Food and Agriculture Organization of the United Nations

Technical guide

BUILDING RESPONSIBLE GLOBAL VALUE CHAINS FOR SUSTAINABLE TROPICAL FRUITS

Gap analysis to support due diligence in the avocado and pineapple sectors

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The Food and Agriculture Organization (FAO) project "Building responsible global value chains for the sustainable production and trade of tropical fruits" (the Responsible Fruit Project) helps companies, plantations, producer and farmer associations, processors, packers, exporters and importers, and trade organizations in the avocado and pineapple sectors (henceforth referred to collectively as companies) become more sustainable and resilient to shocks. This guide is a product of the Responsible Fruit Project.

The guide was developed by Eric Jesper Karlsson with the support of Marlo Rankin, Michael Riggs, Giuseppe Bonavita and Valentina Perez Mardones. Overall guidance was provided by Pascal Liu. Other team members who contributed to the guide include Debora Piscitelli, Erica Carvell, Maria Hernandez Lagana, Juan Mata and Tomislav Ivančić. Jonathan Hallo, Luisa Lafleur, Ettore Vecchione and Araceli Cardenas provided editorial support and created the graphic design.

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The guide is based on the OECD-FAO Guidance for Responsible Agricultural Supply Chains (OECD-FAO Guidance) and was informed by the OECD's Alignment Assessments, the ITC Standards Map as well as many voluntary sustainability standards used in the tropical fruit sector.

1. Introduction

1.1. Why should your company do a gap analysis?

The tropical fruits sector has grown rapidly in recent decades. As production and exports have ramped up, the sector has provided increasing job and income opportunities and has generated substantial export revenue for producing countries. Tropical fruits are also part of a healthy diet for millions of people. However, the sector can also contribute to negative impacts on the environment and on peoples' livelihoods and wellbeing. The sector is also highly exposed to external shocks such as climate change effects, increased input and transport prices and economic downturns. Moreover, new or proposed regulations are requiring businesses to address and account for sustainability risks including but not limited to greenhouse gas emissions and human rights violations.

To ensure the continued economic success of the tropical fruit sector, companies must increase their capacity to identify and address sustainability risks, including risks of negative social, economic, environmental, health or governance impacts of operations along their value chains. Many companies are trying to contribute to sustainability, address sustainability risks of their operations and become more resilient to external shocks. However, many companies need support to strengthen their capacity to manage risks, notably along the value chain.

FAO and the OECD recommend that companies carry out risk-based due diligence along the full value chain to identify and address risks of adverse impacts to people, societies and the planet. Due diligence is the process through which companies can identify, assess, mitigate, prevent, and report on how they address the negative impacts of their activities and those of their suppliers and business partners (OECD-FAO, 2016; OECD, 2011; OECD, 2018a). All companies face different risks, and the measures to address a particular risk should correspond to the severity and likelihood of negative impacts arising from that risk. Due diligence helps companies to meet export market expectations and regulations, improve their reputation and reduce costs related to litigation, conflicts and damaged reputations. Risk management also helps them become more resilient to external shocks.

Discussions with companies and responses from the Responsible Fruits Project baseline survey indicate that most surveyed companies are aware of their sustainability risks and have taken steps to avoid the negative impacts from their own operations. In addition, all of them strive to comply with different voluntary sustainability standards. However, few of the surveyed companies have comprehensive due diligence systems in place to address risks in the entire value chain.

International standards and recently proposed or passed national and regional regulations specify that companies are responsible for carrying out their own due diligence. They cannot outsource this responsibility to third parties. However, certification schemes and industry initiatives, and their associated sustainability standards, can be useful to design and implement companies' own due diligence systems. To assess how useful sustainability standards might be for due diligence, they can be compared with international expectations. The OECD-FAO Guidance for Responsible Agricultural Supply Chains is the global due diligence framework for the agricultural sector. It refers to internationally endorsed standards, principles and guidelines to help companies observe and undertake risk-based due diligence (OECD-FAO, 2016).

This gap analysis guide helps companies carry out an initial, desk-based gap analysis between the voluntary standards and internal policies they use, and some of the main recommendations of the OECD-FAO Guidance.

1.2. Who is this guide for?

This guide is useful to companies in tropical fruit value chains that currently lack a comprehensive sustainability risk management system and have a limited capacity to carry out due diligence. This may include producers, packers, processors, traders, exporters, importers, retailers and other companies involved in these value chains.

The guide can help companies prioritize areas for improvement in dealing with sustainability risks covered by the OECD-FAO Guidance. Improving sustainability risk management processes and systems can also make companies more resilient to shocks beyond their direct control, such as negative climate change effects, price volatility, and plant pests and diseases.

Companies that already have advanced due diligence processes in place can also use the guide as one of many tools to help them improve and prioritize their management of sustainability risks.

The guide is also useful to producer and trade organizations that support their members in managing sustainability risks.

1.3. What is the goal of the guide?

The goal of the gap analysis guide is to *explain how avocado and pineapple companies can carry out gap analyses to strengthen their due diligence processes and thereby their sustainability and resilience.*

The objectives to achieve this goal are:

1. Explaining the concept of risk-based due diligence and why it is relevant for avocado and pineapple companies.
2. Identifying areas of convergence and divergence between the content and implementation of voluntary certification standards and RBC standards commonly used in the avocado and pineapple sectors and international expectations on due diligence.
3. Describing how industry actors can conduct a gap analysis to inform and strengthen their own due diligence processes to align more fully with the OECD-FAO Guidance.

1.4. What can be found in the guide?

The gap analysis guide consists of two parts, namely this manual and a separate gap analysis tool intended to be used by companies.

The manual

Section 2 of this manual discusses the benefits of managing sustainability risks; introduces the concept of risk-based due diligence; and describes the opportunities and limitations of using voluntary sustainability standards for managing sustainability risks. Section 3 provides instructions on how to use the gap analysis tool. Section 4 gives recommendations on how the results of a gap analysis can be used to strengthen due diligence.

The manual also includes four annexes. Annex 1 lists definitions of common technical terms. Annex 2 gives examples of gaps and areas of convergence between the content of common voluntary standards and the recommendations of the OECD-FAO Guidance. This annex also provides examples of why it is beneficial for companies to address specific thematic areas and risks. Annex 3 gives examples of how a selection of companies manage sustainability risks in practice.

The gap analysis tool

The gap analysis tool helps companies identify important gaps and areas of convergence between the standards and policies they use and the recommendations of the OECD-FAO Guidance for sustainable agricultural supply chains including its model enterprise policy and five-step framework for due diligence.

The tool includes an instruction section, a survey section and a results section. When a company has filled in the survey, the results give an overview of the strengths and limitations of its sustainability risk-management process and help it to prioritize areas for improvement.

The gap analysis tool is spreadsheet-based and does not require an internet connection to use. It can be downloaded here; or by sending an email request for the file to: Responsible-Fruits@fao.org.

2. Due diligence in the context of Responsible Business Conduct and sustainable development

2.1. Why should companies increase their capacity to manage sustainability risks?

To secure long-term economic success and increase their contribution to a sustainable future, avocado and pineapple companies need to improve their capacity to manage sustainability risks. This requires financial and administrative resources and may seem intimidating for companies struggling with more immediate concerns. At the same time, a focus on sustainability risks can help build long-term value, and resilience to external shocks. Effectively avoiding or mitigating negative impacts can help improve relationships with consumers, workers, communities and financial institutions, and build a good reputation. In anticipation of stricter regulations on environmental and social due diligence, comprehensive risk management can also ensure continued access to high-value markets. It can help reduce the use of costly inputs and energy, minimize post-harvest losses, and preserve the natural resource base upon which production of these healthy fruits depends. Mitigating and preventing risks also helps companies avoid costs related to disputes and litigation.

