

amfori & Due Diligence

Frucom meeting – 10 February 2021

01. Who we are

What is amfori?

We are the leading business association of global commerce that enables organisations to enhance **human prosperity**, use **natural resources** responsibly and drive **open trade globally**.

We call this Trade with Purpose



amfori across the world

46

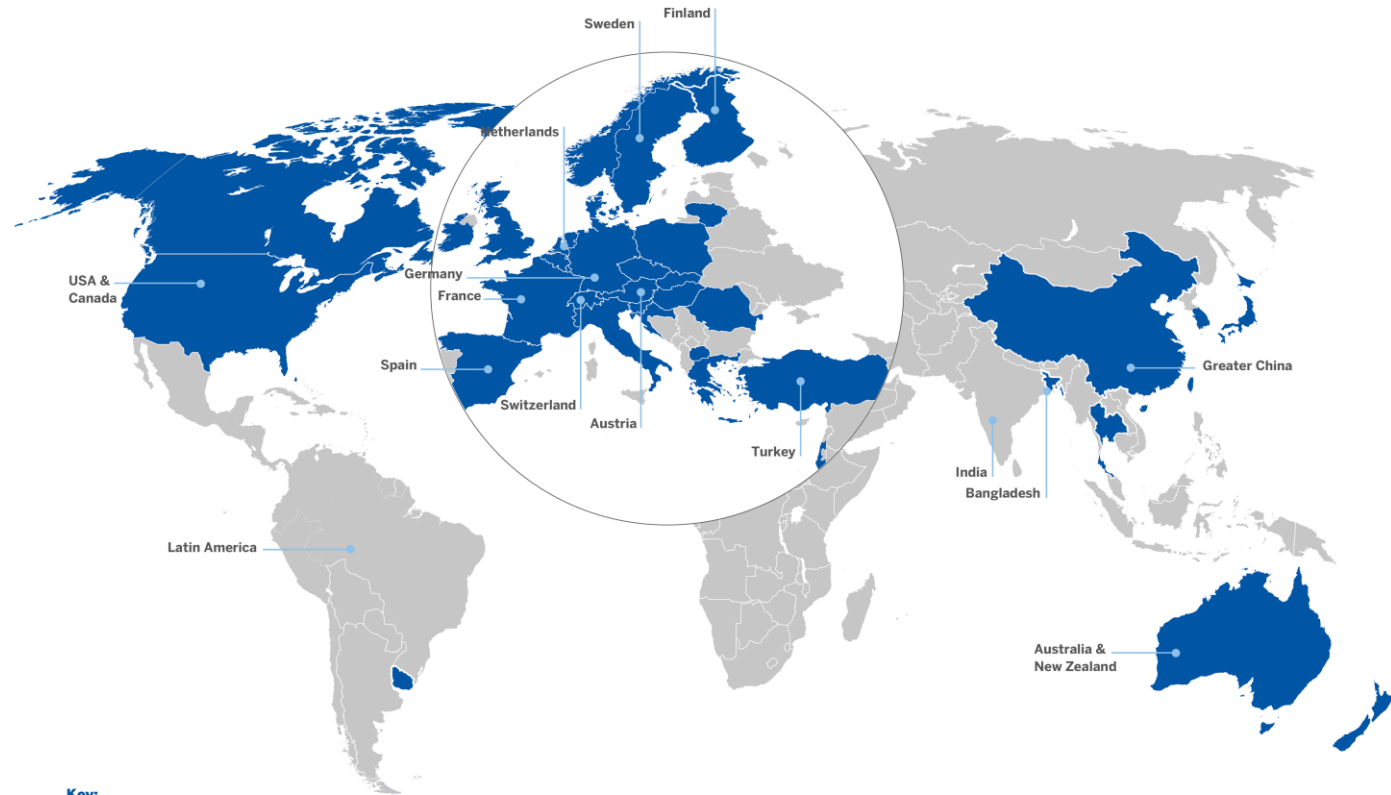
Member countries

15

Local representations

+100

Countries where we have sustainability operations



Key:

- amfori Members
- amfori Local Networks and Network Representatives

Who are our members?

Our strength is our members – their expertise, their passion and their diversity.

Our members come from all corners of the world – from all industries, all sectors and in all sizes.

amfori members (April 2020)




