



BUILDING RESPONSIBLE AGRICULTURAL SUPPLY CHAINS

OECD-FAO GUIDANCE FOR
RESPONSIBLE AGRICULTURAL
SUPPLY CHAINS



Structure of the presentation

1. Promoting responsible business conduct

- OECD Guidelines for Multinational Enterprises

2. Building responsible agricultural supply chains

- OECD-FAO Guidance for Responsible Agricultural Supply Chains

3. The way forward



PROMOTING
RESPONSIBLE BUSINESS
CONDUCT



What is Responsible Business Conduct?

- Enterprises should:
 - Avoid and address their adverse impacts
 - Make a positive contribution to economic, environmental and social progress to achieve sustainable development
- This applies to all enterprises:
 - Private, state-owned, and mixed
 - Multinational and domestic
 - Large and small



Why Responsible Business Conduct?

Reduce risks and manage reputation

Obtain and retain the social license to operate

Protect existing value and create new value

Facilitate the participation in global value chains

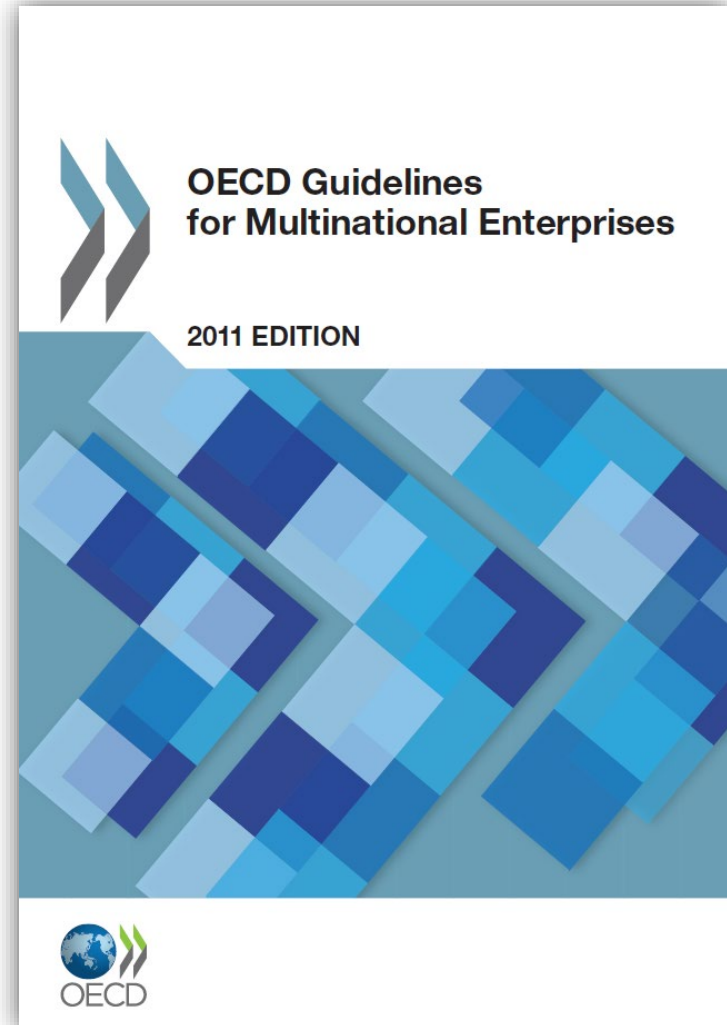
Attract and retain talent

First-mover advantages



OECD Guidelines for Multinational Enterprises

- Most comprehensive and only government-backed international corporate responsibility instrument
- Addressed to multinational enterprises operating in or from the 46 adhering countries
- Adopted in 1976 and regularly updated with the last update in 2011





