

National VSS Workshop South Africa

Voluntary sustainability standards, biodiversity, other global issues, & Due Dilligence

20th August 2024



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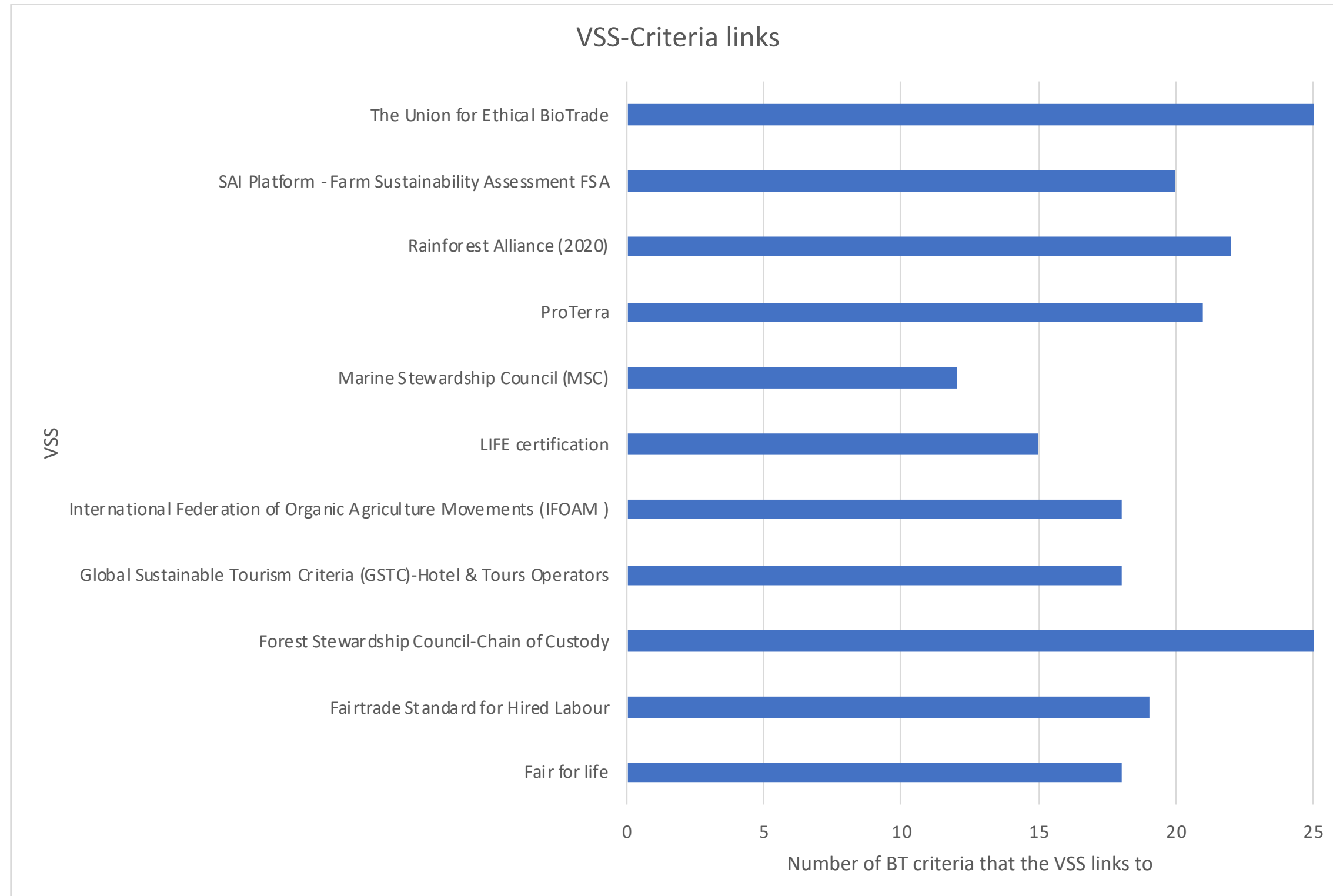
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VSS linkage with BioTrade