2,400+
members



1.6 trillion EUR
combined annual turnover

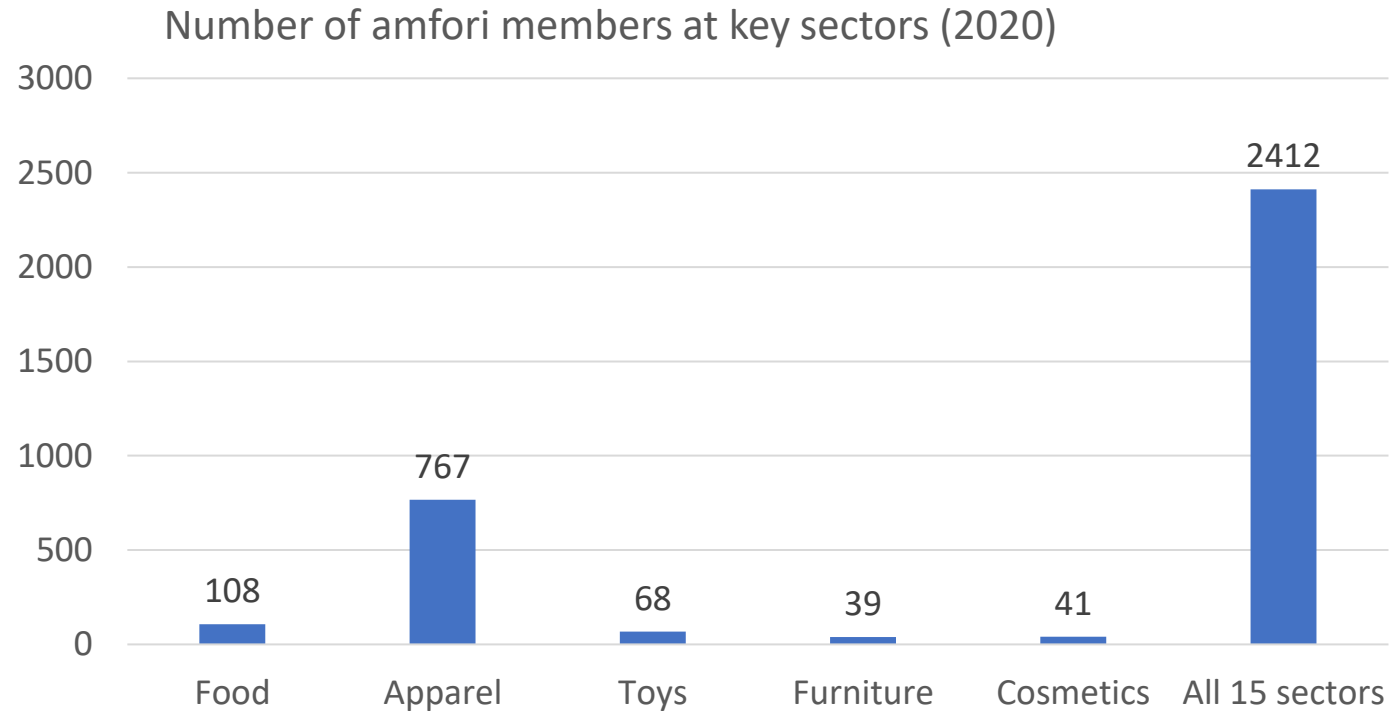
Representing:



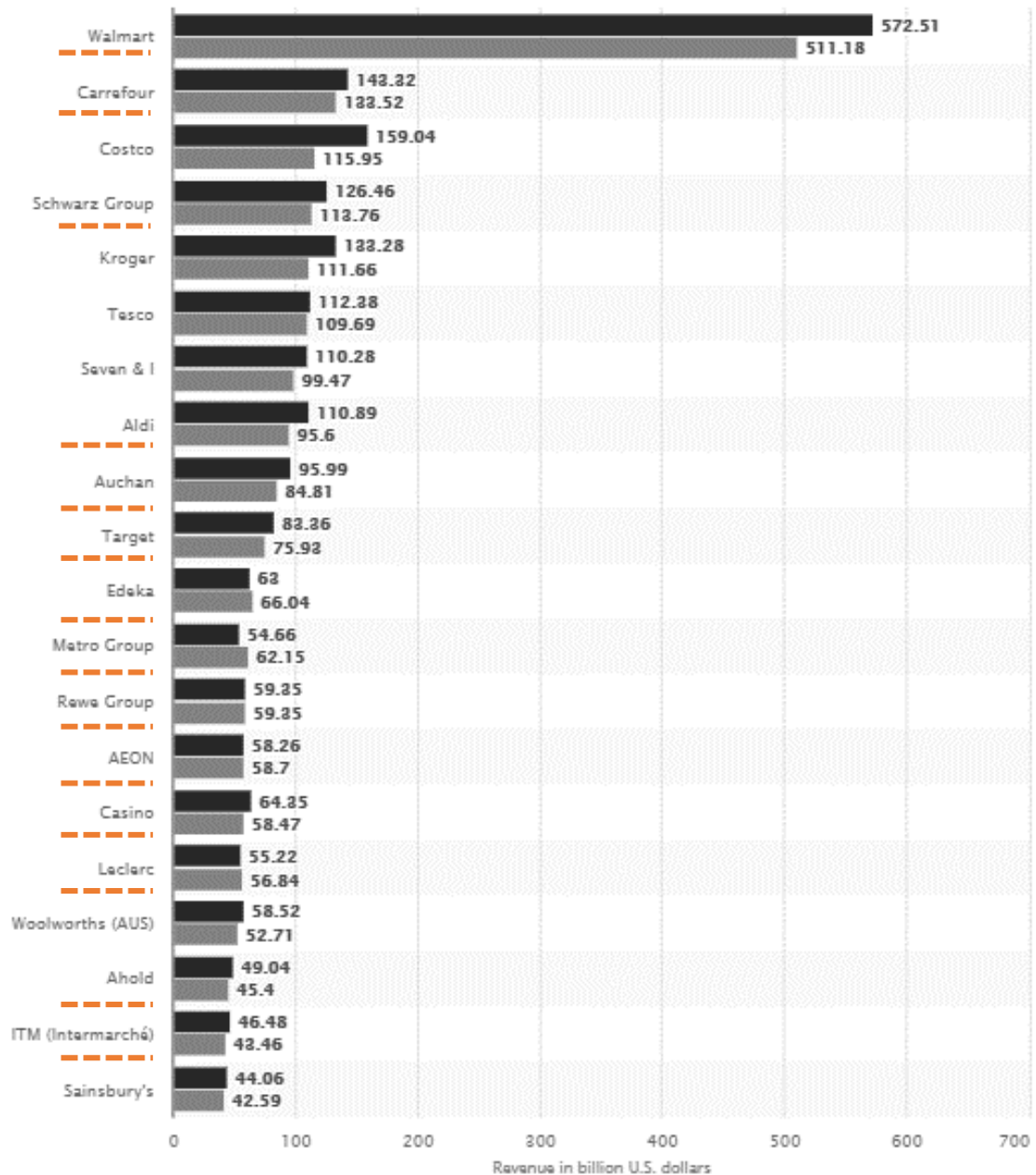
27,000
engaged producers

Number of amfori members

Members of the Food sector represent 4% of the total membership, while members from Apparel represent 32%.



Top food retailers* are amfori members



* Leading food retailers worldwide based on sales

● 2014* ● 2019**

amfori board members

8 out of 9 board members are present in the Food & Beverage sector

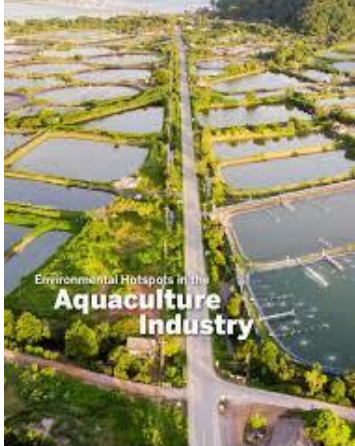
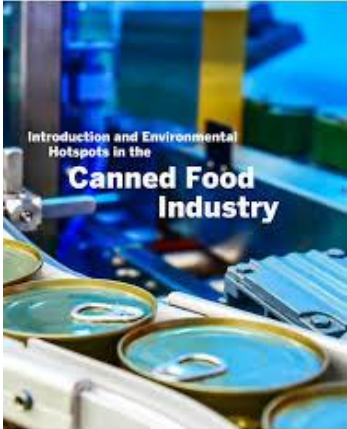