Adherents to OECD Guidelines

ADHERING COUNTRIES

ARGENTINA	KOREA
AUSTRALIA	LATVIA
AUSTRIA	LITHUANIA
BELGIUM	LUXEMBOURG
BRAZIL	MEXICO
CANADA	MOROCCO
CHILE	NETHERLANDS
COLOMBIA	NEW ZEALAND
COSTA RICA	NORWAY
CZECH REPUBLIC	PERU
DENMARK	POLAND
EGYPT	PORTUGAL
ESTONIA	ROMANIA
FINLAND	SLOVAK REPUBLIC
FRANCE	SLOVENIA
GERMANY	SPAIN
GREECE	SWEDEN
HUNGARY	SWITZERLAND
ICELAND	TUNISIA
IRELAND	TURKEY
ISRAEL	UNITED KINGDOM
ITALY	UNITED STATES
JAPAN	EUROPEAN UNION (observer)
JORDAN	

ADHERING COUNTRIES SHARE OF GLOBAL FDI FLOWS 2007-2013

62%

INFLOWS

82%

OUTFLOWS

ADHERING COUNTRIES SHARE OF GLOBAL FDI STOCK 2007-2012

73%

INWARD

87%

OUTWARD

Source: OECD international direct investment database, IMF.



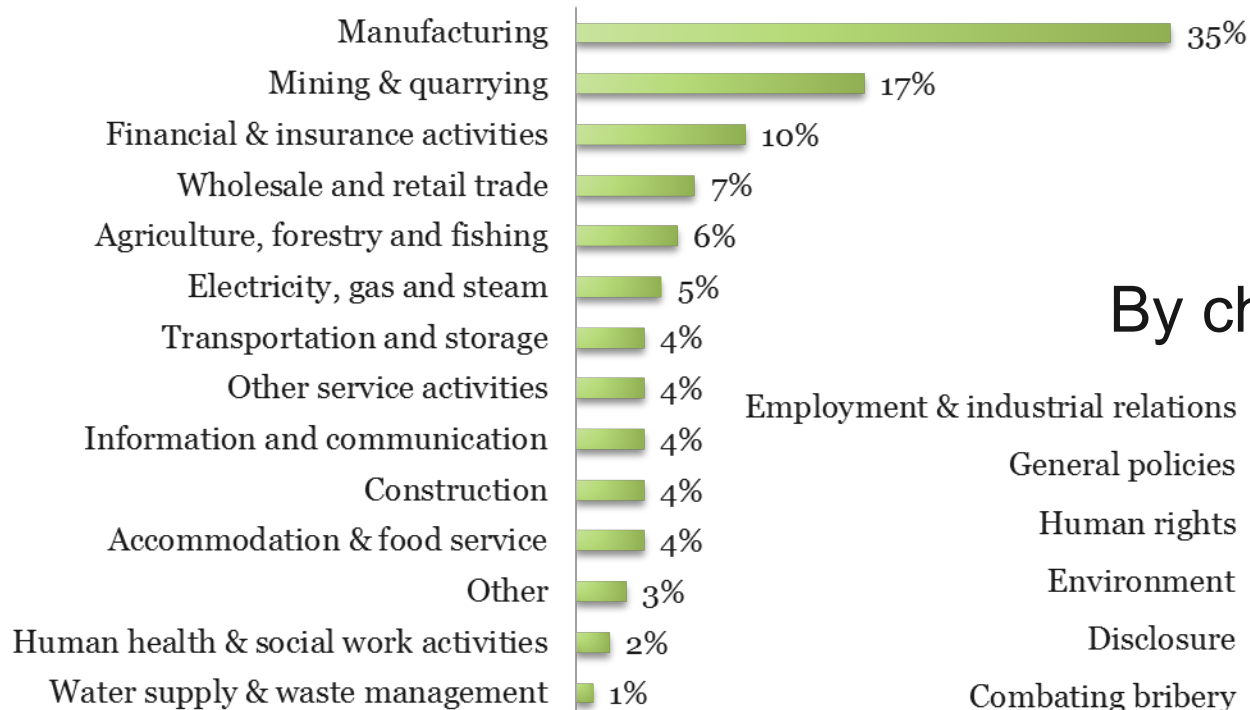
A unique implementation mechanism

- All adhering governments must set up a National Contact Point (NCP) and provide sufficient human and financial resources to allow it to function
- NCPs should further the effectiveness of the OECD Guidelines:
 1. Disseminate the Guidelines and respond to enquiries
 2. Contribute to the resolution of issues relating to the implementation of the Guidelines by offering a forum for discussion
 3. Identify areas where additional guidance for enterprises is needed (sectors, products, etc.)