Agriculture, including the tropical fruit sector, has great potential to contribute to sustainable development objectives including climate change adaptation and mitigation, preservation of biodiversity, food security and nutrition, and creation of jobs. However, the sector has also contributed to environmental degradation ranging from deforestation, biodiversity loss and water pollution to climate change. Environmental degradation can in turn have detrimental effects on the quantity and stability of yields and the quality of produce. Socioeconomic and health risks including poor labour conditions and human rights violations are also prominent in agriculture and can in turn contribute to lower labour productivity as well as conflicts and damaged reputations for businesses. The severity and incidence of external shocks, such as wars, pandemics, plant diseases and extreme weather patterns may also increase in the future.

Society is increasingly expecting businesses to contribute to the health and wellbeing of people and the planet. New and proposed laws require companies to address and account for how they deal with negative social, environmental and human rights impacts of their activities and those of their supply chain. An increased awareness of sustainability issues has also led to higher demands from consumers, civil society, investors, financial institutions and others.

2.2. What is risk-based due diligence in the context of Responsible Business Conduct?

Responsible business conduct (RBC) includes compliance with laws, even where these are poorly enforced. RBC also involves responding to societal expectations communicated through, for example, consumers, civil society organizations, trade unions, intergovernmental organizations or business associations. As such, RBC may go beyond current legal requirements thereby helping businesses to anticipate stricter, future legal requirements. International voluntary standards such as the OECD-FAO Guidance were developed to help businesses fulfil the criteria for RBC (OECD, 2011; OECD, 2018a).

In the context of RBC, due diligence is the process through which companies can identify, assess, mitigate, prevent and account for how they deal with the negative impacts of their activities and those of their suppliers and business partners. It helps companies to prevent, eliminate and remediate negative impacts that they cause or to which they contribute.

Box 1. Due diligence in the context of Responsible Business Conduct

What is it?	A **process**
Who is responsible?	that **companies** should conduct to
What must be done?	**identify, prevent, or mitigate and remediate, and report** on how
What is the focus?	actual and potential **negative impacts** are addressed
Where is it applied?	in their **own operations, supply chains and other business relationships.**

Source: OECD. 2018a. OECD Due Diligence Guidance for Responsible Business Conduct (RBC). Paris, OECD. https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm.

Due diligence is based on general principles that recur in different internationally endorsed guidance standards. For example, due diligence aims to help companies avoid negative impacts before they happen, be they from the activities of a company or those of its suppliers and business partners along the entire value chain. Due diligence prioritizes risks based on continuous risk assessments carried out by the company itself. Measures designed to respond to the identified risks should correspond to their severity and likelihood. When the likelihood and severity of a negative impact is high, due diligence should be more extensive and should adapt to the nature of the negative impact. This involves understanding how negative results impact different groups, for example by including a gender perspective to due diligence (OECD-FAO, 2016; OECD, 2018a).

Every company is also exposed to different risks depending on its specific characteristics, such as its size, the context of its operations, its business model, its products and its position in value chains. Depending on where it operates and which markets it supplies, it is exposed to different external risks beyond the direct control of the company. Companies should be particularly mindful of so called "red-flag risks" or risks that are particularly likely to result in negative impacts unless they are managed appropriately.

Examples of red-flag risks include:

- Locations that are affected by conflicts, environmental degradation or weak governance, ecologically sensitive locations, and locations where people face food insecurity or water shortages.
- Products that are known to have negative environmental, social or human rights impacts in specific circumstances.
- Business partners that are known for not observing responsible business conduct standards.

See the OECD-FAO Guidance (OECD-FAO, 2016) for more details about red-flag risks.

Moreover, there can be differences in the duties and capacities of companies to carry out due diligence. Small producers may not have the resources to address all types of risks and they may have limited control over the businesses that procure their products. Large companies may generate larger impacts on people and the planet and may therefore need more comprehensive systems to deal with sustainability risks.

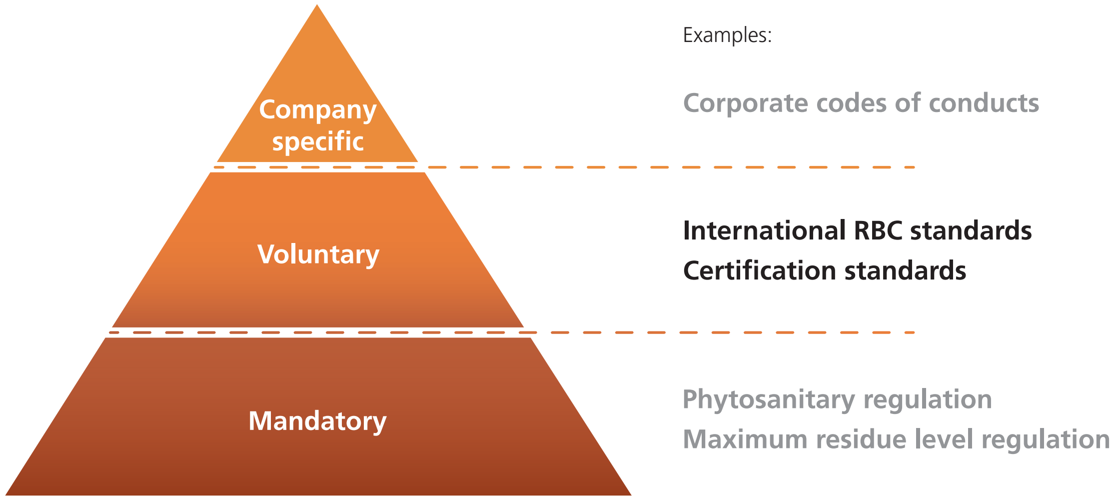
Larger companies can also expect to be bound by new regulations such as the *Proposal for a Directive on corporate sustainability due diligence* of the European Union. The proposed Directive includes companies with over 500 employees or EUR 150 million in net turnover. The size threshold for companies operating in high-impact sectors, including the agriculture and food sectors is lower (European Commission, 2022).

2.3. How can voluntary sustainability standards be used to manage risks?

In 2021, the Responsible Fruits Project conducted a baseline business survey with avocado and pineapple companies to understand their current practices and challenges when it comes to sustainability, due diligence and resilience. Most of the companies had made commitments to address sustainability risks but few had a comprehensive internal sustainability risk management system in place. Many of the companies relied on voluntary standards to obtain certification, access markets and manage sustainability risks.

Voluntary standards can complement and support a company's internal due diligence process. However, compliance with standards or participation in certification schemes or industry initiatives do not relieve companies from the responsibility of carrying out due diligence. Moreover, countless standards are used in the agricultural sector and their usefulness for supporting due diligence varies. The extent to which these standards can help companies carry out due diligence partly depends on who manages the standard, how compliance is assessed, and how aligned the content of the standards are with international expectations on RBC and due diligence. Sustainability standards that provide requirements, specifications, guidelines, or characteristics related to sustainability are important for international trade. Sustainability standards in international trade can be divided into mandatory standards, voluntary standards issued by third-party organizations, and company-specific standards illustrated by the standards pyramid for international trade (see Figure 1).

Figure 1. Standards pyramid for international trade



Source: Adapted from the International Trade Center website.

2.3.1 Mandatory standards

Mandatory standards are developed by the public sector and include laws and regulations that define minimum requirements for exports or imports of food products. These standards can differ depending on product and country. Mandatory standards on food safety, sanitary and phytosanitary measures, and maximum residue limits in food products have long been part of the regulation of food exports and imports. Compliance with new laws on corporate responsibility for human rights and environmental issues are also increasingly required to access high value markets.

2.3.2 Voluntary standards

There are many voluntary sustainability standards. They can be developed and managed by businesses, non-governmental organizations or by multi-stakeholder initiatives. While these standards are voluntary, internationally developed and recognized voluntary standards sometimes inform legislation. For example, laws on mandatory human rights due diligence draw on internationally endorsed voluntary standards. Compliance with certain voluntary standards can also be a requirement for the import or export of food products making them mandatory in practice. For analytical purposes, this guide distinguishes between two forms of voluntary standards, namely certification standards and international RBC standards. However, it is important to reiterate that the quality of standards within these broad categories may vary.[1]

Certification standards

Certification schemes provide written assurance that a product, process or service conforms to certain criteria that have been specified in certification standards.

