RESPONSIBLE BUSINESS CONDUCT QUARTERLY

OCTOBER–DECEMBER 2022
The European Central Bank issued a statement in November requiring Eurozone banks to introduce measures to reduce climate change impacts through banking and lending operations by the end of 2024. The statement came in response to a recent ECB thematic review finding that most banks in the Eurozone were not adequately dealing with climate and environmental risks. The thematic review assessed how banks identify and manage climate and environmental impacts, including biodiversity loss, through methods such as corporate risk strategies, corporate governance and risk management processes. The review revealed that while 85 percent of banks have introduced at least basic practices on risk identification and mitigation, many efforts lack meaningful scientific methodologies and information on how they tackle climate and environmental risks. The study underscores that many Eurozone banks significantly underestimate the magnitude of climate risks, noting that nearly 96 percent of all banks in the Eurozone have significant blind spots in identifying and managing risks.

2 November 2022: bankingsupervision.europa.eu

In a bid to curb carbon emissions through procurement and sourcing, the US Government announced in November that it is introducing new measures to reduce greenhouse gas emissions through the Federal Government’s supply chains. The announcement was made by President Biden in the context of introducing an Executive Order on Climate-Related Financial Risk and an Executive Order on Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability. Announcements have also been made for furthering these efforts by introducing a Federal Supplier Climate Risks and Resilience Rule requiring US Federal contractors to publicly disclose their efforts to identify, measure and reduce greenhouse gas emissions and climate-related financial risks according to science-based emissions reduction targets.

10 November 2022: whitehouse.gov
HEADLINES

EUROPEAN PARLIAMENT ADOPTS NEW REPORTING RULES FOR MULTINATIONAL ENTERPRISES REGARDING SOCIAL AND ENVIRONMENTAL IMPACTS IN BUSINESS AND GLOBAL VALUE CHAINS

From 2024, the former EU Directive on non-financial information reporting will be replaced with the Corporate Sustainability Reporting Directive (CSRD) aimed to introduce greater transparency and accountability through disclosure of information on social and environmental impacts in business and supply chains. In November, the European Parliament adopted the Corporate Sustainability Reporting Directive (CSRD) with 525 votes in favour, 60 votes against and 28 abstentions. The new CSRD aims to improve the content of sustainability reporting, enhance its usefulness for development and curb the proliferation of corporate greenwashing through reporting.

10 November 2022: europarl.europa.eu

EUROPEAN PARLIAMENT ADOPTS WOMEN ON BOARDS DIRECTIVE

In November, the European Parliament adopted an EU Directive requiring gender quotas to be met on company boards. Known as the “Women on Boards” Directive, once approved, the legislation will require large companies in the European Union to ensure that at least 40 percent of non-executive director posts, or 33 percent of all director posts in publicly listed firms, are occupied by women. Under the Directive, women are to receive preferential status in recruitment process, notably if they are equally qualified as male candidates. This legislation comes amid increasing data on gender disparity in the workplace. In 2021, only 30.6 percent of board members in the largest publicly listed firms found in the European Union were women, while in 2022, less than 1 in 10 of the largest listed companies in the 27 Member States of the European Union have a woman chair or CEO.

22 November 2022: ec.europa.eu
AGREEMENT REACHED ON EU REGULATION TO TACKLE GLOBAL DEFORESTATION THROUGH DUE DILIGENCE AND RESPONSIBLE SOURCING IN KEY AGRICULTURAL COMMODITY SUPPLY CHAINS

On 6 December, the European Parliament and the Council agreed to an EU Regulation on deforestation free supply chains. Once adopted and applied, the new law will ensure that a set of key goods placed on the EU internal market will not contribute to deforestation and forest degradation in the European Union or elsewhere in the world. Once it enters into force, the legislation will require companies in the European Union to introduce strict due diligence for products processed, imported and sold on the EU internal market, with a focus on palm oil, cattle, soy, coffee, cocoa, timber and rubber, including derived products (e.g. beef, furniture, chocolate). The next steps will include formal adoption by the Council and European Parliament, with the law likely entering into force in 2024, following an 18 month transition phase. FAO’s work on Responsible Business Conduct (RBC), deforestation and agricultural supply chains, along with its Business Handbook on Deforestation and Due Diligence in Agricultural Supply Chains, will help companies in the agricultural sector address deforestation in sourcing, while meeting the needs of compliance under the regulation.

