



Are you ready to lead? Using responsible business conduct to address risks in avocado businesses

Key messages from the publication *"Responsible business conduct in the avocado industry: a guide for producers and exporters"*.

Responsible business conduct

Responsible business conduct (RBC) encompasses the commitment of businesses to sustainable development, human rights, and addressing environmental and social challenges. It involves compliance with laws, even in cases where enforcement is weak, and responding to societal expectations (including those of consumers). RBC is aligned with internationally agreed voluntary instruments such as the United Nations Guiding Principles on Business and Human Rights and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises on Responsible Business Conduct, and others. **RBC goes beyond legal requirements and can assist businesses in leading the way to sustainability and anticipating stricter regulations.**

What is responsible business conduct and why is it important for advancing sustainability?

Responsible business conduct (RBC) means operating your business in a way that avoids negative social and environmental impacts, both from your activities and those of your partners, including suppliers. **By implementing RBC practices in your business, you can take the lead in making your business more sustainable and demonstrate to your customers and consumers that you are achieving internationally recognized principles and standards.** Consumer preferences for products that do not harm the environment or people, the growing importance of sustainability factors for financial investors, civil society advocacy and changing government regulations have all contributed to the accelerated need to adopt RBC practices. These combined factors are increasing the demand for businesses to demonstrate how they are engaged in RBC.

RBC is operationalized through a due diligence process. In other words, to be considered a responsible business you *must* conduct due diligence. Due diligence is the process through which companies identify risks and take measures to mitigate, prevent and remedy the risk of the actual and potential adverse

impacts of their activities. Due diligence also includes reporting on the progress and achievements made in addressing the negative impacts of a business' activities and those of their suppliers and business partners (OECD-FAO, 2016; OECD, 2018).

By committing to RBC and implementing due diligence processes, your company can avoid social conflicts, work incidents and environmental damage, which will also help to minimize financial losses, enhance the productivity of your workforce, improve your business reputation and maintain long-term profitability. **RBC helps you to identify, prioritize and deal with problems as they arise**, rather than waiting for the problems to grow bigger or be discovered by auditors, your buyers or other stakeholders.

What practical actions make your avocado business responsible?

Practicing responsible business conduct means following the five commonly accepted steps for due diligence (Figure 1):

Step 1: Commit to responsible business conduct (RBC).

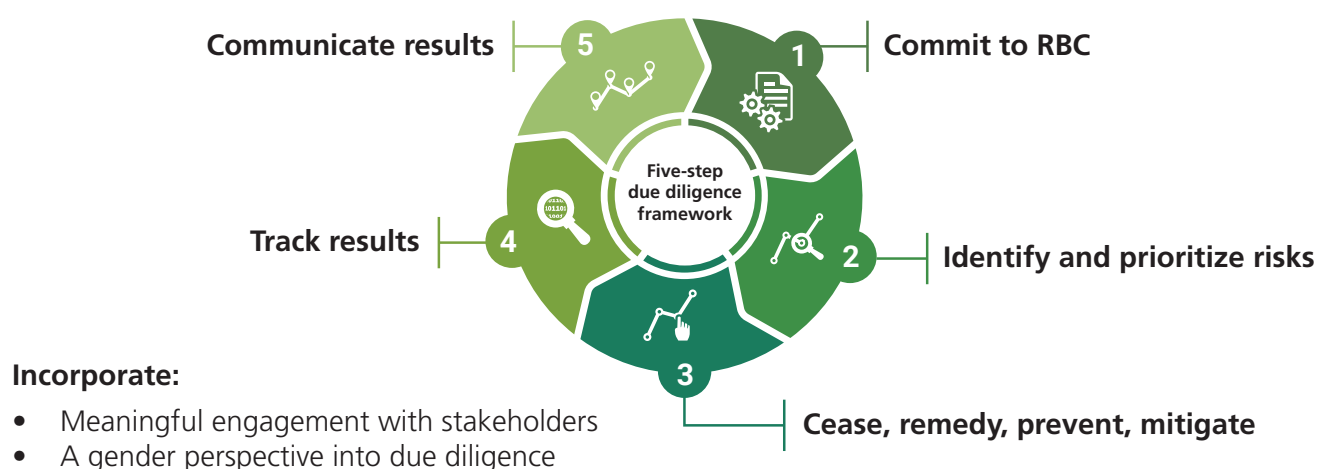
Step 2: Identify and prioritize risks of negative impacts.