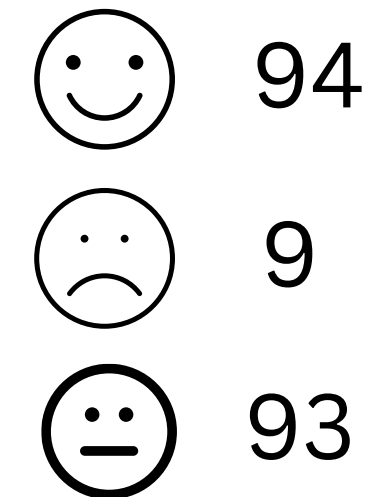


VSS sustainability impacts: Empirical evidence

- Overall, the evidence on the impacts of VSS on different sustainability dimensions is mixed.
- Literature highlights that VSS impacts are highly context specific. More research is warranted to understand the conditions under which the standards generate positive impacts, particularly in relation to the institutional design of VSS.
- In addition, trade-offs between sustainability dimensions can occur when evaluating VSS impacts.



Environment



Socioeconomic

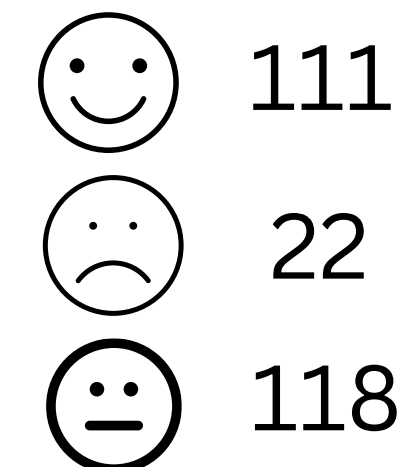


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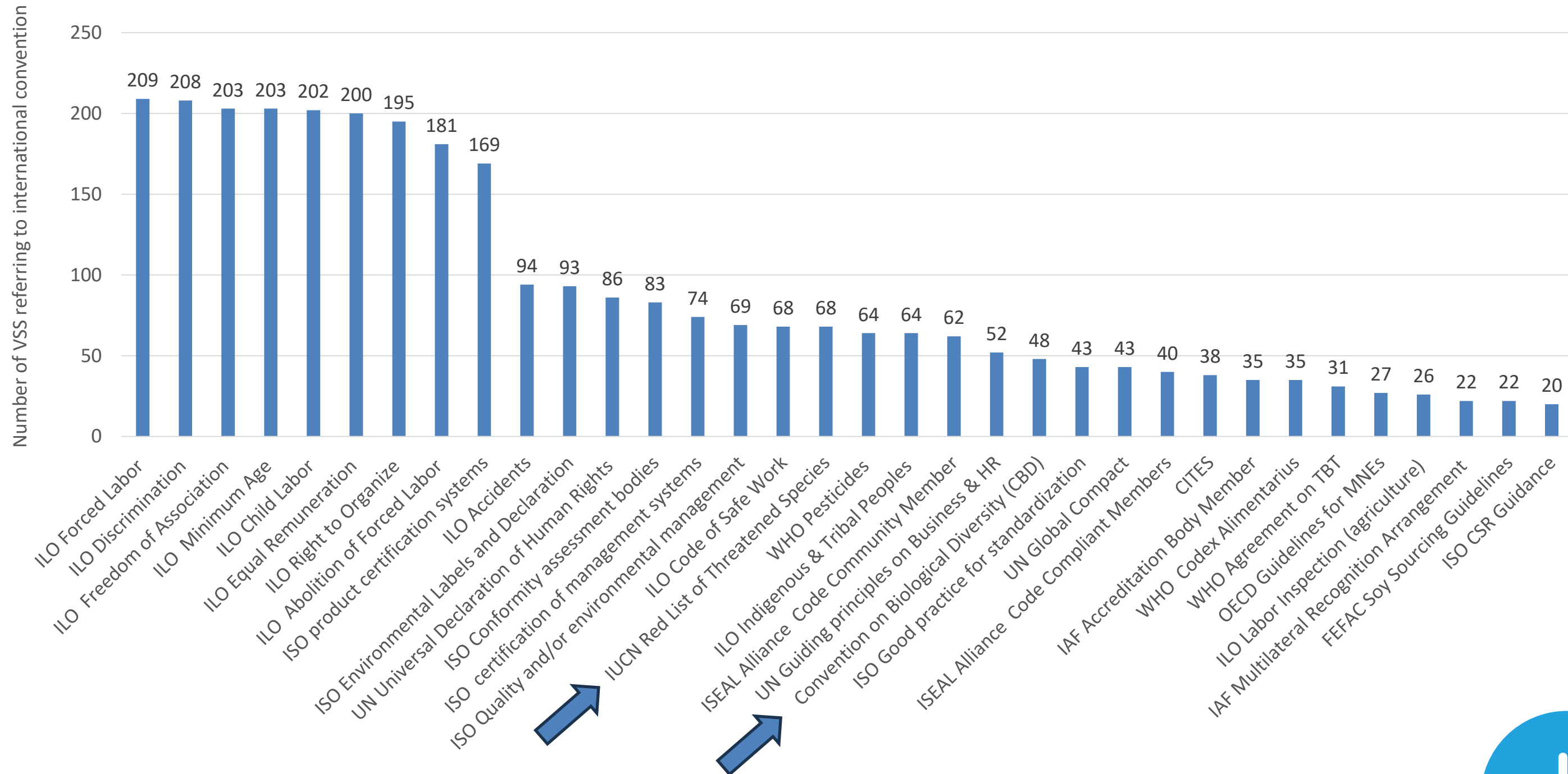
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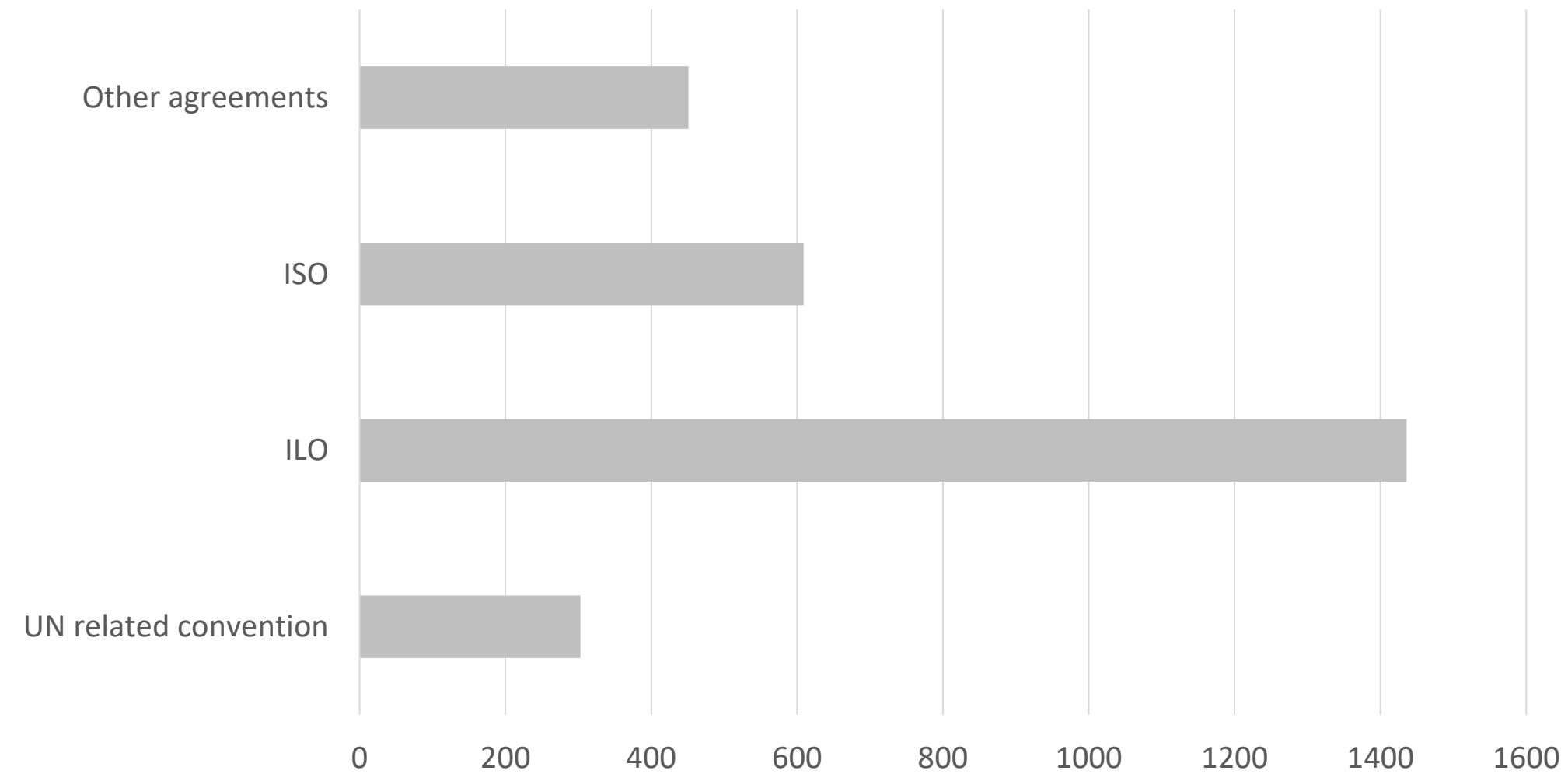
International Conventions most frequently referred to by VSS



