



IRBC Agreement for the Floricultural Sector



IRBC Agreement for the Floricultural Sector

JULY 2019

THE PARTIES

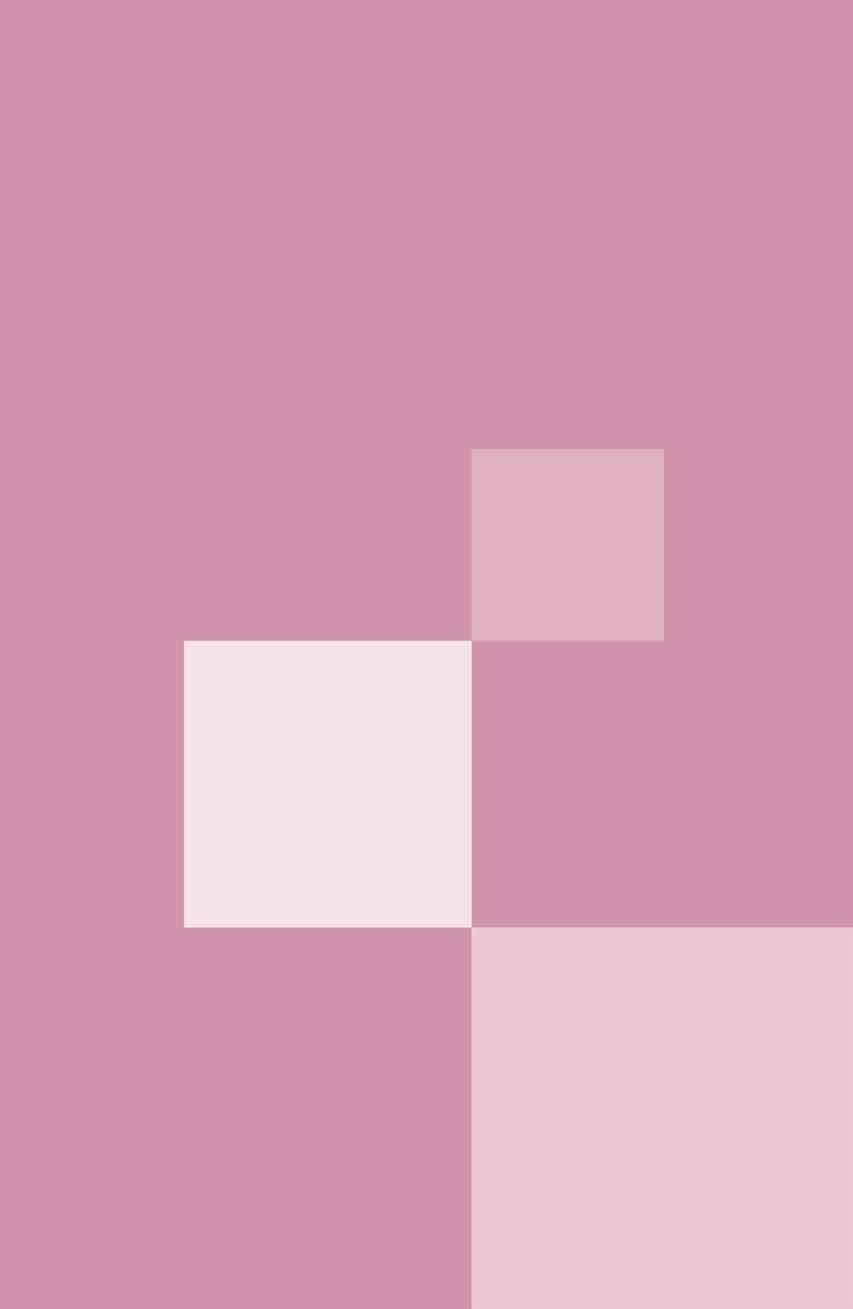


IMPLEMENTATION FACILITATED BY



Contents

Introduction	7
IMVO Covenant Sierteeltsector	11
1 Recitals	13
2 Principles underpinning the provisions	17
3 Due diligence	19
4 Collective sector risk analysis (sector mapping)	21
5 Collective action on issues	23
6 Extending the scope and impact of the Agreement, for example through the Representative Organisations and the Auction	29
7 Role of the Government	31
8 Role of the Trade Union and NGO	35
9 Supporting Organisations	37
10 Governance, Implementation and Financing	39
11 Final Provisions	47
Appendices	49
I Relationship between due diligence, sector mapping and issue specific approach	51
II Due diligence	53
III Due diligence: Essential questions	57
IV Description of certain issues	59
V Floriculture Sustainability Initiative (FSI)	61
VI Establishment of the agreement	63



Introduction

Introduction

Under this Agreement, the Parties wish to cooperate on making the floriculture sector more sustainable pursuant to the *OECD Guidelines¹ for Multinational Enterprises* (hereinafter: 'OECD Guidelines') and the *United Nations Guiding Principles on Business and Human Rights²* (hereinafter: 'UNGPs'), whereby the Parties' intention is to make substantial progress, within a three-year period, towards improving the circumstances of those who may experience adverse impacts in connection with the floriculture sector.

The Parties are aware that in endeavouring to act in accordance with the OECD Guidelines and UNGPs, companies often face various challenges, one being that they often have insufficient knowledge and information about existing and potential human rights violations and the adverse impact on the environment and biodiversity associated, either directly or indirectly, with their business operations. The complexity of the international value chain calls for a collective effort to prevent or mitigate adverse impacts. Accordingly, many different parties in the sector, the Government of the Netherlands, the trade union and the NGO have joined forces to leverage their efforts. Companies that adhere to the Agreement will make every effort to discharge their responsibility for preventing and mitigating risks or adverse impacts of their own operations and/or the operations of their business relationships in the