

TRAINING LESSON 2 - Part 2 (Agrifood sector)

Title	a) Sustainable Supply Chains
Part of the training course referred to in this lesson	b) <input type="checkbox"/> Part 1 General information about sustainability and CE Part 2 Specific Information about: <input type="checkbox"/> Wood sector <input type="checkbox"/> Plastic sector <input checked="" type="checkbox"/> Agrifood sector
EQF level	Level 3 or 4
Where the lesson was tested	//
General Learning objective(s) according to the Bloom Taxonomy https://cft.vanderbilt.edu/guides-sub-pages/blooms-taxonomy/	<input type="checkbox"/> Create Produce new or original work (design, assemble, construct, investigate, formulate) <input checked="" type="checkbox"/> Evaluate Justify a stand or decision (appraise, argue, defend, critique, select, support) <input checked="" type="checkbox"/> Analyze Draw connections among ideas (differentiate, organize, relate, compare, distinguish, test, experiment) <input type="checkbox"/> Apply Use information in new situations (execute, implement, solve, use, demonstrate, operate) <input type="checkbox"/> Understand Explain ideas or concepts (classify, discuss, describe, identify, locate, translate) <input type="checkbox"/> Remember Recall facts and basic concepts (define, duplicate, list, memorize, repeat)
Specific learning objective(s)	<ul style="list-style-type: none"> ● Understand terms related to sustainability and sustainable supply chains ● Know what a sustainable supply chain is, and its main aspects ● Apply knowledge on supply chains in different sectors ● Be able to analyse existing gaps in agriculture supply chain

**Cognitive,
socioemotional and
behavioural outcomes
based on**

https://www.unesco.org/sites/default/files/2018-08/unesco_education_for_sustainable_development_goals.pdf

SDG 8 | Decent Work and Economic Growth

Cognitive learning objectives: The learner understands the concepts of sustained, inclusive and sustainable economic growth, full and productive employment, and decent work, including the advancement of gender parity and equality, and knows about alternative economic models and indicators

Socio-emotional learning objectives: The learner is able to collaborate with others to demand fair wages, equal pay for equal work and labour rights from politicians and from their employer.

Behavioural learning objectives: The learner is able to develop and evaluate ideas for sustainability-driven innovation and entrepreneurship.

SDG 9 | Industry, Innovation and Infrastructure |

Cognitive learning objectives: The learner understands the concepts of sustainable infrastructure and industrialization and society's needs for a systemic approach to their development.

Socio-emotional learning objectives: The learner is able to find collaborators to develop sustainable and contextual industries that respond to our shifting challenges and also to reach new markets.

Behavioural learning objectives: The learner is able to evaluate various forms of industrialization and compare their resilience.

SDG 12 | Responsible Consumption and Production

Cognitive learning objectives: The learner understands production and consumption patterns and value chains and the interrelatedness of production and consumption (supply and demand, toxics, CO2 emissions, waste generation, health, working conditions, poverty, etc.).

Socio-emotional learning objectives: The learner is able to communicate the need for sustainable practices in production and consumption.

Behavioural learning objectives: The learner is able to promote sustainable production patterns

SDG 13 | Climate Action

Cognitive learning objectives: The learner knows which human activities – on a global, national, local and individual level – contribute most to climate change

Socio-emotional learning objectives: The learner is able to explain ecosystem dynamics and the environmental, social, economic and ethical impact of climate change.

Behavioural learning objectives: The learner is able to support climate-friendly economic activities.