Source: UNCTAD, forthcoming, based on ITC Standards Map



International Conventions most frequently referred to by VSS



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Shifting sands in sustainability global governance

“A significant shift towards sustainable development due diligence measures has been occurring in the past few years. Depending on the sources, **one can identify around 30 proposed or adopted regulatory initiatives**, which differ in scope and approach.”

“Notable examples of these regulations include the **French Duty of Vigilance Law (2017)**, the **German Supply Chain Due Diligence Act (2021)**, the **United Kingdom's (UK) Environment Act (2021)**, the **United States (US) Uyghur Forced Labor Prevention Act (2022)**, and the **European Union (EU) Deforestation Regulation (2023)**.”

Source: UNCTAD, forthcoming



Example in practise: The EU Green deal



- Realization of global issue interconnectedness
- Biodiversity -> Climate -> Forests -> People
- Proposed solution: The EU Green Deal



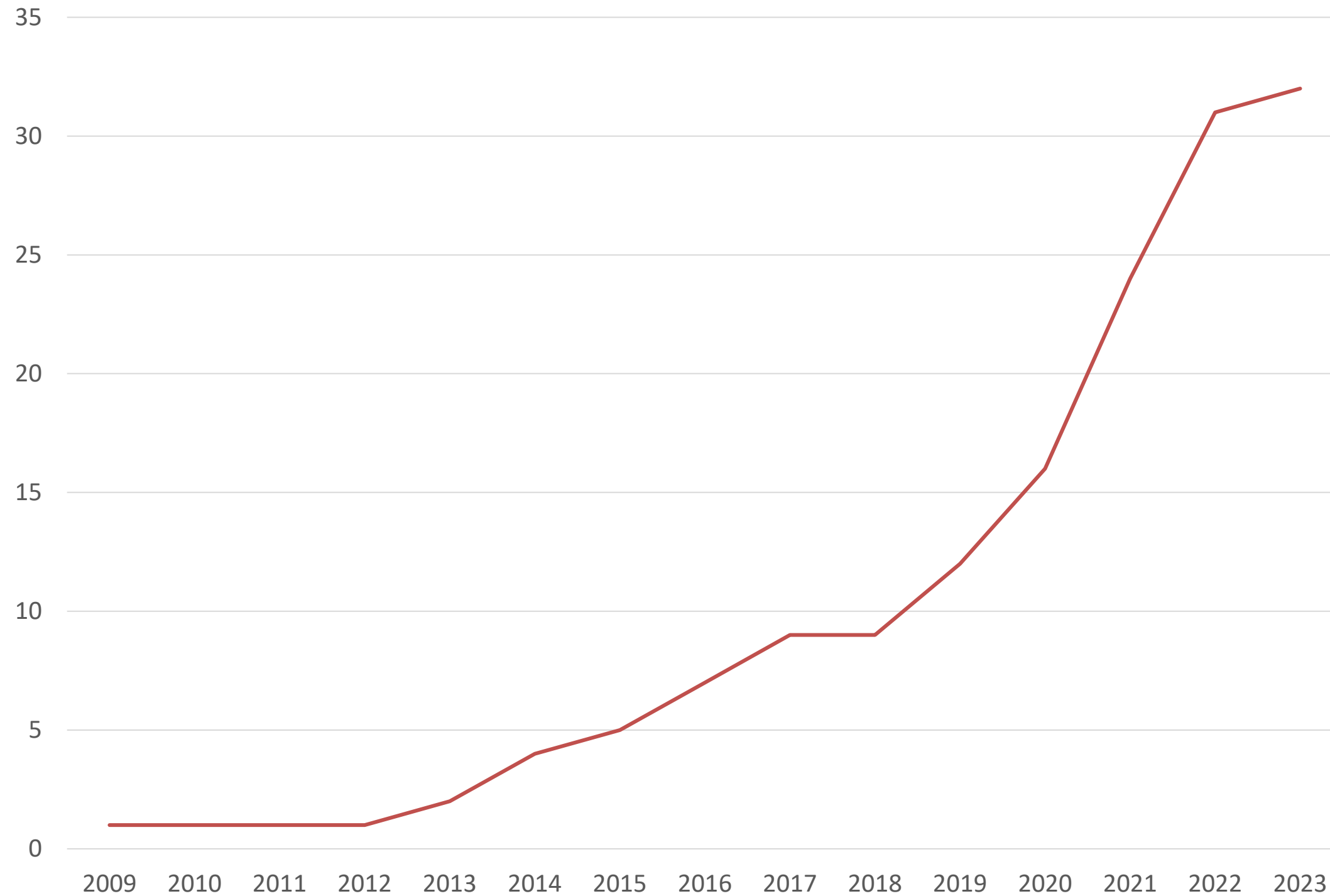
Biodiversity strategy for 2030

In the post-COVID-19 context, the strategy aims to build our societies' resilience to future threats such as

- the impacts of climate change
- forest fires
- food insecurity
- disease outbreaks - including by protecting wildlife and fighting illegal wildlife trade



Evolution in the number of due diligence regulations



Due diligence regulations' numbers have experienced a boom since 2012, going from a handful to over 30 initiatives.

Source: UNCTAD, 2024, expanded from Grabs & Fatimah (2023)



Due diligence typology

Due diligence instruments	Type of obligations for companies
Disclosure-only instruments	Report and communicate their actions to mitigate adverse impacts of their activities in their value chains
Disclosure, diligence and remediation legislations	Report and mitigate adverse impacts of their activities in their value chains
Trade-based legislations	Demonstrate that products were produced free of adverse impacts along their value chains

Typology of due diligence instruments based on obligations for companies. Source: UNCTAD, 2024



Corporate sustainability due diligence (CSDDD)

