

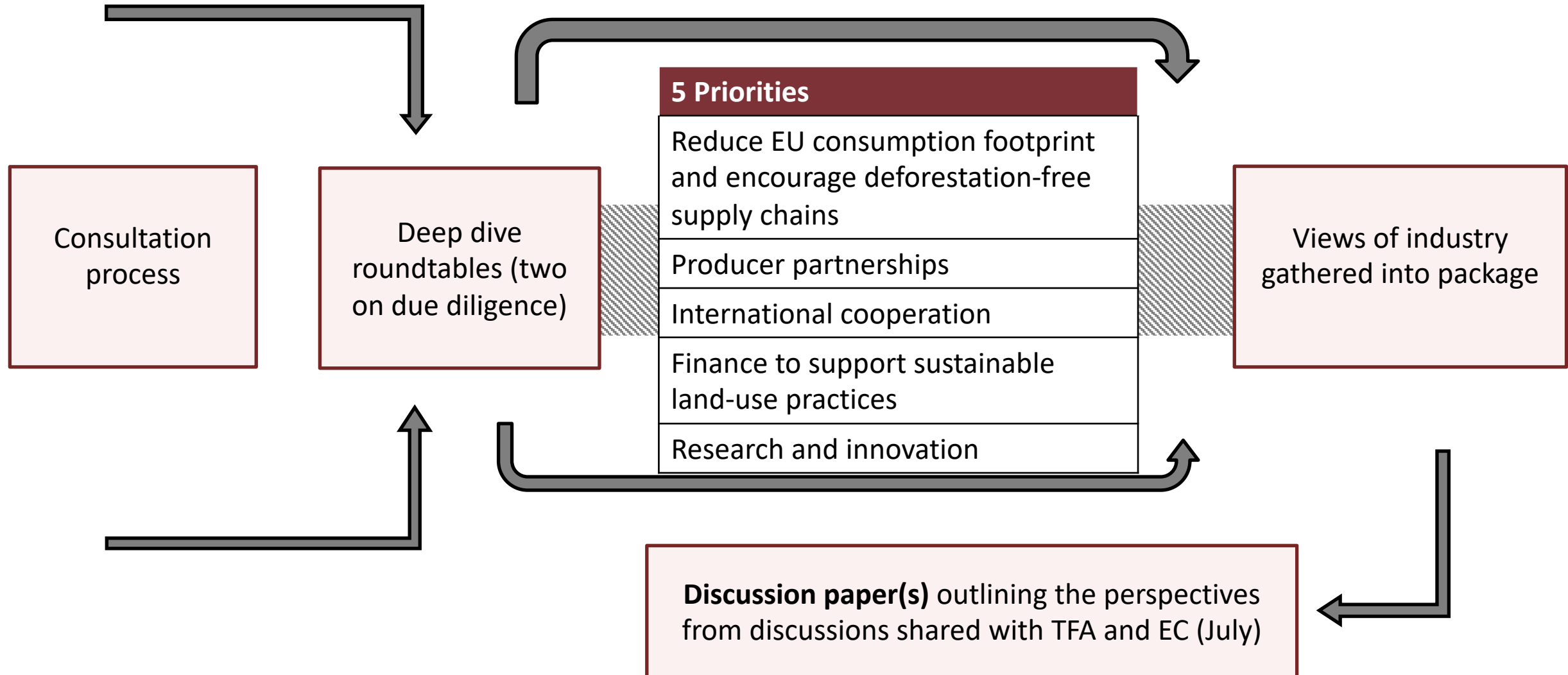
TFA roundtables to discuss EU action to protect forests

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‘Ending Imported Destruction’, 26 June 2020

The roundtable process



Private-sector support for due diligence



10 roundtables in total:

1 st wave	2 nd wave
Regulatory and non-regulatory measures Producer partnerships Certification and labelling Due diligence International cooperation Green finance	Due diligence Verification and claims Finance in the context of supply chains South East Asia case study

- Nearly **150** organisations involved, of which nearly **100** were industry – from **global traders** through to **manufacturers** and **pan-European retailers**; and **national palm oil** and **soy initiatives**, representing a range of European industry actors (including SMEs)
- Commodities represented included mainly palm oil, soy and cocoa but also coffee, rubber and pulp/paper
- Purpose is not to reach agreed position – but discussions showed **very broad support for EU-wide mandatory due diligence legislation**
- Industry position papers explicitly supporting mandatory due diligence include:
 - Cocoa coalition (Barry Callebaut, Mars, Mondelez, Nestle, Tony's Chocolonely, Unilever), CAOBISCO, European Cocoa Association, European Palm Oil Alliance, FoodDrinkEurope, French Alliance for the Preservation of Forests, joint statement by COCERAL, FEDIOL and FEFAC

Summary of roundtable discussions on due diligence: aims



Mandatory EU-wide due diligence legislation should aim:

- To transform global commodity supply chains (not just clean up EU supply chains)
- To enhance traceability and encourage a better understanding of supply chains and their exposure to risk (of illegality, unsustainability, deforestation, human rights abuses ...)
- To build where possible on existing initiatives and due diligence frameworks
- To place an obligation on all companies that source, trade and process forest risk commodities
- To drive continual improvement, encouraging the development and evolution of plans to address the risks
- It is recognised that not all challenges can be overcome immediately; products from supply chains not meeting the criteria should not be banned
- To encourage the use of new technologies and data
- It was acknowledged there could be unintended consequences from a due diligence obligation, such as abandoning high-risk suppliers or possibly switching to lower-risk commodities ...
- ... but the due diligence approach should reward continued engagement with and support for suppliers who perform less well to start with; it should act as an enabler of good practice

Summary of roundtable discussions on due diligence: design



The due diligence legislation should be designed in accordance with these principles:

- Consistency in criteria and application across the EU, to provide a level playing field
- A broad ‘horizontal’ corporate due diligence obligation applying to companies throughout their operations and supply chains
- Detailed legislation for specified commodities or supply chains, focusing first on forest risk commodities (i.e. *not* non-legally-binding ‘guidelines’)
- The due diligence criteria should cover human rights and environmental impacts (not just illegality), drawn where possible from existing initiatives and supporting frameworks (e.g. AFI, UN/OECD Guidelines)
- The due diligence obligation should be shared across all actors (i.e. no size threshold), but proportionate to a company’s influence over the supply chain, and their introduction possibly phased
- Requirements for compliance (to exercise due diligence, to have in place a system of due diligence, to issue regular reports or plans?) must be clear
- Enforcement is primarily a role for the state, and must be properly resourced, with adequate penalties; but also possibility of third-party legal action in cases of company’s failure to exercise due diligence
- Complaints and remediation mechanisms should be included, with a possible role for the state

Need for a 'smart mix'



There are limits to what industry can achieve by itself; we need a 'smart mix' of measures, including:

1. Action on the ground in producer countries:

- Partnership agreements (VPA-type) where possible (especially cocoa) – note role of due diligence as incentive
- Other types of agreements (trade, investment, etc.)
- Development assistance

2. Action in the EU, to regulate business and affect markets:

- Due diligence legislation
- Reform of competition law
- Public procurement policy
- Dialogue with other consumer countries, particularly China

3. Action to affect flows of finance and investment:

- Due diligence obligation to avoid investments in unsustainable activities
- Support (blended finance, etc.) to promote investments in sustainable activities

4. Supportive underlying elements:

- Verification and certification