<p>Green skill(s) addressed</p>	<p>X Creative problem-solving <input type="checkbox"/> Management skills</p> <p>X Forward-thinking X Impact quantification</p> <p>X Monitoring skills <input type="checkbox"/> Life-cycle management</p> <p>X Analytical skills <input type="checkbox"/> Science skills</p> <p><input type="checkbox"/> Lean production <input type="checkbox"/> Waste management</p> <p><input type="checkbox"/> Maintenance and repair skills X Environmental auditing</p> <p>X Pollution prevention <input type="checkbox"/> Ecosystem management</p> <p>X Eco-design <input type="checkbox"/> Other _____</p>
<p>Duration</p>	<p>20 min</p>
<p>Structure and content of the lesson</p>	<p>Introduction: What is a Sustainable Supply Chain</p> <p>There are numerous definitions of a sustainable supply chain. In a nutshell, it refers to the sustainable management by a company of their value chain, from the sourcing of raw materials, through manufacturing and transportation all the way to the end consumer. This includes social, environmental and financial responsibilities and aims at preventing or minimizing negative impact as well as mitigating risks.</p> <p>As an example, the definition provided by SAP (System Analysis Program Development (Systemanalyse Programmentwicklung), later abbreviated to SAP) which is the leading multinational company that provides software for auditing and tracking is, <i>“a sustainable supply chain is one that uses environmentally and socially sustainable practices at every stage to protect the people and environments across the whole chain. This means an organisation upholds environmental and social standards for their own operations and their suppliers’ operations. The environmental standards include issues like environmental degradation, deforestation, greenhouse gas emissions, pollution, and water security. The social standards include issues like working conditions, forced labour, fair labour practices, and health and safety.”</i></p> <p>Topic 1 Multinational Enterprises and responsibility</p> <p>In 2011, the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises were published. These are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards.</p> <p>It is without a doubt a fact that multinational companies have very complex</p>

supply chains. Often collection/extraction of raw materials or manufacturing is done in “high risk” countries where adverse negative impacts on human rights and the environment are not monitored or addressed. This makes responsible and transparent business conduct even more important. The OECD guidelines have functioned as a compass for companies on how to be sustainable and how to deal with issues of employment, bribery, corruption, environment, unfair competition, etc.

As an example, if a multinational enterprise wants to ensure that they have ethical and sustainable supply chain, they would need to consider the following:

- Ethical sourcing of raw materials
- No child or forced labour
- No discrimination
- Health and safety at the workplace
- Decent working conditions
- Working hours in adherence with local laws
- Tracking environmental impact and upgrading system to have leaner and greener production and transportation
- Waste management
- Accurate labelling as per law
- Whistleblower system to report corruption and bribery attempts
- Anti-unfair competition policies and practices

This is a non-exhaustive list. Please review the OECD guidelines and the Guiding Principles on Business and Human Rights (Topic 2) for a full list of elements, as well as modus operandi that will ensure a sustainable supply chain.

Topic 2 Guiding Principles on Business and Human Rights and due diligence

The "Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework", were developed by the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises. The Special Representative annexed the Guiding Principles to his final report to the Human Rights Council (A/HRC/17/31), which also includes an introduction to the Guiding Principles and an overview of the process that led to their development. The Human Rights Council endorsed the Guiding Principles in its resolution 17/4 of 16 June 2011.

As indicated in the document, the “Guiding Principles are grounded in recognition of:

- (a) States’ existing obligations to respect, protect and fulfil human rights and fundamental freedoms;
- (b) The role of business enterprises as specialized organs of society performing specialized functions, required to comply with all applicable laws and to respect human rights;

(c) The need for rights and obligations to be matched to appropriate and effective remedies when breached. “

What is of critical importance, is that these Guiding Principles apply to all States and to all business enterprises, both transnational and others, regardless of their size, sector, location, ownership and structure. They are split into two main sections, with the first one setting the obligations of states, and the second one- the corporate responsibility to protect human rights. The latter is also referred to as Corporate social responsibility or CSR. It is important to note that when companies are considering human rights, they should cover all human rights as listed in the **United Nations’ Universal Declaration of Human Rights**.

The main elements of an adequate corporate social responsibility are as follows:

-Adherence as a minimum to all legal requirements within states of operations. When these are below what is published within these Guidelines, companies should strive to implement the higher standard. *For example, some states have a recommendation on standards of living for blue collar workers which is lower than the ILO Minimum Standard of living- in this case, companies should apply the ILO standard.* (For more, check ILO Labour Standards)

-A policy on responsibility and sustainability that is adopted and published by the company and covers all elements of the Guidelines in accordance with the company’s risks, sector of operations, etc.