production or supply chain. To this end, they will perform due diligence (also known as IRBC³ risk management), as described in the OECD Guidelines and the UNGPs. In doing so, they will have access to the collective and shared knowledge of the other stakeholders in this Agreement and benefit from the opportunities afforded by joining forces and from the support of the other parties.

The Parties to this Agreement note that the floriculture sector is already making a significant effort in this respect. For example, leaders in the floriculture sector, including a number of the Private Parties involved in this agreement, have united in the Floriculture Sustainability Initiative (FSI), an international multi-stakeholder platform. The aim of this initiative is to ensure that by 2020, 90% of the flowers and pot plants traded internationally by FSI members are produced sustainably. The Parties to this Agreement acknowledge the value and importance of the FSI as a leading international self-regulatory initiative in the floriculture sector; their intention, moreover, is to further improve the sustainability of the floriculture sector under the

1 OECD (2011) *OECD Guidelines for Multinational Enterprises*, OECD Publishing.

2 United Nations (2011) *Guiding Principles on business and human rights*.

3 IRBC = international responsible business conduct.

provisions of this Agreement, in accordance with the processes and principles of the OECD Guidelines and the UNGPs.

PARTIES:

- a. **Cluster 1:** Afriflora, Albert Heijn, Dutch Flower Group, Dümmer Orange, FleuraMetz, Flower Trade Consult, Royal Lemkes, Waterdrinker (hereinafter: ‘the Companies’);
- b. **Cluster 2:** Glastuinbouw Nederland, Tuinbranche Nederland, the Dutch Association of Wholesalers in Floriculture Products (VGB) (hereinafter: ‘the Representative Organisations’), representing their affiliates;
- c. **Cluster 3:** Royal FloraHolland (hereinafter: ‘the Auction’), acting on its own behalf and on behalf of the cooperative of producers;
- d. **Cluster 4:** HIVOS (hereinafter: ‘the NGO’);
- e. **Cluster 5:** Netherlands Trade Union Confederation (FNV) (hereinafter: ‘the Trade Union’); and
- f. **Cluster 6:** The Dutch Minister for Foreign Trade and Development Cooperation and the Dutch Minister of Agriculture, Nature and Food Quality (hereinafter: ‘the Government’), both acting in an official capacity;

hereinafter referred to collectively as ‘the Parties’.