amfori's recent work on food

➤ A Strategic priority for the next 5 years



SLCP
Global Gap



02. What we do

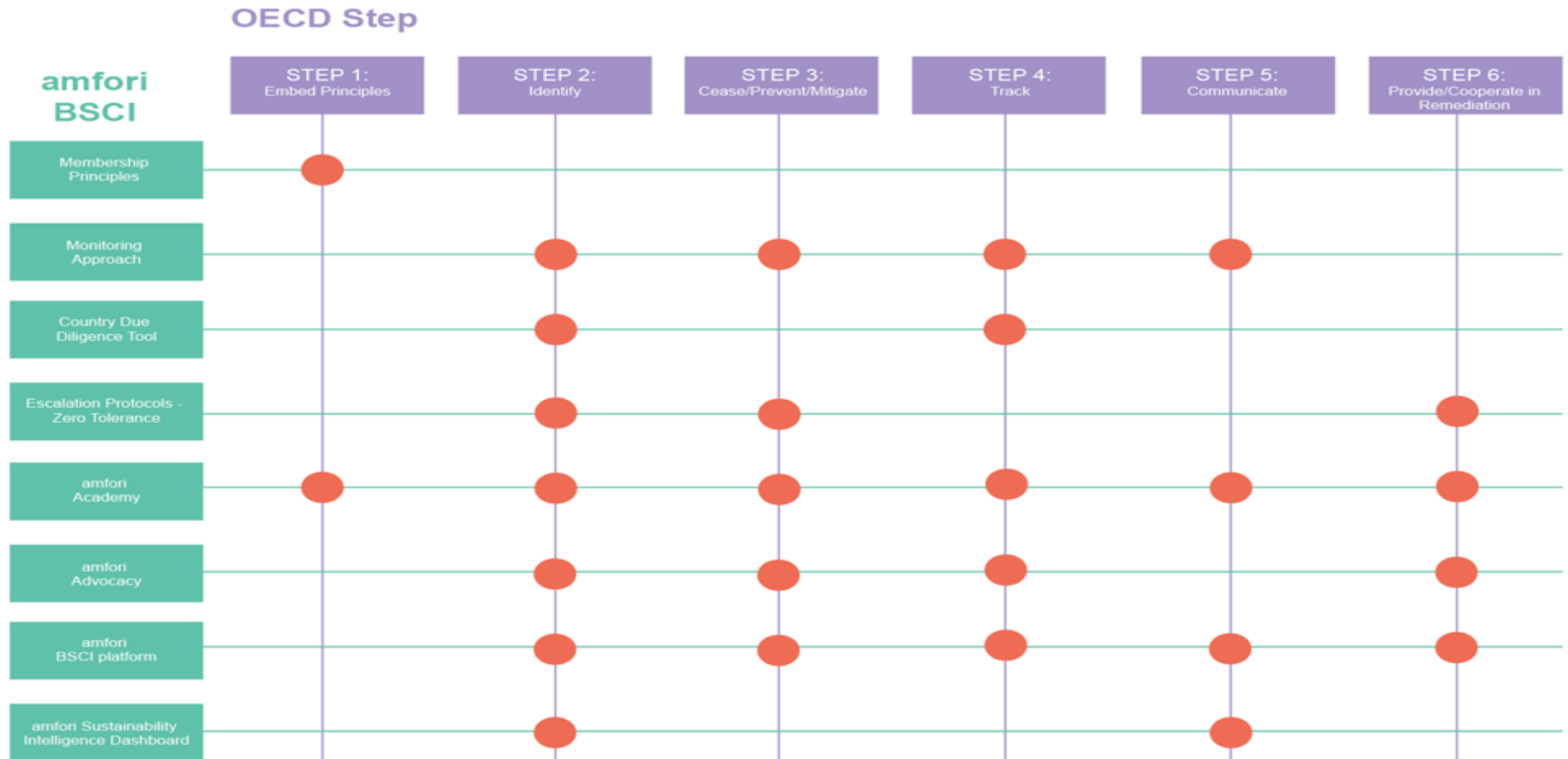
Support for our members with conducting due diligence

By providing **tools** and **services** to address social & environmental challenges in their supply chain

- **Detect** in the earliest stage any shortcomings
- **Monitor supply chain**
- **Remediate successfully**
- **Show** how due diligence is being implemented

In line with international normative frameworks e.g. OECD MNE Guidelines, UNGP

Our holistic approach to due diligence – Social Programme example



Our tools are neither a certification nor a label...



amfori Values



Continuous Improvement

Patience and endurance



Cooperation

Common goals, values and actions



Empowerment

Empower everyone

Implementation



Code Observance



Reasonable Endeavour



Due Diligence



Supply Chain Management & Cascade Effect



Worker Involvement & Protection

Amfori Advocacy work on Due Diligence

amfori EU policy agenda 2020 - 2024



Social

- **Harmonised human rights due diligence in the EU**
- Sustainable public procurement & responsible business conduct
- Transparency in Supply Chains
- Empowering women
- Workers' rights and living wage

