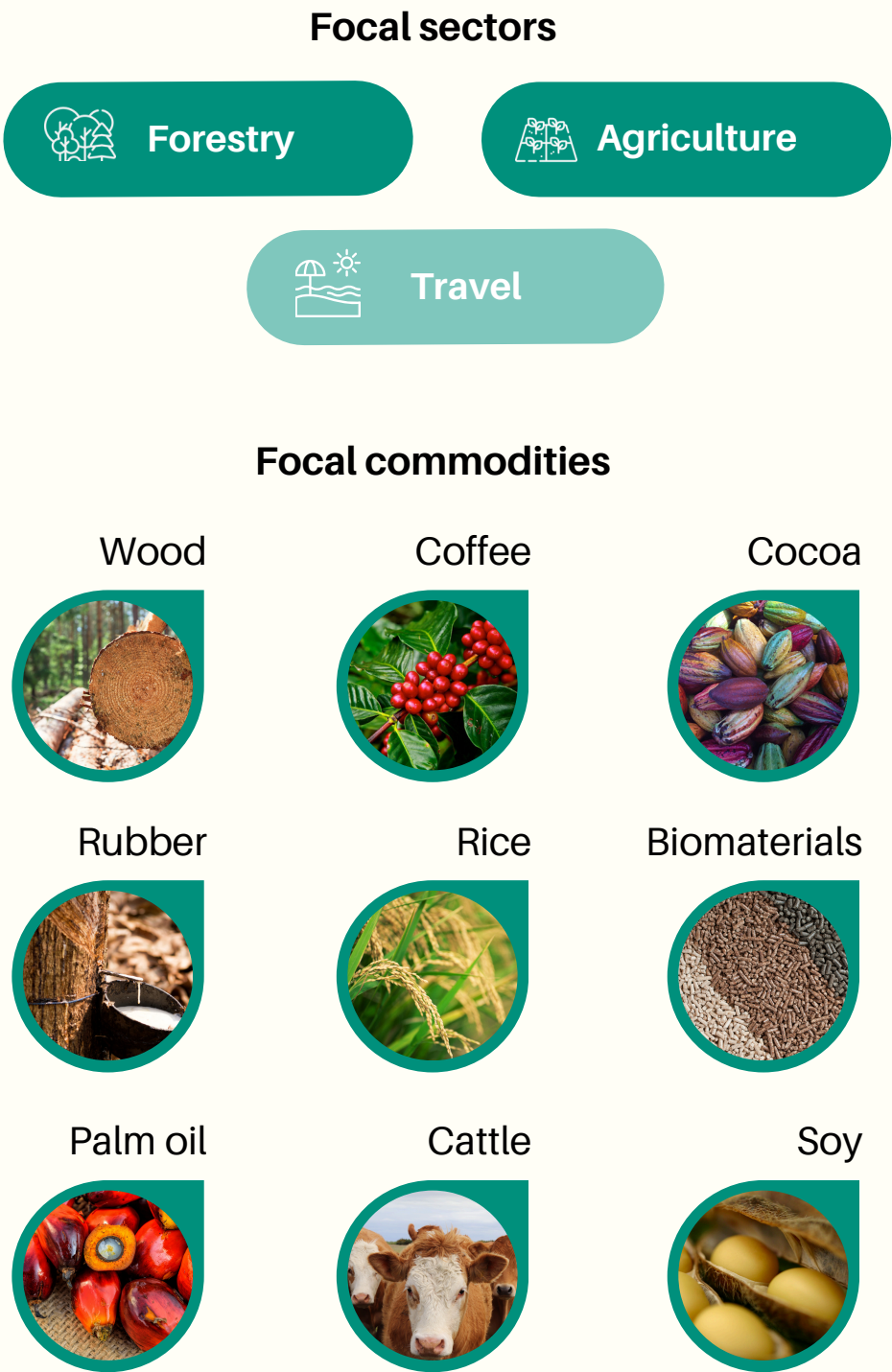
While developing the Theory of Change, it was discussed that the organisational strategy was at its midpoint - a good opportunity to undertake a mid-term review and possible revision, including consideration of how our strategy can help us to implement our Theory of Change.

Building on the previous version, our new strategy has been expanded and strengthened to include more and better flow of information that describes:

- **How we create impact: Theory of Change**
- **Where we focus our efforts**
- **Focus sectors and commodities**
  -  **Geographies**
  -  **Cross-cutting sustainability themes** that affect many of commodities we work with
  -  **What we do:** our primary activity areas, and how they are linked to our Theory of Change.
- **How we will do it:** updated strategic objectives that describe specific actions needed to further improve the impacts of our activities.

Our strategy is envisioned to have a timeframe of approximately three to five years, however it is also a living document with flexibility for adjustments as the world around us and our organisation change.

The strategy has been developed in consultation with our staff, managers and the Board of Directors, and may be periodically updated as needed considering the results of annual implementation reviews.



The full strategy can be downloaded from our [website](#).

Cross-cutting sustainability themes:  
Strengthening the impacts of our work  
across commodities

While certain topics related to sustainability have made great strides in recent years, there are others that deserve increased focus and attention. At Preferred by Nature, we are committed to working with a broad range of sustainability topics and will continue to do so. As part of our new organisational strategy, in consultation with staff, management, and Board of Directors, we have identified five focus themes where we will purposefully strengthen and expand our impacts.

We are already working with these topics at some level; however, a dedicated action plan will be developed for each theme, helping us to further move from intentions to actions that benefit people, nature, and climate.





## People

The flow of money to people has traditionally received less attention in sustainability efforts, although real long-term commitment to sustainability only becomes possible when the most basic needs of people are met. We have witnessed the same pattern in our own activities and are committed to bringing people and their well-being into the centre of our focus. The two focus themes are complementary and work together as our guide to further focus our work for the benefit of the people in coming years.

### Fair distribution of revenues to farmers and smallholders

We will seek and find ways to increase the fair distribution of revenues back to farmers, especially for commodities where poverty is prevalent among smallholders. This will address a critical precondition and help to secure the resources to make holistic sustainable land management possible.

### Quality of life for workers, communities, and smallholders

We will define and implement ways to increase the impact of our work on creating safe and rewarding workplaces while enhancing living income for workers, communities, and smallholders. This will empower people and equip them with means and energy to join the collective effort towards long term sustainability.



## Nature

We will help to **restore** biodiversity and ecosystem services in production landscapes and **conserve** existing natural ecosystems. As an organisation, we both embrace the opportunity to return to close-to-nature management of natural resources and recognise the urgent need to stop the destruction of the existing natural values. This is why we have chosen the two complementary themes on **biodiversity** and **restoration** to be our guiding compass to benefit nature.

### Enhancing biodiversity impacts

We will map and expand the positive impacts of our work on biodiversity conservation and enhancement. By adding the biodiversity filter to our decision making, we will ensure that our activities and services are delivered with a specific aim to bring about positive impacts on addressing the global biodiversity crisis.

