

# International Responsible Business Conduct:

## from legal, to moral to impact

On October 12<sup>th</sup> 2023, the Netherlands Food Partnership (NFP) organized the World Food Day event at the Rijtuigenloods in Amersfoort. FoodFIRST was also present during the afternoon to facilitate a workshop on the topic of International Responsible Business Conduct (IRBC). This topic was selected in alignment with the overall theme of World Food Day: **recognizing the role of the private sector in creating sustainable food systems**. Manon Wolfkamp, Ruud van Soelen (Social Economic Council), and the NFP collaborated to lead the workshop.

### Key take aways and policy insights:

- To enhance the sustainability of their work, companies are encouraged to utilize the Organization for Economic Cooperation and Development (OECD) guidelines as their guiding framework;
- This framework consists of 6 steps and should be seen as a dynamic process: it doesn't matter where a company starts as long as they go through each step;
- The framework allows for flexibility and proportionality;
- A voluntary approach has not brought about the desired outcomes, emphasizing the need for collaboration, legislation, and alignment with international guidelines to create a level playing field and drive meaningful impact;
- The newness of the IRBC legislation results in a scarcity of individuals with expertise in this area, which presents a significant capacity challenge for companies;
- Communication with stakeholders along the entire value chain is crucial;
- Finding ways to incentivize and encourage collaboration among companies, such as recognizing precompetitive collaboration in legislation, may help companies to adhere to IRBC legislation;
- Connect with change processes at the national level in a/o LMICs, and with stakeholders in these countries.

### Introduction

As with other aspects of food system transformation, IRBC (International Responsible Business Conduct) is a complex issue that will have significant implications for all stakeholders, including the private sector and Small Medium Enterprises (SMEs) in the agriculture and food sector. Initially, companies were trusted to act responsibly and sustainably based on voluntary guidelines. However, increased societal engagement has led to a demand for companies to not only declare their actions but also demonstrate them.

Nowadays, the expectation is for companies to be accountable for their actions in this field. This has resulted in a shift towards legal requirements and a level playing field. By implementing legislation, the European Union can provide this level playing field and encourage meaningful participation from these companies. Collaboration is indeed essential to finding ways to achieve this goal together, ensuring that the legislation does not burden companies with excessive paperwork but instead leads to tangible impact on the ground.

Against this backdrop, we organized the workshop "IRBC: from legal to moral to impact" with the specific aim of addressing the concerns and interests of agriculture and food sector companies.

During the workshop, Manon Wolfkamp and Ruud van Soelen presented an overview of the OECD guidelines, due diligence, and upcoming legislation and directives. Then, we discussed the progress made so far and engaged in a conversation with the audience to address their questions and concerns.

### **Presentation (Manon Wolfkamp and Ruud van Soelen)**

In order for the private sector to contribute to achieving the Sustainable Development Goals (SDGs), businesses should strive to make all of their operations responsible. When it comes to IRBC, the OECD guidelines, together with the UN guiding principles on business and human rights, serve as the standard for responsible business behaviour. When companies seek collaboration with the government (e.g. the ministry of foreign affairs), companies are obliged to follow the OESO guidelines. These guidelines apply to all sectors, while in this workshop the discussion focused on their use in the agrifood sector.

According to the OECD guidelines, companies must employ *due diligence*, which is a risk-based approach to prevent and address negative impacts associated with a company's operations, supply chains, and business relationships. This requires companies to shift their focus from internal risks to the risks faced by others. The core principle of the OECD guidelines is that companies should actively prevent and address negative impacts throughout their value chain, going beyond just the supply chain.