Environment

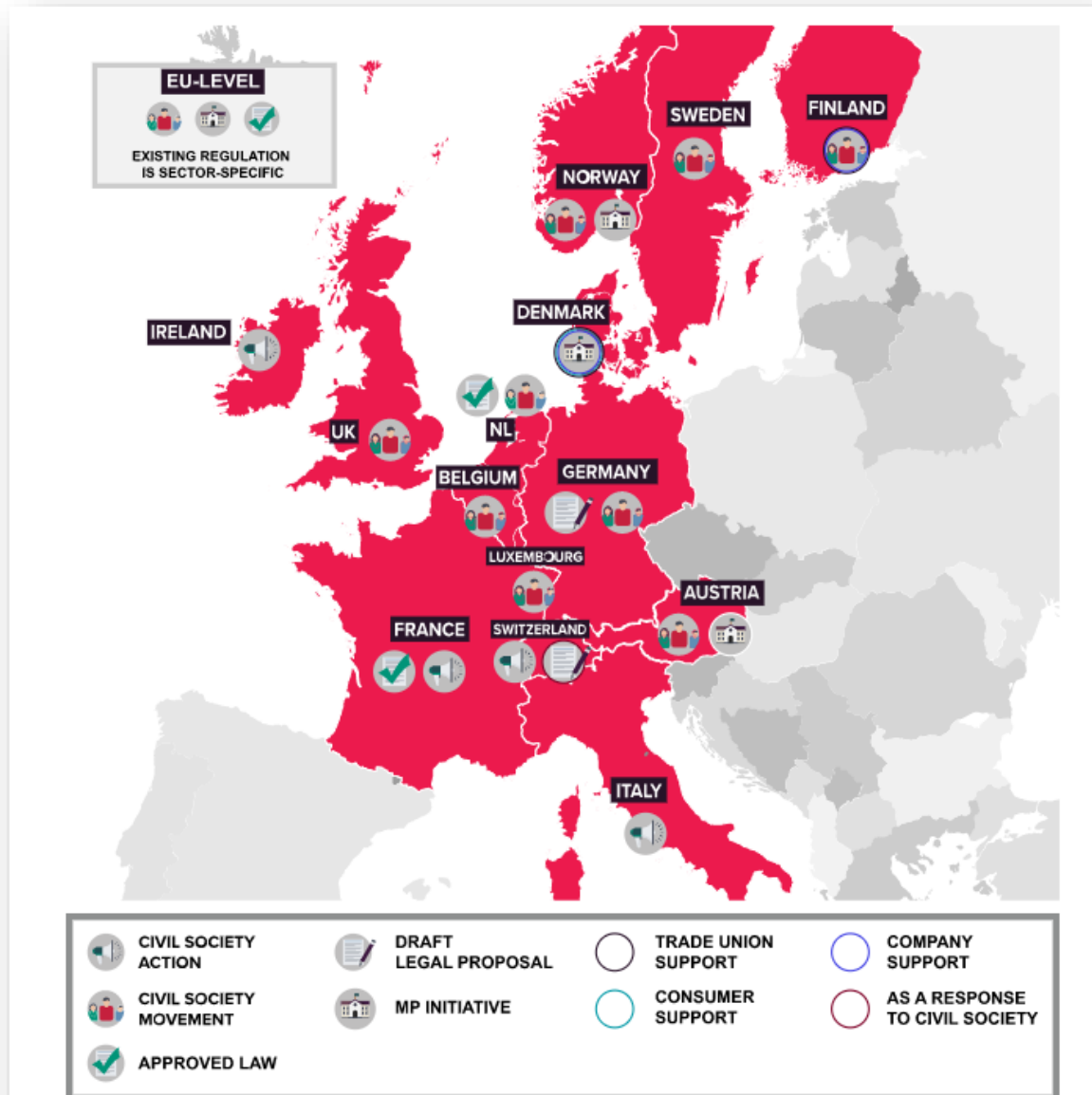
- **Chemicals in the supply chain**
- **An adaptable model for circular economy**
- **A coordinated respond to climate action**
- **Cooperation on deforestation**

Economic

- **Ambitious Trade in Investment Agreements**
- Global trade rules giving benefits for all
- Simplified rules of origin
- An integrated approach to sustainable finance
- Unilateral trade preferences