### Restoring healthy ecosystems

We will further develop services and solutions that focus on restoration of healthy and resilient ecosystems in both natural and production landscapes. With focus on restoration, we will align with the global movement to respect planetary boundaries and focus on regenerative practices, including the principles of regenerative agriculture and regenerative soil management.



## Climate

There is a globally recognised urgent need to address the climate crisis. A failure to act on this will lead to loss of biodiversity and collapse of ecosystem functions. With climate change already being a reality, we also need to adapt and anticipate future risks. At Preferred by Nature, we see the need to bring climate related issues to an even more central place in our activities and services, with focus on emission **reductions**, greenhouse gas **sequestration** and climate **adaptation**.

### Enhancing positive climate impacts

We will ensure that climate aspects are considered and elevated in our activities and services to strengthen our role in helping to address the global climate crisis, including climate change mitigation and adaptation.





**Preferred by Nature  
Certification**



## Preferred by Nature Certification

### About Preferred by Nature Certification

Formerly known as the Sustainability Framework Programme, the Preferred by Nature Certification Programme (PbNC) is a comprehensive programme that utilises the Preferred by Nature Sustainability Framework standard (presented in previous periodic reports) to assist companies in implementing sustainable practices.

The PbN Certification Programme was created to close gaps in existing schemes and offer a **flexible and comprehensive solution** to companies looking to implement and **align sustainability practices** in their **agricultural and forestry** commodity supply chains.

Traditional sustainability certification schemes, such as FSC and Rainforest Alliance, were created to address specific topics or issues within focused sectors. However, PbNC is **applicable to various commodities across different sectors**, making it suitable for a wide array of players in the supply chain. PbNC can be used at both farm/forest level, as

well as downstream in the supply chain using a due diligence approach.

The programme is outcome-focused, meaning it has limited procedural requirements. This makes it more **inclusive to smallholders** that struggle with heavy procedural requirements of other certification systems. Furthermore, the certification process applies a **risk-based approach**, in which the evaluation will focus only on areas where it has been determined there is a risk of nonconformance. This means organisations can focus their effort where it is most likely to have an impact, and not expend resources in assessing aspects where there are not likely to be significant sustainability risks.

Through the PbNC programme, we aim to create impact by addressing a market need for a unified and all-encompassing standard that addresses key sustainability concerns across a range of commodities and geographies. It provides a **holistic approach to sustainability**, ensuring that social, environmental, and economic aspects **including climate** are considered. PbNC is an inclusive and versatile programme that aligns with evolving sustainability requirements.







Preferred by Nature Certification can be used in several ways:

- As a sustainability certification for **forest or farm land management** and related **supply chains**, including **crops not already covered** by other sector-specific certification schemes.
- By companies downstream in the supply chain (such as secondary processors and retailers) using a **due diligence approach**. This enables sourcing from low-risk areas without requiring field evaluations.
- As an add-on to other certification systems (such as FSC, RA, etc.) as a means to show **compliance with additional sustainability aspects** not included in their standards, as well as to show **compliance with carbon footprint management** related requirements.
- To demonstrate **compliance with regulatory requirements**, such as the EU Deforestation Regulation.

Preferred by Nature Certification



An all-in-one standard flexible and adaptable



The Seal and claims that communicate sustainability and carbon compensation efforts



Aligned with the EU Deforestation Regulation



Be part of the Preferred by Nature Community



Advancing sustainable practices



## New Achievements This Year

With the introduction of the EU Deforestation Regulation (EUDR) in mid-2023, PbNC has been developed and aligned with its requirements. This means that companies can use PbNC certification as an effective tool to demonstrate conformance with the new regulation.

In addition this year, many related standards and normative documents – such as a chain of custody standard, requirements for use of the PbN Seal on certified products, etc. – were finalised, therefore allowing us to introduce PbNC fully as a certification programme, rather than just a guiding standard primarily for due diligence based approaches.

The success of our programme and its impacts is measured by its actual uptake by organisations. In 2023 we began to certify several companies for a variety of products, including bananas from Philippines, tea from Sri Lanka, and guitars from the legendary U.S. producer C.F. Martin & Co.

*"Preferred by Nature and Martin Guitar share the same vision: 'To pass on the Earth to coming generations in a good shape, we must urgently invent and adopt more sustainable ways of living, sourcing and trading.'"*

- Cindy McAllister, CF Martin & Co. Director of Intellectual Property, Community, and Government Relations



Photos courtesy of Martin Guitar







# Certification services



# Certification services

Our ambition with certification services is to be the partner of choice globally for any organisation that seeks independent and credible feedback on their sustainability performance. 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 processes.

The outcome of our audits helps organisations to know where improvement is needed as well as gain market recognition for their sustainability efforts. These figures provide quantitative information regarding certificates managed by Preferred by Nature as of 31st December 2023.

- Note:
- More than 770 new certificates issued
  - 2% total net increase in certificates compared with 2022

Certification System	Total certificates as of 31/12/2022	Total certificates as of 31/12/2023	% growth 2023	New certificates issued in 2023
Preferred by Nature Certification	1	6	500%	5
Preferred by Nature Ecosystem Restoration	11	11	0%	0
Forest Stewardship Council (FSC)	3335	3353	1%	400
PEFC	305	380	25%	90
Sustainable Forestry Initiative (SFI)	24	32	33%	4
Preferred by Nature LegalSource	45	39	-13%	1
Mexican Standard for Certification of Sustainable Management of Forests (NMX)	4	4	0%	0
SmartLogger	4	4	0%	0
Danish Biomass Legislation Verification (DBLV)	32	32	0%	0
RBP Biomass		24		6
Sustainable Biomass Programme (SBP)	106	116	9%	25
SURE		5		5
Bonsucro (sugarcane)	1	2	100%	1
CAFE Practices (Starbucks)		6		
Rainforest Alliance (RA)	886	810	-9%	182
Sustainable Rice Platform (SRP)	9	9	0%	6
RSPO (palm oil)	28	34	21%	11
GlobalGAP	2	0	-100%	0
Union for Ethical Biotrade (UEBT)		29		29
Carbon Neutral Group - Carbon Footprint Management	21	25	19%	6
Preferred by Nature - Carbon Footprint Management	16	21	31%	5
Preferred by Nature Sustainable Travel	66	66	0%	2
Generic chain of custody	8	8	0%	0
Grand Total	4896	5016	2%	778