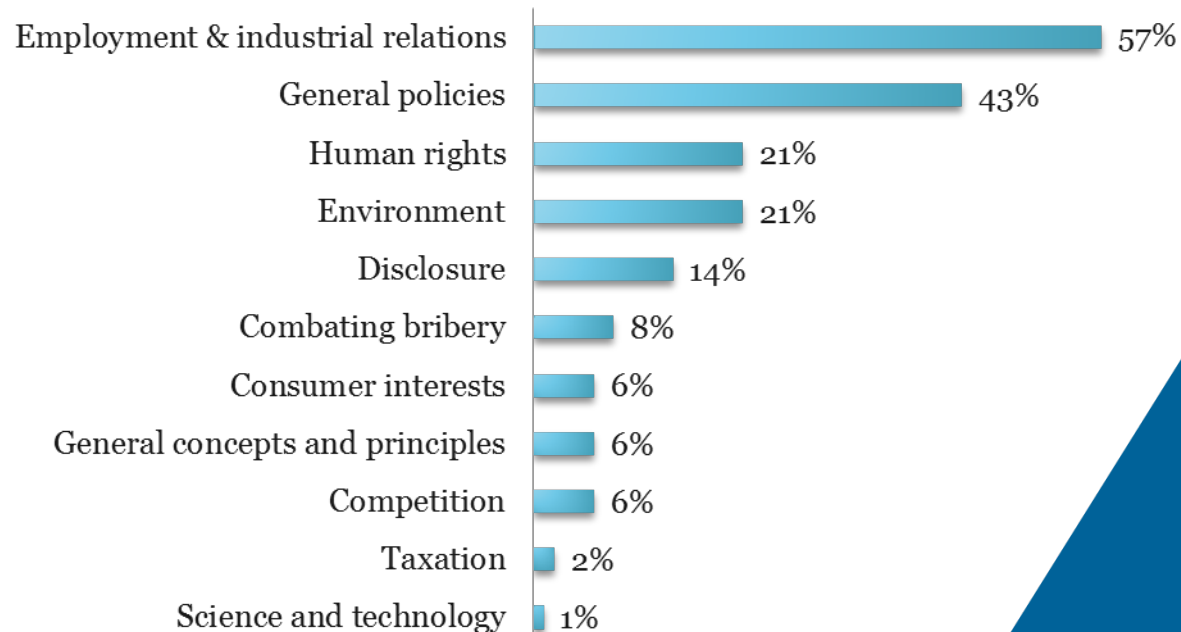


Over 360 cases brought to NCPs since 2000

By sector



By chapter





Example of a case: Palm oil in Indonesia

- **NCP:** Netherlands – complaint received in June 2014
- **Stakeholders:** Rabobank (through Bumitama Agri Ltd) and Friends of the Earth Netherlands
- **Major issues:** Due diligence, including on human rights





Palm oil in Indonesia - Conclusions

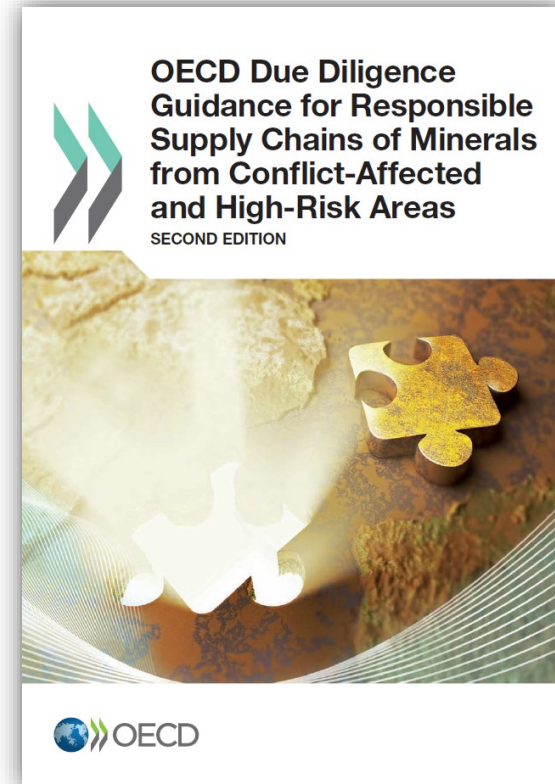
- In January 2016, stakeholders agreed that Rabobank:
 - Maintains a dialogue with relevant stakeholders when there was concrete evidence that its clients did not observe its palm oil policy
 - Modifies its approach to handling complaints