Several provisions of this Agreement distinguish between the Government and private clusters:

- the Minister for Foreign Trade and Development Cooperation and the Minister of Agriculture, Nature and Food Quality (hereinafter referred to jointly as ‘the Government’);
- the Companies, the Representative Organisations, the Auction, the NGO and the Trade Union (hereinafter referred to jointly as ‘the Private Parties’).

The Minister of Agriculture, Nature and Food Quality endorses the principles of international responsible business conduct and the cooperation under and objective of this IRBC Agreement. In view of her responsibility for agriculture and horticulture policy, she is signing this Agreement as a Party or as the Government on the understanding that under the provisions set out therein, the Minister for Foreign Trade and Development Cooperation bears primary responsibility for the relevant

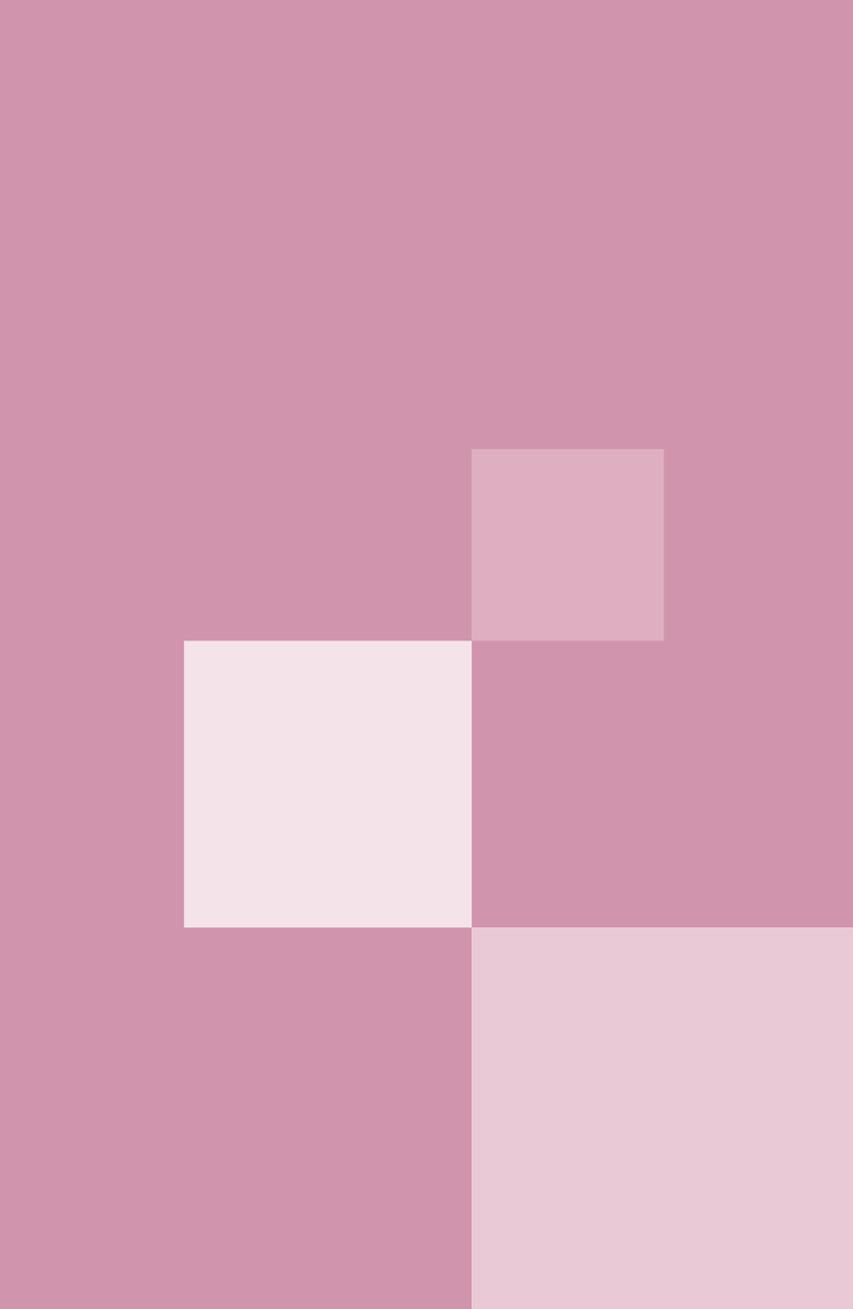
efforts under this IRBC Agreement, unless the Minister of Agriculture, Nature and Food Quality is explicitly named as the responsible party. Where the latter is the case, it will be stated explicitly in the text of this Agreement.