Forestry Sector Certification

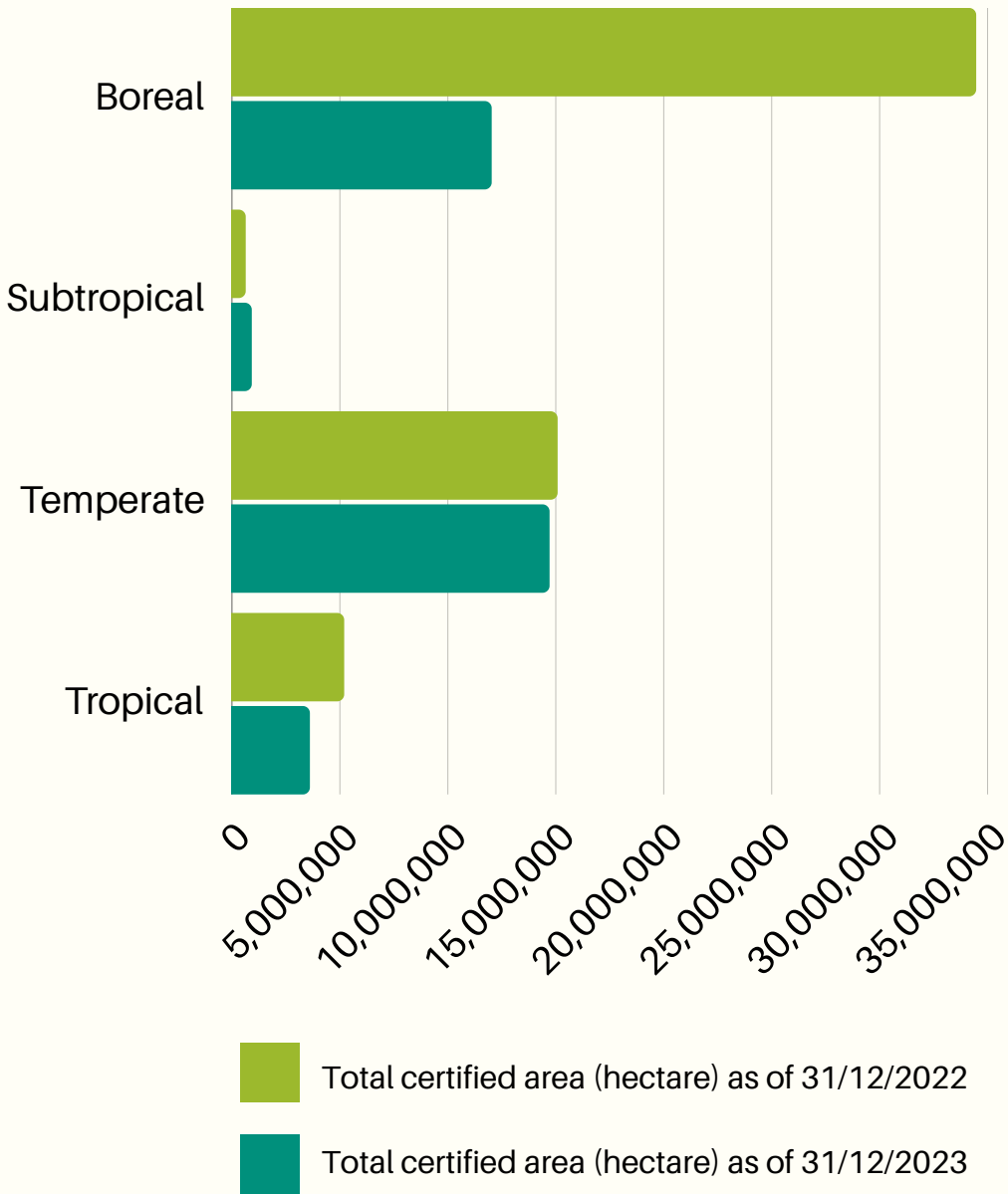
Our sustainable forestry management certification service offerings were expanded with the addition of a new accreditation under the Sustainable Forestry Initiative (SFI) programme, primarily operating in North America.

In 2023, FSC ultimately terminated all activities in Russia. The loss of certification in Russia, and Belarus the previous year, equates to a loss of more than 52M hectares of certified (boreal) forest area, and nearly 600 certificates, since early 2022. However, the net growth in FSC certification continues in the rest of the world, specifically in Asia and Europe. Certification activities resumed in Ukraine, with the exception of some high-risk areas related to the ongoing war.

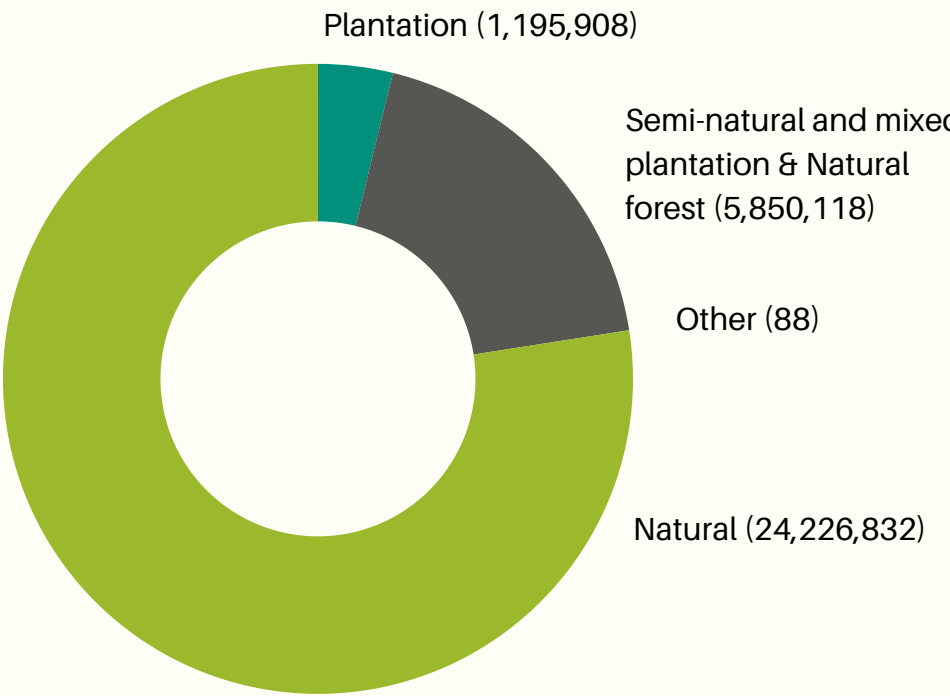
There was increased demand for PEFC (Programme for the Endorsement of Forest Certification) Chain of Custody certification than previously.

Internally during 2023, we continued to focus on increasing efficiency by reviewing our internal procedures and guidance documents, making them more streamlined with accreditation requirements for the various certification systems we work with.

Certified forest areas by forest zone



Certified forest area (hectare) by forest type



- Note:**
- More than 1.88M hectares of forest area certified by Preferred by Nature are managed by communities or indigenous people’s groups.
  - Total certified forest area includes more than 9.4M hectares of conservation areas.