Sectoral projects

➤ To help enterprises observe the OECD Guidelines in specific sectors

- Multi-stakeholder processes
- Four work streams:
 - Extractives
 - Agriculture
 - Garment and footwear
 - Finance sector





BUILDING RESPONSIBLE AGRICULTURAL SUPPLY CHAINS



The OECD-FAO Guidance

- Help enterprises observe the OECD Guidelines and other major standards
- Through a multi-stakeholder advisory group
- Two main sections:
 1. **What** - A model enterprise policy
 2. **How** - A five-step framework for risk-based due diligence





1. Model Enterprise Policy

Risk areas covered by the Guidance





Major existing standards

- Principles for Responsible Investment in Agriculture and Food Systems of the Committee on World Food Security (CFS-RAI)
- FAO Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT)
- Principles for Responsible Agricultural Investment that respect rights, livelihoods and resources (PRAI)
- UN Guiding Principles on Business and Human Rights
- IFC Performance Standards
- ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- Convention on Biological Diversity



Standards – Some examples

- Disclose timely and accurate information related to foreseeable risk factors and the response to particular environmental, social and human rights impacts
- Provide accurate, verifiable and clear information that is sufficient to enable consumers to make informed decisions
- Hold good-faith, effective and meaningful consultations with communities through their own representative institutions before initiating any operations that may affect them



Standards – Some examples

- Respect international core labour standards
- Ensure decent wages, benefits and working conditions, that are at least adequate to satisfy the basic needs of workers and their families
- Strive to improve working conditions
- Promote the security of employment
- Seek to prevent abuses of migrant workers



Standards – Some examples

- Establish 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 operations
- Prevent, minimise and remedy pollution and negative impacts on air, land, soil, water, forests and biodiversity, and reduce greenhouse gas emissions
- Ensure the sustainable use of natural resources and increase the efficiency of resource use and energy



2. Framework for Due Diligence

- ***Identify, assess, mitigate, prevent and address actual and potential adverse impacts***