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[1] The OECD's Alignment Assessment webpage provides more relevant material on the relationship between voluntary standards and due diligence.

Some certification standards have incorporated thematic areas and processes recommended by internationally endorsed RBC standards. Organizations that develop and manage certification schemes such as Fairtrade, Rainforest Alliance, and other members of the ISEAL Alliance[2] have acknowledged that reliance on third party standards is not the same as due diligence. However, certification standards can arguably help companies develop and implement due diligence policies and processes (ISEAL Alliance, 2020). When FAO and the OECD carried out a pilot project on the OECD-FAO Guidance together with companies, the project confirmed that voluntary standards and certification schemes can be helpful but cannot replace due diligence (OECD-FAO, 2019).

Many certification standards focus on specific segments of the value chain, often the production or processing stages. Some standards also cover a limited set of issues, such as labour conditions or the use of pesticides. Certification standards may also only cover a certain product or commodity produced or traded by a company. This is inconsistent with international expectations on due diligence that require that all operations, products and services related to the company and its suppliers and business partners are included in risk management systems. See Box 2 for a comparison of due diligence and voluntary standards. Some certification schemes have been criticized for insufficient monitoring of compliance with standards and lack of sanctions in cases of non-compliance.

Box 2. Common differences between due diligence and voluntary standards

Due diligence	Voluntary standards
Companies are responsible for managing risks	Risk management is often outsourced to third parties, such as certification bodies
Continuous risk assessment by the company	Risks are sometimes predefined without consideration for the specifics of each company
Focus on both prevention of negative impacts before they occur and managing of negative impacts if they occur	There is sometimes a focus on the management of negative impacts when they occur rather than the prevention of negative impacts before they occur
Focus on all operations, products and services	There is often a focus on the certification of a specific product and a lack of consideration for all of a company's activities
Consider the entire value chain	There is often a focus on specific segments of the value chain, such as production or processing
Includes assessment and management of the negative impacts caused by the company as well as its business partners, such as suppliers	Often limited to managing negative impacts caused by the company directly without any regard to negative impacts caused by business partners, such as suppliers

Source: Author's own elaboration.

Companies should be aware of any limitations in scope, focus or recommended activities by different certification standards. However, these examples of limitations should not necessarily be seen as criticism of certification standards as they were not originally designed to support companies in

[2] The ISEAL Alliance is a membership association for sustainability standards whose mission is to strengthen sustainability standards systems for the benefit of people and the environment. Many of the big certification schemes are members of the ISEAL Alliance.

carrying out due diligence. It may not be realistic to expect certification standards to have broad supply chain, risk and geographic scope and some standards may function well precisely because they have a narrow focus. Specialized certification standards may provide more detailed guidance on a particular commodity, issue, or stage of the value chain, which can be helpful in addressing specific risks in a detailed manner. Some certification schemes have field staff in producing countries and have generated knowledge and experiences related to certain geographical areas, products and stakeholders. Cooperation with certification schemes can therefore help companies understand and prioritize context-specific risks. Certification schemes can also help coordinate product-specific and geographic efforts to address different issues and red-flag risks. Leveraging sector-wide tools, such as risk maps developed by certification schemes, may be more cost effective than working in isolation. It can also help to harmonize efforts to address structural risks such as climate change or water stress (ISEAL Alliance, 2020).

All the companies that responded to the Responsible Fruit Project baseline survey used one or several certification standards, including those listed in Box 3.

Box 3. Examples of certification standards used by avocado and pineapple companies

Standard	Value chain scope	Issue focus
Fairtrade	Production and/or trade (as applicable to the certification holder)	Social, economic and environmental sustainability
GLOBALG.A.P. Fruit & Vegetables certification	Pre-harvest activities, production, and post-harvest produce handling, packing and storing	Food safety; traceability; quality assurance; workers' occupational health and safety; site management; soil management; fertilizer application management; integrated pest management; plant protection products management; and water management
The IFOAM Standard	Production	Organic agriculture
Rainforest Alliance	Farm and/or entire supply chain after farm (as applicable to the certification holder)	Social, economic and environmental sustainability
SA8000	General non-agricultural specific	Child Labour; forced or compulsory labor; health and safety; freedom of association & right to collective bargaining; discrimination; disciplinary practices; working hours; remuneration; and management system

Sources: Fairtrade. 2014. Fairtrade Standard for Hired Labour. Revised April 30, 2021. Fairtrade. https://www.fairtrade.net/standard/hl;
Fairtrade. 2019. Fairtrade Trader Standard. Revised August 8, 2021. Fairtrade. https://www.fairtrade.net/standard/trader;
GlobalG.A.P. 2023. What we do. GlobalG.A.P. https://www.globalgap.org/uk_en/what-we-do/; IFOAM Organice International. 2023. Standards & Certification. IFOAM Organice International. https://www.ifoam.bio/ Last accessed January 25, 2023;
Rainforest Alliance. 2020a. Agricultural Standard, Farm Requirements. Revised 31 January, 2021. https://www.rainforest-alliance.org/resource-item/2020-sustainable-agriculture-standard-farm-requirements/.
Rainforest Alliance. 2020b. Agricultural Standard, Supply Chain Requirements. Revised 31 January, 2021. https://www.rainforest-alliance.org/resource-item/2020-sustainable-agriculture-standard-supply-chain-requirements/.
Rainforest Alliance. 2020c. Annex S4: Rainforest Alliance Remediation. https://www.rainforest-alliance.org/resource-item/annex-chapter-5-social/;
SAI. 2023. SA 8000 Standard. SAI. https://sa-intl.org/programs/sa8000/.

International RBC standards

In recent decades, the development of non-binding international standards, guidelines and principles for responsible business conduct (herein referred to as RBC standards) have helped define expectations of what RBC and due diligence should consist of. The Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework (UNGP) (UN, 2011), the OECD Guidelines for Multinational Enterprises (MNE Guidelines) (OECD, 2011), the OECD Due Diligence Guidance for Responsible Business Conduct (OECD, 2018a) and the ILO Core Conventions and Recommendations (ILO website) set out the main international instruments on RBC due diligence. These have been widely endorsed by governments, adopted by large companies and financial institutions, and used as a basis for new binding laws.[3]

Sector specific guidance documents have been developed to provide recommendations to actors in certain sectors on the key risks and issues they face and how to manage them. For agriculture, the OECD-FAO Guidance for Responsible Agricultural Supply Chains has become the benchmark RBC and due diligence standard. The OECD-FAO Guidance was developed by FAO and the OECD together with governments, civil society organizations and businesses, and has also received widespread endorsement from governments and international institutions.

The OECD-FAO Guidance considers the main risk areas facing the agricultural sector. Drawing on the MNE Guidelines, it recommends a logical 5-step framework for implementation of due diligence in practice. Some new laws on due diligence refer to the recommendations of the OECD-FAO Guidance.[4]

Avocado and pineapple producing companies that adhere to the OECD-FAO Guidance recommendations can be confident that they are meeting the international expectations for risk-based due diligence.

3 Examples of recently passed or proposed laws include the Due diligence of corporations and main contractors law of France, DdV (The Government of France, 2017), the German Supply Chain Due Diligence Act, SCDDA (The Federal Government of Germany, 2021), the Proposal for a Directive on corporate sustainability due diligence and of the EU (European Commission, 2022), the Child Labour Due Diligence Law of the Netherlands (The Government of the Netherlands 2019), the Modern Slavery Act of the United Kingdom (The Government of the United Kingdom, 2015) and the EU Timber Regulation (European Commission, 2010).