*Due to the war in Ukraine, all FSC forestry certificates in Russia were terminated. The certificates had previously been converted to forest management only without a chain of custody certification in 2022 – meaning the forests could still be verified according to the FSC forest management standard; however, no harvested timber was allowed to be sold as “FSC certified” using FSC trademarks.*



Agriculture Sector Certification

In 2023, we managed 1,068 agriculture certificates in 75 countries. We certified a total agricultural area of 1,584,332 hectares, with the majority meeting the requirements of the Rainforest Alliance Sustainable Agriculture Standard.

More than 600,000 farms benefited from sustainability certification provided by us. Most are smallholders managing 2.5 ha or less (on average).

Leaders for 6 key commodities were appointed to work in a more strategic way to expand our services and projects, increasing our sustainability impacts related to these commodities that are closely linked to environmental, social and climate issues.

More than 150 agriculture auditors worldwide were trained in a 40-hour course focused specifically on how to better audit and verify sustainability issues related to social aspects, making us a global leader in this area amongst sustainability certification bodies.

Our Global GAP accreditation was expanded to Global GAP v6 SMART, so we can deliver the service under this version in 2024 and beyond.

Farm Certifications	Total no. farms as of 31/21/2022	Total no. farms as of 31/21/2023
Rainforest Alliance	697,780	630,492
Sustainable Rice Platform	2,115	3,506
UEBT		2,701
Total	699,895	636,699







Top 24 countries by certified farm area

	Country	Total certified agriculture area (hectare)	Total number of farms
1	Côte d'Ivoire	776,891	158,512
2	Kenya	267,548	346,573
3	Ghana	164,609	47,772
4	Nigeria	76,406	30,447
5	Costa Rica	58,877	2,744
6	Uganda	40,377	11,397
7	Dominican Republic	39,068	4,605
8	Ethiopia	30,376	10,785
9	Peru	28,049	823
10	Sri Lanka	22,312	2,825
11	Indonesia	19,756	9,376
12	Philippines	8,547	54
13	Viet Nam	6,755	4,419
14	Zimbabwe	6,702	4
15	Tanzania	5,280	6
16	Ecuador	5,130	43
17	Panama	5,096	21
18	Türkiye	4,514	41
19	United States	4,219	390
20	Guatemala	3,143	749
21	Nicaragua	2,879	13
22	India	2,726	3,221
23	Burkina Faso	1,000	1,255
24	El Salvador	866	11

Note:

- With the exception of the United States, the top 24 countries where Preferred by Nature has certified farms to sustainable agriculture standards, in terms of total certified area (hectares), are developing countries . This means that we are delivering impacts in the agriculture sector in countries where it is most needed.



## Climate Sector

While the previously mentioned certification activities support more climate friendly management of natural resources, we also deliver services specifically related to certification of carbon footprint management as an important part of our climate impacts strategy.

In 2023, the portfolio of clients for Preferred by Nature's Carbon Footprint Management certification service increased, as well as continuing to offer services under the Climate Neutral Group system.

During 2023 we also continued the accreditation process to become a carbon validation body for globally leading carbon project standards. By end of 2023 we had completed all main activities and get the accreditation in Q1 of 2024.

## Sustainable Travel

One of our focuses for this year was on updating our travel standards to align with our comprehensive Sustainability Framework. By integrating the Framework principles into our standard, we aim to provide a robust foundation for tourism companies to operate in a manner that is respectful of local cultures, supportive of economic development, environmentally conscious, and socially responsible as well as climate friendly. This pivotal update process was then followed by a public stakeholder consultation and the submission of the standard for the recognition by the Global Sustainable Tourism Council (GSTC).

Moreover, we organised four training courses for tourism companies. Such training was designed to equip stakeholders with the latest criteria within our standard, ensuring they are well-prepared to meet the evolving demands of sustainable travel.





An aerial photograph of a dense tropical forest, likely a palm forest, with a narrow dirt road winding through the center. The trees are lush green, and the road is a reddish-brown color. The image is partially obscured by a light blue rectangular overlay on the right side.

# Tailored services



## Tailored services

### Sustainability Advisory for Non-profit and Commercial Partners across Industries

Preferred by Nature provides a range of sustainability services to non-profit and commercial partners through our Tailored Services Division, with a focus on responsible sourcing of agriculture and forestry raw materials.

We help organisations approach the responsible sourcing process in three stages: Commit, Act, and Communicate. We help them to initiate - or meet them where they already are - in their sustainability journey and help them to go further. Using risk-based approaches, we help organisations to understand where their most significant sustainability risks are, and how to focus their efforts in those areas that will ultimately create the biggest impacts for people, nature and climate.

Our tailored services span the whole supply chain of agriculture and forestry based raw materials, from production to consumption. We grow relationships with every actor in between, including smallholders, producers, processors, traders, brands and retailers.

Through such collaboration, we help them meet the requirements of due diligence regulations such as the EU Deforestation Regulation, and providing the assurance their stakeholders' demand for sustainable sourcing.

We work with a range of organisations - both commercial and non-profit - within their own operations and in their supply chain. Our services help them not only to avoid and mitigate legal, environmental, and social risks but also to identify areas with potential positive impacts through targeted actions including nature-based solutions.

Some of the key actors we worked with in 2023 to create lasting sustainability impacts include:

- Retailers
- Major consumer brands
- Finance
- Agricultural/Forestry commodity producers and traders
- Industry processors (e.g., cosmetics, automotive, packaging, textiles)
- Carbon/climate sector
- Energy producers
- Biomass producers
- Voluntary certification schemes
- Technology providers
- Industry/Stakeholder associations and alliances
- Environmental and social NGOs







## Some specific examples of the type of services delivered and impacts achieved in 2023

**Yamaha:** We supported Yamaha in the development of a due diligence system and tools tailored to their timber sourcing practices. This assignment concluded in August 2023 with our local staff delivering training sessions in Japanese for the Yamaha timber procurement team. In late 2023, our collaboration entered a second phase, where we supported the company in evaluating their supply chains in Indonesia and China, while providing advisory services to enhance responsible timber sourcing practices.

**BMW:** We provided BMW with an assessment of the implications of the EU Deforestation Regulation across their activities and supply chains. The collaboration included reviewing current policies and procedures, conducting interviews across the organisation, and providing guidance on traceability and remote sensing tools.

**WWF:** We provided WWF UK with an analysis of certification standards and industry initiatives for high impact forest commodities. We developed the

methodology, criteria and grading for the analysis, as well as provided recommendations to strengthen standards.

**SIPH and Socfin Group - Ivory Coast:** For SIPH (Société Internationale de Plantations d'Hévéas) and the SOCFIN Group, we developed an EU Deforestation Regulation-aligned traceability framework for rubber producers, to be used in their rubber mills that receive material from smallholder plantations. The impact of this work will be further multiplied beyond SIFCA, as the framework has been tested in the field and is freely available and accessible [in our online library](#). Read more on this case [here](#).





