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RESPONSIBLE BUSINESS CONDUCT QUARTERLY

APRIL–JUNE 2023

► HEADLINES

EUROPEAN PARLIAMENT AGREES TO LANDMARK LEGISLATION ON SUPPLY CHAIN DUE DILIGENCE

In June, the European Parliament approved the **Corporate Sustainability Due Diligence Directive (CS3D)**, which will require certain companies in the European Union (EU) to introduce environmental and social due diligence aiming to reduce the risks of negative impacts in their supply chains. The law will be implemented in phases, with the first obligations involving European companies with over 500 employees and EUR 150 million (USD 160 million) in annual revenues. Non-EU firms that generate at least EUR 150 million annual turnover in the EU will also be required to comply with the Directive. Following an inception phase, CS3D will be expanded to include businesses with over 250 employees that generate revenue of over EUR 40 million. CS3D will require businesses in supply chains – from downstream retailers in the EU to their suppliers and producers upstream in supply chains - to demonstrate they are exercising effective measures to reduce the risks of adverse social and environmental impacts, including on labour rights, human rights and land tenure. The **OECD-FAO Guidance for Responsible Agricultural Supply Chains** is the central agricultural due diligence framework referenced in the CS3D. Launched in 2016, the OECD-FAO Guidance helps companies meet due diligence obligations by introducing practical approaches to working with suppliers to identify, assess, prioritize and reduce the risks of adverse developmental impacts taking place in agricultural production, sourcing and trade in global supply chains.

01 June 2023: europarl.europa.eu

EUROPEAN UNION APPROVES REGULATION ON DEFORESTATION AND AGRICULTURAL SUPPLY CHAINS

In May, the European Council granted the final approval to the **EU Regulation on Deforestation-free products (EUDR)**, following clearance by the European Parliament in April. The Directive seeks to curb deforestation associated to agricultural commodities imported and traded in the EU, namely palm oil, cattle, wood, coffee, cocoa, rubber, soy and their derived products such as beef, furniture and chocolate. Once the new rules enter into force, large companies in the EU would have 18 months to comply with the directive in exercising greater due diligence to demonstrate that their sourcing has not contributed to deforestation. Certain smaller firms will also be required to meet the criteria of the EUDR and will be allowed 24 months to introduce and implement their due diligence system, with a focus on deforestation. To help businesses around the world meet sustainability-driven trade criteria concerning deforestation and responsible sourcing, FAO will be launching an **OECD-FAO Business Handbook on Deforestation and Due Diligence in Agricultural Supply Chains** in July 2023.

16 May 2023: consilium.europa.eu

► HEADLINES

CANADIAN PARLIAMENT PASSES ACT ON FORCED AND CHILD LABOUR IN SUPPLY CHAINS, BILL S-211

In April, the Canadian Parliament passed its flagship supply chain due diligence legislation, officially called *Bill S-211 - An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff*. Bill S-211 aims at curbing child and forced labour in goods produced outside of Canada and will take effect on 1 January 2024, introducing significant reporting obligations on Canadian businesses and importers. Businesses within certain thresholds will be required to file detailed public reports on due diligence measures they have taken to identify, address and prevent forced labour, prison labour and child labour in their supply chains, including in sourcing agrifood products and commodities. Businesses will be required to report on their corporate policies, due diligence practices and efforts to assess and manage risks, along with the overall effectiveness of those activities.

28 April 2023: parl.ca

A GLOBAL ALLIANCE OF OVER 20 MULTINATIONALS, BUSINESS AND INDUSTRY BODIES ISSUE JOINT STATEMENT ON THE EU'S CORPORATE SUSTAINABILITY DUE DILIGENCE (CS3D) DIRECTIVE

A network of more than 20 multinational companies and industry associations released a collective statement calling on the European Commission to align the CS3D Directive with international standards such as the United Nations (UN) Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and in the case of agriculture, the OECD-FAO Guidance for Responsible Agricultural Supply Chains. Signatories of the statement include global agrifood giants such as Mars, Aldi and Danone.

11 April 2023: media.business-humanrights.org

► HEADLINES

NEARLY 50 000 EU COMPANIES AND 10 000 NON-EU COMPANIES OPERATING IN THE EU-27 REQUIRED TO INTRODUCE EU SUSTAINABILITY REPORTING RULES

In January, the EU's Sustainability Reporting Directive (EUSR) entered into force, requiring large companies to publish regular reports on their environmental and social impacts, including in their supply chains. The EUSR aims to help investors, consumers, policymakers and other stakeholders understand what large companies, including in the agrifood sector, are doing to reduce adverse developmental impacts in their business operations. The EUSR also applies a focus on ensuring that investors and other stakeholders have access to the information to facilitate the assessment of investment risks, including climate change and labour-related challenges. While applicable to nearly 50 000 EU companies, including agrifood enterprises and major retailers, recent reports also introduce that the EUSR will also require compliance from a significant number of non-EU firms. Several news outlets report that approximately 50 000 non-EU companies with business operations in the EU will be required to meet EUSR obligations and report on sustainability issues in their supply chains.

