



# The role of multi-stakeholder sustainability initiatives in reaching the goals of the EU Corporate Sustainability Due Diligence Directive

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## Authorship and acknowledgements

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# Introduction 01

Presented by the European Commission in 2019, the European Green Deal is an ambitious roadmap aiming to make Europe the first climate-neutral continent by 2050, boost the economy, improve people's health and quality of life, care for nature, and leave no one behind.<sup>1</sup> It covers all sectors of the economy and will feature a raft of new strategies and legislation, including one aimed at regulating corporate behavior. The proposed EU Corporate Sustainability Due Diligence Directive (CS3D) is intended to oblige companies to conduct due diligence to minimize the risk of specified human rights abuses and environmental damage occurring in their operations and supply chains.

Tackling human rights and environmental problems in supply chains is a complex issue that can only be resolved by collaborative work between private and public actors. The legislation is important, but legislation alone will be unable to solve these problems. In this paper, we look at multi-stakeholder initiatives (MSIs) that can be instrumental in moving markets and sectors towards more ambitious approaches on sustainability, including tackling human rights and environmental issues.

The paper examines the links and synergies between the proposed CS3D and MSIs. It shows how MSIs can facilitate the achievement of the broader goals of the Directive – going beyond influencing corporate behavior through establishing proper due diligence processes – and mitigate the potential risks that the Directive might bring up.

The paper analyses four IDH-led initiatives: Beyond Chocolate, the Dutch Initiative for Sustainable Cocoa (DISCO), Sustainable Initiative Fruit and Vegetables (SIFAV), and the generic model of a landscape program<sup>2</sup> connected to the SourceUp platform. We identify the due diligence steps, as proposed by CS3D, on which these different types of initiatives are best positioned to provide solutions and expertise, and we provide recommendations for the initiatives and policymakers.

1. See: [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en).

2. Although there are conceptual and practical differences between the terms “landscapes” and “jurisdictional initiatives and approaches”, both describe a horizontal approach towards supply chain sustainability, going beyond conventional vertical approaches. This report uses both terms interchangeably to refer to initiatives covering a specific area that goes beyond one specific supply chain. For more information on landscape initiatives, visit: <https://www.isealalliance.org/get-involved/resources/jurisdictional-and-landscape-approaches>.

# The EU Corporate Sustainability Due Diligence Directive and IDH's four recommendations

## 02



The EU Corporate Sustainability Due Diligence Directive, planned to be adopted at EU level in 2023, is the latest in a series of government initiatives legislating to introduce mandatory due diligence obligations on companies registered or operating in their territories.

The Directive aims to place due diligence obligation on large companies registered or operating in the EU, with regard to human rights abuses and environmental damage in their supply chains. The company size threshold is lower for enterprises operating in high-impact sectors, which include agriculture, forestry, fishing, food, textiles, and minerals. There is a debate about whether SMEs should be in scope or not. Even if they are exempt from direct obligations, many will be included as part of the supply chains of larger companies.

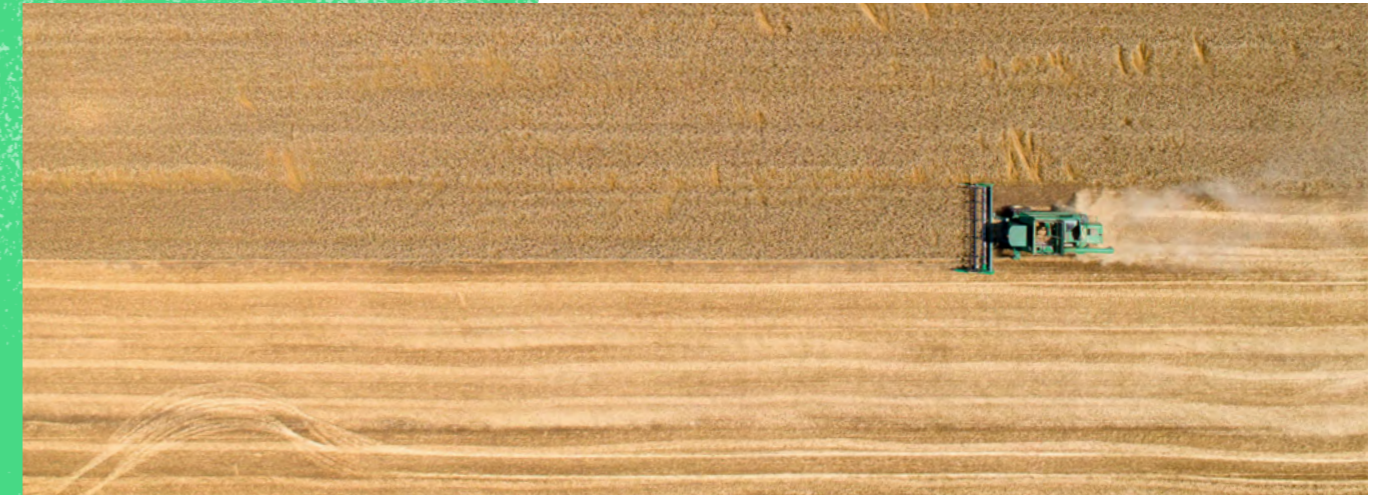
The criteria on which the due diligence obligations are proposed to be based have been defined in reference to a wide range of UN human rights instruments and ILO conventions, as well as multilateral environmental agreements.