6 December 2022: ec.europa.eu

SPOTLIGHT ON FAO’S RESPONSIBLE GLOBAL VALUE CHAINS PROGRAMME

On 26 October, FAO in collaboration with the Global Bioenergy Partnership (GBEP) launched a global dialogue on responsible sourcing, due diligence and biofuel supply chains. The webinar introduced the challenges and opportunities for risk-based due diligence to improve the sustainability of the biofuel sector in light of increasing demand, including Sustainable Aviation Fuels (SAF). The webinar included a panel discussion exploring the need to drive better development outcomes while sustainably managing increasing production for biofuel feedstock within planetary boundaries. The dialogue featured speakers from the US Department of Energy, the International Energy Agency (IEA), KLM Royal Dutch Airlines, International Renewable Energy Agency (IRENA), World Resources Institute (WRI), Eni, among others. More information can be found here.
SPOTLIGHT ON FAO’S RESPONSIBLE GLOBAL VALUE CHAINS PROGRAMME

POLISH GOVERNMENT LAUNCHES THE POLISH VERSION OF THE OECD-FAO GUIDANCE FOR RESPONSIBLE AGRICULTURAL SUPPLY CHAINS

On 22 November, FAO joined the Polish Ministry of Development Funds and Regional Policy and the Polish National Contact Point (NCP) on the OECD Guidelines to launch the Polish translation of the OECD-FAO Guidance for Responsible Agricultural Supply Chains. The event brought together Polish agrifood enterprises, civil society organizations and other stakeholders to discuss the increasing landscape of sustainability criteria linked to global supply chains, and how the OECD-FAO Guidance can support compliance while reducing adverse development impacts in global trade and sourcing. Details concerning the launch event, along with the Polish version of the OECD-FAO Guidance, can be found at the website of the Ministry of Development Funds and Regional Policy.

FAO RELEASES GUIDELINES TO INCREASE THE RESILIENCE OF AGRICULTURAL SUPPLY CHAINS

The COVID-19 pandemic revealed that greater efforts are needed to enhance the resilience of food and agricultural supply chains and limit the effects of shocks that can impact on production and trade in the agricultural sector. With the support of the Government of Japan, FAO launched a project on resilience to assess the impact of the COVID-19 pandemic and other shocks including natural disasters on agricultural supply chains. The work culminated in a set of case studies and guidelines released in November 2022, designed for policymakers and stakeholders to enhance resilience in agricultural supply chains. The guidelines build on the 2021 edition of the FAO flagship report The State of Food and Agriculture, which introduced the need for strengthening agrifood systems and supply chains to protect them from externalities including various shocks and stresses.
SPOTLIGHT ON FAO’S RESPONSIBLE GLOBAL VALUE CHAINS PROGRAMME

On 12 October 2022, the WBF held the first meeting of its new Subgroup on Climate Change Adaptation, Mitigation and Biodiversity Conservation. The subgroup supports WBF members in developing solutions for climate change mitigation and adaptation in global banana value chains. The subgroup will also function as a knowledge and learning platform for members to learn about climate-smart technologies, multi-stakeholder cooperation on adaptation and mitigation, among other practical measures, such as the reduction of plastics and increase of recycling efforts in banana industry operations.

Following its 22nd Meeting of the Steering Committee in June 2022, the WBF approved the creation of regional commissions to address the priority needs of the banana stakeholders in different global regions. Building on the success of the first regional commission for Latin America established in July, a second regional commission for Africa was subsequently created and held its first webinar in October. The objectives of the inception webinar was to lay the groundwork for dialogue on shared responsibility in production and trade in the banana supply chain, particularly in light of increasing legislation on environmental and social due diligence. For more information on the discussions and information presented, refer to the reports here.
EVENTS AND WEBINARS

FAO CO-LEADS COP27 EVENT ON CARBON NEUTRAL AND RESILIENT AGRIFOOD SYSTEMS

On 11 November 2022, FAO, in partnership with the World Food Programme (WFP), the United Nations Framework Convention on Climate Change and Tetra Pak, organized a side event on carbon neutrality and resilience in agrifood supply chains. The side event brought together leading panellists to discuss agrifood sourcing and shocks in local and global agrifood supply chains. Discussants introduced methods for making agrifood systems more resilient to increasing climate impacts and how technology and innovation can be leveraged in agricultural supply chains to support the reduction of carbon emissions from production, packaging to transportation. The event also introduced FAO’s Global Agrifood Climate Initiative (GACI), the first global multi-stakeholder platform that aims to facilitate collaboration on the reduction of greenhouse gas emissions in global agricultural supply chains. The event can be viewed online, with further information available on the pavilion website found here.