Step 3: Cease, remedy, prevent and/or mitigate risks.

Step 4: Track results of how impacts are addressed.

Step 5: Communicate results of addressing impacts.

Figure 1. Five-step framework for due diligence



Source: See references.

How can FAO's guide for the avocado industry help you implement RBC in your operations?

The purpose of *Responsible business conduct in the avocado industry: a guide for producers and exporters* (FAO, 2024) is to **build the capacity** of avocado producing, packing and exporting businesses and associations, including small and medium-sized producers and companies, **to implement Step 2 of the due diligence process (i.e. identify and prioritize risks of negative impacts)**. The guide also discusses ways to address these risks as part of implementing Step 3: Cease, remedy, prevent and/or mitigate risks.

This brief summarizes the key messages from Step 2 of the guide: how to identify and prioritize risks. It provides an overview of **risks¹ specific to the global avocado industry** and suggests a simple method for how to prioritize them. For more information on Steps 1, 3, 4 and 5 of the due diligence process, please refer to the guide.

There are also many existing international guidance documents and tools that can help you to understand the general concept of RBC and the due diligence process. The [OECD-FAO Guidance for Responsible Agricultural Supply Chains](#) (2016) is the leading framework for due diligence and RBC in the agriculture sector. However, these guidance documents are not specific to a sector or a commodity and might be difficult to apply for smaller companies and organizations.

How to identify and assess risks in your business?

The risk assessment process should follow the three steps in Figure 2. You may already know the main environmental risks that are affecting the production of avocado in your area, as well as some of the main issues that might be impacting the labour and living conditions of employees and communities. This information will be key to define the internal risks of your operations. At the same time, you must also consider **how your operations are affecting the environment and people outside the business** (i.e. the external risk focus required for RBC). For this reason, Step 2b explicitly asks you to identify vulnerable communities and groups that may be negatively impacted by the risks created by your activities or through your business relationships. Each of these steps are explained below.

Figure 2. Steps for risk assessment



Source: Adapted from **Fairtrade International**. 2023c. *Implementing Human Rights and Environmental Due Diligence: A guide for plantations and other organizations with hired labour*. Bonn, Germany, Fairtrade International. https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-plantations_EN.pdf