# Strategic Projects





## Strategic Projects

For nearly 30 years, Preferred by Nature has implemented more than 150 projects in more than 50 different countries, funded by donors such as EU, USAID, DFID (UKAID), DANIDA, CISU and many others. Via our projects, Preferred by Nature is seeking to create a positive change for people, nature and the climate, by finding practical and innovative solutions for businesses and local communities.

Due to the growth of our work in this area, in 2023 we launched our dedicated Strategic Projects division, focused exclusively on donor-funded initiatives to respond to growing calls from donors for sustainable development efforts. Under the new division, we have merged our Project Development and Project Implementation teams, uniting them with a common vision dedicated to promoting sustainable landscapes and fostering positive impacts for smallholder farmers and marginalised communities. Future interventions will be guided with this vision and will shape our themes and geographic focus areas.

Drawing on our global network of experts, our projects seek to complement our work in certification and tailored services by engaging directly with local stakeholders. Preferred by Nature's projects may be roughly divided into two different categories:

- **Supply Chain Integrity Projects** – which seek to produce training, tools and data to help companies achieve a positive impact via their supply chains.
- **Landscape-level Impact Projects** – which engage directly with smallholders, other land managers and decision makers to find innovative, locally adopted solutions to promote sustainable land use and improve livelihoods for local communities.

Following our strategic methodology, our primary goal this year was to concentrate on a select number of high-priority landscapes and sectors. This involved strategic planning for long-term interventions in collaboration with local civil society organisations, aiming to drive positive change. Noteworthy among our endeavours in 2023 is the expansion of rice and cocoa initiatives in Indonesia, alongside cocoa initiatives in Ghana, as part of our civil society projects.



## Concluded projects in 2023

We concluded five successful projects in 2023 that contributed to the advancement of sustainable forestry and agriculture practices, data sharing initiatives, awareness-raising campaigns and organisational strengthening efforts.

**Our CISU project**, Strengthening foundations for improving livelihoods of rice farmers in Central Java, Indonesia, drew to a close in May. The project introduced climate-resilient rice cultivation practices to 344 smallholder farmers and local extension officers, fostering sustainable agriculture to bolster rice farmers' livelihoods.

In June, **the three-year LIFE Legal Wood project** concluded after a series of campaigns and training sessions aimed at raising awareness and understanding of the EU Timber Regulation (EUTR) among companies and authorities. The project led to a measurable increase in EUTR enforcement and contributed to the reduction of illegal logging and the improvement of sustainable forest management globally.

**The World Forest ID project**, which concluded in September, established a wood sample reference database to trace the origin of wood harvested in

Eastern Europe and curb violations of export and EU import regulations. The project gathered a total of 4,630 samples from 11 different wood species in 12 countries.

In collaboration with the Food and Agriculture Organisation (FAO), **the innovative Geolocation collection and communication protocol project** culminated in the development of a standardised geolocation data sharing protocol. The Geospatial Data Sharing (GDS) Protocol outlines essential requirements for sharing geolocation data, aiming to enhance product traceability and adherence to regulatory standards.

From August to December, we co-created **the CISU Capacity development of a farmer and food sovereignty advocacy CSO network in Indonesia** project with our partner, Koalisi Rakyat untuk Keadaulatan Pangan (KRKP), to strengthen our continuous partnership collaboration. The project enabled knowledge-sharing on project development processes and financial management of funds, as well as organisational strengthening and team building.







## New projects launched in 2023

We also launched three new initiatives this year to address deforestation, promote sustainable forest management and enhance the livelihoods of cocoa farmers:

### Supply Chain Integrity Projects

#### Sustainable Management Models and Value Chains for Small Forests (SMURF)

- *Funder: EU Horizon Programme*
- *Location: EU*

The SMURF project addresses the impacts of escalating environmental threats to forests such as natural disaster, pollution and land-use changes. The project will provide training, digital tools, support structures and guidelines for policymakers to establish standardised policies and a harmonised European Payment for Ecosystem Services (PES) system. SMURF considers sociocultural and geodemographic factors often overlooked, providing comprehensive sustainability solutions for the entire forest-based value chain.

#### EMMA4EU

- *Funder: EU Erasmus*
- *Location: EU*

EMMA4EU aims to support deforestation-free and

circular economy initiatives and policies by creating a new profession: the Deforestation-Free Supply Chains (DFSC) Manager. DFSC managers will have the skills to support the transition to more sustainable deforestation-free supply chains of forest risk commodities. The project will connect higher education and vocational training organisations, businesses, public organisations and NGOs to develop these training solutions.

### Landscape Level Projects

#### Advocacy and capacity building for climate adaptation among smallholder cocoa farmers

- *Funder: CISU Climate Change Adaptation Modality (Denmark)*
- *Location: Indonesia*

The project aims to improve the livelihoods and resilience of cocoa farmers in South Sumatra, Indonesia by promoting climate-smart agroforestry practices that integrate cocoa with other crops and trees. It will also engage a wide range of stakeholders to facilitate the adoption and scaling of agroforestry practices, and to advocate for supportive policies and incentives that will ultimately reduce farmers' vulnerability to climate change that threatens their livelihoods.



### Ongoing projects

#### Supply Chain Integrity Projects

##### Traceability Systems for FOLUR Commodities

- *Funder: FAO*
- *Location: Global*

The FOLUR project (Food Systems, Land Use and Restoration) aims to promote sustainable agricultural practices by identifying best practices, and developing tools and guidance on licensing and traceability in agricultural commodities.

##### Harmonitor

- *Funder: EU Horizon Programme*
- *Location: Europe*

The Harmonitor project aims to improve the effectiveness of certification schemes and labels (CSLs) in different sectors of the EU Bioeconomy. The project aims to establish a review platform that encourages the harmonisation and continuous improvement of CSLs, provide transparent data on bio-based value chains, review and compare CSL performance requirements and governance systems, develop and apply a monitoring system on the effectiveness and robustness of CSLs, and improve the understanding of the opportunities and limitations of using CSLs in co-regulation.

#### Landscape level impacts

##### Low Carbon Rice

- *Funder: EU SWITCH-Asia Programme*
- *Location: East and Central Java, Indonesia*

The project aims to reduce the negative impact of rice production on the environment and climate in Indonesia. Key activities include facilitation of policy dialogues to create enabling conditions and supporting policies for sustainable rice production, developing a more inclusive sustainable rice sector governance model through multi-stakeholder facilitation, enhancing market access opportunities for sustainable rice through private sector engagement and expanding access to finance opportunities for rice producers through technical assistance and new business models.

##### Wassa Amenfi Cocoa Landscape Initiative

- *Funder: Danida Green Business Partnerships (Denmark)*
- *Location: Ghana (Western South)*

In this project, Preferred by Nature has teamed up with Ferrero, the world's second biggest chocolate producer and confectionery company, and NGOs Solidaridad and Rikolto, to promote sustainable production of cocoa in Ghana.