The proposed due diligence procedure has been defined in six steps (similar in outline, though slightly different in detail, to those of the OECD). Companies are to:

1. Integrate due diligence into their corporate policies and put a due diligence system in place;
2. Identify actual or potential adverse impacts;
3. Prevent potential adverse impacts where possible and mitigate actual impacts where not, and bring actual adverse impacts to an end where possible and minimize their extent where not;
4. Establish and maintain complaints procedures;
5. Monitor the effectiveness of their due diligence policies and measures;
6. Report on their due diligence efforts publicly.

The Directive includes several provisions intended to provide support for companies in implementing their obligations, including the possibility of the European Commission issuing sector- or impact-specific guidelines, and member states providing assistance, particularly to SMEs. Companies may rely on industry schemes and multi-stakeholder initiatives to support the implementation of their due diligence obligations. The Commission will issue guidance for assessing the suitability of such schemes and initiatives for fulfilling this role.

At IDH, we believe the legislation is a step in the right direction. Markets alone cannot tackle some of the complex environmental and social problems of our time. Governments need to act to provide a level playing field with the right incentives to ensure that companies can be a force for good. However, this legislation may risk becoming a missed opportunity if the following aspects are not considered and addressed:



1.

Both **living wage and living income should be included** in the Directive as a human right. The work that IDH has been doing under its Roadmaps on Living Income<sup>3</sup> and Living Wage<sup>4</sup> shows that action only by frontrunner companies and governments on both living wage and living income is not enough. Recognizing these as human rights will push more actors in global supply chains to work towards that goal. By including only living wage in the Directive, we are excluding smallholder farmers, for example, most of whom live in poverty and should be earning at least a living income. Without them receiving a living income, they will not be able to pay a living wage, included into the Directive proposal, to their workers. The methodologies and tools for companies and other stakeholders to work on living incomes and living wages already exist, and can give an indication of the gap and how company interventions can fill it.

2.

The directive might **disincentivize companies from sourcing from higher-risk areas and suppliers**. However, it is in these areas that the work and engagement should continue. The clarity around the modalities of a risk-based approach can reduce the risk of disengagement. A risk-based approach means that companies will need to prioritize addressing adverse impacts (if they cannot address them all) based on the likelihood, severity, capacity and several other factors listed in the Directive. In addition, it is important to clarify provisions on disengagement (as a last resort) and on what can be considered a “sufficient effort” – either in the legislation or in sectoral guidance. MSIs can be a useful source of reference here, as they already track the results of collective companies’ efforts on the priority risks. If not done properly as a result of reorganization of supply chains, **smallholder farmers** will be selling their crops at a lower price, further jeopardizing their incomes and triggering more environmental degradation.

3.

The EU should **incentivize companies to engage with suppliers and local stakeholders** to tackle complex issues such as child labor and deforestation. Companies, especially local SMEs, should be seen as part of the solution. European companies or companies operating in the EU should be rewarded and recognized for engaging with their suppliers beyond the conventional top-down code of conduct and audit approaches. Inclusive smallholder-oriented business models should be encouraged. Pre-competitive collaboration – under multi-stakeholder initiatives, for instance – will become even more important. Smallholder farmers and local companies need to be provided with the means to transform their methods of operation, data collection, etc., rather than being faced with extra responsibilities stemming from the Directive.

4.

It’s important to facilitate the national and sub-national authorities of the producing countries, giving ownership to local actors. This will require supporting approaches that **combine due diligence in values chains at company level with jurisdictional approaches in sourcing areas**, which enable local actors to tackle human rights and environmental issues.



3. IDH’s Roadmap on Living Income is a logical framework with resources designed to help guide companies’ efforts to close living income gaps in their supply chains: <https://www.idhsustainabletrade.com/roadmap-on-living-income/>  
4. IDH’s Roadmap on Living Wage outlines the steps needed to measure and close living wage gaps in companies’ operations and supply chains, and includes a Salary Matrix enabling companies to evaluate how the total remuneration received by employees compares with relevant regional living wage benchmarks: <https://www.idhsustainabletrade.com/living-wage-platform/>