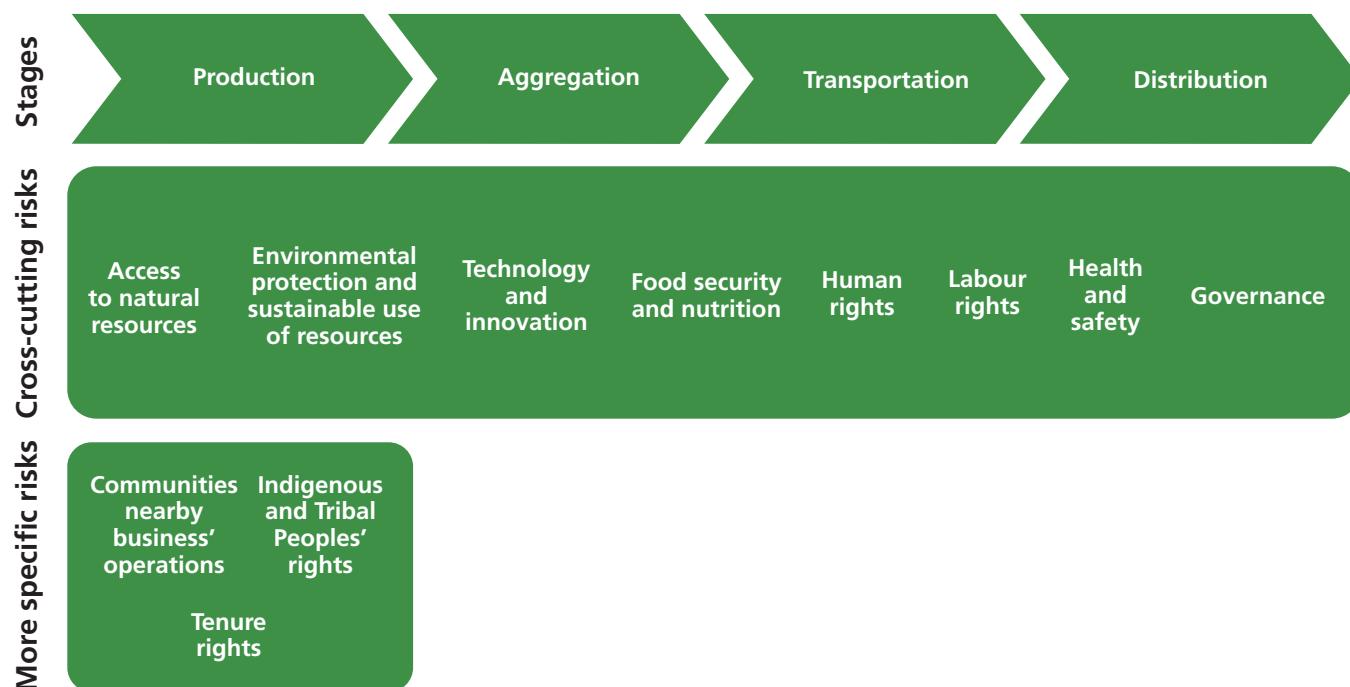
1. Identify social and environmental risks in your country and commodity sector. An easy way to begin identifying social and environmental risks relevant to your business is to look at risk assessments that have already been conducted in your country for avocado production or similar agricultural commodities. Two tools that may help you gather this information are the Fairtrade International Risk

¹ A limitation of the guide is that the risk mapping exercise is not specific to a particular country for avocado production and trade. The guide has drawn from the experiences of avocado businesses operating in several of the major avocado producing and exporting countries. For each business implementing RBC, more specific analysis is needed at the country-level to narrow down and prioritize the risks that are most relevant to the specific production systems, regulatory environment of the production country and targeted export markets.

Map and the International Finance Corporation’s Global Map of Supply Chain Risks in Agro-Commodity Production. Although neither of these tools cover risk assessments for avocado production and trade, they do cover other relevant commodities in countries where avocados are produced. These tools can give you an initial idea of some of the most important RBC risks facing agricultural production and export in your area.

2a. Map your supply chain. After identifying common risks for similar commodities in your country of production, you can map your supply chain and focus on identifying high-risk areas – including processes, goods, services and business relationships – where negative environmental, social and human rights impacts may be associated with your or business partners’ operations. Figure 3 is an example of what a basic value chain map with some potential risks identified at various stages of the supply chain might look like for an export-oriented avocado business.

Figure 3. Examples of risks at various stages of avocado value chains







Source: Adapted from **OECD-FAO**. 2016. *OECD-FAO Guidance for Responsible Agricultural Supply Chains*. Paris, OECD. www.fao.org/3/i6074e/i6074e.pdf.

2b. Zoom in on risks in your and your partners’ operations, including identifying the most vulnerable groups. In this step you will identify the specific risks relevant to your business and to your partners. The Responsible Fruits Project has made an initial map of global risks potentially relevant to avocado producers and exporters, which can be helpful when mapping out your supply chain and risks (Table 1). The risks are presented in four groups: (1) environmental; (2) social; (3) economic, and (4) cross-cutting issues. The risk descriptions have been aligned with the “material topics” covered in the *Global Reporting Initiative (GRI) 13: Agriculture, Aquaculture and Fishing Sectors 2022²* to make it easier to meet reporting requirements under Step 5 (communicate results) of the due diligence process. A synergy exists between many of these risks so they should not be considered in isolation.