The objective of the project is to design and deliver a system to incentivise transformation from deforestation-related cocoa monoculture to agroforestry systems in Western South Ghana. The project also intends to build a multistakeholder platform in Western South Ghana to harmonise requirements from buyers and the Government of Ghana (COCOBOD) in terms of ensuring and demonstrating deforestation-free status of cocoa.

##### Sentinel database support tool for sustainability certification of rice fields (SentiRice)

- *Funder: European Space Agency*
- *Location: Viet Nam*

Rice production is a major source of greenhouse gas emissions, particularly methane. Alternate wetting and drying (AWD) is a newly developed rice cultivation technique that can significantly reduce methane emissions and water use without sacrificing crop yields. The SentiRice project aims to develop an Earth observation data-based tool for auditors to perform sustainability certification of rice fields and verify compliance with AWD practice. This tool will leverage Sentinel satellite data to automatically identify AWD usage in rice fields, reducing the need for manual audits and promoting sustainable rice cultivation practices.



### **Sustainable Forest Management (SFM)**

- *Funder: USAID*
- *Location: Viet Nam (North and Central)*

The SFM project aims to improve forest management practices in Viet Nam to increase carbon sequestration, better the livelihoods of acacia farmers, and promote economic development. Preferred by Nature is leading the effort to improve acacia plantation management, in order to increase quality and yield through longer rotations and better silviculture techniques - ultimately leading to higher carbon sequestration and eligibility for certification programmes. The project seeks to partner with wood processors and biomass companies, increase awareness and training amongst plantation owners, support producer organisations, and leverage partnerships to promote improved plantation forest management.

### **Landscape Enterprise Network (LENs)**

- *Funder: Nestlé*
- *Location: Italy, Hungary, Poland*

The purpose of this project is to influence the quality and performance of landscapes by procuring nature-based solutions from a consortium of land managers and farmers. The project will work with funders to identify and define environmental outcomes in the project regions, negotiate measures to achieve

environmental outcomes, consolidate proposals for funders' consideration, and provide technical advice and administrative support.

### **Soy GhG**

- *Funder: Nestrade S.A.*
- *Location: Serbia*

This pilot project aims to address sustainability challenges faced by soy producers in Northern Serbia. Preferred by Nature will design an outcome-based approach to facilitate the transition of farms towards sustainability, based on regenerative agriculture, reduced carbon footprint, and responsible sourcing practices. The proposed methodology will provide a customised strategy that integrates capacity development, assurance, impact monitoring and data management to improve sustainability performance and transparently demonstrate impact.

### **Eco2Adapt**

- *Funder: EU Horizon Programme*
- *Location: Europe*

Under the Eco2Adapt project, Preferred by Nature is partnering with a consortium of 30 other organisations to develop an ecosystem-based adaptation (EbA) framework for forest management that uses biodiversity and ecosystem services to

reduce vulnerability and build social-ecological resilience to climate change. The project will help shape, protect and maintain the resilience of tomorrow's forests. Preferred by Nature will lead the development of tools for the certification of socio-ecological resilient forests, based on our vast experiences in forest certification.



## **LIFE Legal Wood: Ensuring strong implementation of illegal logging regulations**

Following four years of dedicated efforts, the LIFE Legal Wood project concluded with a series of notable accomplishments, creating significant impacts in the fight against illegal logging and strengthening the EU Timber Regulation (EUTR) in key European nations – Italy, France, Belgium, Germany, Spain, and the Netherlands.

A core achievement is the substantial progress in enhancing EUTR knowledge among timber industry companies, elevating comprehension from 31% to 51%.

In addition, competent authorities charged with enforcing the regulation reported a 60% improvement in their proficiency regarding the information and tools available to help enable effective EUTR enforcement. The project's outreach to these target audiences exceeded expectations, with over 3,000+ participants in the training sessions and more than 13,000 views for the recorded webinars.

A standout accomplishment is the successful implementation of the Sourcing Hub, a database

housing essential risk-related data relating to timber and agricultural commodities. The database offers specific guidance on how to mitigate identified legality-related risks. Throughout this project, both companies and competent authorities have expressed a firm commitment to continue utilising the Sourcing Hub as a valuable resource in their future endeavours, with 95% indicating their intent to do so.







# Training and Learning



## Training and Learning

In 2023, we delivered twenty-one expert courses in-person, hybrid and online format in Europe, Latin-America, China, Asia, US and Canada for a total of 212 people, representing companies, NGOs, university students, as well as Preferred by Nature staff.

Following the successful launching of our new Social Auditor Training in the previous year, we trained additional 165 participants (primarily our own staff and contract auditors) on how to more effectively audit sustainability aspects related to certain social topics. This exciting training programme will also be open for external participants in March 2024.

This year we also launched a new training program on Ecosystem Restoration. With increased focus on the importance of and investments in ecosystem restoration initiatives – including the UN Decade on Ecosystem Restoration and The Convention on Biological Diversity- the course aims to help ensure that restoration efforts are well designed, implemented, and monitored. Attendees learn about what is at stake, gain knowledge about restoration approaches, and get specific tools for supporting the global effort of restoring the world's ecosystems. The

course covers Preferred by Nature's Ecosystem Restoration Standard, including concepts related to ecosystem services, as well key elements of assessments of carbon project initiatives based on international case studies from different ecosystems. The course is offered globally in areas particularly relevant for restoration, including on-site at an ongoing restoration project in the rainforest of the Maliau Basin in Sabah, Malaysia.

In 2023, Preferred by Nature also conducted many seminars and webinars both live and online related to the EU Deforestation Regulation. In 2024, we will continue our focus on helping companies to understand and align with the requirements of the EUDR through launching a custom-made training programme including stand-alone modular online trainings as well as in-person courses.

In addition to our external training offering, we aim to continually educate our own staff on sustainability to promote and enhance their professional work, as well as have a future-facing impact on their lives. Our staff took full advantage of our own expertise attending the in-house trainings related to climate services, such as carbon footprint management standards, reduction requirements and market initiatives, as well as carbon projects.







# Market Development



## Market Development

### Stakeholder Networks

In 2023 we significantly expanded our global influence by joining and/or maintaining our membership with key international organisations committed to sustainable practices across various industries. These include biomass, rubber, timber, textiles, palm oil, rice, and more, reflecting our strategic goal to drive responsible and ethical approaches in these sectors.