# 03

## How companies can use multi-stakeholder initiatives as part of mandatory due diligence in line with CS3D

### 3.1 IDH's multi-stakeholder initiatives and CS3D

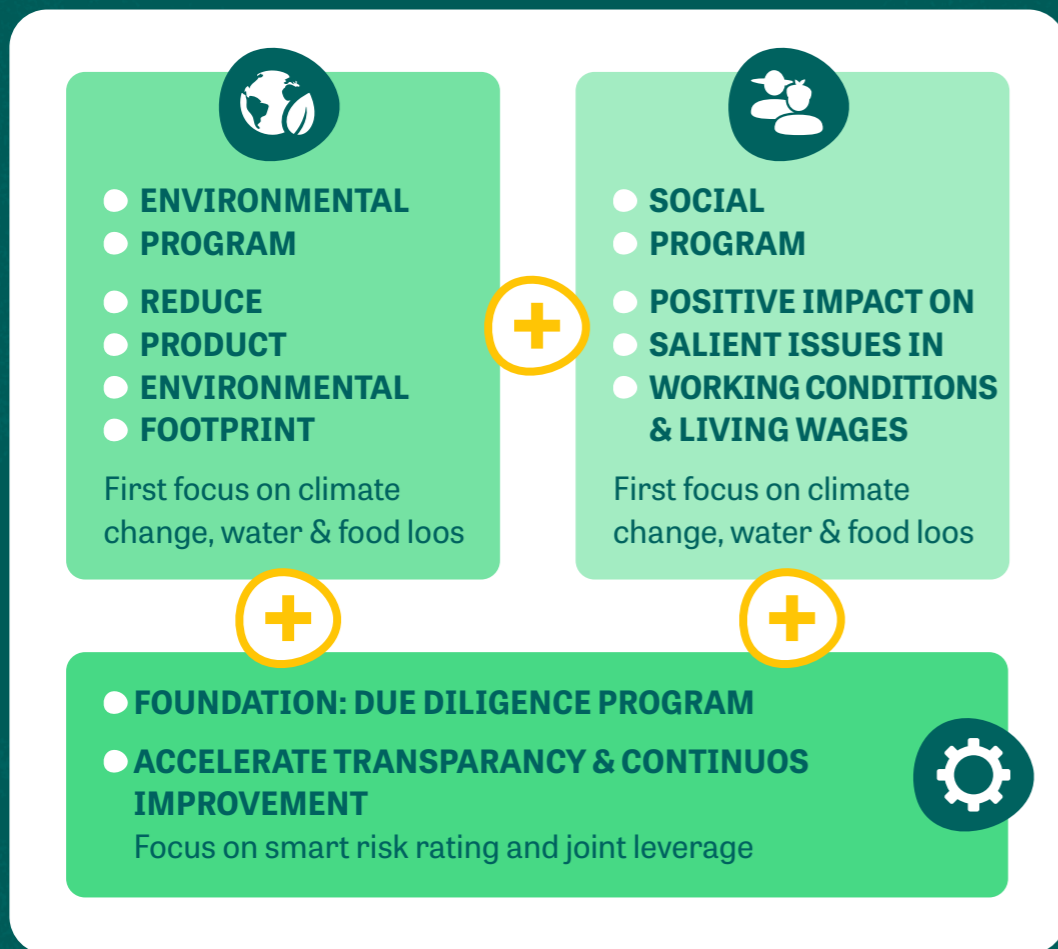
IDH leverages the power of markets to create better jobs, better incomes, a better environment, and gender equality for all. Much of its work is focused around establishing and supporting action-driven coalitions and multi-stakeholder initiatives, including landscape and jurisdictional initiatives aimed at tackling complex challenges, such as deforestation and poverty, in collaboration with local stakeholders. IDH convenes or participates in the steering of more than 15 sector and 22 landscape sustainability initiatives.<sup>5</sup> It has developed a number of tools and approaches that can be used across different sectors, such as the Roadmaps on Living Wage and Living Income.

In this section, we look at how different types of MSIs may help companies to comply with CS3D and strengthen their broader sustainability approach on the examples of four MSIs. The MSIs analyzed differ in their geographical reach, focus commodities, and goals and risks prioritized. A detailed description of the initiatives can be found in the Annex. The table below summarizes the key parameters of the initiatives discussed:

|   | Geographical reach  | Focus commodities    | Broad goals   |
|---|---|----------------------|---|
| <b>Beyond Chocolate and Dutch Initiative on Sustainable Cocoa</b> | National, with close links to other sustainable cocoa initiatives | Cocoa                | Raising sustainability of the industry                                  |
| <b>Sustainability Initiative Fruit and Vegetables</b>             | Global  | Fruit and vegetables | Raising sustainability of the industry                                  |
| <b>Landscape programs linked to SourceUp</b>                      | Global  | Multiple commodities | Solving key environmental and social problems of a certain jurisdiction |

### 3.1.1 Sustainability Initiative Fruit and Vegetables (SIFAV)

Founded in 2012, SIFAV<sup>6</sup> is an international initiative with around 40 partners, including retailers, brands, traders, civil society organizations, and other supporting parties. It drives industry change through leadership, pre-competitive alignment and joint approach-setting. It drives action in supply chains through jointly established targets, annual reporting, and enhanced sourcing requirements, while also engaging suppliers and capacitating companies. It aims to contribute to a sustainable fresh fruit and vegetable supply chain and to create impact at scale by aligning policies, targets, and collaborative actions. The 2025 strategy<sup>7</sup>, with a focus on reducing industry partners' supply chains' **environmental footprints, improving working conditions, wages and incomes, and strengthening due diligence reporting and transparency**, will considerably raise the bar for the whole sector.



#### The strategy includes the following environmental and social targets:

- 25% reduction in carbon footprint across three priority products;
- Third-party verified water standards applied for 70% of volume from high water risk regions;
- Jointly approved social third-party verification for at least 90% of volume coming from high- and medium-risk countries by 2025;
- 25% reduction in food loss and waste in three priority products;
- SSCI benchmarked standards for Large Farms & Farm Groups from high-risk countries;
- All SIFAV members make a living wage commitment on at least one product or execute one living wage/income project.

Due diligence is considered a foundation for achieving the broader goals of SIFAV. The table below summarizes on which of the six due diligence steps (as per CS3D) SIFAV can be instrumental with the variety of tools, guidelines, and processes that it has developed for the sector. The development of the new instruments and the refinement of the existing ones is ongoing.

#### SIFAV and CS3D

(✓ = element present; (✓) = partially present)

|       | Integrate due diligence in company policies | Identify adverse impacts | Prevent/mitigate potential adverse impacts, bring actual adverse impacts to an end | Establish complaints procedure | Monitor effectiveness | Report publicly |
|-------|---|--------------------------|--|--------------------------------|-----------------------|-----------------|
| SIFAV | (✓)   | ✓                        | ✓  | -                              | ✓                     | ✓               |

6. See: <https://www.idhsustainabletrade.com/initiative/sifav2025/>

7. See: [https://www.idhsustainabletrade.com/uploaded/2022/11/About\\_SIFAV\\_brochure\\_FINAL.pdf](https://www.idhsustainabletrade.com/uploaded/2022/11/About_SIFAV_brochure_FINAL.pdf)

## Step 1

### Integrate due diligence in company policies

SIFAV has developed a sector-specific due diligence manual and regularly conducts training sessions for its members, which indirectly contribute to integrating due diligence into companies' policies. SIFAV has not specifically developed templates for codes of conduct or sourcing policies. SIFAV has access to the policies and lessons learned by other sustainability initiatives convened by IDH, such as the floriculture sectoral initiative<sup>8</sup>, and adapts them when necessary.