-An integrated due diligence process, that identifies, prevents and mitigates adverse human rights impacts. The process has to include a risk and impact assessment of both potential and actual, has to have the mechanisms and financial backing to address the aforementioned by investment or provision of remedies, has to have continuous tracking and should include reporting on risks, impact and progress on regular basis.

Due diligence process can be defined as the processes through which enterprises can identify, prevent, mitigate and account for how they address their actual and potential adverse impacts (OECD guidelines for multinational enterprises, chapter II – general policies, para. 10). Due diligence can be included within broader enterprise risk management systems, provided that it goes beyond simply identifying and managing material risks to the enterprise itself, to include the risks of harm related to matters covered by the guidelines (OECD due diligence guidance for responsible business conduct – draft 2.1, p. 8)

Human rights due diligence:

“ (a) Should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be

directly linked to its operations, products or services by its business relationships;

(b) Will vary in complexity with the size of the business enterprise, the risk of severe human rights impacts, and the nature and context of its operations;

(c) Should be ongoing, recognizing that the human rights risks may change over time as the business enterprise's operations and operating context evolve.

The due diligence process has to apply to the entire operations of a company, including the supply chains. It covers not only internal operations, but suppliers, third-party vendors, manufacturers, transportation companies, distributors, etc. The continuous tracking and audits ensure transparency and adequate risk prevention and mitigation. That is the only way to have a sustainable supply chain."

Topic 3 The EU and new guidelines

On the 23rd of February 2022, the European Commission adopted a proposal for a Directive on corporate sustainability due diligence. "The proposal aims to foster sustainable and responsible corporate behaviour throughout global value chains. "Companies play a critical role in fostering sustainability due to their extensive outreach. The requirements that have been laid out are in line with the United Nations' Guiding principles on Business and Human Rights. The aim is to be a driver for company's accountability in terms of preventing and mitigating their negative impacts, whilst providing transparency within the value chain. It is said that the new rules will support the advancement of the green transition and protect human rights. Once adopted, Member States will have two years to integrate the Directive into national law and communicate the relevant texts to the Commission.

Even though there are EU member states that have already introduced rules, and there is a push from consumers and workers on a global scale for a sustainable and responsible business conduct, there is a need for legal requirements that will speed up the progress that is being made.

The proposed new due diligence rules will apply to the following companies and sectors:

- **EU companies:**
 - Group 1: all EU limited liability companies of substantial size and economic power (with 500+ employees and EUR 150 million+ in net turnover worldwide).
 - Group 2: Other limited liability companies operating in defined high impact sectors, which do not meet both Group 1 thresholds, but have more than 250 employees and a net turnover of EUR 40 million worldwide and more. For these companies, rules will start to apply 2 years later than for group 1.

- **Non-EU companies** active in the EU with turnover threshold aligned with Group 1 and 2, generated in the EU.

Small and medium enterprises (SMEs) are not directly in the scope of this proposal.

This proposal applies to the company's own operations, their subsidiaries and their value chains (direct and indirect established business relationships). In order to comply with the corporate due diligence duty, **companies need to:**

- “integrate due diligence into policies;
- identify actual or potential adverse human rights and environmental impacts;
- prevent or mitigate potential impacts;
- bring to an end or minimise actual impacts;
- establish and maintain a complaints procedure;
- monitor the effectiveness of the due diligence policy and measures;
- and publicly communicate on due diligence.”

In a nutshell, the proposal calls for the **effective protection of human rights included in international conventions and following of key environmental conventions**. Fines for non-compliance may be introduced as well and the involvement of company directors and management are deemed critical to the success of this initiative. The proposal further includes **accompanying measures**, “which will support all companies, including SMEs, that may be indirectly affected.”

“As part of its ‘Just and sustainable economy package’, the Commission also presented a [Communication on Decent Work Worldwide](#). It sets out the internal and external policies the EU uses to implement decent work worldwide, putting this objective at the heart of an inclusive, sustainable and resilient recovery from the pandemic.”

