

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

concepts and tools

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stakeholders

Responsible Business Conduct (RBC) in agriculture

growing global population



rising demand for food

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 <u>activities</u> and prevent/mitigate adverse impacts **directly linked** to their operations, products or services (supply chain)

OECD-FAO Guidance of the control of

- 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)
- OECD-FAO Guidance for Responsible Agricultural Supply Chains

- 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

Increase in regulation on business conduct and development impacts in supply chains, 2010-2022

EU Directive on Corporate Due Diligence and Corporate Accountability; chains, 2010-2022 **OECD-FAO** Guidance referenced, will apply to all to all 27 EU Member States: Spain **Portugal** Netherlands DE Supply chain Due Diliaence Act France Belgium NO Human Rights and Italy Decent Work Due Croatia Diligence Law Slovenia AU Modern Hungary Slavery Bill AU Modern Germany Slavery Bill Romania NL Child Labour Bulgaria Due Diligence Law NL Child Labour Greece Due Diligence Law Slovakia PHL auidance on Czech Republic Germany CSR Directive sustainability reporting Poland PHL guidance on Implementation Act sustainability reporting Luxembourg Germany CSR Directive Estonia FR Corporate Duty FR Corporate Duty Implementation Act Germany CSR Directive Latvia of Viailance Law of Viailance Law Implementation Act Lithuania **UK Modern Slavery Act** FR Corporate Duty Cyprus **UK Modern Slavery Act** UK Modern Slavery Act of Viailance Law FR Corporate Duty Malta SIN Human Trafficking SIN Human Traffickina of Vigilance Law Finland Act SIN Human Trafficking Act SIN Human Trafficking Act **UK Modern Slavery Act** Sweden **UK Modern Slavery Act** Denmark EU Directive on Non-EU Directive on Non-EU Directive on Non-EU Directive on Non-SIN Human Traffickina Ireland Financial Reporting Financial Reporting Financial Reporting Financial Reportina SIN Human Trafficking Act Austria California California Transparency California California California Transparency California Transparency California Transparency Leaislation on Supply Chain Transparency Act Act Transparency Act Transparency Act Act Due Diligence being Act considered in Mexico. **UK Bribery Act UK Bribery Act** Colombia

2010 2014 2015 2017 2018 2019 2021 2022

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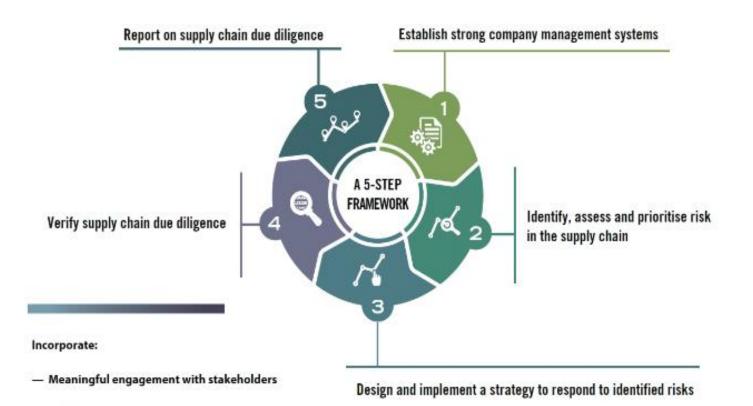
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OECD-FAO Guidance and

the 5-Step Framework to Risk-Based Due Diligence

5-Step Framework for Risk-Based Due Diligence:

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 Deforestation (2001-15, million hectares) 73% of tropical deforestation Oil palm Commercial (40%) **73**% Subsistence (33%) Plantation rubber Plantation wood fiber 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

Forest-positive actions

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

Salient or common risks

Clear definitions and concepts

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

OECD-FAO Guidance / 5 step due diligence framework

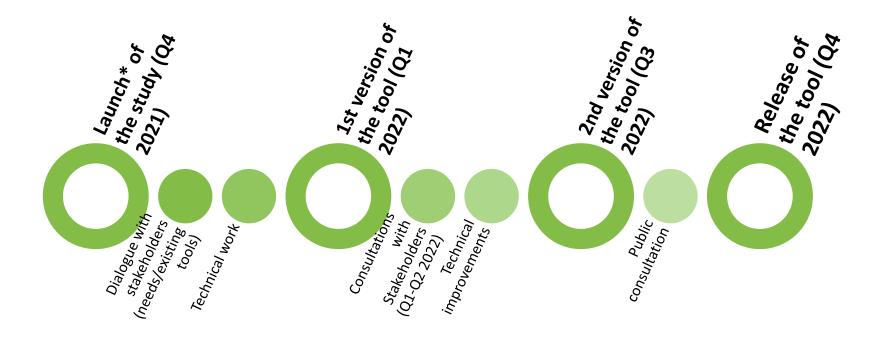
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Development of the tool

Tentative timeline / stakeholder engagement





^{* &}quot;soft launch" during the Global Forum on Responsible Business Conduct – 17 June 2021



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