4 For example, SCDD, 2021, and European Commission, 2022 and proposed amendment to EUTR 2010.

Box 4. The OECD-FAO Guidance for Responsible Agricultural Supply Chains

The OECD-FAO Guidance addresses several areas of social, environmental, economic and governance risks arising along agricultural supply chains.

The OECD-FAO Guidance is informed by general principles that occur in most international standards on risk-based due diligence and comprises four sections:

1. A model enterprise policy
2. A five-step framework for risk-based due diligence
3. A description of the major risks faced by enterprises in the agricultural sector and measures to mitigate such risks
4. Guidance for engaging with Indigenous Peoples.

For a complete understanding of the guide please refer to the full text of the OECD-FAO Guidance (OECD-FAO, 2016).

Source: OECD-FAO. 2016. OECD-FAO Guidance for Responsible Agricultural Supply Chains. Paris and Rome, FAO and OECD. https://www.fao.org/publications/card/en/c/eba5f5f1-bbf2-462b-b3f1-3de4049aa381.

In addition to internationally endorsed standards, some RBC standards are entirely managed by the private sector, have a limited issue focus (e.g. environmental), or value chain scope (e.g. production level), or offer a limited selection of recommended actions.

Of the companies that responded to the project baseline survey of the Responsible Fruit Project, 27 had committed to following international RBC standards, including the OECD-FAO Guidance and those listed in Box 5.

Box 5. Examples of international RBC standards referred to by avocado and pineapple companies

Standard	Value chain scope	Issue focus
Guiding Principles on Business and Human Rights (UNGP)	General non-agricultural specific	Human rights
IFC Performance Standards on Environmental and Social Sustainability (The IFC Performance Standards)	Pre-harvest activities, production, and post-harvest produce handling, packing, and storing	Environmental and social sustainability
OECD Guidance for Multinational Enterprises (MNE Guidelines)	Production	RBC and due diligence
Principles for Responsible Investments (PRI)	Farm and/or entire supply chain after farm (as applicable to the certification holder)	Focus on process
United Nations Global Compact	General non-agricultural specific	Social, environmental and economic sustainability issues

Sources: United Nations. 2011. Guiding Principles on Business and Human Rights. United Nations. https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf;
IFC. 2012. IFC Performance Standards on Environmental and Social Sustainability. IFC. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_handbook_pps;
OECD. 2011. OECD Guidelines for Multinational Enterprises. OECD, Paris. https://www.oecd.org/daf/inv/mne/oecdguidelinesformultinationalenterprises.htm;
PRI. 2023. Principles for Responsible Investments. PRI. unpri.org; United Nations. 2023. United Nations Global Compact. United Nations. https://www.unglobalcompact.org/.

2.3.3 Company specific standards

Company specific standards such as a "code of conduct" or "company policy for responsible business conduct" can include requirements that a company sets for itself and its suppliers and business partners. As part of its framework for due diligence, the OECD-FAO Guidance recommends that companies adopt, or integrate into existing processes, an enterprise policy for RBC. This can be based on the model enterprise policy of the OECD-FAO Guidance.

3. Gap analysis tool

3.1. Which questions does the gap analysis help to answer?

Your company can carry out a gap analysis to compare the voluntary standards you are using and/or the internal risk-management policy of your company with the main recommendations of the OECD-FAO Guidance.

The results of the gap analysis will not be recorded by FAO and are only intended to be used internally by your company. The results will give you an overview of the strengths and weaknesses of your standards and policies in relation to the three aspects of the OECD-FAO Guidance highlighted in Box 6.

Box 6. The gap analysis helps to answer three questions

1. Are general due diligence principles incorporated into the content of the standard or policy?
2. Are the main requirements of the model enterprise policy of the OECD-FAO Guidance, and the thematic areas and risks that the policy covers, included in the standard or policy?
3. Are the steps presented by the 5-step framework of the OECD-FAO Guidance included in the processes and requirements of the standard or policy?

3.2. What are the limitations of the tool?

The gap analysis is not intended to produce a public assessment of a company's due diligence. A completed gap analysis does not imply any official recognition from FAO or a comprehensive alignment with the OECD-FAO Guidance.

This gap analysis guide does not draw exhaustive conclusions about the divergence or convergence of due diligence processes of particular standards or by the avocado and pineapple sectors in general. The examples provided about common standards and implementation practices mainly draw on literature review. Material from primary sources is limited to answers from a select group of companies and associations and is not intended to be used to draw extensive conclusions about any particular standard or be representative of the entire avocado or pineapple sectors.

The gap analysis methodology and tool presented in this guide do not investigate how third parties such as standard-setting organizations or auditors implement or ensure compliance with a standard. Instead, the methodology and tool help companies make their own initial analysis to identify the strengths and weaknesses of their standards and policies and to prioritize areas for improvement.

3.3 Who should use the gap analysis tool?

Senior management including the Chief Executive Officer (CEO) and the company board (or equivalent) is responsible for due diligence. It is recommended that the CEO or another senior manager fill in the gap analysis tool. Alternatively, the gap analysis can be a collective exercise that involves both senior management and technical managers and staff members.

3.4 What does the gap analysis tool consist of and how should it be used?

The gap analysis tool consists of three parts corresponding to the three questions in Box 6.

Part 1 of the gap analysis tool helps to answer the question *"Are general due diligence principles incorporated into the content of the standard or policy?"* It lists general principles that should guide the design and implementation of due diligence.

Part 2 helps to answer the question *"Are the main requirements of the model enterprise policy of the OECD-FAO Guidance, and the thematic areas and risks that the policy covers, included in the standard or policy?"* It lists the thematic areas and associated risks and impacts included in the model enterprise policy of the OECD-FAO Guidance. Each thematic area contains one or more requirements. If you find gaps in compliance with one or more of the requirements, you should consider the severity and likelihood of negative impacts arising if a gap is not addressed. You should therefore reflect on the gaps in relation to the specific circumstances of your company, including the environmental conditions and political context of the geographical areas in which you are active, the products you produce and trade, the business relationships you have, as well as the segments of the value chain that you are involved in. Based on your analysis, you may find it more urgent to address certain gaps over others.

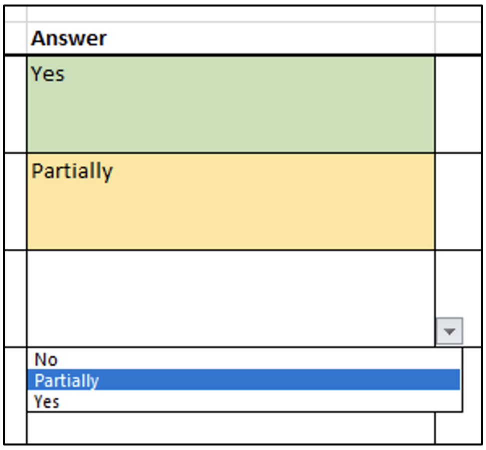
Part 3 helps to answer the question *"Are the steps presented by the 5-step process of the OECD-FAO Guidance included in the processes requirements of the standard or policy?"* It lists the 5-step framework for risk-based due diligence recommended by the OECD-FAO Guidance. This is a practical step-by-step framework that can guide the process of carrying out due diligence. If your company is in the early stage of designing and implementing due diligence, you may find many gaps in this section. You can implement the requirements of each step to ensure that your due diligence process is comprehensive. If your company already has an advanced internal due diligence system, it can still be useful to compare it with the 5-step framework. You do not have to follow the steps in chronological order but may consider incorporating the requirements of all steps in your due diligence process.

3.4.1. The functions of the gap analysis tool

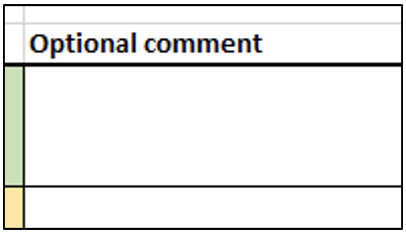
Please answer whether the standards or policies your company uses include the principles and requirements listed in the gap analysis tool. In the comment section, please elaborate on whether, how and why your company complies with these principles and requirements.