² The GRI 13 standard is an example of one reporting framework used by avocado companies. However, the risk descriptions given may be modified to suit the needs of other reporting frameworks.

3. Prioritize and address your risks. While most of the risks identified by FAO are likely to be relevant for most avocado producing and exporting businesses, company-specific risks may vary depending on contextual and country-specific factors. For this reason, your business should further assess the risks most relevant to your own operations, select those that apply and include any additional risks that might be missing from the list. A well-functioning grievance mechanism within your business can be a very helpful tool to identify risks in your operations. A grievance mechanism is also essential for demonstrating implementation of RBC practices, which is why it is included in the table as a cross-cutting issue.

Table 1. Scope of risks and issue areas identified by the Responsible Fruits Project for the global avocado value chain

Environmental	Social	Economic	Cross-cutting
			
Water use and effluents	Employment practices and working conditions	Smallholder inclusion in global value chains and equitable sharing of value along the chain	Governance, including compliance with national policies, laws and regulations; disclosure, anticorruption, advocacy and lobbying
Soil health	Living income and living wage	Anticompetitive behaviour	Consultation
Agrochemical use (fertilizers and pesticides)	Occupational health and safety (OHS)	Theft	Grievance mechanisms
Deforestation and forest degradation	Forced or compulsory labour	Increasing costs of production	Right to effective remedy
Biodiversity and protection of ecosystems and ecosystem services (pollinators)	Child labour	Logistics	Governance of avocado export value chains
Land use, land expansion and land rights	Freedom of association and collective bargaining	Oversupply and global glut in avocado production	
Food loss and waste, waste disposal, upcycling and valorization	Non-discrimination and equal opportunity, including rights of women, migrants and Indigenous and Tribal Peoples	Political risk: war, civil unrest and political instability	
Climate change effects on production	Food safety		
Carbon emissions and energy use	Food security and nutrition		
Technology and innovation	Local communities		

Source: FAO. 2024. Responsible business conduct in the avocado industry: a guide for producers and exporters. Rome. <https://doi.org/10.4060/cd0963en>

When considering the risks presented in Table 1, special attention should be given to **identifying the most marginalized or vulnerable groups** of people likely to be affected by your operations or those of your partners (**Step 2b**) and engaging them from an early stage in the RBC process where meaningful

and transparent consultation is a fundamental principle. Some examples of potentially vulnerable persons include: women and youth who may not be in a socially accepted position to raise concerns; migrant workers lacking legal documentation; Indigenous and Tribal Peoples and minority groups; persons living with disabilities; trade union representatives; and other human rights activists.

All 32 risks are presented and discussed in detail starting on page 28 of the guide. A general description of each risk is given, followed by a description of how it may apply in the context of avocado value chains, and resources that may assist your business in addressing and mitigating the risks. It is not necessary to read all the risk descriptions provided in the guide, but rather focus on the risks that are relevant to your own operations and that of your partners'. A summary of the four risk groups and the issues they cover is given below.



Environmental risks: Ten environmental risks were identified as highly relevant to the avocado industry. These risks cover issues related to access to natural resources and their management (e.g. water use and effluents, soil health, land use and forests), technology, biodiversity and protection of ecosystems (including pollinators) and the impact of climate change, among others.



Social risks: Ten social risks were identified. These risks are diverse, and cover issues related to food safety and food security, employment practices and working conditions, labour and human rights. The risks associated with labour rights cover five principles aligned with the [International Labour Organization's Declaration on Fundamental Principles and Rights at Work](#): a safe and healthy working environment; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; freedom of association and the effective recognition of the right to collective bargaining; and, the elimination of discrimination in respect to employment and occupation. In addition, risks related to non-discrimination and equal opportunity and issues associated with the rights of women, migrant workers and Indigenous and Tribal Peoples who may face discrimination and lack equal opportunities in employment are recognized. The impact of risks on local communities is also included.



Economic risks: Seven economic risks were identified. These risks cover general issues including risks associated with increasing costs of production and logistics; as well as current commodity-specific concerns such as risk of oversupply and global glut in avocado production.