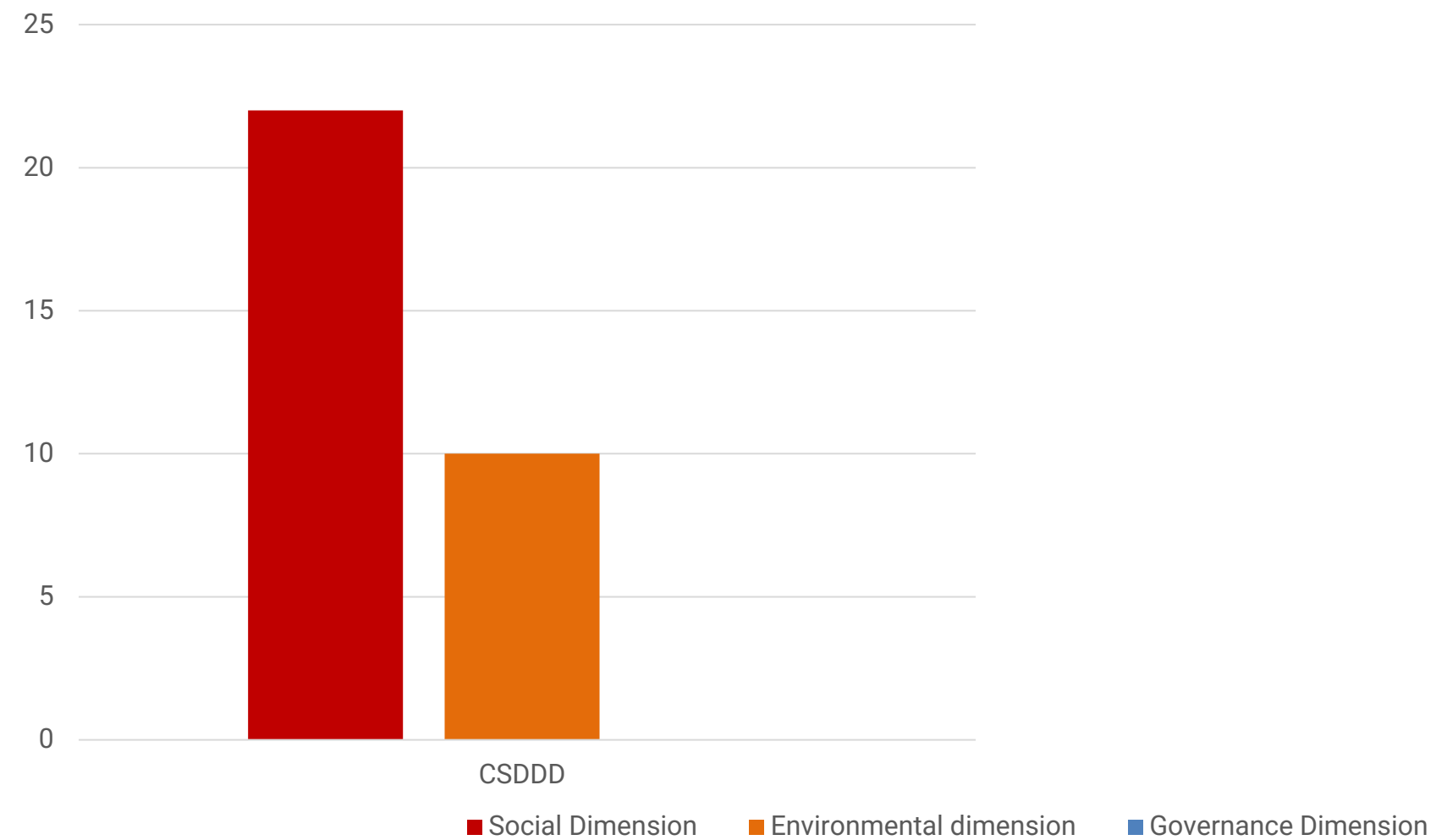
What are the obligations for companies?



This Directive establishes a **corporate due diligence duty**. The core elements of this duty are identifying and addressing potential and actual adverse human rights and environmental impacts in the company's own operations, their subsidiaries and, where related to their value chain(s), those of their business partners. In addition, the Directive sets out an obligation for large companies to adopt and put into effect, through best efforts, a transition plan for climate change mitigation aligned with the 2050 climate neutrality objective of the Paris Agreement as well as intermediate targets under the European Climate Law.



Social and Environmental Focus on International Conventions in the context of VSS and CSDDD.



Source: UNCTAD, forthcoming, based on ITC Standards Map.



Regulation on Deforestation-free products (EUDR)

Objectives

- minimise the EU's contribution to global deforestation & forest degradation
- reduce the EU's contribution to greenhouse gas emissions and biodiversity loss

Note: (Impact assessment, due 30/06/2025) will consider inter alia other commodities, e.g. maize; and products, e.g. biofuels, also other biodiverse ecosystems, e.g. wetlands, grasslands, high carbon-stock areas.

Inclusion of other wooded land will already be assessed in an IA due 30/06/2024.