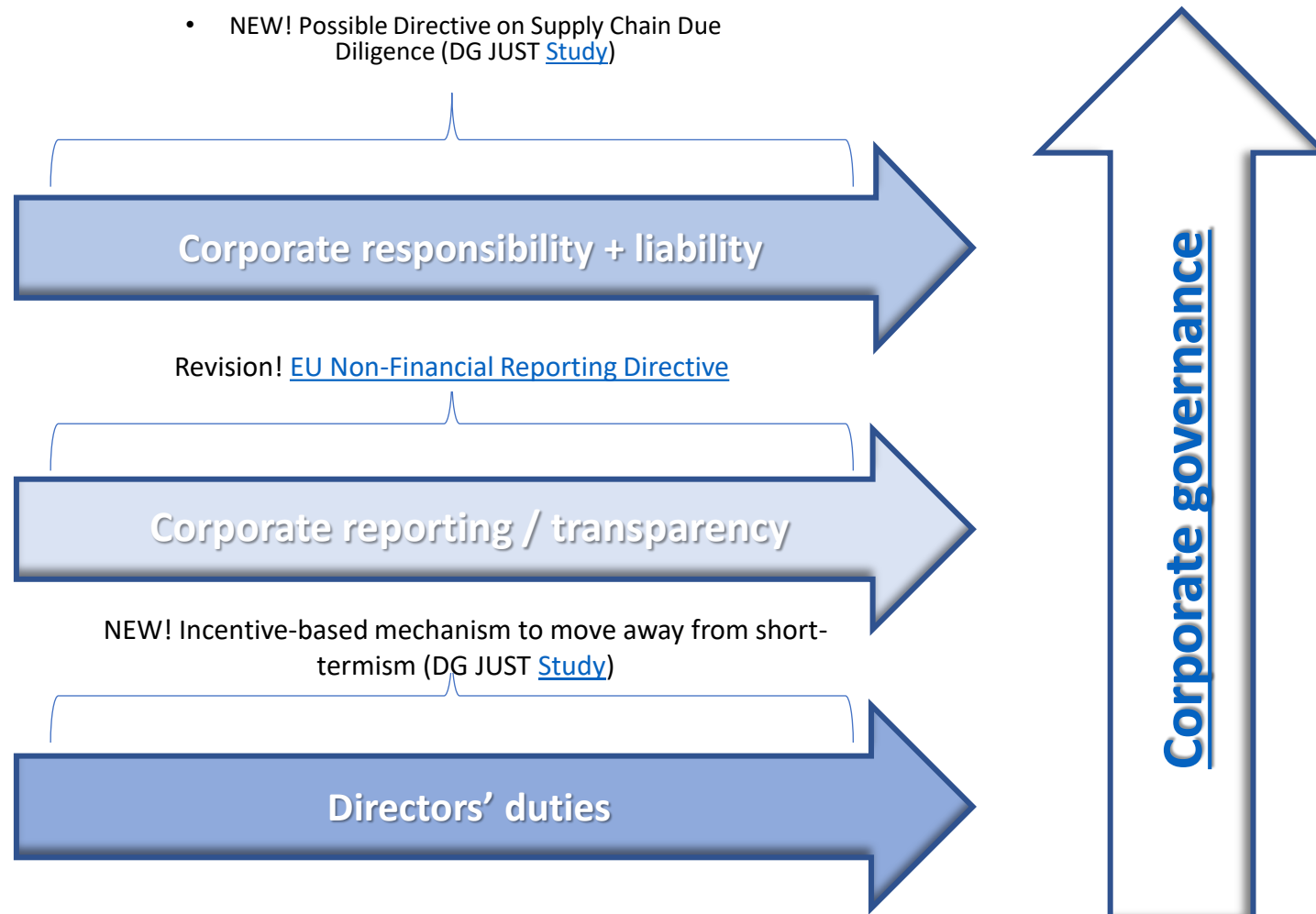
16

Momentum building across Europe on HRDD



- Source: Shift “Human Rights Due Diligence: the State of Play in Europe” October 2020