You will find the questions in the "Questionnaire" tab.

In the first question, fill in the title of the person or group of persons that complete the gap analysis tool. For all the other questions, click in the cells and select yes, no, or partially.



In the comment section, you can elaborate on whether, how and why your company complies with these principles and requirements.



For criteria that your company fulfil, you may describe which persons are involved, how they are fulfilled in practice, and why you think that they are important for your company.

For criteria that your company does not fulfil, you may describe reasons that may include lack of an adequate plan; lack of financial resources; lack of knowledge; or, that those criteria are not considered relevant for your company.

The comments can help you and your colleagues prioritize gaps that you want to address and reflect on what kinds of resources would be required to address those gaps.

When you have filled in the answers, you can find a summary in the "Report" tab.

The fictitious example below illustrates a company policy's similarity with the requirements for Environmental protection and sustainable use of natural resources of the OECD-FAO Guidance model enterprise policy.

In the example, the company fulfills one requirement and partially fulfills eight requirements of the criteria for Environmental protection and sustainable use of natural resources. Six criteria are unfulfilled.

Environmental protection and sustainable use of natural resources	Answer	Optional comment
We have established and maintain, in co-ordination with responsible government agencies and third parties as appropriate, an environmental and social management system appropriate to the nature and scale of our operations and commensurate with the level of potential environmental and social risks and impacts.	Partially	
We continuously improve our environmental performance by: • Preventing, minimising and remedying negative impacts on air, land, soil, water, forests and biodiversity.	No	
• Preventing, minimising and remedying pollution.	No	
• Preventing, minimising and remedying greenhouse gas emissions.	Partially	
• Avoiding or reducing the generation of hazardous and non-hazardous waste.	Partially	
• Substituting or reducing the use of toxic substances.	No	
• Enhancing the productive use or ensuring a safe disposal of waste.	Partially	
• Ensuring the sustainable use of natural resources.	Partially	
• Increasing the efficiency of resource use and energy.	No	
• Reducing food loss and waste.	Partially	
• Promoting recycling.	Partially	
• Promoting good agricultural practices, including to maintain or improve soil fertility and avoid soil erosion.	No	
• Supporting and conserving biodiversity, genetic resources and ecosystem services.	No	
• Respecting protected areas, high conservation value areas and endangered species.	Yes	
• Controlling and minimising the spread of invasive non-native species.	Partially	
Why is this important? Efforts to make agricultural value chains more environmentally sustainable require time and resources but are essential for the long-term wellbeing of these value chains. Unsustainable practices often have detrimental impacts on the environment including contamination of air, land and water, deforestation, biodiversity loss and greenhouse gas emmisions. These impacts can in turn threaten the natural resource base that agriculture depend upon. Environmentally-friendly agricultural practices can improve soils, protect watersheds, restore vegetation and habitat, and maintain biodiversity. This can in turn reduce costs of fossil-fuel based inputs and increase agricultural productivity and resilience to negative external shocks including droughts, floods and plant pests and diseases. For more information, see page 65 of the OECD-FAO Guidance.		

Regarding the 5-step framework, the company also identified many gaps. This may be typical for a company that has recently started to develop and implement a sustainability risk management strategy.

Step 1: Establish strong company management systems

	Answer	Optional comment
Our company has adopted or integrated into existing processes an enterprise policy for Responsible Business Conduct (RBC) along the supply chain. Note: You can use the model enterprise policy of the OECD-FAO Guidance as a basis for developing or updating your internal policy for RBC.	Partially	
We have structured internal management to support supply chain due diligence.	No	
We have established a system of controls and transparency along the supply chain.	No	
We have strengthened engagement with business partners on issues related to sustainability risks.		
We have established an operational-level grievance mechanism in consultation and collaboration with relevant stakeholders.		

No
Partially
Yes

Step 2. Identify, assess and prioritise risks in the supply chain

	Answer	Optional comment
We continously map our supply chain.		
We assess the risks of adverse environmental, social and human rights impacts of the operations, processes, goods and services of the enterprise and its business partners over their full life cycle.	No	

In the results section that gives an overview of fulfilment of all thematic areas, the company finds many other areas of partial or low convergence.

General due diligence principles	63%

The model enterprise policy	
Impact assessment	50%
Disclosure	50%
Consultations	50%
Benefit sharing	0%
Grievance mechanisms	0%
Gender	50%
Human rights	64%
Labour rights	17%
Health and safety	100%
Food security and nutrition	50%
Tenure rights over and access to natural resources	80%
Environmental protection and sustainable use of natural resources	42%
Governance	88%
Technology and innovation	100%

The five-step framework	
Step 1: Establish strong company management systems	30%
Step 2. Identify, assess and prioritise risks in the supply chain	50%
Step 3. Design and implement a strategy to respond to identified risks	17%
Step 4. Verify supply chain due diligence	0%
Step 5. Report on supply chain due diligence	0%

4. Conclusions and recommendations

4.1. How can the results of the gap analysis be used?

The results of the gap analysis are meant to be used internally by the company. The gap analysis tool is spreadsheet-based. Only the company will have access to these results once the analysis has been completed. FAO will neither record any results, nor provide any certifications or other endorsement to companies that have completed their gap analysis.

Risk-based due diligence includes the prioritization of risks based on continuous risk assessments carried out by the company itself. The gap analysis does not constitute a full assessment of a company's adherence to the OECD-FAO Guidance, but the results of the analysis can help companies identify limitations in their risk management process and prioritize areas for improvement.

If a company finds gaps in one or several thematic areas, it should consider the severity and likelihood of negative impacts that may arise if those gaps are not addressed. The company should reflect on the gaps in relation to the circumstances of the company including the environmental conditions and political context of the geographic areas in which it operates or sources fruits from, the fruits it produces or trades, and which segments of the value chain it is involved in.

In the hypothetical examples outlined in section 3.4, the company found many areas of partial or low convergence. The company may consider the inadequate fulfilment of different requirements to be problematic and may prioritize all gaps. While all gaps should be considered, a company may choose to focus on a few gaps first depending on the likelihood and severity of negative impacts and on the capacity (knowledge, financial resources, time, etc.) of the company.

In the hypothetical example of Environmental protection and sustainable use of natural resources, the company may find it difficult to fill all the gaps immediately due to limited financial resources and knowledge. The company may find that the requirement for "Promoting good agricultural practices, including to maintain or improve soil fertility and avoid soil erosion" may be met by working with their suppliers, and in doing so help avoid or mitigate negative impacts. The company may also consider that fulfilling one particular requirement can have positive effects on other aspects of environmental protection or other areas such as food security or the health and safety of workers and communities.

However, legislation on due diligence often specifies that the duty of a company to carry out due diligence may depend on its size and economic power. The demand on larger companies to carry out due diligence is higher. Larger companies that find many gaps can therefore be expected to fill several of those as soon as possible.

In the hypothetical example of the 5-step framework, there were also many gaps. This may be typical for a company that has recently started to implement an internal risk-management system. The company can use the 5-step framework to guide implementation and ensure that the processes they use to carry out due diligence are comprehensive. Companies that already have an advanced internal risk management system can compare their own process with the 5-step framework and continuously use the steps recommended in the OECD-FAO Guidance. Companies do not have to use the 5-step framework in chronological order but may consider each component of the steps in their due diligence process.