## Step 2

### Identify adverse impacts

SIFAV focuses on the key risks in the fruit and vegetable supply chain. Given the large degree of diversity in these supply chains, working with credible risk ratings is regarded as a key step in due diligence. SIFAV and its members use a specially developed sustainability risk assessment tool, covering 18 sustainability risks, as well as risk ratings for countries, products, and country-product combinations. SIFAV organizes learning sessions and will develop guidelines for assessing risks. SIFAV intends to perform an annual risk assessment for all its partners, enabling the initiative to identify and prioritize issues, products, and geographies for which joint activities can be developed (step 3). The geographical focus has so far mainly been on high-risk countries in terms of working conditions, but this is being expanded to include medium-risk countries.

8. See: [https://www.idhsustainabletrade.com/uploaded/2022/09/IRBC\\_flower\\_report\\_small\\_version\\_EN\\_1909\\_spreads\\_ACTIEF.pdf](https://www.idhsustainabletrade.com/uploaded/2022/09/IRBC_flower_report_small_version_EN_1909_spreads_ACTIEF.pdf)

## Step 3

### Prevent/mitigate potential adverse impacts, and bring actual adverse impacts to an end

All the commitments taken by SIFAV partners are aimed at bringing actual adverse impacts to an end and preventing future adverse impacts. SIFAV's strategy for 2025 focuses on reducing its industry partners' supply chains' environmental footprints, improving working conditions, wages and incomes, and strengthening due diligence reporting and transparency. Specific targets include:

- Reducing priority products' environmental footprint, particularly in terms of carbon emissions, water use, and food loss and waste;
- Implementing social third-party verification;
- Analyzing living wage and living income gaps.

Partners may adopt optional targets on other topics such as biodiversity or migrant labor. These priority topics, around which most of its project activities<sup>9</sup> are focused, cover several of the impacts included in the list of human rights and environmental risks covered by CS3D, with a stronger focus on environmental risks. More than €17 million have been invested in the priority projects by SIFAV members and public actors.

Partners may adopt optional targets on other topics such as biodiversity or migrant labor. These priority topics, around which most of its project activities are focused, cover several of the impacts included in the list of human rights and environmental risks covered by CS3D, with a stronger focus on environmental risks. More than €17 million have been invested in the priority projects by SIFAV members and public actors.

SIFAV has developed its own basket of social and water management standards best suited to the industry. These standards drive harmonization, support alignment of market requirements with best practices, and promote transparency and comparability. Standards that have gone through an independent benchmarking process, and that are found to be equivalent, are included in the SIFAV basket. Benchmarking ensures that all standards meet a minimum level of assurance and quality. SIFAV's baskets of social standards<sup>10</sup> promote and mainstream the verification of good labor conditions on farms in high- and medium-risk countries. SIFAV has defined three baskets of social standards to cover different requirements according to the area of application: one for high-risk countries, one for medium-risk countries, and one for smallholders. SIFAV's basket of water standards<sup>11</sup> promotes and mainstreams the verification of good water management on farms in high water-risk regions. In 2023, SIFAV will make an assessment of the risk mitigation by the standards.

Fresh produce company and SIFAV partner Fyffes developed its Gender Equality Program to support female farm workers on gender-related issues. The main tool within this program is 'HERessentials', a digital educational app that Fyffes has been rolling out in its fruit farms in Latin America. The overall target: to provide gender equality training to 100% of people at Fyffes' own sites in Latin America by 2025 and at 50% of its suppliers' sites by 2030. To help establish the framework for the program, IDH provided part of the funding as well as key learnings from its successful gender initiative in the Ethiopian flower industry.

9. Within the SIFAV 2020 program, more than 40 different international projects in total have been implemented by SIFAV partners, covering a broad variety of sustainability topics – including health and safety, block farming, good environmental agricultural practices, and gender equality, just to mention a few. In total, over €17 million was invested in these projects, including co-funding by IDH.

10. See: [https://www.idhsustainabletrade.com/uploaded/2022/04/SIFAV\\_twopager-social-basket\\_FINAL.pdf](https://www.idhsustainabletrade.com/uploaded/2022/04/SIFAV_twopager-social-basket_FINAL.pdf)

11. See: [https://www.idhsustainabletrade.com/uploaded/2021/11/SIFAV\\_Basket-of-Water-Standards\\_FINAL.pdf](https://www.idhsustainabletrade.com/uploaded/2021/11/SIFAV_Basket-of-Water-Standards_FINAL.pdf)





**Step 4**

**Establish complaints procedure**

Not covered by SIFAV.

**Step 5 & 6**

**Monitor effectiveness and report publicly**

In 2023, SIFAV will start jointly and individually report on risks and progress on an annual basis, to monitor progress against the 2025 ambitions. SIFAV partners will either publish progress against their SIFAV commitments individually on their websites, or include the aggregated results in their due diligence reports. This should encourage partners to improve their data collection and analysis.