The OECD guidelines outline six steps for companies to follow. It should be noted that the framework allows for flexibility and proportionality, for example with regards to As explained by Manon, these steps constitute a dynamic process, and it doesn't matter where a company starts as long as they go through each step:

1. Design and develop a policy on business, human rights, environment, and climate, ensuring that it becomes an intrinsic part of the company's culture and practice.
2. Understand the entire value chain, even though certain parts may be less transparent. Identify and assess adverse impacts in operations, supply chains, and business relationships. Prioritize these impacts based on likelihood and severity, and assess the company's connection to them.
3. Take action to cease, prevent, or mitigate adverse impacts by developing an action plan that addresses these risks. This may include collaboration with others, such as public sector or civil society.
4. Monitor the implementation of the action plan and track the results.
5. Communicate how impacts are being addressed, following the Corporate Sustainability Reporting Directive (CSRD). This directive aims to enhance the rules regarding social and environmental information reporting. However, it should go beyond mere reporting, ensuring that stakeholders receive relevant and understandable information in a timely manner.
6. Provide or cooperate in remediation efforts if necessary, meaning that if negative impacts occurred in the value chain, the company may need to take steps to rectify them.

These principles have been shared and discussed in a successful '[roadshow](#)' in the Netherlands, which the SER has enabled and in which in total about 140 agrifood sector companies participated. Some companies are already making significant efforts to adhere to the OECD guidelines. However, one of the major challenges for these leading companies is that they often stand alone in their

commitment. If all companies are required to follow these guidelines, they will face similar challenges, and there will be a greater sense of openness and interdependency between companies. This highlights the importance of legislation. While a voluntary approach has its merits, it has not brought about the desired outcomes yet.

Fortunately, many countries are already taking steps to develop legislation. France, Germany, and Norway have already implemented legislation, and several other countries are in the process of debating it. However, the concern is that some of these legislations deviate from the OECD guidelines. For instance, in France, the only way to enforce the law is through the courts, which limits its preventive potential as there is no public authority overseeing compliance. This underscores the importance of closely aligning any legislation with the OECD guidelines.

In conclusion, the workshop provided useful insights into the importance of IRBC and due diligence in achieving responsible business practices. It emphasized the need for collaboration, legislation, and alignment with international guidelines to create a level playing field and drive meaningful impact.

Following the workshop, Ruud van Soelen was asked to provide a summary of the outcomes during the closing session of the World Food Day event, which had 250 participants. When asked if he had hope for the future (when it comes to making food systems sustainable), he responded with a resounding "yes." He expressed that there is significant engagement from businesses in recognizing and addressing risks in their value chains. He again emphasized the importance of using the OECD guidelines' IRBC principles as the framework for this task. However, he acknowledged that this is not an easy task, particularly for small and medium-sized enterprises (SMEs), and that collaboration among local stakeholders is crucial to achieving progress.

### **Conversation with the audience**

During the workshop, there was an engaging conversation with the audience, in which several important points and questions were raised. One prominent issue highlighted by participants was the struggle companies face in recruiting employees who are knowledgeable about IRBC and its reporting standards. This is largely due to the newness of the legislation, resulting in a scarcity of individuals with expertise in this area, which presents a significant capacity challenge for companies.

The question of what constitutes the standard and how it can be measured was another point of concern raised by companies. Step 4 of the OECD guidelines, which pertains to monitoring, was acknowledged as one of the most challenging steps in the process. There was a discussion about the realistic expectations for companies to go beyond mere compliance, with the recognition that legislation often serves as a push towards a certain level of responsibility. This is where different parties can offer assistance to companies in addressing these challenges.

The idea of sharing information among supply chains, even among competitors, was discussed as a possible solution. It was acknowledged that many supply chains source from the same areas in Africa, Asia or Latin-America, and a unified approach in dealing with countries of sourcing could be beneficial. However, there was also an acknowledgment of the challenges in achieving this level of collaboration, as companies are still competitors and may be reluctant to work together. Finding ways to incentivize and encourage collaboration among companies, such as recognizing precompetitive collaboration in legislation, was seen as a potential solution to overcome this barrier.

The potential impact of legislation on smallholders in the value chain was another concern highlighted during the conversation. Participants stressed the importance of supporting and empowering smallholders to ensure they are not marginalized or excluded due to the

implementation of IRBC standards. Instead, they see potential for smallholders and other stakeholders in the local or regional food systems, to be part of the dialogue about the opportunities to enhance social and environmental sustainability.

Overall, the conversation with the audience highlighted the challenges and opportunities in implementing IRBC in the agrifood sector and underscored the need for collaboration, shared information, and support from various stakeholders to drive impact and ensure sustainable supply chains.