4.2 Key takeaways

- Avocado and pineapple value chains can contribute to sustainable development. However, these value chains face sustainability risks that can jeopardize the continued success of these sectors and contribute to harmful impacts on people, the planet and society.
- Risk-based due diligence consistent with internationally endorsed standards for due diligence and RBC can help companies to reduce the risks of negative impacts and become more resilient to external shocks, and thereby strengthen their long-term economic performance and positive impact.
- Risk-based due diligence can help companies to strengthen their market positions in the context of new regulations that require companies to identify, address and report on how they mitigate sustainability risks.
- Companies that can demonstrate that they manage sustainability risks in a comprehensive manner can attract consumer groups that base their purchasing choices on sustainability issues.
- Avocado and pineapple companies have a high awareness of the sustainability risks in their value chains, but few companies have a comprehensive internal strategy for risk-based due diligence to manage them.
- All companies that participated in the Responsible Fruits Project baseline survey used voluntary third-party standards.
- Companies are responsible for carrying out due diligence, but third-party initiatives such as certification schemes can support the due diligence process, including by providing capacity development and context-specific information on risks.
- The extent to which voluntary certification schemes can support due diligence partly depends on how aligned their standards and implementation are with international due diligence standards, as well as on a range of other factors. These factors include the scheme's scope and the accuracy of its public claims, the adequacy and frequency of its monitoring and oversight systems, its governance model, degrees of transparency and stakeholder engagement, and reliance on and use of other third-party initiatives.
- The gap analysis guide helps companies to carry out a high-level desk analysis of relevant voluntary sustainabilty standards and internal risk-management policies and procedures they are using with key international expectations outlined in the OECD-FAO Guidance.
- Companies can use the results of the gap analysis to identify limitations in their own sustainability risk management systems and the third-party initiatives that they use or refer to as part of their due diligence.

Annexes

Definitions

Certification

Certification is a procedure by which a third party gives written assurance that a product, process or service is in conformity with certain standards and other normative documents, here referred to as "certification standards" (ISO 2004). Certification can be used by companies to strengthen credibility and trust within consumers, stakeholders and other business partners, to manage risks including social, environmental, economic and reputational risks as well as to access high value markets and niche markets.

Due diligence

Due diligence is the process through which enterprises can identify, assess, mitigate, prevent and account for how they address the actual and potential adverse impacts of their activities as an integral part of business decision-making and risk management systems. It concerns adverse impacts caused by or contributed to by enterprises as well as those adverse impacts that are directly linked to their operations, products or services through a business relationship. Companies are expected to consider all types of actual and potential negative impacts along their value chains. A risk-based approach to due diligence includes the prioritization of due diligence activities based on risk assessments carried out by the company itself. Due diligence measures should correspond to the severity and likelihood of the identified risks (OECD, 2018a).

Gap analysis

A gap analysis methodology is used in this paper to help companies undertake an initial analysis of voluntary standards and/or policies and how they correspond to the main due diligence recommendations of the OECD-FAO Guidance for responsible agricultural supply chains. The gap analysis aims to help companies identify the strengths and weaknesses of the standards and policies they adhere to and prioritize areas for improvement. The results are only intended to be used internally by the company and do not imply any official recognition by FAO or a comprehensive alignment with the OECD-FAO Guidance.

The gap analysis methodology is informed by from the methodologies of the OECD's alignment assessments of the minerals sector (OECD, 2018b), garment and footwear sector (OECD, 2017) and the agricultural sector (under development at the time of writing). It is different from the OECD alignment assessments, which are conducted by third parties to undertake a comprehensive review of the activities and requirements of an industry sustainability initiative or a certification body compared to the OECD Due Diligence Guidelines and associated industry-specific guidance documents.

Responsible business conduct (RBC)

Responsible Business Conduct (RBC) means that businesses should make a positive contribution to economic, environmental and social development and avoid and address negative impacts of their own activities and prevent or mitigate adverse impacts directly linked to their operations, products or services by a business relationship (OECD-FAO, 2016).

Voluntary standards

Voluntary standards provide requirements, specifications, guidelines or characteristics that can be used consistently to ensure that materials, products, processes and services are fit for their purpose (ISO 2017). Such standards related to sustainability provide requirements, specifications, guidelines, or characteristics in relation to economic, environmental, governance, health and social issues. Voluntary standards are increasingly important for the international trade of food products. This paper focuses on standards managed by third parties and distinguishes between such standards and company-specific standards (such as company policies), as well as regulatory/mandatory standards (such as national laws).

Areas in which common voluntary sustainability standards converge with or diverge from the OECD-FAO Guidance

To provide examples of gaps and areas of convergence, a selection of common voluntary sustainability standards was compared with general due diligence principles and key recommendations of the model enterprise policy and 5-step framework of the OECD-FAO Guidance. The examples are not exhaustive and should not be used to make broad conclusions about the integration of due diligence principles and recommendations in these standards. Companies that use these voluntary standards are encouraged to make their own gap analysis tailored to their circumstances.

General due diligence principles

The OECD-FAO Guidance incorporates general RBC due diligence principles. All general due diligence principles are not spelled out in the model enterprise policy of the OECD-FAO Guidance but occur in various parts of the document.

General due diligence principles that companies should consider include:

- Companies are responsible for carrying out due diligence and this responsibility cannot be outsourced.
- The senior management of a company is responsible for the company's due diligence process.
- Due diligence is based on a preventative approach that helps to avoid causing or contributing to negative impacts before they happen.
- Due diligence is continuously improved, including by adjusting and prioritizing due diligence activities based on risk assessments.
- Due diligence considers all kinds of sustainability risks of relevance to a sector, geographic area and other circumstances of a company.
- Due diligence follows a risk-based approach, meaning *inter alia* that due diligence measures correspond to the severity and likelihood of negative impacts arising if those risks are not addressed, and consider so called "red-flag risks" or high risks.
- Due diligence is designed and implemented in dialogue with stakeholders. (OECD, 2018a)

Cross-cutting Responsible Business Conduct (RBC) issues

Impact assessment

Companies can avoid or mitigate negative impacts by assessing the risks of such impacts on an ongoing basis.

Many certification standards require certified companies to assess risks within the scope of the standard. The Rainforest Alliance has issued a detailed Risk Assessment Tool that certified companies are obliged to use. Fairtrade's Standard for small-scale producer organizations and Standard for traders include requirements for risk assessment with varying levels of detailed instructions for different organizations. Many other certification standards also include criteria for assessing risks within the scope of the standards. However, gaps may remain in relation to international expectations for impact assessment.

Many international RBC standards include requirements for impact assessments. Unlike the OECD-FAO Guidance, neither Global Compact nor the International Finance Corporation (IFC) Performance Standards require that a representative number of stakeholders be involved in the impact assessment. However, the IFC Performance Standards note that the impact assessment shall "be consistent with good international industry practice" (IFC Standard 1) (IFC Performance Standards website).

Disclosure

Public disclosure of risks and activities to address risks related to a company is a key aspect of due diligence. A lack of transparency can create distrust and make it difficult for companies to solve disagreements before they escalate into conflicts. Information through regular consultations with communities, workers and the media can help build trust between companies and society.

While certification standards typically require that certified companies share information with auditors and the certifying organization, they often lack requirements on public disclosure.

Among the RBC due diligence standards, the main international due diligence instruments including OECD MNE Guidelines, the OECD Due Diligence Guidance for RBC and the United Nations Guiding Principles provide details on which type of public reporting are expected. The United Nations Global Compact also provides instructions for public reporting within its scope. The Principles for Responsible Investments (PRI) provides suggestions for actions related to disclosure though these are not formulated as requirements (PRI website).

Consultations

The lack of consultations prevents companies from assessing specific risks and identifying preventative response measures, which can lead to opposition from affected communities when issues arise. Consultation with people likely to be impacted by a company's activities and those of their business partners and suppliers can help to build trust. Such talks can also help companies assess the viability of business operations as well as identify context-specific challenges.

Due diligence requires that companies hold consultations with affected stakeholders before and during operations. These standards also require companies to adhere to decisions by such stakeholders with legitimate tenure rights over natural resources, such as agricultural land.

According to international human rights law, Indigenous Peoples have the right to give or withhold free, prior and informed consent (FPIC). Whether companies operate in or source from areas with Indigenous populations or not, the FPIC principles can guide their policies and activities to ensure robust stakeholder consultation.