**3.1.2 Beyond Chocolate and Dutch Initiative on Sustainable Cocoa**

Beyond Chocolate<sup>12</sup> and the Dutch Initiative for Sustainable Cocoa (DISCO)<sup>13</sup> are two of the five existing national multi-stakeholder initiatives for a sustainable cocoa and chocolate industry in Europe. The Belgian initiative brings together a wide range of organizations, including private-sector companies, investors, certifiers, government, and civil society. Beyond Chocolate has achieved extensive coverage: around 70 organizations and more than 90% of chocolate produced in Belgium.

The initiatives are structured around a number of specific cocoa-related challenges. The table below summarizes which of the six due diligence steps in CS3D are covered by Beyond Chocolate and DISCO:

**Beyond Chocolate/DISCO and the EU CS3D**  
(✓ = element present; (✓) = partially present)

|       | Integrate DD into company policies | Identify adverse impacts | Prevent, mitigate potential adverse impacts, bring actual adverse impacts to an end | Establish complaints procedure | Monitor effectiveness | Publicly report |
|-------|------------------------------------|--------------------------|---|--------------------------------|-----------------------|-----------------|
| BC    | –                                  | ✓                        | ✓   | –                              | ✓                     | ✓               |
| DISCO | (✓)                                | ✓                        | ✓   | –                              | ✓                     | (✓)             |

12. See: <https://www.idhsustainabletrade.com/initiative/beyondchocolate/>

13. See: <https://www.idhsustainabletrade.com/initiative/dutch-initiative-on-sustainable-cocoa-disco/>

## Step 1

### Integrate due diligence in company policies

Beyond Chocolate and DISCO organize information and learning sessions on due diligence, in collaboration with the other national platforms on sustainable cocoa. The guidance on due diligence has not yet been developed, and nor have sourcing and purchasing practices that should support joint sustainability ambitions. More specifically, DISCO's roadmaps on deforestation, forest degradation<sup>14</sup> and child labor<sup>15</sup> specify how companies can carry out due diligence assessments on cocoa entering the supply chains.

## Step 2

### Identify adverse impacts

Beyond Chocolate and DISCO have chosen to focus on the upstream risks in the supply chain, in particular addressing the issues of (extreme) poverty, living income, forced and child labor, and deforestation. Own operations and processing facilities are not in the scope at this stage. These upstream risks overlap with several of the risks proposed in the OECD due diligence guidance and in CS3D, but are much more limited and focus on the risks prioritized by the sector. The targets and indicators that have been adopted focus on cocoa volumes brought to markets and the aforementioned key risks in the cocoa supply chain.

14. See: <https://www.idhsustainabletrade.com/publication/disco-roadmap-on-deforestation-and-forest-degradation/>

15. See: <https://www.idhsustainabletrade.com/publication/disco-roadmap-on-child-labour/>

## Step 3

### Prevent/mitigate potential adverse impacts, and bring actual adverse impacts to an end

All Beyond Chocolate and DISCO commitments are aimed at bringing actual adverse impacts to an end and preventing future impacts. Since the partners agree that poverty lies at the root of the endemic challenges in the sector, Beyond Chocolate and DISCO members implement joint projects that focus on closing living income gaps in their supply chains. Beyond Chocolate, DISCO and IDH have created supporting materials and tools for signatories to address the issue of living incomes in their supply chains – for example, the DISCO Roadmap on Living Income.<sup>16</sup> Projects<sup>17</sup> bring actors in different parts of the supply chain together, helping to build confidence that each partner will play their part. IDH supports the development of strategies, provides support to partners (for example: by providing a household income assessment tool, which helps generate better data on the living income gap), monitors the projects, and shares lessons learned and best practices with the wider Beyond Chocolate and DISCO partners.

#### Beyond Chocolate's commitments

By 2025, all chocolate produced and/or sold in Belgium will comply with a relevant certification standards and/or corporate sustainability scheme.

Beyond Chocolate partners will comply with applicable agreements between governments and companies in the regions that fall under the Cocoa & Forests Initiative.

By 2030, cocoa farmers supplying the Belgian market will earn at least a living income. Deforestation due to cocoa production for the Belgian chocolate sector will have ended.

16. See: <https://www.idhsustainabletrade.com/publication/disco-roadmap-on-living-income/>

17. See: <https://www.idhsustainabletrade.com/beyond-chocolate-co-financed-projects/>



**Step 4**

**Establish complaints procedure**

Not covered by BC/DISCO

**Step 5 & 6**

**Monitor effectiveness and report publicly**

All partner companies are required to report transparently on progress made towards the joint targets, on an annual basis. In 2020, Beyond Chocolate and the German and Swiss cocoa initiatives agreed on a memorandum of understanding that included harmonizing monitoring and evaluation frameworks and synchronizing the reporting cycle, while DISCO joined a year later. This facilitates the measurement of progress towards joint and individual commitments, demonstrating progress for donors and compliance with due diligence legislation, and empowering partnership signatories to hold each other accountable. Harmonized reporting requirements should also reduce burdens on suppliers.

One of the priorities of Beyond Chocolate and DISCO is to collect consistent and reliable (baseline and progress) data that enable increased accountability among members of the initiatives. To ensure consistent alignment in the reporting, the initiatives set up a Monitoring Framework and an online reporting tool. These enable partners to report on progress made against the overall and individual commitments and additional ambitions of the partnership, though not publicly. The platform secretariat organizes coaching sessions for signatories on how to use the tool.



**3.1.3**

**Landscape programs and SourceUp platform as a reporting tool**

Over the years, IDH has been involved in the development of landscape programs in key sustainability hotspots in Asia, Africa, and Latin America. As a framework that brings together local stakeholders and multinational companies to solve systemic environmental and social issues beyond individual supply chains, landscape programs can play a role in ensuring companies comply with due diligence requirements. IDH is currently working on linking its sectoral initiatives with the landscape programs.