#### Preferred by Nature is the member of:

- Roundtable for Sustainable Biomaterials (RSB)
- Global Platform for Sustainable Natural Rubber (GPSNR)
- International Tropical Timber Technical Association (ATIBT)
- Textile Exchange
- Roundtable on Sustainable Palm Oil (RSPO)
- Sustainable Rice Platform (SRP)
- High Conservation Value (HCV) Network
- Global Sustainable Tourism Council (GSTC)
- Society for Ecological Restoration (SER)
- FSC International
- Globalt Fokus (Denmark)

- Civilsamfund i Udvikling (CISU)
- Ethical Trade Denmark
- African Fine Coffees Association (AFCA)
- Sustainable Wine Roundtable (SWR)
- Taskforce on Nature-related Financial Disclosures (TNFD)
- Science Based Targets initiative (SBTi)
- Sustainable Agriculture Network (SAN)
- IDH Sustainable Trade Initiative







### Stakeholder Events

With COVID-19 related restrictions finally lifted in most areas of the world, Preferred by Nature actively organised nearly 20 events and participated in over 40 key international events throughout the year.

In 2023, we organised a series of online and in-person meetings and webinars, addressing crucial sustainability topics. These included in-depth discussions on the EU Deforestation Regulation, ecosystem restoration initiatives, Preferred by Nature Certification, and responsible sourcing practices for commodities. These events attracted approximately 2000 participants from diverse sectors and industries, representing both producing countries and sourcing countries. Notably, we took a pioneering role in raising awareness about the EU Deforestation Regulation in many countries, earning warm appreciation from local stakeholders for being among the first to disseminate such crucial information and enhance collaboration on this important new regulation.

We also actively engaged in international events covering diverse topics such as forest conservation (One Forest Summit), sustainable palm oil practices (RSPO conferences), responsible sourcing and legal compliance in the timber industry (Global Legal &

Sustainable Timber Forum), and sustainability initiatives in various commodities (World Coffee Conference, International Rice Congress). Our team also participated in events focused on specific challenges, including discussions on deforestation in the soy industry (Argentina) and promoting land-use-friendly supply chains (WWF webinar). Preferred by Nature’s broad involvement highlighted our commitment to addressing multifaceted issues and promoting sustainability across global supply chains.



~20 events  
we organised



Joined 40  
key international  
events



~2000  
participants

### Expanding Global Presence

Furthermore, in 2023, we reinforced our global presence by expanding our network of representatives in some regions, including the UK, Baltics, Southeast Asia, East Asia, North America, and Latin America. This strategic expansion aims to enhance our networking capabilities and strengthen partnerships with stakeholders across diverse industries in these regions.





# Our People & Talent



## Our People & Talent

In 2023, we further developed our Human Resource function, renamed to People and Talent, to emphasise our people focus and dedication to the development of our staff. As part of this initiative, we have also expanded the team to support people related matters, ensure better talent acquisition, as well as provide day-to-day people support and stronger advisory to our managers.

As part of the process to revise the Preferred by Nature Organisational Strategy to meet our mission and Theory of Change, we also emphasised our people related ambitions through three new and/or strategic objectives: career development, flourishing staff and great leadership.

We launched LinkedIn Learning to support staff in developing a range of skills related to our core expertise. Alongside the use of LinkedIn Learning, we have begun creating more tailored learning opportunities around project management, leadership development, diversity awareness and a range of well-being topics.

We initiated a thorough review of the benefits we offer our staff across the world to ensure fairness and

equitable benefits. This effort will result in new and updated benefits from early 2024.

To increase the quality of our leadership at all levels, we engaged with people across the organisation to identify what type of leadership we need to reach our goals and ensure that we create the conditions for people to flourish, learn and grow. Engaging with more than 50% of staff in these initiatives gave us valuable insights that have helped us shape a Preferred by Nature Leadership Framework. This framework will be instrumental in the increased focus on leadership development we are planning for 2024.

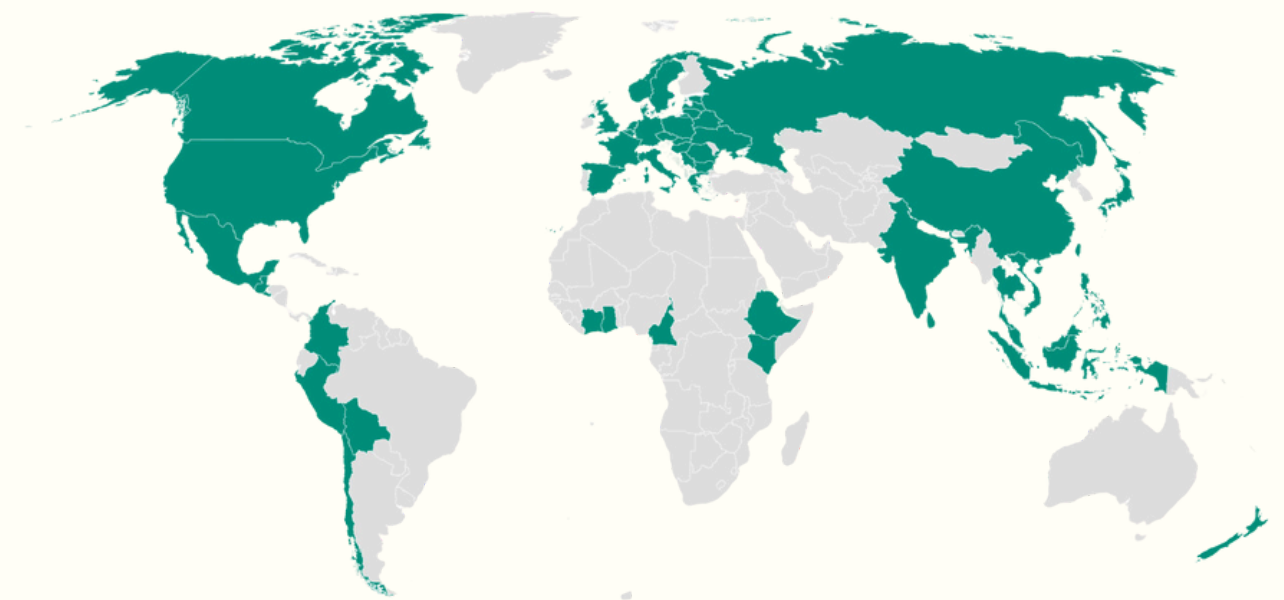
With more women employed than men, we are trailing behind on a similar balance in management positions. However, we try to take a proactive approach to this imbalance as we recruit new staff and promote existing ones.

In 2023 we also launched our Junior Talent Programme focusing on a dedicated approach to working with interns, junior researchers and trainees. We have taken clear position on working with interns ensuring that they all get paid and receive dedicated support.

One of biggest focus areas is the onboarding of new staff. We are streamlining our onboarding effort improving on the general employee experience as well as more efficient integration of new staff into our ways of working. This effort will continue into 2024 following a thorough analysis of current onboarding processes.

In 2023, our team grew to include a number of new colleagues, bringing diverse perspectives from around the globe.

