RESPONSIBLE BUSINESS CONDUCT QUARTERLY

APRIL–JUNE 2024
Investigative reports have revealed concerns about the involvement of child labour in the supply chains of major beauty companies. According to these reports, pressure to meet demand and export has been linked to the engagement of children in the picking of jasmine, a key ingredient in luxury perfumes. The industry’s auditing systems, intended to monitor environmental and social risks, were found inadequate in detecting the risk of child labour. Low wages and high inflation rates have led to difficult living conditions for many involved, with workers often living below the poverty line. Health issues, such as severe eye allergies, were reported among the child workers. Despite claims of zero tolerance, evidence suggests that environmental and social risks persist in the fragrance industry, including a lack of transparency in sourcing and limited oversight over the fight against child labour. The findings highlight the urgent need for effective due diligence, monitoring mechanisms and the enforcement of labour laws to protect workers’ rights, particularly those of children, in the perfume industry’s supply chains.
EU MEMBER STATES APPROVE THE CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE (CSDD)

Following a series of negotiations and discussions, the Council of the European Union (EU) has formally adopted the Corporate Sustainability Due Diligence Directive (CSDD), marking the final step in the legislative process in the EU. This directive introduces new obligations for large companies to address the human rights and environmental impacts of their activities, including those of their subsidiaries and business partners. The CSDD applies to companies with more than 1,000 employees and a turnover exceeding EUR 450 million, requiring them to implement risk-based systems to monitor, prevent and remedy any identified adverse impacts. Companies must ensure compliance with human rights and environmental standards across their entire supply chains and can be held liable for any damages caused. Additionally, the CSDD requires these companies to adopt climate transition plans in alignment with the Paris Agreement. EU Member States have two years to implement the necessary regulations and administrative procedures to comply with the CSDD. The application of the directive will be phased based on company size, beginning three years from its entry into force for the largest companies (over 5,000 employees and EUR 1.5 billion turnover), four years for those with over 3,000 employees and EUR 900 million turnover, and five years for companies with over 1,000 employees and EUR 450 million turnover.

Following the Council of the European Union’s approval, the CSDD will be signed by the Presidents of the European Parliament and the Council, published in the Official Journal and will enter into force 20 days after publication. In the agricultural sector, the OECD-FAO Guidance for Responsible Agricultural Supply Chains is the main sector guidance referenced in the text of the directive.

24 May 2024: www.consilium.europa.eu
HEADLINES

NATURE, BUSINESS MODELS AND FOOD RETAIL ASSESSED BY THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (WBCSD)

The World Business Council for Sustainable Development (WBCSD) has published a key report examining the relationship between food retail, business models and nature in supply chains. Titled “Integrating Nature: Assessing Interconnected Risks in the Food Retail Ecosystem,” the report highlights key findings related to nature-related risks in the food retail sector. The report notes that traditional business models in the global food sector often prioritize short-term financial gains, neglecting externalities such as impacts on nature and nature-based systems. This approach can result in significant risks by undermining farmer resilience and perpetuating environmental depletion to cut costs. Additionally, the combination of any risk with climate change amplifies the challenges faced by food systems. The report suggests that solutions to climate risks may lie in broader nature-based strategies, and that businesses should adopt holistic approaches to address both climate exposures and nature-based risks. The findings underscore that while the challenges in food systems cannot be addressed by any single company, food retailers and suppliers play a pivotal role in the value chain, bridging producers and consumers and enabling significant change within supply chains. The WBCSD also emphasizes the urgent need for nuanced approaches to measuring success within food value chains, including capacity building for teams about environmental impacts and ensuring awareness across all company departments such as finance, procurement and legal teams. The report highlights that food retailers and suppliers are uniquely positioned to facilitate the necessary systems change to tackle the nature crisis by embedding nature-positive approaches into their business models.

17 May 2024: www.wbcsd.org
A significant milestone was achieved at the European Court of Human Rights (ECHR) as a group of elderly Swiss women secured a ground-breaking victory in the first-ever climate-related legal case. The victorious plaintiffs, known as the “Senior Women for Climate Protection”, stressed their inability to withstand heatwaves and health risks, advocating for enhanced climate-related health protection. The verdict underscores the vulnerability of the elderly women to climate change-induced heatwaves, attributed to a number of factors related to age and health conditions worsened by climate impacts. The court’s binding ruling also mentioned gaps in Swiss efforts to meet emission reduction targets. The judgment’s far-reaching impact extends beyond Switzerland, potentially shaping legislation across the 46 member countries of the ECHR. While the court dismissed similar cases from Portuguese youth and a former French mayor, the Swiss women’s triumph serves as a beacon of hope for climate advocates worldwide, underscoring the urgent need for decisive action to combat climate change.