The following organisations have been involved in preparing this Agreement as stakeholders: Natuur & Milieu, Duurzame Bloemisten, Koppert, Chrysal, Max Havelaar (Fairtrade) and MPS (hereinafter: the ‘Supporting Organisations’).¹ They express their support for the provisions agreed in a separate statement attached to this Agreement.

Whereas:



¹ “Duurzame Bloemisten” was also involved in the realisation of this covenant.



IRBC Agreement
for the
Floricultural
Sector

1 Recitals

- 1.1 All companies, organisations and persons active or established in the Netherlands are expected to respect human rights and protect nature and the environment in the conduct of business. In the case of companies, this is described in the OECD Guidelines and the UNGPs;
- 1.2 International responsible business conduct plays a vital role in companies' efforts to make a meaningful contribution to the 17 Sustainable Development Goals (SDGs) set out in the 2030 Agenda for Sustainable Development adopted by the United Nations.¹ By concluding this Agreement, the Parties intend to contribute to achieving the objectives relevant to the floriculture sector.
- 1.3 By initiating this Agreement, the Companies and Representative Organisations are also electing to comply with the wish of both the Dutch Cabinet and the Dutch House of Representatives to conclude an agreement on international responsible business conduct in high-risk sectors, in line with the advisory report issued by the Social and Economic Council of the Netherlands (SER) on IRBC Agreements (hereinafter:² 'SER Advisory Report');
- 1.4 In accordance with the SER Advisory Report, the Agreement builds on an existing sector initiative, i.e. the Floriculture Sustainability Initiative (FSI, see Appendix V).
- 1.5 For the purposes of this Agreement, the 'floriculture sector' is understood to mean the value chains for ornamental plants, i.e. flower bulbs, cut flowers, cut foliage, trees, and pot and bedding plants. The value chain in the floriculture sector consists of the following: production of plant reproductive material, propagation/cultivation of ornamental plants, export/import, wholesale (by auction and direct sales) and retail. The value of global floriculture production is estimated at USD 55 billion. Arboriculture, the production of trees and other ligneous plants, is valued at around USD 35 billion. Cut flowers, cut foliage and flower bulbs are sold worldwide, with trade flows moving mainly from the southern to the northern hemisphere. The Dutch share of global cut flower exports (43%) is declining, whereas the share accounted for by such countries as Colombia, Kenya, Ecuador and Ethiopia is growing. The Netherlands remains an important hub in international commercial floriculture, with approximately six hundred Dutch companies being active in this segment.²

¹ See <https://sustainabledevelopment.un.org/?menu=1300>.

² SER (2014) Advies IMVO-convenanten, publ. no. 2014/04.

³ Statistics based on <https://www.rabobank.nl/bedrijven/cijfers-en-trends/tuinbouw/world-floriculture-map-2016/> and figures provided by Royal FloraHolland.