### Countries where we have staff based in 2023







# Finance

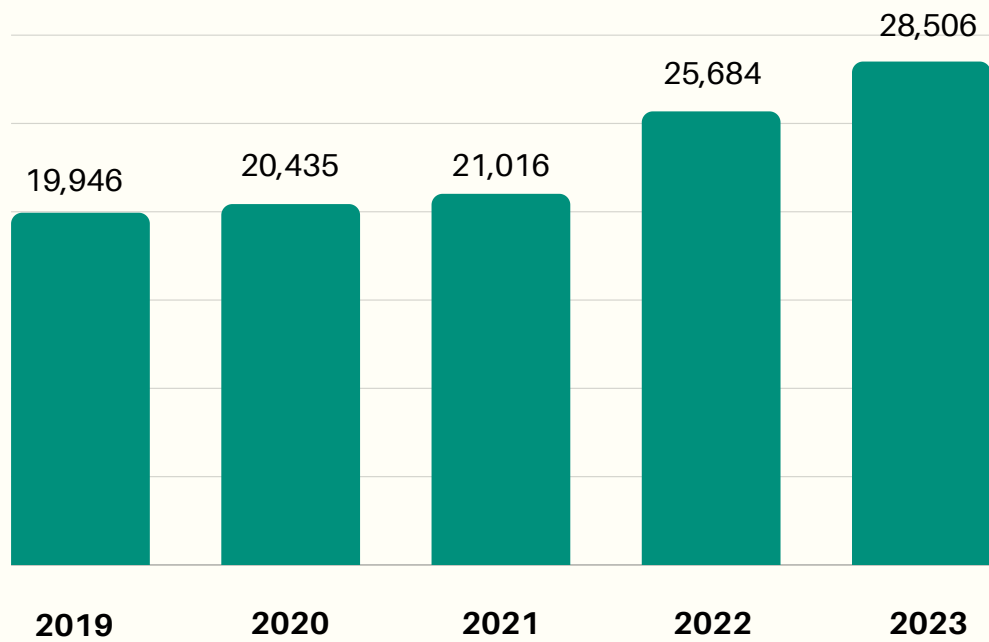


Financial Highlights

In 2023, actual revenue increased by 11% compared to 2022, yet it fell short of our budget by 4%. Despite this, we observed growth by expanding our existing services across all regions and developing new programmes. However, we did not achieve our full revenue target as planned, resulting in a net loss for the year of 845,433 EUR.

The primary factors affecting the net result were revenues falling below budget while costs remained unchanged, and financial expenses rising more than predicted due to exchange rate fluctuations and higher bank interest rates. Management is closely monitoring the situation and taking proactive measures to improve situation in 2024.

Revenue (EUR'000)



The top country contributors to the Group’s revenue in 2023 were Denmark, the United States, Canada, and Mexico, which together accounted for 67% of the Group’s total consolidated revenue.

We continue to see improvements in finance operations and management. Monthly and quarterly monitoring has been intensified. Debt collection and accounts receivable reminder processes have been systematically implemented in all countries, effectively reducing the accounts receivable balance, notably for invoices overdue by more than six months. An increasing number of legal entities

are fully utlising FinancialForce (group accounting system), significantly improving finance management across the organisation. Integrating FinancialForce with the banking system will help us save time, minimise errors, and gain better insights into our financial position.

	2019	2020	2021	2022	2023
Revenue	19,946	20,435	21,016	25,684	28,506
Profit/loss for the year	-183	583	1,159	-79	-845
Balance sheet total	10,832	10,771	10,645	11,696	14,377
Equity	2,536	2,980	4,142	4,065	3,046
Equity ratio (%)	23.41%	27.67%	38.91%	34.76%	21.19%

(EUR'000)



Revenue source	2022 <i>audited</i>	2023 <i>audited</i>
Certification services	14,069,178	14,743,108
Advisory services	2,528,936	3,809,584
Reimbursable, accreditation, programme fee, other pass- through service fees, and other revenue	7,215,895	8,646,866
Projects	1,807,439	1,056,569
Training	62,646	249,561
Other operating income	235,015	246,792
<b>Total</b>	<b>25,919,109</b>	<b>28,752,480</b>

(EUR)

Funds from our equity have been allocated for offsetting of Preferred by Nature's own carbon emissions. We have committed to supporting the restoration of 100 hectares of degraded secondary forest within the Silam Coast Conservation Area in Sabah, Malaysia. We will offset all carbon emissions generated since 2018 through carbon reductions created by this project.







# Governance and leadership



Board of Directors

Our Board guides and oversees our operations and is involved in strategic planning and decision-making. It includes experts on business administration, organisational development, financial and legal matters as well as conservation, certification and community engagement.



NICOLAI ANDREAS  
CLAUSEN

**Chair**  
Attorney-at-law and  
partner, Lou  
Advokatfirma



IDA THEILADE

**Vice Chair**  
Professor in Ethnobotany  
and Tropical Forest  
Governance, University of  
Copenhagen



TASSO AZEVEDO

**Board Member**  
MapBiomass, Princeton  
University, SEEG/  
Observatorio do Clima



CATUR UTAMI DEWI

**Board Member**  
Global Rice Programme  
Coordinator, Rikolto



SAÚL BLANCO SOSA  
*(staff elected)*

**Board Member**  
Sustainable Travel  
Programme Director,  
Preferred by Nature



ANEEKA MALIK  
*(staff elected)*

**Board Member**  
Senior Manager,  
Agriculture Supply  
Chains, EU, Preferred  
by Nature



LEIF CHRISTENSEN

**Board Member**  
Assistant Professor –  
Department of Accounting,  
Copenhagen Business  
School



AMPARO ASWIN

**Board Member**  
Vice President Supply  
Chain and  
Procurement, Greater  
Asia



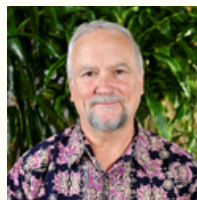
MAIPRAE LOYEN

**Board Member**  
Managing Director at  
AGRIAC

Senior Management



PETER FEILBERG  
**Executive Director**



JONATHAN JICKLING  
**Senior Director of  
Assurance**



JUSTINAS JANULAITIS  
**Senior Director of  
Forestry**



HANDO HAIN  
**Director of Strategy  
and Innovation**



JAKOB NORDBORG RYDING  
**Director of Project  
Division**



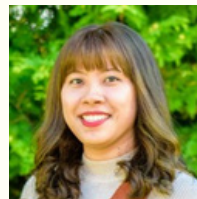
JACOB STERLING  
**Senior Director of  
Tailored Services**



SANDRA RAZANAMANDRANTO  
**Director of Market  
and Development**



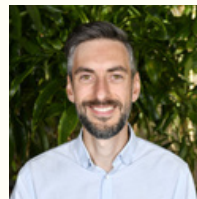
JANIS POCS  
**Director of Operations  
Support**



NGAN NGUYEN THUY  
**Director of Finance**



MADS BAB  
**Head of People &  
Talent**



TIGRAN MARTIROSYAN  
**Senior Quality  
Manager**





## 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.

[www.preferredbynature.org](http://www.preferredbynature.org)