30 April 2024: www.euractiv.com

Austria’s agriculture and economy ministers have urged European Commission (EC) President Ursula von der Leyen to postpone the implementation of the EU Regulation on Deforestation-free Products (EUDR), which will become effective from 30 December 2024 for EU companies importing beef, coffee, cocoa, timber, rubber, soy and palm oil and their derived products such as leather, chocolate and furniture. The letter, addressed to the EC President, Vice-President and EU Commissioners for Agriculture and the Environment, was endorsed by Austria’s Ministers of Agriculture and Economy. It argues that the looming implementation presents challenges for national authorities and affected businesses due to bureaucratic hurdles. Under the new rules, shipments from higher-risk areas will be subject to stricter checks, while requirements for buyers sourcing products from low-risk regions will be simplified. The letter emphasizes the importance of targeting areas where large-scale deforestation occurs. The request has received support from 22 EU countries, including Finland, Italy, Poland, Slovakia, Slovenia and Sweden. EU Agriculture Commissioner Janusz Wojciechowski has stated that he would advocate within the Commission for postponing the implementation of the rules for an additional year.

09 April 2024: www.bbc.com
On 15 and 16 May, FAO held an event on enhancing the resilience, sustainability, and inclusiveness of tropical fruit value chains. Speakers from key producing countries, including Colombia, Costa Rica, the Dominican Republic, Kenya, Malaysia and Mexico, as well as researchers and other stakeholders, participated. With over 100 participants attending in-person and online, the workshop addressed various topics such as economic, environmental and social sustainability; climate change adaptation and mitigation; responsible business conduct; due diligence; deforestation; sustainable production systems; value distribution in the supply chain; labour rights; and gender equity. This event was a crucial step for FAO to gather insights and set priorities for follow-up actions. Organized as part of the “Building Responsible Global Value Chains for the Sustainable Production and Trade of Tropical Fruits” project, the workshop aimed to promote resilient and sustainable production and trade of tropical fruits, focusing on avocado and pineapple value chains. The project is supported by the German Federal Ministry of Food and Agriculture (BMEL). Further information on FAO’s work concerning responsible tropical fruit supply chains is found here.

Reports on Reducing Food Loss and Sustainability in Tropical Fruit Value Chains

FAO’s Responsible Fruits Project, supported by the German Federal Ministry of Food and Agriculture (BMEL), published two technical briefs offering practical strategies to minimize food loss and valorize residues in avocado and pineapple value chains. Tropical fruits, being highly perishable, are prone to food loss and waste due to their high moisture content and inadequate handling and infrastructure, exacerbated by climate change. These strategies aim to reduce losses and make the most of non-marketable and damaged fruit, providing a win-win for businesses and global sustainability objectives. The reports will aid industry actors, including producers and businesses, in understanding how to reduce losses, increase competitiveness, and enhance resilience.
SPOTLIGHT ON FAO’S RESPONSIBLE GLOBAL VALUE CHAINS PROGRAMME

COMPANY GUIDES FOR RISK IDENTIFICATION IN THE AVOCADO AND PINEAPPLE SECTORS

The introduction of responsible business conduct (RBC) principles among companies can facilitate the reduction of adverse impact risks and enhance the capacity of actors which produce, package and export tropical fruits around the world. To advance knowledge and awareness on risk reduction and due diligence, FAO’s Responsible Fruits Project published RBC guides designed for the avocado and pineapple industries and their specific sourcing and development-related challenges. These guides support producers, packers and exporters in avoiding social conflicts and environmental risk, which helps to minimize financial losses and maintain long-term profitability. Tailored to the specificities of each value chain, the guides build on the OECD-FAO Guidance for Responsible Agricultural Supply Chains and provide references to additional useful resources. The reports and the larger project are supported by the German Federal Ministry of Food and Agriculture (BMEL).
SPOTLIGHT ON FAO’S RESPONSIBLE GLOBAL VALUE CHAINS PROGRAMME

FAO INVESTMENT CENTRE LAUNCHES ASSESSMENTS ON INVESTMENT NEEDS FOR DUE DILIGENCE INFORMATION SYSTEMS TO MEET EUDR REQUIREMENTS

Through its Knowledge 4 Investment (K4I) series, the FAO Investment Centre is developing country and commodity assessments to increase awareness of investment requirements for export markets to comply with the EU Regulation on Deforestation-Free Products (EUDR). Titled “Investments in Information Systems for Due Diligence,” the work examines the main drivers, upgrades, and capacity-building support needed to maintain market access to the European Union. This assessment covers four countries and commodities: Argentina (beef), Costa Rica (palm oil), Cameroon (cocoa) and Botswana (beef). The first K4I missions to Argentina and Costa Rica took place in May and June 2024, involving over 50 stakeholder interviews and consultations. These assessments will contribute to identifying the types and scale of public and private investments necessary to establish or enhance information management systems for gathering and verifying data within export-oriented supply chains. This is essential for meeting the due diligence requirements set by the EUDR, using multidisciplinary data sources concerning deforestation, land use, production, business and trade. The briefs also explore potential financing sources and offer practical intervention recommendations for inclusion in projects funded by international financial institutions (IFIs). The K4I Investments in Information Systems for Due Diligence work links with FAO’s normative efforts in sustainable forest management and responsible value chains, facilitating knowledge and awareness of effective due diligence and traceability systems. These assessments build on initial work led by the FAO Investment Centre and the World Bank which analyzed investments in information systems for due diligence considering smallholders and coffee exports from Guatemala and Honduras.