Stakeholder engagement is part of the risk assessment tool of the Rainforest Alliance. Consultation and stakeholder engagement for particular purposes are also included in the criteria of the Rainforest Alliance Farm and Supplier Standards.

Among the RBC standards, the OECD MNE Guidelines are consistent with this criterion. Though the United Nations Guiding Principles do not mention FPIC, they include several references to the rights of Indigenous Peoples and other marginalized groups. The IFC Performance Standards refer to FPIC in certain circumstances.

Some RBC standards have weak criteria on consultations. The United Nations Global Compact, for example, requires that companies "regularly engage in dialogue with stakeholders to keep up-to-date with stakeholder expectations." However, it does not require that a company adhere to decisions made by affected community members.

Benefit sharing

Due diligence can also help to ensure the positive sustainability impacts of company operations. The OECD-FAO Guidance recommends that companies contribute to development, including through promoting fair and equitable sharing of monetary and non-monetary benefits with affected communities on mutually agreed terms.

Benefit sharing may include the creation of decent local jobs, income opportunities, access to credits and markets, as well as linkages with the local economy, transferring of knowledge and technology and improvements in local infrastructure. Options for benefit sharing should be explored in dialogue with local communities.

Most standards do not have a benefit-sharing criteria. The IFC Performance Standards include concrete examples of when benefit sharing is required. Benefit sharing is part of the concept of the Fairtrade standard. In addition to the price of the product, an extra sum called the "Fairtrade Premium" is paid by procurers of Fairtrade-certified products. The Fairtrade Premium is paid to farming cooperatives that decide how the money is spent. Whether community members that are not involved in the cooperative benefit from the Fairtrade Premium, then, depends on the decisions of the cooperative.

Grievance mechanisms

Grievance mechanisms that enable remediation when operations have caused harm can help businesses ensure that they respect human rights and address negative impacts if they occur. They can help businesses identify risks and solve disputes with community members before they are elevated to larger disputes.

International due diligence standards include requirements for grievance mechanisms, including effectiveness criteria based on legitimacy, accessibility, predictability, equitability, transparency, dialogue-based engagement and alignment with international frameworks. Drawing on the United Nations Guiding Principles and the OECD MNE Guidelines, the OECD-FAO Guidance also states that grievance mechanisms can enable remediation in the case of negative impacts. Remediation is a recurring theme throughout the OECD-FAO Guidance. Since 2020, the Rainforest Alliance has required that their certification holders have a remediation protocol (Rainforest Alliance, 2020c). Many other standards lack this function in their requirements on grievance procedures.

Gender

The standards that include social sustainability issues in their scope include references to non-discrimination. The IFOAM Norms for Organic Production and Processing (IFOAM Organic International, 2023) include references to equal opportunities and non-discrimination of employees and the GLOBALG.A.P optional add-on Risk Assessment on Social Practice (GRASP) refers to ILO Convention 111 on discrimination. Most standards with a social component also explicitly mention non-discrimination against women. Some standards also include women's participation in leadership and decision making or similar positive impacts on gender equality. The United Nations Global Compact has developed "Women's Empowerment Principles" together with UN Women that provide detailed recommendations on how businesses can incorporate gender (Women's Empowerment Principles website).

Human rights

While governments hold the primary responsibility to ensure that human rights are protected, respected and fulfilled, businesses have a duty to respect human rights as recognized by the United Nations Guiding Principles on Business and Human Rights and other internationally endorsed standards. Businesses can also contribute positively to the *fulfilment* and *protection* of human rights. Respecting and supporting human rights have many benefits for companies including improved relationships with consumers and workers and the prevention of reputational damage and exposure to legal liability.

Most of the standards with a social component require businesses to respect human rights, while some encourage businesses to also contribute to their fulfilment. However, few standards include guidance on human rights due diligence, which is an effective tool for incorporating human rights issues in risk management strategies. Companies should consider learning about and implementing human rights due diligence, especially considering new regulations in producing and importing countries. The OECD-FAO Guidance refers to relevant resources including the United Nations Guiding Principles on Business and Human Rights, the United Nations Global Compact, and the OECD Due Diligence Guidance for Responsible Business Conduct.

Labour Rights

Respecting labour rights can improve companies' relationships with workers, reduce costs related to accidents and increase efficiency and resilience to shocks. Infringements of labour rights can lead to reputational damage and legal liability.

Many standards with a social component include labour rights based on International Labour Organization core standards, which are a key component of international human rights law. However, many standards lack references to "decent wages, benefits and working conditions" and "the realisation of the right to work."

SA 8000, Fairtrade and Rainforest Alliance are examples of certification standards with detailed guidance on labour rights.

Health and safety

The agricultural sector often involves some of the most hazardous activities for workers and many agricultural workers and farmers suffer from occupational accidents and illnesses. Negative environmental impacts caused by agriculture often also have negative health and safety impacts for communities.

As with other risks, prevention or early action to mitigate health and safety risks rather than remediation of serious negative impacts is cost effective. Many standards with either a social component or standards focusing on food safety or good production practices include standards of relevance for public health and safety standards.

Many non-agriculture specific RBC standards have general requirements on health and safety. GLOBALG.A.P. and standards that focus on specific agricultural methods such as the IFOAM standard for organic agriculture provide detailed and value-chain-specific health and safety requirements. Rainforest Alliance and Fairtrade also have such requirements. Some certification standards refer to relevant ILO conventions on occupational health (e.g. ILO 155 and 184) as well as the Hazard Analysis and Critical Control Point (HACCP) system adopted by the Codex Alimentarius in relation to food safety. However, few standards explicitly mention the health and safety of affected communities but rather focus on Occupational Health and Safety and/or consumers.

Food security and nutrition

Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy lifestyle. Food security consists of four pillars: availability, access, utilization and stability.

Companies in the agricultural sector can be expected to understand how their operations and those of their suppliers and business partners can contribute to or jeopardize the availability, accessibility, stability and utilization of safe, nutritious and diverse foods. This understanding is key in order to address the negative impacts and enhance the positive impacts on these four pillars of food security.

While the tropical fruit value chains can contribute to food security in many ways, including by increasing the production and availability of nutritious food, incomes of workers and farmers and economic development, they may also undermine food security. The conversion of land from production of food for local consumption to production of cash crops aimed for distant markets as well as the displacement of communities and negative environmental impacts can severely impact food security.

Though many issues covered by standards have an indirect relationship with food security, none of the reviewed standards have comprehensive requirements on food security.

Tenure rights and access to natural resources

Disputes over tenure rights and access to natural resources are among the most common causes of grievances between agribusinesses and communities (OECD-FAO, 2016). Infringements of legitimate tenure rights can constitute human rights abuses. Tenure disputes often also lead to significant financial losses for enterprises due to, for example, delays or halts of operations and damaged reputations (Locke *et.al.,* 2019).

The OECD-FAO Guidance recommends that companies proactively ensure that they respect legitimate tenure rights including informal rights in accordance with the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT) (FAO, 2012).[5]

Some of the reviewed standards with a social component include requirements with respect to tenure rights. However, none of them include all the recommendations in the OECD-FAO Guidance. Tenure risks mainly occur at the production level of the value chain. It is therefore particularly important for producers and bigger enterprises with leverage over producers to ensure that their tenure risk mitigation complies with the recommendations of the OECD-FAO Guidance (pp. 28, 61–63) and the VGGT.

Environmental protection and sustainable use of natural resources

Sustainable agriculture can help to protect the environment by, for example, conserving soil, protecting watersheds, restoring vegetation and habitat, and maintaining biodiversity. However, the agricultural sector also contributes to environmental degradation including deforestation and forest degradation, water contamination and greenhouse gas emissions.

The reviewed standards with an environmental focus have strong requirements for environmental protection and the sustainable use of natural resources, particularly at the production level, and provide detailed guidance on how to avoid and mitigate environmental risks.

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[5] The VGGT are the first global guidelines on the governance of tenure. They were developed through multistakeholder consultations and have been widely endorsed by governments, the private sector and civil society.