Although this proposal, if approved, will be a huge step forward, there are still issues. Concerns have already been voiced regarding the scope of the new rules, existing gaps as well as the very high turnover threshold for companies that will have to follow the rules that have been put forward.

Topic 4 Sustainable supply chains and the Agrifood sector

When we are considering agricultural supply chains, it has to be acknowledged that enterprises in this sector are of vital importance. They are critical to the fulfilment of numerous of the Sustainable Development Goals (SDGs). OECD and FAO have acknowledged that importance by creating the OECD-FAO Guidance for Responsible Agricultural Supply Chains (2016), which is both a “*framework and a benchmark to help agri-businesses and investors contribute to sustainable development to identify and mitigate adverse impacts. The guidance is relevant for all enterprises across the entire agricultural supply chain, from the farm to the consumer across a wide range of food and non-food commodities.*”

	<p>As described in the previous sections, this guidance also includes a due-diligence process through a step-by-step approach. It was developed in a collaboration with multiple key stakeholder groups to be a practical tool that can be implemented by companies of any size. The Guidance itself, can be found here: https://www.oecd.org/daf/inv/investment-policy/rbc-agriculture-supply-chains.htm</p> <p><i>“To support the practical application of the OECD-FAO Guidance the OECD and FAO launched an implementation pilot with over thirty companies and industry initiatives from February 2018 to October 2019. Many companies in agricultural supply chains have a sophisticated approach to RBC, but the adoption of due diligence strategies is often impacted by reactions to external pressures. Gaps remain in how companies translate policy commitments into implementation actions. In particular, systemic challenges require closer collaboration with key stakeholders” (OECD-FAO, 2020).</i></p> <p>In addition to the work of OECD-FAO, the <u>new Common Agricultural Policy (CAP) for the period 2023-2027</u> “ supports efforts to increase sustainability in the production and supply of agricultural products through amended support mechanisms and market rules.” Even though it is to support the current efforts, there are still numerous challenges due to the complexities in the field.</p> <p>The main elements of an agricultural supply chain are the same as all others listed in previous sections. The key specifics are that they are mainly split into two main categories- supply chains for raw products- fresh fruits and vegetables, or more complex when the end products are manufactured/processed. In the first case, what needs to be considered is sourcing, harvesting, health and safety, decent work, child and forced labour, transportation, food safety. In the latter case, there could be additions of extra ingredients (with their own supply chains), waste management, packaging, food labelling, etc. The specifics differ on a case-by-case basis, depending on the product, the size of the operations, countries involved, etc.</p> <p>CONCLUSION:</p> <p>Sustainable supply chains are a complex issue that has been under international scrutiny for a long time. Organisations and institutions such as FAO, OECD, local governments and the EU have been looking at ways to solve some of the critical problems and establish a framework to address negative impacts and ensure sustainability. However, there are still gaps, and the role of multinational enterprises is more important than ever.</p>
<p>References</p>	<p>Just and sustainable economy: Commission lays down rules for companies to respect human rights and environment in global value chains, (February, 2022), Press release, as seen at: https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1145</p> <p>OECD (2011), OECD Guidelines for Multinational Enterprises, OECD Publishing. http://dx.doi.org/10.1787/9789264115415-en</p>

Guiding Principles on Business and Human Rights, available at:
https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

Universal Declaration of Human Rights, available at:
<https://www.un.org/sites/un2.un.org/files/2021/03/udhr.pdf>

OECD Due Diligence Guidance for Responsible Business Conduct, available at:
<http://mneguidelines.oecd.org/due-diligence-guidance-for-responsible-business-conduct.htm>

ILO Labour standards, available at:
<https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/wages/lang--en/index.htm>

OECD/FAO (2016), OECD-FAO Guidance for Responsible Agricultural Supply Chains, OECD Publishing, Paris, <https://doi.org/10.1787/9789264251052-en>.