Step 1

- **Establish strong company management systems**

Step 2

- **Identify, assess and prioritise risks in the supply chain**

Step 3

- **Design and implement a strategy to respond to identified risks**

Step 4

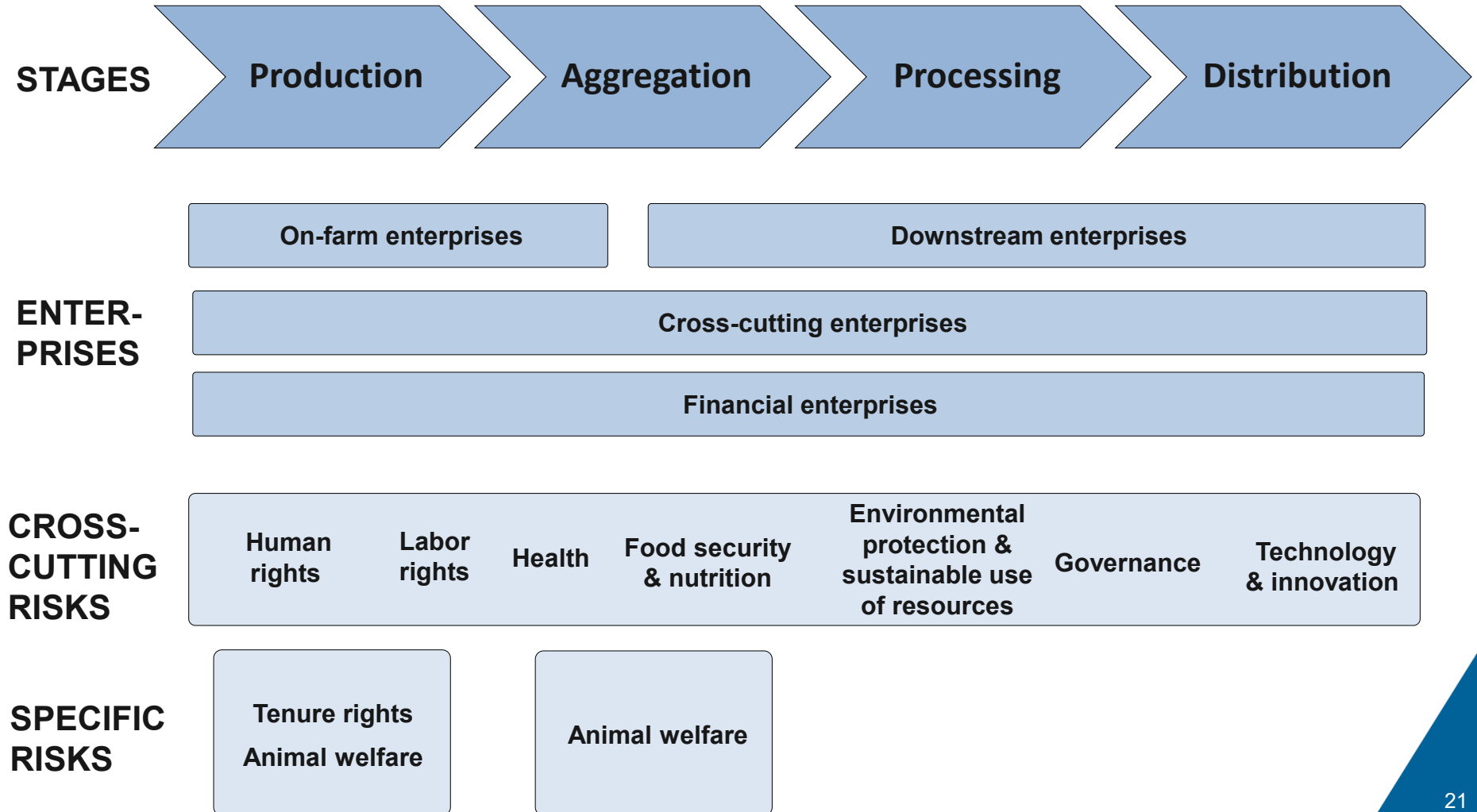
- **Verify supply chain due diligence**

Step 5

- **Report on supply chain due diligence**



A Supply Chain Approach





Addressing adverse impacts

ADVERSE IMPACT

CAUSED
by the enterprise

REMEDY actual impact
CEASE OR PREVENT
potential impact

CONTRIBUTED TO
by the enterprise

CEASE OR PREVENT
contribution

Use **LEVERAGE**
to mitigate any
remaining impacts to
the greatest extent
possible

DIRECTLY LINKED
to enterprise operations,
products or services
by a business relationship

Use **LEVERAGE**
to influence the entity
causing the adverse
impact to prevent
or mitigate the impact



THE WAY FORWARD



Promoting Responsible Business Conduct

- Stronger NCP system
- Wider adherence to the OECD Guidelines for Multinational Enterprises
- More and better private sector use of OECD due diligence instruments
- Research on the impacts of responsible business conduct
- Index to measure and benchmark policies



Building Responsible Agricultural Supply Chains

- Road-test the OECD-FAO Guidance with interested enterprises
 - Develop case studies and due diligence tools tailored to specific enterprises or commodities
 - Build capacity: peer-learning webinars and due diligence trainings
- *Cooperation with FAO, commodity roundtables and industry initiatives*



THANK YOU!

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