Cross-cutting issues: Five cross-cutting risks were identified. Relevant to all aspects of responsible business conduct, governance promotes equality, participation, transparency, responsibility and the rule of law. Good governance helps to create an environment where corruption is avoided and the potential for fraudulent practices is minimized. In this environment, businesses comply with laws and regulations in the countries where they operate; they refrain from anti-competitive behaviour; and they commit to disclosure of potentially negative impacts of their operations (OECD-FAO, 2016). The cross-cutting risks also include issues related to consultations with stakeholders, accessing grievance mechanisms and the right of affected individuals and groups to access effective remedy.

How can you prioritize the risks identified?

Given that all businesses have limited time and resources, it is not realistic to try to address all the risks identified in Step 2 of the due diligence process at the same time. For this reason, your avocado business needs to **prioritize risks by ranking them by level of importance**. This will help you to **select at least three of the most serious risks and use these as the starting point for action** (Step 3 in the risk

assessment process, see Figure 2). Once the most significant risks are identified and dealt with, you can then move on to address less significant ones.

Your business can prioritize risks by identifying their likelihood and severity. That is, you will need to prioritize risks based on how serious a potential impact would be and how common or likely it is for this problem to occur. One of the most common ways to assess and prioritize risks is a **simple five-by-five matrix** that uses severity and likelihood indicators defined by the business to describe how serious the impact is, and how likely it is that the problem will occur. For each of the indicators identified, a score from 1 to 5 is given, where **1 is the lowest severity or likelihood** (i.e. minimum severity and very low likelihood) and **5 is the most severe impact or very high likelihood**.

To identify **the most salient risks based on a total score**, you multiply:
Likelihood score × Severity score = Risk impact score

The risk impact score will range on a scale from 1 to 25 for each risk you identified. With these values, it is easier to determine which risks are of top priority. Prioritization can be visually represented with a colour-coded scale of the risk impact scores as follows:

Table 2. Risk thresholds for impact scores

Very low risk	Low risk	Medium risk	High risk	Very high risk
1 to 3	4 to 6	7 to 14	15 to 16	17 to 25

Source: **UNDRR**. 2023. *Strengthening risk analysis for humanitarian planning – Integrating disaster and climate risk in the Humanitarian Programme Cycle*. Geneva, UNDRR. p. 29.

An example of an outcome of the risk prioritization matrix is given in Table 3. It was developed using the risk matrix approach to prioritize the key risks identified in Step 2 of the due diligence process for a fictitious company.

Table 3. Example outcomes from five-by-five risk evaluation matrix for an avocado business


Risk identified (and associated impact)	Likelihood	Severity	Risk score	Is it a human rights risk?
Soil degradation (productivity loss)	3	5	15	No
Water contamination from chemical run-off (with downstream impacts on a neighbouring community)	1	5	5	No
Decline in water availability, e.g. drought (production loss)	3	4	12	No
Loss of pollinator species (biodiversity loss)	4	4	16	No
Forced labour on an avocado supplier farm (breach of human rights)	2	5	10	Yes
Workplace injuries, e.g. repetitive work stress (loss of workers and union action)	3	3	9	No
Maximum residue limits exceeded (market access loss)	2	4	8	No
Inadequate logistics for ripening at destination (post-harvest loss and profitability loss)	3	3	9	No


Source: **FAO**. 2024. *Responsible business conduct in the avocado industry: a guide for producers and exporters*. Rome. <https://doi.org/10.4060/cd0963en>

The prioritization of risks for action will be determined by:

- a. the **severity of the impacts on human rights**, and
- b. the risks identified as **“high risks” based on impact scores**.

During the prioritization process, you should keep in mind the following:

 **Prioritizing human rights** impacts differs from other adverse social and environmental impacts. In the case of human rights risks, **severity is a greater factor than likelihood in considering prioritization**. Thus, enterprises should begin with those human rights impacts that would be most severe. In the example given in Table 3, the risk of forced labour must be addressed first even though it has a lower impact score than other risks, such as soil degradation or biodiversity loss.