Sustainability Agreements in the agri-food supply chain, The new Common Agricultural Policy (CAP) for the period 2023-2027, available at:
https://enrd.ec.europa.eu/sustainability-agreements-agri-food-supply-chain_en

B) SAP SUPPLY CHAIN MANAGEMENT (SAP SCM) SOFTWARE, AS SEEN AT: <HTTPS://WWW.SAP.COM/PRODUCTS/SCM.HTML>

C) DUE DILIGENCE EXPLAINED, EUROPEAN COMMISSION, AVAILABLE AT:
https://single-market-economy.ec.europa.eu/sectors/raw-materials/due-diligence-ready/due-diligence-explained_en

Luther, D., (20210, *Supply Chain Sustainability: Why It Is Important & Best Practices*, What Is Supply Chain Sustainability?, as seen at:<https://www.netsuite.com/portal/resource/articles/erp/supply-chain-sustainability.shtml>

<p>Interactive questions for R3</p>	<ol style="list-style-type: none"> 1. What are the 3 main responsibilities that a sustainable supply chain requires? <ul style="list-style-type: none"> A) social, environmental and financial B) interviews, due diligence, financial audit C) corruption, transport review, statement 2. Which of these is NOT a step in a due diligence process? <ul style="list-style-type: none"> D) Policy development E) Have a risk mitigation and prevention program F) Charitable Donations 3. What does the abbreviation CSR stand for? <ul style="list-style-type: none"> A) Customer service representative B) Corporate social responsibility C) Current sustainability rating 4. The <u>Guidance for Responsible Agricultural Supply Chains</u> is currently provided by <ul style="list-style-type: none"> A) European Commission B) OECD-FAO C) FAO
<p>Keywords</p>	<p>Sustainable supply chain, decent work, optimisation, health and safety, due diligence, agrifood</p>
<p>Questions for reflection</p>	<ol style="list-style-type: none"> 1. Select a sector of interest and evaluate a supply chain within it. A specific company can be the focus of the research. What major issues do you identify? What are the gaps in relation to the new legislation proposed by the EU? What improvements would you introduce. 2. Make a comparison between existing guidelines and OECD, and the new proposal by the European Commission- how does either address the existing needs and gaps?
<p>Additional resources</p>	<p>Sustainable supply chain foundation: http://www.sustainable-scf.org/</p> <p>What is a sustainable supply chain, SAP: https://www.sap.com/insights/what-is-a-sustainable-supply-chain.html</p> <p>Harvard Business Review, (2020), A more sustainable supply chain, as seen at: https://hbr.org/2020/03/a-more-sustainable-supply-chain</p> <p>OECD Guidelines for Multinational Enterprises, as seen at: https://www.oecd.org/corporate/mne/ Available on: Agricultural supply chains, Extractive sector stakeholder engagement, financial sector due</p>

	<p>diligence, mineral supply chains, textile and garment supply chains.</p> <p>Sustainable supply from global markets, as seen at:</p> <p>https://single-market-economy.ec.europa.eu/sectors/raw-materials/policy-and-strategy-raw-materials/sustainable-supply-global-markets_en</p> <p>Study on support for SME supply chain due diligence</p> <p>Initiative for Sustainable Agricultural Supply Chains, available at: https://www.nachhaltige-agrarlieferketten.org/en/about-ina/</p> <p>(The Initiative for Sustainable Agricultural Supply Chains (INA) is an association of players from within the private sector, civil society, and politics.)</p> <p>FAO (2022), Sustainable Food Value Chains Knowledge Platform, available at: https://www.fao.org/sustainable-food-value-chains/home/en/</p> <p><i>Forthcoming handbooks on risk-based due diligence, that will be available on the above cited platform to guide businesses are:</i></p> <p>Deforestation and forest degradation in agricultural supply chains: Project information sheet Public consultation to 29 July 2022</p> <p>Child labour and forced labour in the cocoa supply chain: Project information sheet French</p> <p>Living incomes and living wages in agricultural supply chains and garment and footwear supply chains: Project information sheet</p>
<p>Icons & related info for the hints of the PowerPoint presentation</p>	 <p><i>Image by https://www.freepik.com/free-vector/supply-chain-infographic-concept_8963171.htm#query=supply%20chain&position=5&from_view=search>Freepik</i></p>
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