De-risking agriculture supply chains – Including forests in due diligence processes

Caroline Merle
Forestry Officer, NFO/REDD+, FAO

Tomislav Ivančić
Advisor, Responsible Business and Investment, EST, FAO
FAO encourages inclusive growth through Responsible Global Value Chains → RBC for businesses to:

- make a positive contribution to economic, environmental and social progress with a view to achieving sustainable development; and

- avoid and address adverse impacts of their own activities and prevent/mitigate adverse impacts directly linked to their operations, products or services (supply chain)
OECD-FAO Guidance for Responsible Agricultural Supply Chains

• Launched in 2016 following 2-year multistakeholder consultation process

• Leading global framework for agri-businesses and investors, incorporates existing RBC standards (UNGPs, ILO MNE Declaration, OECD Guidelines, etc)

• Introduces how companies can manage social and environmental risks and development outcomes in supply chains by establishing due diligence systems and multi-stakeholder cooperation

• Illustrates how certain risks can be pronounced in developing economies and interlink with structural development challenges (food security, land rights, carbon emissions— and deforestation and forest degradation).
Regulation and Responsible Business Conduct (RBC)
OECD-FAO Guidance - smart mix of voluntary measures, policy and legislation

• **Legislation:** Enormous growth in regulation on responsible supply chains and due diligence since 2010 both in individual countries (ex. DE, FR, NL, UK, AU), and the EU level including the EU Sustainability Reporting Directive (2014) and the forthcoming *EU Directive on Corporate Due Diligence and Accountability (2022)* which references the OECD-FAO Guidance as a leading sector tool for companies in the agricultural sector; also linked to the recent EU proposal to ban on products made by forced labour.

• **Public Policy:** OECD-FAO Guidance featured by several governments in National Action Plans on BHR (currently 30 NAPs), and related policies on RBC; featured by European Commission as the leading sector framework in the EU Code of Conduct for Responsible Business and Marketing Practices, the corporate commitment to the Farm to Fork Strategy / EU Green Deal and recently selected by the UN Secretariat (UN/DESA) as a Best Practice of Implementing the Sustainable Development Goals (SDGs).

• **Led by companies and different stakeholders:** Global Pilot on the Implementing the OECD-FAO Guidance (2018-19), investors, supports existing company sustainability efforts (ex. certification) and supported by civil society (ex. call for OECD-FAO Guidance at AU and EU agriculture ministerial 2022) in its multi-stakeholder approach.
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OECD-FAO Guidance and the 5-Step Framework to Risk-Based Due Diligence

5-Step Framework for Risk-Based Due Diligence:

1. Establish strong company management systems
2. Identify, assess and prioritise risk in the supply chain
3. Design and implement a strategy to respond to identified risks
4. Verify supply chain due diligence
5. Report on supply chain due diligence

Incorporate:
- Meaningful engagement with stakeholders
- A gender perspective into due diligence

- Rooted in adapting business models to identify, assess, mitigate and prevent impacts in own business operations and those of suppliers (supply chain);
- Prioritizes by severity and likelihood of the impact
- Considers leverage and impacts caused, contributed or linked to business activities
- Flexible, tailored to companies of different sizes, contexts, etc.;
- Dynamic – ongoing, responsive and informed by stakeholder engagement;
- Views disengagement as a last resort
Deforestation and forest degradation
Why should businesses care?

Agriculture accounts for approximately 73% of tropical deforestation

• Possible impacts of business activities on forests, through supply chains.
• Upcoming compulsory measures.
• Governments expect contribution of the private sector to their forest strategies.
• Remaining gaps in understanding how to carry out due diligence.
Practical business tool
on deforestation, forest degradation and due diligence in agricultural supply chains

Due diligence actions –
Red flags identification

Existing global/regional standards,
multi-stakeholder and industry
initiatives, data, indicators, other
approaches and tools

Salient or
common risks

Clear definitions
and concepts

OECD-FAO Guidance / 5 step due diligence framework

• Business oriented
• Practical and concrete examples
• Developed with stakeholders

With support from
Development of the tool

Tentative timeline / stakeholder engagement

* “soft launch” during the Global Forum on Responsible Business Conduct – 17 June 2021
THANK YOU!

Caroline Merle
Forestry Officer, NFO/REDD+
caroline.merle@fao.org

Tomislav Ivančić
Advisor, Responsible Business and Investment, EST
tomislav.lvancic@fao.org