Gap analysis between EUDR requirements and VSS

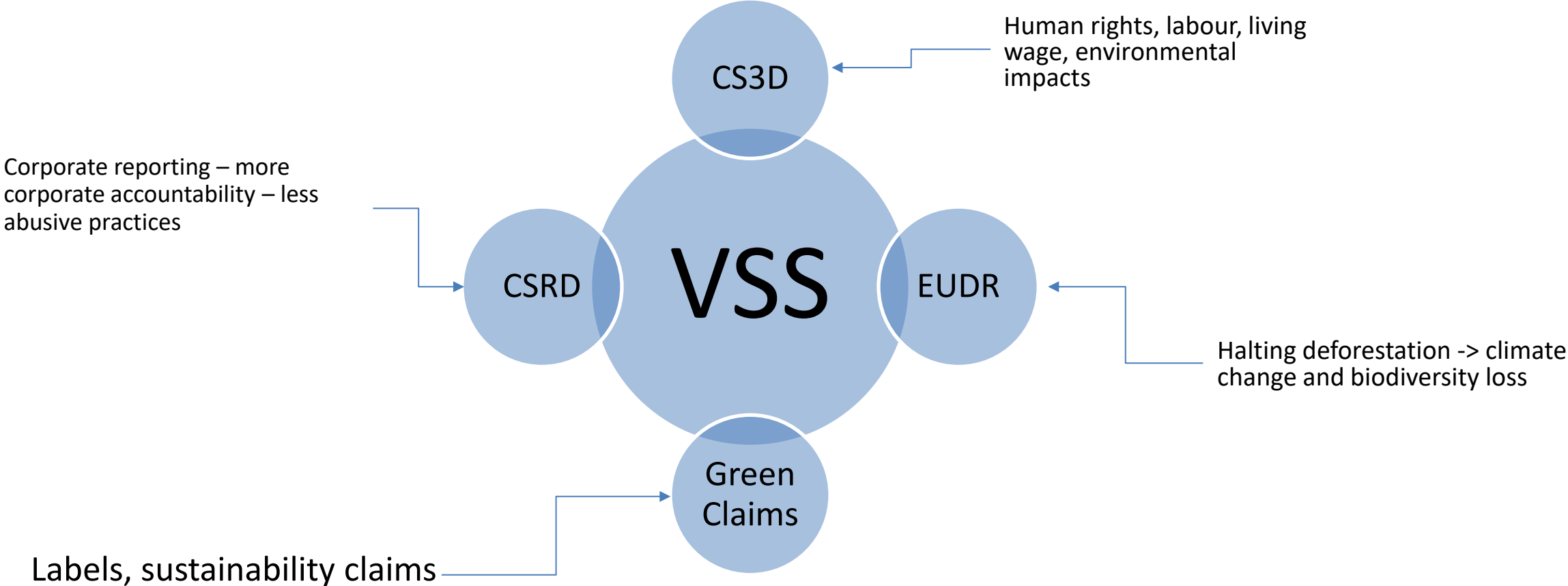
Standard	EUDR	RA	FT 2017 (01.04.2017, v.1.5)	FT 2023 (27.09.2023, v.2.2)	4C v4.0	4C v4.1 (Valid from 01/07/2024)	RSPO	RTRS	ProTerra 4.1	ProTerra 5.0	FSC	PEFC
Scope	All	Coffee, Cocoa	Coffee, Cocoa	Coffee, Cocoa	Coffee	Coffee	Palm Oil	Soy	Soy	Soy	Timber, Rubber	Timber, Rubber
Definition of forest	FAO Definition	+	-	+	±	±	±	+	±	±	±	+
Deforestation-free requirement	Article 2 (8) 'deforestation-free': No deforest. or degradation	+	-	+	±	+	+	+	+	+	+	+
Legality	Prod. in accordance w/ National legislation	+	±	±	+	+	+	+	+	+	+	+
Vulnerable/ Indigenous Rights	FPIC	+	±	±	+	+	+	+	+	+	+	±

Note: (-) not aligned (±) partially aligned (+) fully aligned.

Source: UNCTAD, forthcoming



Example in practise: The EU Green deal and VSS



A few risks for implementation

For smallholder farmers:

- a) barriers to market entry for smallholders who lack financial and technological means for compliance,
- b) concerns that farmers will have to pay the extra costs for the data collection and implementation of the new technologies
- c) Other impacts on smallholders, indigenous peoples, and their local communities in producing countries (Zhunusova et al., 2022)
- d) Overlooking share of smallholder farming contributing towards deforestation (68%) (Branthomme et al., 2023).