What the EU has in mind: Possible Levers

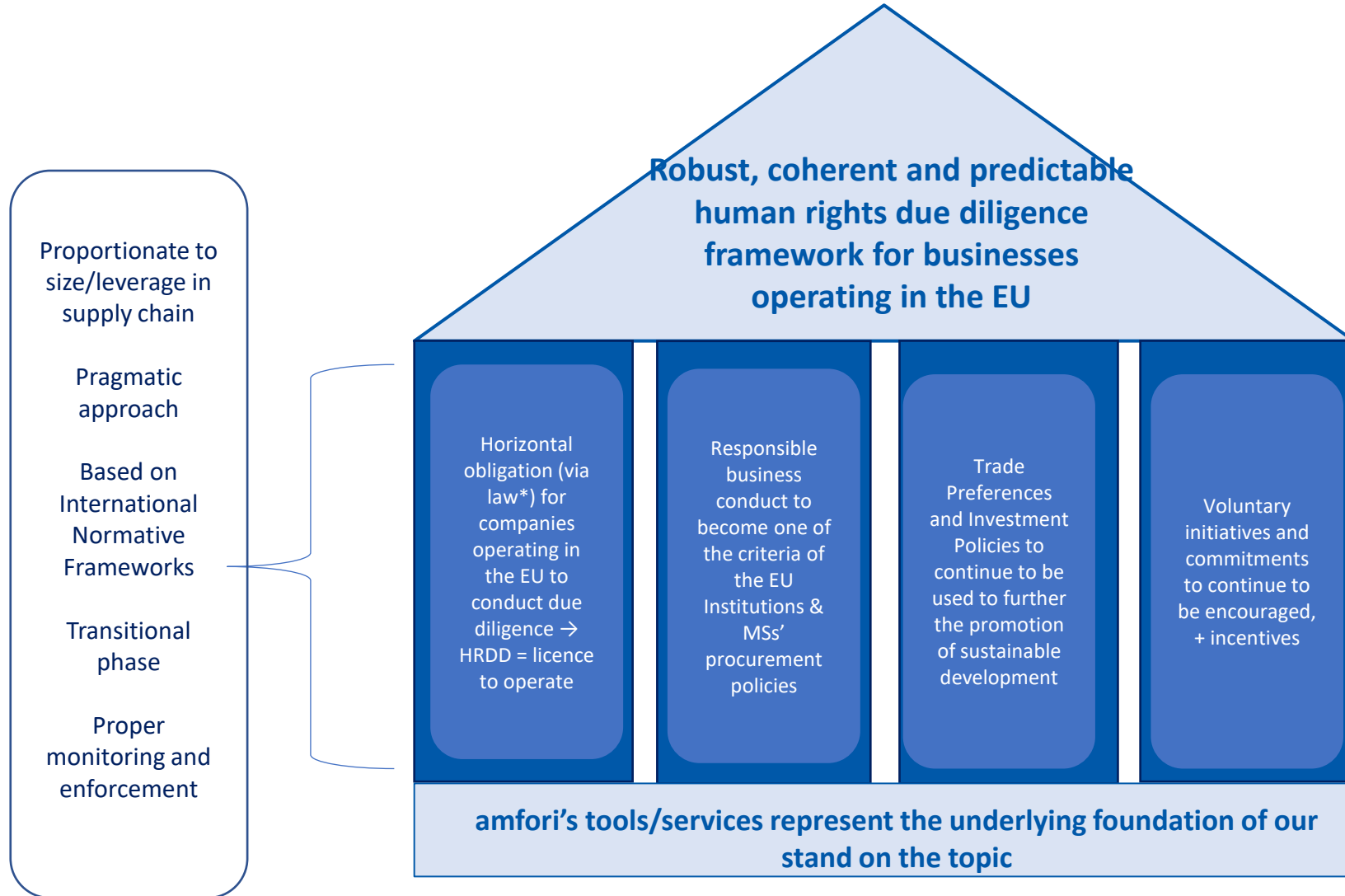


EU State of play of HRDD discussions

- ❖ Justice Commissioner announcement in April 2020.
- ❖ [Commission work programme 2021](#) from October 2020 confirms a legislative proposal will be tabled in Q2 2021.
- ❖ European Commission consultation to seek stakeholders' feedback until 8th February.
- ❖ European Parliament vote on report outlining their views on the matter of corporate accountability scheduled for 3rd March 2021.
- ❖ EU Sustainable Corporate Governance legislative proposal on HREDD to be released in Q2



amfori HRDD policy paper asks




What amfori has done on HRDD

- ✓ Published a [Position Paper](#) on Human Rights Due Diligence in February 2020, de facto becoming the **first business association** publicly supporting work on mandatory due diligence.
- ✓ Published a [joint statement](#) with 26 brands supporting an EU framework on mandatory due diligence
- ✓ Invited to **speak at various high-level events** (e.g. [April 2020 RBC event](#) where Commissioner Reynders announced intention to propose legislation; [German Presidency event on Supply Chains](#)).
- ✓ Offered a **seat at the advisory board** of the [European Parliament working group on Responsible Business Conduct](#).
- ✓ **Engagement with MEP Wolters** currently drafting the European Parliament views on the matter of corporate accountability.
- ✓ Organized 6 **local stakeholders network events** discussing HRDD and UNGPs
- ✓ Featured in the [German Presidency compendium on due diligence](#).
- ✓ Facilitated a series of **roundtables** between **businesses and CSOs** to seek mutual understanding on matters related to HRDD.

Amfori's Reply to the EU Consultation

- A comprehensive approach on due diligence, of which legislation is only one component
- **Harmonisation:** A Directive risks undermining the primary objective of harmonization since it would need to be embodied into national legislation.
- **Level playing field:** Conducting due diligence should therefore become the license to operate in the EU to avoid competitive disadvantages for European companies. Special consideration should be given to SMEs.
- **Clarity and Policy Coherence:** Adopting clear definitions, avoiding duplication of standards and *ensuring alignment both with international frameworks such as the OECD Guidelines and the UNGPs, and with EU legislation that is addressing sustainability issues*, are a pre-condition for rendering the EU work both effective and workable.
- **Flexibility:** As part of their due diligence efforts, companies should be allowed to prioritize risks in their supply chains on the basis of their leverage, degree of involvement with the adverse impact, severity and likelihood of the risk materializing.
- **Pragmatic enforcement and monitoring system:** companies should not be considered non-compliant provided they did all that was reasonably expected. Legislation should encourage continuous engagement and improvement. Lack of due diligence, making false statements or Committing gross negligence would amount to instances of non-compliance.

What about Environmental Due Diligence?

- ✓ DG JUST Study highlights that the basic environmental principles of prevention and precaution (see *UNEP & Rio Declaration on Environment definitions*) have similarities with due diligence which may, in time, prove helpful for the interpretation of any regulatory measure. However, existing environmental laws are rarely phrased in terms of corporate due diligence requirements as a legal standard of care.
- ✓ For due diligence legislation to be consistent with  some environmental standards will have to be translated into concrete obligations for companies.
- ✓ amfori is in favour of an approach that will encompass both Human Right and Environmental Due Diligence
- ✓ However, there is a need for more clarity on the scope and the expected standards of business conduct for EDD
- ✓ Step-by-Step Approach