 In a context where businesses are committed to RBC and due diligence, companies are expected to **prioritize social and environmental risks for action**. This prioritization demonstrates to customers and stakeholders that your business focus goes beyond dealing solely with economic risks to pursue broader sustainable development objectives. At the same time, the importance of economic risks is recognized, given that unprofitable and economically unsustainable businesses might not have the capacity to invest in dealing with social and environmental issues.

Based on the example given in Table 3, the three most important risks to address first would be: forced labour, loss of pollinator species and soil degradation. Once these risks have been determined, you can then move on to **Step 3 of the due diligence process** to address these risks through the following options: **cease, remedy, prevent and/or mitigate**. The FAO guide provides recommendations on how these risks can be addressed, depending on the type of risk identified, and whether your business has **caused**³ or **contributed**⁴ to, or whether it is **directly linked**⁵ to the impact by a business relationship.

Once you have decided the course of action to address the risks prioritized, the development of an **action plan** can help focus and organize your efforts. The plan will also make it easier to track (Step 4) and communicate results (Step 5) to your partners and customers. Further information on steps 3 through 5 is provided in the guide.

³ Cause: An enterprise causes an adverse impact if its activities are sufficient to result in the adverse impact (OECD, 2018, p. 70).

⁴ Contribute: An enterprise contributes to an impact if its activities, in combination with the activities of other entities, cause the impact, or if the activities of the enterprise cause, facilitate or incentivize another entity to cause an adverse impact. Contribution must be substantial, meaning minor or trivial contributions are not included (OECD, 2018, p. 70).

⁵ Directly linked: Linkage is defined by the relationship between the adverse impact and the enterprise's products, services or operations through another entity (i.e. business relationship) (OECD, 2018, p. 71).

Final messages on RBC and support that avocado businesses need for its implementation

- International trade in agricultural products is changing, with consumers and governments in several importing markets increasingly requiring **more detailed information and evidence of socially and environmentally sustainable business practices**.
- By following the five-step framework for due diligence, **your avocado business can lead the way towards sustainability** while preparing for possibly stricter future regulations and meeting the needs of your customers.
- Compliance with due diligence places additional **burdens on producers and exporters for information and requires new skills** to effectively implement the due diligence process. These requirements bring with them additional costs for the business and the need to develop the capacity of staff.
- **Producers and exporters need targeted capacity development** to better understand due diligence in their own context, and enhanced access to grants or loans to upgrade systems and processes to meet RBC requirements.
- **Capacity development on context-specific risk mapping and analysis** will be needed for avocado businesses, especially for small-scale actors and associations working with small growers. FAO's RBC guide for the avocado sector is a starting point to identify potentially relevant risks.
- Further **analysis of the in-country production context** and of the requirements of your supply chain partners for specific information on certain risks is needed.
- **Training is needed in the areas of risk prioritization, and the design of monitoring, evaluation and learning systems** to track efforts to address prioritized risks and to communicate the results of RBC efforts with relevant parties.

References

Fairtrade International. 2023. *Implementing Human Rights and Environmental Due Diligence: A guide for plantations and other organizations with hired labour.* Bonn, Germany, Fairtrade International. https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-plantations_EN.pdf

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Figure 1

FAO. 2024. *Responsible business conduct in the avocado industry: a guide for producers and exporters.* Rome. <https://doi.org/10.4060/cd0963en> (Adapted from: **OECD-FAO.** 2016. *OECD-FAO Guidance for Responsible Agricultural Supply Chains.* Paris, OECD. www.fao.org/3/i6074e/i6074e.pdf; **OECD.** 2018. *OECD Due Diligence Guidance for Responsible Business Conduct (RBC).* Paris, OECD. www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm; **Fairtrade International.** 2023 c. *Implementing Human Rights and Environmental Due Diligence: A guide for plantations and other organizations with hired labour.* Bonn, Germany, Fairtrade International. https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-plantations_EN.pdf).

BUILDING RESPONSIBLE GLOBAL VALUE CHAINS FOR SUSTAINABLE TROPICAL FRUITS

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