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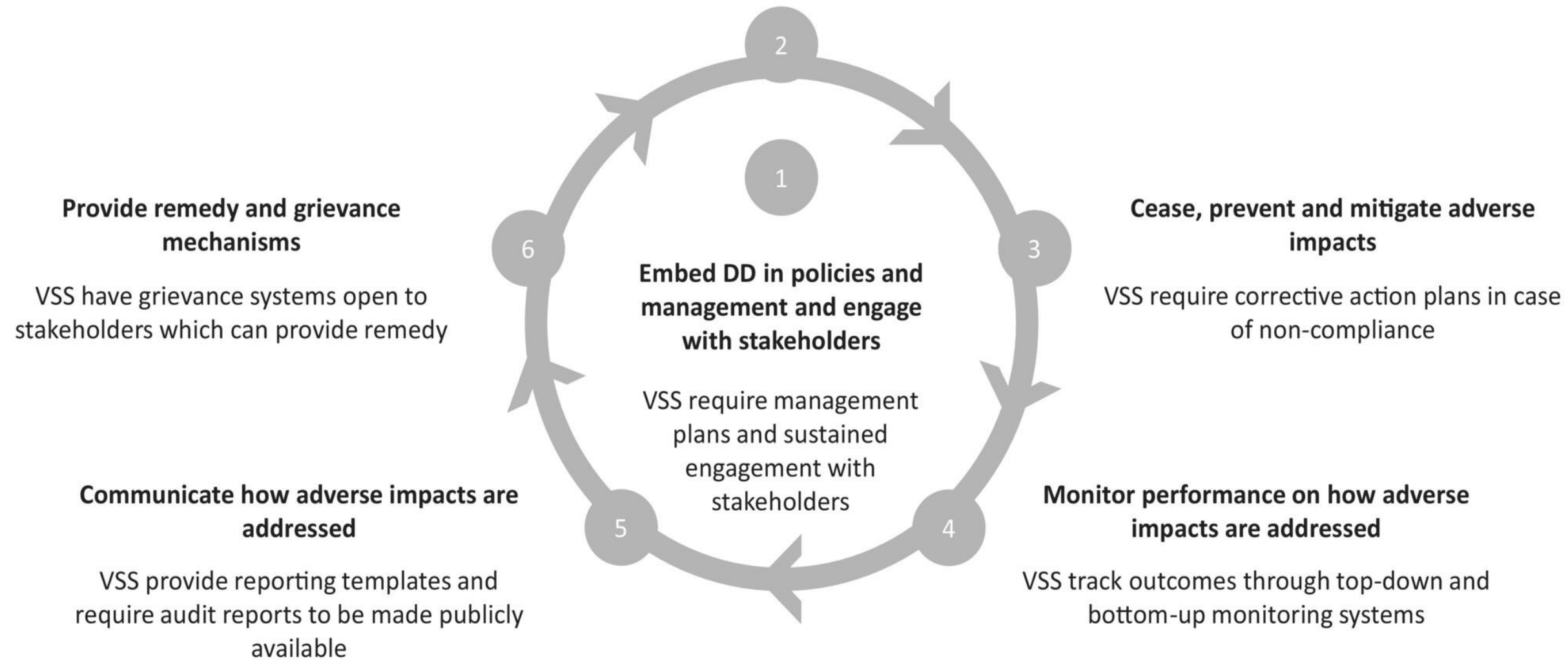
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Due diligence steps & VSS synergy

Identify and assess adverse impacts along GVC

VSS require risk assessments, audits and traceability systems to track risks



Source: Marx et al., 2024, based on OECD, 2018



Due diligence steps and VSS infrastructures

Due diligence steps

1. Embed due diligence in policies and management
2. Identify and assess adverse impacts along GVC
3. Cease, prevent and mitigate adverse impacts
4. Monitor performance on how adverse impacts are addressed
5. Communicate how adverse impacts are addressed
6. Provide remedy and grievance mechanisms

Source: UNCTAD, 2024



Conclusions & Recommendations

- Both VSS and due diligence measures refer to human rights treaties and labour rights conventions as well as environmental agreements.
- However, there are differences between VSS and due diligence measures
- The alignment between both, even if desirable, might not be entirely possible due to the multi-stakeholder nature of VSS
- Therefore, VSS can help fulfil Due Diligence, but is no silver bullet
- There are multiple risks involved, trade diversion, exclusionary effects, etc.
- Actors involved in GVCs must take synergies, divergences, and risks into account to find the way forward

Thank you!



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