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
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

- Manufacturing: 35%
- Mining & quarrying: 17%
- Financial & insurance activities: 10%
- Wholesale and retail trade: 7%
- Agriculture, forestry and fishing: 6%
- Electricity, gas and steam: 5%
- Transportation and storage: 4%
- Other service activities: 4%
- Information and communication: 4%
- Construction: 4%
- Accommodation & food service: 4%
- Human health & social work activities: 2%
- Water supply & waste management: 1%

By chapter

- Employment & industrial relations: 57%
- General policies: 43%
- Human rights: 21%
- Environment: 21%
- Disclosure: 14%
- Combating bribery: 8%
- Consumer interests: 6%
- General concepts and principles: 6%
- Competition: 6%
- Taxation: 2%
- Science and technology: 1%
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
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
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

- Human rights
- Labour rights
- Health & safety
- Food security & nutrition
- Tenure rights
- Animal welfare
- Governance
- Natural resources
- Technology & Innovation
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

STAGES
- Production
- Aggregation
- Processing
- Distribution

ENTERPRISES
- On-farm enterprises
- Downstream enterprises
- Cross-cutting enterprises
- Financial enterprises

CROSS-CUTTING RISKS
- Human rights
- Labor rights
- Health
- Food security & nutrition
- Environmental protection & sustainable use of resources
- Governance
- Technology & innovation

SPECIFIC RISKS
- Tenure rights
- Animal welfare
- Animal welfare
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

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

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