05 April 2023: [wsj.com](https://www.wsj.com), finance.ec.europa.eu

► SPOTLIGHT ON FAO'S RESPONSIBLE GLOBAL VALUE CHAINS PROGRAMME

FAO AND OECD HOLD MEETING ON STRATEGY AND JOINT COOPERATION FROM 2023–2028

In May, FAO welcomed colleagues from the OECD's Centre for Responsible Business Conduct (RBC) to discuss the finalization of a new OECD-FAO Implementation Plan on Responsible Agricultural Supply Chains (2023–2028) with a focus on cooperation in implementing its priority actions to drive sustainability amid the changing needs of business, agriculture, trade and food systems. Since 2012, FAO and the OECD have worked closely together in the design and implementation of the OECD-FAO Guidance for Responsible Agricultural Supply Chains. In their future cooperation on RBC, the OECD and FAO aim to strengthen their partnership in various technical areas, including through the OECD-FAO Advisory Group on Responsible Agricultural Supply Chains. The OECD and FAO officers also held a meeting with the Permanent Representative of the Kingdom of the Netherlands to the United Nations Organizations in Rome, and colleagues from the Ministries of Agriculture and Foreign Affairs, including the Chair of the OECD-FAO Advisory Group on Responsible Agricultural Supply Chains.



OECD-FAO Guidance for Responsible Agricultural Supply Chains

► EVENTS AND WEBINARS

FAO JOINS THE UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP) AND THE GENEVA GRADUATE INSTITUTE'S *TESS FORUM ON TRADE, ENVIRONMENT & THE SDGS* TO DISCUSS RESPONSIBLE SOURCING AND DEFORESTATION IN AGRICULTURAL SUPPLY CHAINS

In April, FAO joined UNEP and TESS in presenting its approach to trade-related drivers concerning deforestation, with a focus on agricultural supply chains, global trade and commodity sourcing. The event allowed for a discussion on priorities for action in agrifood supply chains, along with challenges faced by enterprises in upstream supply chains in developing countries, notably in relation to managing global demand in the context of deforestation and agricultural expansion. FAO also introduced its larger work on deforestation and agricultural supply chains, including the forthcoming *OECD-FAO Business Handbook on Deforestation and Due Diligence in Agricultural Supply Chains*. Further information on the TESS event can be found [here](#).

FAO AND THE GLOBAL BIOENERGY PARTNERSHIP (GBEP) LEAD A SIDE EVENT ON RESPONSIBLE SOURCING AND BIOFUEL SUPPLY CHAINS AT THE EUROPEAN BIOMASS CONFERENCE AND EXHIBITION (EUBCE) IN BOLOGNA



In June, FAO and the [GBEP](#) launched a side event at the EUBCE in Bologna to discuss responsible sourcing in biofuel supply chains. As many governments and companies set targets for renewable energy, the demand for biofuel and sustainable aviation fuels (SAF) continues to grow at a rapid pace. To meet downstream demand, many farmers and enterprises in developing countries will need to increase feedstock production. FAO and GBEP are working closely to raise awareness and develop actions that can support production and trade in biofuel supply chains according to trade and sustainability criteria in the context of RBC and development. For more information see the EUBCE [website](#).

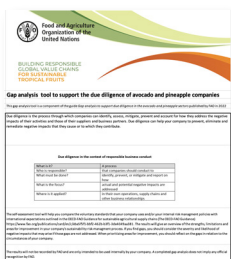
► EVENTS AND WEBINARS

FAO JOINS FOOD SAFETY CONGRESS IN BERLIN

In May, FAO participated in the annual **Food Safety Congress** in Berlin, introducing its work on sustainability, global value chains, and RBC in Agriculture. The event gathered hundreds of food companies to discuss the current challenges surrounding sustainability, global trade and production. FAO made a presentation on the need for sustainable and responsible food supply chains to meet the challenges of climate change. It highlighted the urgent need for addressing global environmental crises through responsible sourcing and risk-based due diligence in agricultural supply chains.



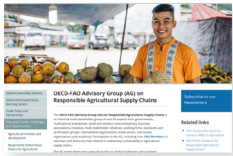
► PUBLICATIONS AND RESOURCES



FAO Releases Gap Analysis Tool to strengthen due diligence and alignment with the OECD-FAO Guidance

FAO's **Responsible Fruit Project**, has launched a gap analysis tool to help companies and producer organizations to identify areas of convergence and divergence between the content and implementation of voluntary sustainability standards commonly used in the avocado and pineapple sectors and international expectations on due diligence. The tool helps clarify practical internal business processes, assessing internal policies and standards compared with the recommendations of the **OECD-FAO Guidance for Responsible Agricultural Supply Chains**. It also helps businesses prioritize actions and introduce practical suggestions to implementing risk-based due diligence. The gap analysis tool is available in English and in Spanish and can be downloaded [here](#).

► PUBLICATIONS AND RESOURCES



FAO webpage on the OECD-FAO Advisory Group on Responsible Agricultural Supply Chains

As part of its work stream on Responsible Business Conduct (RBC) in agriculture, FAO's Markets and Trade Division (EST) launched a webpage introducing the [OECD-FAO Advisory Group on Responsible Agricultural Supply Chains](#). The OECD-FAO Advisory Group is a multi-stakeholder consultation body designed to facilitate dialogue and policy on responsible sourcing in the agricultural sector according to the risk framework of the OECD-FAO Guidance for Responsible Agricultural Supply Chains. The OECD-FAO Advisory group is currently chaired by the Kingdom of the **Netherlands** and co-chaired by the **International Finance Corporation (IFC)**, the **World Resources Institute (WRI)** and the **World Business Council on Sustainable Development (WBCSD)**. Its current membership includes over 50 organizations from government, business, civil society and others.

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[Responsible Global Value Chains](#)

[OECD-FAO Guidance for Responsible Agricultural Supply Chains](#)

[Responsible Business Conduct \(RBC\) in Agriculture](#)

Markets and Trade Division - Economic and Social Development stream

www.fao.org/markets-and-trade/en/

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