The SourceUp platform is a tool that promotes landscape programs and supports landscape-level reporting and monitoring. It shows where landscape programs are being convened and provides information on goals and indicators that have been agreed by landscape-level stakeholders. It's a useful tool for companies to engage with landscape-level stakeholders in a sourcing region, and to co-design sustainability projects that can help mitigate environmental and social risks. Companies can also show the projects they are supporting and implementing, as part of their engagement in landscape programs.

**Landscape programs/SourceUp and CS3D**

(✓ = element present; (✓) = partially present)

|                             | Integrate due diligence in company policies | Identify adverse impacts | Prevent/mitigate potential adverse impacts, bring actual adverse impacts to an end | Establish complaints procedure | Monitor effectiveness | Publicly report |
|-----------------------------|---|--------------------------|--|--------------------------------|-----------------------|-----------------|
| Landscape programs/SourceUp | –   | ✓                        | ✓  | (✓)                            | ✓                     | ✓               |

## Step 1

### Integrate due diligence in company policies

Neither landscape programs nor the SourceUp platform are designed to ensure general due diligence approaches are embedded in company policies. Companies that are actively participating in landscape programs often already have strong environmental and social policies. Engaging in landscape programs can help these companies identify concrete ways they can operationalize and implement their policies.

## Step 2

### Identify adverse impacts

A number of landscape programs leverage the SourceUp platform as a tool to increase their visibility and provide the data and information needed for companies to conduct risk analyses and identify progress achieved on a number of sustainability goals. In particular, the SourceUp platform can provide useful information on the indirect part of the supply chain – intermediaries such as farmer groups or cooperatives, or small local traders – from whom it is often difficult to obtain data. This information can be useful for companies wanting to carry out more granular risk analysis.

## Step 3

### Prevent/mitigate potential adverse impacts, and bring actual adverse impacts to an end

Companies can implement their sourcing policies and mitigate their environmental and social impact by engaging in landscape programs and supporting projects that have been identified as key to meeting the social and environmental goals of entire landscapes (or jurisdictions). These projects help tackle systemic issues whose solutions go beyond the farm or plantation level. Companies sourcing from landscapes where sustainability is increasing can de-risk their supply chain and may be able to make specific sustainability claims related to their landscape-level engagement or the sustainability of the agricultural commodities they are buying. In 2023, SourceUp will also start piloting ways due diligence can be carried out at landscape level, in order to help companies engaged in landscape programs respond to due diligence requirements.

## Step 4

### Establish complaints procedure

Grievance mechanisms may form part of landscape programs. They may be facilitated by the organization that convenes landscape programs, or by a neutral organization that has boots on the ground, in the landscape. The resolution of conflicts and grievances over land or resource access may also form part of the indicators reported by landscape programs through SourceUp.

## Step 5 & 6

### Monitor effectiveness and report publicly

SourceUp makes landscape-level monitoring data publicly available for companies to use in their sustainability reports. In the future, it's envisioned that SourceUp could generate due diligence reports that companies can use for their due diligence process. SourceUp is also currently developing a verification approach, which will help confirm the robustness of the data collected.





# 04

## Summary: considerations regarding multi-stakeholder initiatives and their role in due diligence and advancing sustainability

While the companies bear the responsibility for complying with CS3D and organizing proper due diligence processes, MSIs can offer them a number of measures, tools and guidelines adapted for a particular sector, as well as the space to share lessons learned and work collaboratively to tackle bigger challenges. While striving to raise the ambitions of the sectors and translate the ambitions into practice, the initiatives have developed a broad inventory of measures and tools that can be instrumental in performing steps 2, 3, 5 and 6 of the due diligence process, as summarized in the table below. They offer certain efficiencies for the sectors in tackling common challenges.

|                              | Step 1: Integrate due diligence in company policies | Step 2: Identify adverse impacts | Step 3: Prevent/mitigate potential adverse impacts, bring actual adverse impacts to an end | Step 4: Establish complaints procedure | Step 5: Monitor effectiveness | Step 6: Report publicly |
|------------------------------|---|----------------------------------|--|--|-------------------------------|-------------------------|
| Landscape programs/ SourceUp | (✓)   | ✓                                | ✓  | (✓)                                    | ✓                             | ✓                       |
| Beyond Chocolate/ DISCO      | -   | ✓                                | ✓  | -                                      | ✓                             | ✓                       |
| SIFAV                        | (✓)   | ✓                                | ✓  | -                                      | ✓                             | ✓                       |

The initiatives analyzed are **the strongest on identifying adverse impacts** for companies in the sector, prioritizing them collectively (step 2), and translating those into the commitments that companies undertake (step 3). Prioritization is done in a true multi-stakeholder manner, ensuring that local priorities are recognized. These MSIs, especially those based on landscape approaches, engage stakeholders in a much wider sense than might be envisaged under CS3D. The landscape programs help companies align their sustainability ambitions with jurisdiction-level goals set by the local actors and offer ways for reaching those goals. Prioritization of risks will become more prominent as the Directive stipulates a risk-based approach, meaning that if companies cannot tackle all the risks, they will need to prioritize them. This prioritization will likely be investigated by the enforcement authorities, thus making the role of MSIs in helping companies/sectors with risk prioritization more prominent as well.

On step 3, IDH and its initiatives offer a number of **unique tools** that enable companies across various sectors to address adverse impacts (step 3). These tools relate particularly to **living income** and **living wage**, which are becoming important guiding principles for any responsible business, used across various sectors, and are pre-requisites to achieving other human rights and environmental objectives.