EU embodied deforestation

12% of GHG emissions are due to land use change

Provide subsidence and income to 25% of the world's population

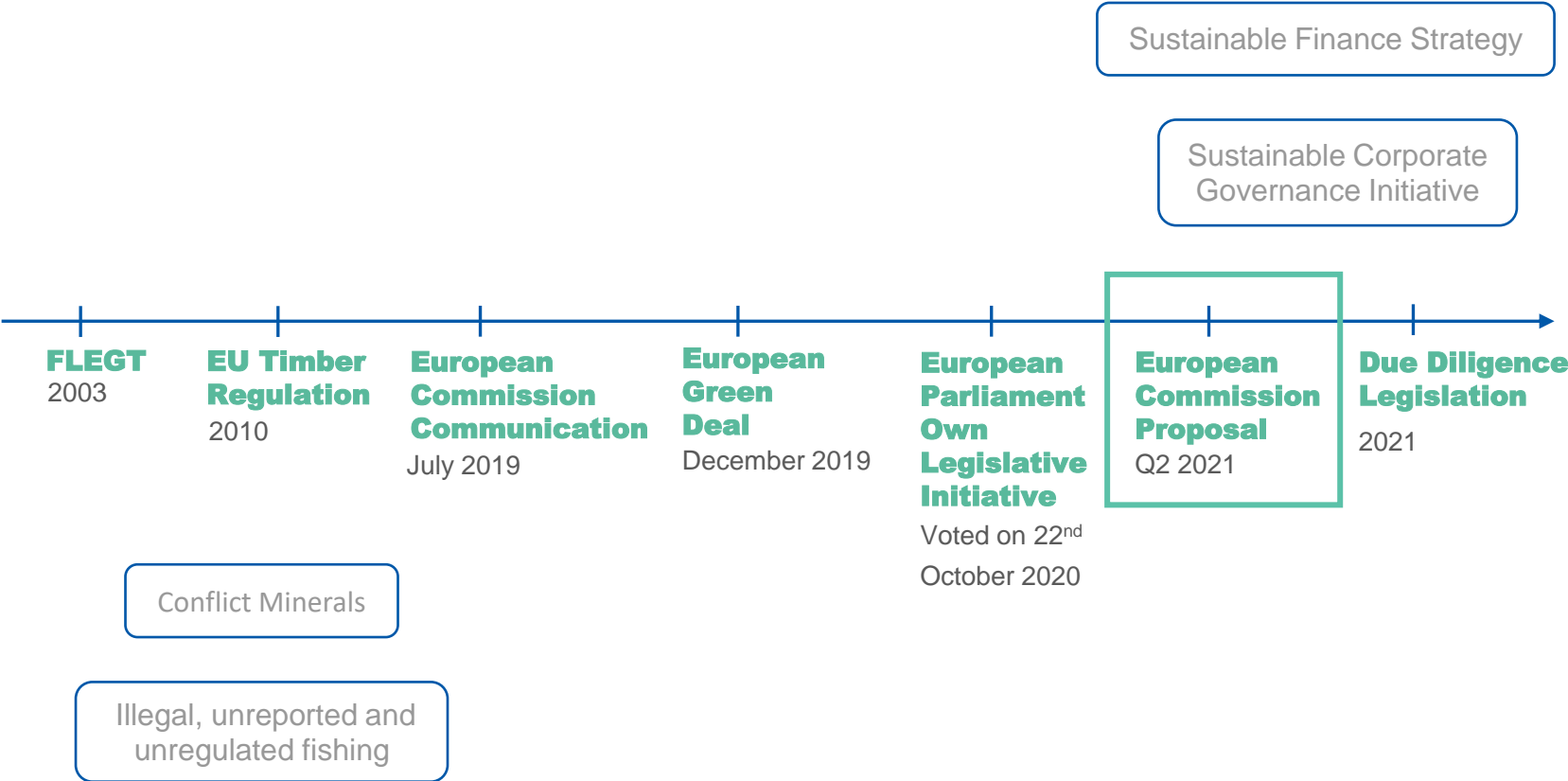


Host 80% of the world's biodiversity

Regulate water cycle

Embodied deforestation: deforestation caused by the supply chain of EU-consumed products, represents 10% of global deforestation

Deforestation Due Diligence: Timing



Deforestation Due Diligence: State of debate in the EU

European Parliament - Recommendations for a regulation to protect natural ecosystems

- Duty of due diligence
 - Duty of consultation
 - Duty of transparency and reporting
 - Duty of documentation
- ✗ List of commodities includes meat and leather
 - ✗ Notion of continuous improvement misleading
 - ✗ Supporting measures and holistic approach missing

Studies* conducted by EU institutions:

- ! Advise for **mandatory due diligence**
- ! Are unclear on the list of commodities in scope

**Feasibility study on options to step up EU action against deforestation,
An EU legal framework to halt and reverse EU-driven global deforestation: European added value assessment*

Main messages of amfori's paper

A regulation tackling embodied deforestation should be:

- **Implementable:** the scope should be well defined, with a limited list of commodities while flexible enough to adapt to all concerned supply chains
- **Supportive:** an action plan would provide support for companies in the implementation of their due diligence with an action plan
- **Coherent:** a regulation should follow due diligence principles and complementing other due diligence requirements

Key recommendations



1. Provide clarity in the definitions and scope of the action plan and detail due diligence requirements



3. Contain an EUTR-like regulation going beyond legality and with a carding system indicating the risk if sourcing regions



5. Be complementary to horizontal corporate due diligence legislation covering social and environmental issues



7. Provide guidance and tools for companies and especially SMEs such as a mapping of private initiatives that can help with their due diligence, training for them and their suppliers and requirements against embodied deforestation in Green Public Procurement Policies



2. Focus on key commodities responsible for the majority of the EU's embodied deforestation



4. Adopt a due diligence approach for continuous improvement in the supply chain rather than the complete banning of at-risk products



6. Contain non-regulatory measures such as collaboration with third countries through partnership agreements with sourcing countries, dialogue with other main consumer markets, and specific clauses in free trade agreements with trading partners



Thank You!

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