FAO JOINS FOOD AND LAND USE COALITION AT COP27 EVENT ON AGRICULTURAL SUPPLY CHAINS AND RESPONSIBLE BUSINESS IN FOOD AND LAND USE SYSTEMS

On 17 November, FAO joined the Food and Land Use Coalition to discuss agricultural supply chains, business and responsible sourcing in the context of trade and development. The event introduced the concept of value chains transformation, drawing from cases examples and discussing various approaches to help achieve a sustainable transition of the food and land use system. In addition to FAO, panel participants included academia, the private sector and other distinguished speakers. The side event can be streamlined here.

RESILIENCE IN TROPICAL FRUIT VALUE CHAINS

Addressing climate impacts in the avocado and pineapple value chains, FAO’s Responsible Tropical Fruits project organized a webinar for sector actors to discuss challenges and solutions to enhance resilience in face of increasing shocks affecting sustainability and trade. The webinar introduced practical methods to embed resilience into business operations, including for instance through due diligence practices. The webinar was held on 6 October and its report can be found here.
EVENTS AND WEBINARS

**FAO’S WORLD BANANA FORUM JOINS FRUIT ATTRACTION TRADE FAIR IN MADRID**

The World Banana Forum (WBF) participated in the Fruit Attraction Trade Fair, held in Madrid from 4 to 6 October. The event was organized by banana producers and exporters and focused on a variety of topics concerning sustainability, trade and development in the banana sector. The WBF supported the event in a high-level panel discussing the main challenges faced by the banana industry, ranging from rising global supply chain costs to the role of different actors in addressing sustainability. A summary of the event can be found [here](#).

**CLIMATE ADAPTATION WORKING GROUP FOR TROPICAL FRUITS**

Established within the context of the FAO project on Responsible Tropical Fruits, a Working Group on Climate Change Adaptation was established to support the development of a technical guide on climate change adaptation. A meeting was held on 11 November to validate a set of climate risk factors identified from literature and incorporate risks identified by participants. A summary of the meeting is available [here](#).

**FAO SUPPORTS COP27 SIDE EVENT FEEDING THE WORLD WHILE PRESERVING FORESTS – ACHIEVING AGRICULTURAL SUPPLY CHAINS DECOUPLED FROM DEFORESTATION**

On 11 November 2022, FAO, together with CDP, the OECD and the Tropical Forest Alliance, organized a side event to introduce and discuss the changing needs of commodity trade, development and responsible sourcing in the context of deforestation and agricultural supply chains. The event highlighted how different actors can cooperate for reinforced and ambitious collective action, putting existing and forthcoming tools and resources into practice, and understanding what factors/elements are needed to implement such actions at scale. The forthcoming OECD-FAO Business Handbook on Deforestation, Due Diligence and Agricultural Supply Chains was also introduced as a resource for companies to identify, mitigate and prevent deforestation risks in business and agrifood sourcing. More information can be found [here](#).
International Finance Corporation (IFC) expands GMAP commodity coverage

IFC’s Global Map of Environmental & Social Risks in Agro-Commodity Production (GMAP), an online tool based on a methodology aligned with the supply chain requirements of the IFC Performance Standards on Environmental and Social Sustainability, has expanded its commodity and country coverage. In 2022, GMAP was updated to reflect sustainability indicators for over 25 agricultural commodities that span across 15 countries.

FAO webpage on global agricultural supply chains, deforestation and responsible sourcing

As part of its portfolio on responsible global value chains and Responsible Business Conduct (RBC) in agriculture, FAO’s Markets and Trade Division (EST) launched a webpage on global agricultural supply chains, deforestation and responsible sourcing. The webpage introduces the OECD-FAO Business Handbook on Deforestation, Due Diligence and Agricultural Supply Chains, a project and guidance for companies that will be released in 2023. Likewise, the webpage will serve as a resource for updates and information for companies, governments, civil society organizations and other stakeholders on initiatives to curb deforestation through business engagement in global agricultural supply chains.
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