At the same time, the commitments and joint projects (step 3) in **these initiatives are focused around a smaller number of themes/risks** than the broad list of international human rights agreements, fundamental freedoms conventions, and internationally recognized environmental conventions included in the Directive. It is ultimately the responsibility of companies to screen the adverse impacts listed in the Directive and ensure that they are properly addressed. What might be considered “sufficient effort” by one company may not be enough for another – for example, due to differences in size, leverage, or sector. IDH’s MSIs provide frameworks that can be built on to include more risks if necessary. The initiatives might **consider reviewing the prioritization of impacts they are focusing on**, based on the final text of the legislation. It is important to keep the prioritization by local and sector actors in focus.

Progressively more rigorous **reporting principles** have been adopted by these initiatives, which can facilitate step 6 for companies. The initiatives’ reporting cycle can be aligned with the reporting required under CS3D as far as possible, as well as with the Corporate Sustainability Reporting Directive. Furthermore, the collective reporting of the initiatives provides a very valuable picture of the sectoral progress that goes beyond individual reporting needed for CS3D. It is important for measuring impact on complex challenges that require a coordinated approach from different stakeholders across both public and private sectors. A sector/landscape initiative shows overall progress, points in the direction of focus, and keeps audit costs down.

Going beyond individual due diligence steps, the objective of the MSIs reviewed here is to reduce the negative social and environmental impacts of companies in the supply chain. While CS3D and other due diligence laws can be seen as “setting the floor” on minimum standards for company due diligence procedures, the **MSIs are designed to “raise the ceiling” over time**. This applies to all companies and other stakeholders in the MSIs, leading to improvements that reach further than only those companies directly subject to due diligence legislation.

MSIs can help to avoid the potential for companies **disengaging from higher-risk suppliers, areas, or even entire countries** to reduce their exposure to human rights and environmental risks. Involvement in MSIs – particularly those based on jurisdictions or landscapes – helps to foster engagement between companies and their suppliers, a shared approach to resolving problems, and confidence that all stakeholders are addressing the challenges.

**Landscape programs can be more effective in overcoming systemic environmental and social issues** in regions that individual companies or supply chains are not able to tackle on their own. **Approaches that combine due diligence in values chains at company level with jurisdictional** programs can be more effective to tackle complex problems. They can help mitigate the effect of cleaning the EU supply chains that the directive may trigger addressing the drivers of negative impacts within a region, regardless of the final destination of the products that are exported.

MSIs can play a role in **enforcing compliance** with the legislation. Under CS3D, companies are intended to prioritize their actions depending on the level and type of risk. This evolutionary approach rewards engagement, encouraging companies to work with their suppliers in producer countries to reduce the extent of human rights abuses and environmental damage in their operations over time. The enforcement authorities will have to assess whether the company has made sufficient progress in improving its performance, given the particular circumstances of the company, commodity, and source country. This could be assisted by a process of setting benchmarks or targets against which to evaluate progress towards a defined goal. The benchmarks and targets set by MSIs could play an important role in helping enforcement authorities reach considered assessments. This should not require companies or MSIs to share any information with the authorities beyond that which is already publicly available.



# Annex: Description of multi-stakeholder initiatives

## SIFAV

Founded in 2012, the Sustainability Initiative Fruit and Vegetables (SIFAV) is an international initiative with around 40 partners, including retailers, brands, traders, civil society organizations, and other supporting parties.<sup>18</sup> It aims to contribute to a sustainable fresh fruit and vegetable supply chain, and to create impact at scale by aligning policies, targets, and collaborative actions.

To date, more than 40 different international projects have been implemented by SIFAV partners, covering a broad variety of topics with regards to sustainability, including health and safety, block farming, good environmental agricultural practices, and gender equality. In total, more than €17 million has been invested in these projects until 2020, including co-funding by IDH.

The SIFAV Steering Committee, comprising eight representatives of SIFAV partners, guides the activities of the initiative. There is an annual reporting requirement on all commitments and a monitoring protocol. This sets out guidance on what partners should report to the SIFAV secretariat and how to verify it; options for verification include third-party auditing and public reporting.

In 2021, SIFAV launched a new 2025 strategy, with a focus on reducing its industry partners' supply chains' environmental footprints, improving working conditions, wages and incomes, and strengthening due diligence reporting and transparency. Specific targets include reducing priority products' environmental footprint, particularly in terms of carbon emissions, water use and food loss and waste, implementing social third-party verification, and analyzing living wage and living income gaps. Partners may adopt optional targets on other topics, such as biodiversity or migrant labor. Through this new strategy, SIFAV considerably raised the bar for the sector and its partners.

A further target is implementing robust human rights and environmental supply chain due diligence policies and processes according to OECD and UN guidelines, as well as jointly and individually reporting on risks and progress on an annual basis from 2022 onwards. This last target was adopted partly with the intention of preparing SIFAV's membership for forthcoming due diligence legislation.



## Beyond Chocolate and the Dutch Initiative for Sustainable Cocoa (DISCO)

Beyond Chocolate<sup>19</sup> and DISCO are two of a growing number of multi-stakeholder initiatives for a sustainable chocolate industry. Other sustainable cocoa initiatives exist in France, Germany and Switzerland, and are beginning to form in other countries. Both initiatives bring together a wide range of organizations, including

private-sector companies, investors, certifiers, government, and civil society. Both initiatives work with representative steering committees, which are mandated to give strategic direction to the partnership. The secretariats of both initiatives are managed by IDH.