Governance

The OECD-FAO Guidance stipulates that companies act consistently with the OECD Recommendation of the Council on Principles of Corporate Governance. It is therefore recommended that companies consult those principles (OECD, 2021).

Among the reviewed standards, the MNE Guidelines have the most detailed recommendations on governance issues. Many of these criteria have been included in the OECD-FAO Guidance. Most of the reviewed RBC standards have general anti-corruption criteria. Some of the certification standards include criteria on corruption. Apart from the MNE Guidelines, the reviewed standards do not mention tax laws, though adherence to national laws in general is often mentioned.

Technology

Apart from the MNE Guidelines, few standards explicitly require companies to contribute to the transfer of environmentally friendly and employment-generating technologies. However, since many certification standards emphasize training and capacity development, including environmentally sustainable practices, it can be argued that those standards can contribute to the fulfilment of that criterion. Given the importance of research and development and transfer of appropriate technology to increase the sustainability and resilience of the agricultural sector, this is an area that standards could contribute more to.

Examples of gaps and areas of convergence between how companies manage sustainability risks in practice and the OECD-FAO Guidance

This annex provides examples of gaps and areas of convergence between companies' sustainability risk management activities and the recommendations of the OECD-FAO Guidance. The examples are derived from the Responsible Fruit Project's baseline survey. Due to the limited information available, these do not go into detail.

Almost 90 percent of the companies that responded to the baseline survey considered risk assessment as highly important to the well-being and functioning of their businesses. One company stated that being "able to estimate the risks will allow us to carry out better management—not only agronomic but also commercial" and another company stated that risk assessment "is of vital importance to maintain the trust and security of each of our clients and collaborators."

Reinforcing the importance of risk assessment, in the baseline survey many companies reported that senior management is responsible for risk management. Many companies also have designated people to work on prioritized sustainability issues. Whether these people are also responsible for sustainability risk management requires further validation. The depth of the commitment to risk assessment may be limited however, as the survey found that less than 20 percent of the companies train all their employees on sustainability issues.

Gaps in risk management activities

The baseline survey results indicate that gaps in risk management activities correspond to an absence of those topics in the external voluntary sustainability standards companies are using. Considering issues beyond those covered by external standards would enhance a company's due diligence and risk profile. A gap analysis can help companies identify such issues. At the same time, a gap analysis may help companies identify where their activities are already aligned with the OECD-FAO Guidance, even if these are outside the scope of the external standards in use.

More specifically, most of the companies responding to the baseline survey reported that they have corporate sustainability policies in place with coverage of certain thematic areas of the OECD-FAO Guidance. The most common thematic areas are labour rights and various environmental issues. Also common, but less frequent than the previous two themes, are gender equality, human rights and community engagement, water management and anti-corruption.

Conversely, the survey suggests that issues that are not sufficiently covered by the standards companies use are often omitted from consideration. Thematic areas that are often omitted include climate change, technology and innovation, tenure rights, food security and nutrition and reporting/disclosure of information.

Voluntary standards may support due diligence

When relying on the requirements of third-party standards rather than a risk assessment carried out by a company itself, measures may be based on generic risks and not tailored to the specific conditions of the company. In other words, it is unclear if the risk management system aims to proactively prevent risks identified by the company itself.

Nevertheless, standards can support a company's endeavors to develop a risk management system that is tailored to the specific circumstances of that company. Companies can draw on risk maps or templates developed by certification standards that consider, for example, geography and commodity in their assessment criteria.

For big companies and companies working with many external suppliers and business partners, a risk management system with clearly designated roles and formal processes for due diligence is necessary. For smaller companies, reliance on third-party standards can be a good start as suggested by the interview with an avocado company.

Though the company does not have a formal risk management policy, their use of certification standards and their risk management practices can help avoid some risks and appear to be adapted to the circumstances of the company.

Summary of an interview with a company in the avocado sector

Representatives of an avocado company confirmed that it relies on certification standards for sustainability risk management, though it has an informal sustainability risk management process in place and aims to increase its internal capacity to manage risks in the future.

The company's business model may also prevent some sustainability risks. It is designed to contribute to environmental and social sustainability objectives and the company works directly with a limited number of smallholder farmer cooperatives. This gives the company a good overview of the supply chain and helps to build strong relationships with its smallholder suppliers. The company stated that transparency, trust and traceability give the company a lot of confidence from consumers. All cooperatives are both organic and Fairtrade-certified. The company stated that certification makes consumers comfortable, as they know that the company undergoes third-party audits every year.

Staff members are informally responsible for assessing and reporting on different risk areas related to financial implications for the company and its suppliers. Colleagues brief each other on the risk area under their responsibility every month. Social and environmental risks are also assessed yearly together with the suppliers. The company tries to incorporate identified risks in their planning. Climate change risks have been increasing during recent years and the company uses different sourcing and marketing strategies and ways to support their suppliers to adapt to these risks.

Though the company does not have a formal risk management policy, their use of certification standards and their risk management practices can help avoid some risks and appear to be adapted to the circumstances of the company.

Technology diffusion

Even when a particular thematic area of the OECD-FAO Guidance is not included in a company's risk management strategy, the company may in some cases fulfil it in practice. For example, most voluntary standards lack compliance with the technology transfer criteria of the OECD-FAO Guidance, while companies may contribute to the development and diffusion of technology in practice. An interview with a pineapple company (summarized below) suggests that the company does contribute to the development and transfer of environmentally friendly technologies even when this is not part of its certification processes.

Summary of an interview with a company in the pineapple sector

The company has its own sustainability policy that includes the management of sustainability risks. The Chief Executive Officer and a technical team are responsible for its implementation.

The company integrates requirements from certification standards that it complies with, including Fairtrade, GLOBAL G.A.P. and Rainforest Alliance, in its sustainability policy. The company representative discussed how the usefulness of certification depends on how a company uses it. The company uses certification standards to continuously improve its organization and efficiency rather than only as a means to access markets. The company allocates resources to ensure that operational staff understand the standards, including through training sessions on those standards. Company staff have also benefitted from training from the Rainforest Alliance and the German Corporation for International Cooperation.

One of the sustainability priorities for the company is biodiversity and the reduction of agrochemical use. Climate change is a big challenge that the company has yet to fully address in its risk management policy.

The company provides training to farmers as well as biotechnology to resist plant pests and diseases, and small weather stations and equipment to monitor water use. Though this is not a requirement in most of the reviewed standards, it is consistent with OECD-FAO Guidance criteria on the development and diffusion of appropriate technologies.

Grievance mechanisms

Of the companies responding to the survey, 68 percent of the avocado companies and 100 percent of the pineapple companies have a grievance mechanism for affected stakeholders. The design of the grievance mechanisms varies. Some companies focus on internal grievance mechanisms while others enable external stakeholders such as affected community members to raise complaints. Some companies stated that participating in certification schemes had helped them to develop capacity in this area. One company specifically reported that they rely on Fairtrade's grievance hotline in their source country.

Public disclosure

Regarding public disclosure, 54 percent of the avocado companies and 67 percent of the pineapple companies reported that they disclose information about their sustainability work. However, the frequency and audience of these reports were unclear for a large share of the companies. It is also unclear whether these reports provide information related to due diligence or on sustainability measures in general. The following box **describes one company's experience a voluntary standard influenced its reporting.**

Example of a publicly disclosed sustainability report

In 2021, an avocado association published a report on how their activities fit the recommendations of the United Nations Global Compact. The report does not provide details on if and how the association or its members carry out due diligence. It does not explicitly acknowledge concrete sustainability risks associated with the avocado sector in its geographical area of operation. However, the sustainability issues and risks the report addresses are issues that are often highlighted in literature about the avocado sector and the tropical fruit sector more broadly.

The report provides examples of how the association works to ensure that its members comply with the ten Global Compact principles as well as specific Sustainable Development Goals (SDGs) including SDGs 6, 8, 12 and 15.

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