### Beyond Chocolate's aims are:

- By 2025, all chocolate produced and/or sold in Belgium will comply with a relevant certification standard and/or corporate sustainability scheme;
- Beyond Chocolate partners will comply with applicable agreements between governments and companies in the regions included in the Cocoa & Forests Initiative<sup>20</sup>, which aims to end deforestation and forest degradation in the cocoa supply chain in Côte d'Ivoire, Ghana, and Colombia;
- By 2030, cocoa farmers supplying to the Belgian market will earn at least a living income, and deforestation due to cocoa production for the Belgian chocolate sector will have ended.

### DISCO's aims are:

- By 2025, cocoa-related deforestation and forest degradation in producing regions from which the Dutch cocoa industry and trade partners are sourcing will have ended in their supply chains.
- By 2025, effective measures and necessary actions contributing to ending all forms of child labor will have been taken.
- By 2030, families with cocoa farming as their main livelihood will be able to earn a living income.

Beyond Chocolate and DISCO focus on upstream risks in the cocoa supply chain. Individual partner companies adopt their own strategies to meet these overall commitments and report on their progress annually. Membership helps to remove the fear of being a first mover, implementing potentially costly measures which their competitor companies are not.

The extensive coverage Beyond Chocolate has achieved – around 70 organizations and an estimated 90% or more of chocolate produced in Belgium – encourages companies to move faster and helps to deliver results at scale. The companies' own operations and processing facilities are not in scope at this stage, but are unlikely to be associated with these particular impacts. Many of the partner companies have, however, adopted approaches to other issues, such as climate change.

Under the Beyond Chocolate Partnership, co-financing has been made available by the Belgian government for projects that improve, innovate, scale up, or accelerate the effectiveness and efficiency of sustainability initiatives in the chocolate sector, and therefore contribute to the achievement of Beyond Chocolate's aims.

Projects are managed by consortiums of stakeholders, including farmer cooperatives, traders, brands, retailers, NGOs, and knowledge institutions. This approach brings actors in different parts of the supply chain together,

helping to build confidence that each partner plays its part. The private-sector partners provide at least two-thirds of each project's funding. Through the projects, stakeholders test innovative approaches for delivering the Beyond Chocolate commitments, with a particular focus on closing the living income gap. Project selection criteria include scalability: projects typically start small, but are scalable by design.

IDH supports the development of strategies, provides support to partners (for example: by providing a household income assessment tool, which helps to generate better data on the living income gap), monitors the projects, and shares lessons learned and best practices with Beyond Chocolate partners.

To date, DISCO has around 35 partners. The initiative has developed roadmaps setting out recommended actions on child labor, deforestation, and living incomes. Its individual partners are required to submit their own action plans; by the end of 2021, the majority had done so. Annual reporting of progress by all signatories started in 2022.

Effective cooperation with international partners, both in the public and private sectors, is essential to achieve DISCO's aims. This includes the governments and their agencies first and foremost, as well as the cocoa farmers' organizations, local traders, and other supply chain partners in cocoa-producing countries.

DISCO is defining its role as a market-based initiative within the broader landscape of sustainability initiatives in cocoa. Strategies and actions that create market demand for sustainable cocoa, increase supply chain transparency, define sustainable procurement practices, and ensure partners' accountability, are at the core of the partnership's future strategy.



## Landscape programs and SourceUp

For more than 10 years, IDH has been working across different sourcing regions to convene coalitions of local stakeholders working to improve the sustainability and livelihoods of people at landscape level<sup>21</sup>.

The experience that IDH has gained in this space over the years has helped to identify key challenges and barriers to mainstreaming such approaches in corporate responsible sourcing strategies. These relate to the difficulty for companies of engaging with local stakeholders like local governments, knowing which claims companies can make, and a lack of transparency in the actual sustainability progress of these initiatives.

Because of this, in 2018 IDH and partners started to develop the SourceUp platform. SourceUp aims to link buyers of agri-commodity products with MSIs working at jurisdiction or landscape level in regions producing agri-commodities.<sup>22</sup> The aim is to help companies support these initiatives' sustainability efforts at a scale broader than their individual supply chains, and to monitor this engagement in a transparent way.

At present, there are 22 initiatives covering major agricultural and forestry products, including palm oil, soy, tropical timber, beef, cocoa, and coffee, but any kind of product or commodity could be included.<sup>23</sup> Any existing landscape or

jurisdictional initiative can register in SourceUp to promote itself, report progress against its targets, and unlock more support from companies and organizations using the platform. SourceUp has defined a maturity framework for these initiatives according to different elements – for example, stakeholders involved, risk analyses produced, topics covered by the coalition, etc. Buyers registering their engagement in individual landscapes are given access to data enabling them to monitor progress against sustainability indicators. SourceUp has also defined three different engagement models based on the involvement level of companies.

Companies engaged in, and contributing to, landscape programs can use landscape-level data featured on SourceUp to conduct due diligence relevant to their own operations and supply chains. They can also contribute to the program by supporting the establishment of the monitoring system, and/or by supporting specific projects aimed at improving the indicators defined.

IDH has developed a conceptual case for how landscape approaches can contribute to a landscape-level due diligence process, using SourceUp as a tool to track progress and report on the contribution of companies. Such a due diligence system at landscape level will follow the six steps of the OECD framework (see section 1).

21. See: <https://www.idhsustainabletrade.com/landscapes/>

22. See: <https://sourceup.org>. A jurisdiction is an area within the administrative boundaries of sub-national or national governments, where administrative or legal measures can be applied and where multiple stakeholders are collaborating to address the root causes and drivers of deforestation at the level of the jurisdiction.

23. See: <https://sourceup.org/compacts>