- 1.6 In the period leading up to this Agreement, the Parties engaged in a wide-ranging and intensive dialogue on the potential risks and adverse impacts on people and the environment relevant to the floriculture sector. Based on this dialogue and in mutual consultation, the Parties have identified the following specific issues associated with international responsible business conduct that parties operating in the floriculture sector should prioritise (listed in random order):
- living wage
 - women's rights (including combatting sexual harassment)
 - health and safety related to exposure to plant protection products
 - land rights
 - climate change
 - water usage
 - environmental impact of plant protection products.
- 1.7 With regard to the role of the Government, the Parties recognise that:
- IRBC agreements are part of a broader Cabinet policy on RBC, sustainable development, trade and development cooperation.
 - the Government plays an important role in promoting the sector's transition to more sustainable floriculture and can enhance its role under this Agreement.
 - the Government is pursuing a public procurement policy aimed at applying the International Social Conditions and encourages procurement officials to purchase from companies that can demonstrate due diligence in accordance with OECD Guidelines, for example by participating in this Agreement.
- 1.8 The provisions of this Agreement will be implemented by all the Parties in accordance with applicable international, European and national law.
- 1.9 The Parties to this Agreement recognise that in addition to assuming responsibility for implementing the OECD Guidelines and UNGPs, profitability is a basic prerequisite for the continuity of companies. This prerequisite may be at odds with sustainability goals, particularly for companies operating in an international arena that lacks a level playing field. By joining forces in this Agreement, and by calling explicitly on other relevant companies and organisations to accede to this Agreement, the Parties seek to create a level playing field and, where possible, will advocate for the creation of an international playing field that is as level as possible.

- 1.10 In the national context, the Parties will comply with Dutch legislation and regulations and the collective labour agreements relevant to the sector, and will hold one another accountable for such compliance through existing channels in the Netherlands.
- 1.11 By concluding this Agreement, the Parties are practising responsible business conduct in an international context.

Have agreed as follows

2 Principles underpinning the provisions

- 2.1 The Parties referred to in the preamble under (a) to (f) are bound jointly and severally by the provisions of this Agreement (hereinafter: 'the Agreement'). The Representative Organisations referred to in the preamble under (b) and the Auction referred to under (c) are bound by the provisions to which they commit themselves, but these provisions are not binding on their affiliates or members.
- 2.2 The Parties are expected to fulfil their obligations as stipulated in this Agreement and to contribute to the performance of the Agreement. To this end, they accept that they will be answerable to one another, within reason.
- 2.3 The Parties may communicate individually about the Agreement in its support. The Parties will agree on joint communication in the Steering Committee, which will set up a Communications Working Group for this purpose (see Clause 10.12).

3 Due diligence

- 3.1 Pursuant to the OECD Guidelines and the UNGPs, companies are expected to implement a due diligence process. Due diligence is an ongoing process in which companies identify, prevent and mitigate the risks and adverse impacts caused by their own operations or the operations of their business relationships in the production or supply chain, and communicate about how they deal with the risks and adverse impacts identified.
- 3.2 The Parties recognise that due diligence is a growth and learning process and will vary in complexity depending on the size of the company, the nature and context of its business operations, and the severity and impact that those activities may have on people and the environment.
- 3.3 The Parties acknowledge that due diligence involves more than assessing and addressing material risks posed to the company. The due diligence process focuses not on the risks incurred by the Companies themselves but on the risks and adverse impacts that the floriculture sector value chain poses for other stakeholders, with the most severe impacts on such parties being prioritised. In undertaking due diligence, which will in principle address all potential risks and adverse impacts, the Companies will look specifically at the issues prioritised in recital 1.6.
- 3.4 With due observance of Clause 3.2, the Companies will, within three years, implement a due diligence process in accordance with the principles and procedures of the OECD Guidelines and the UNGPs. As part of the due diligence process, the Companies are expected to take appropriate action based on their assessment of the risks and adverse impacts in their value chain. The measures that a company can be expected to take to remedy or prevent an adverse impact depend in part on whether the company itself caused or contributed to the impact or whether the impact is directly linked to the company's operations, products or services by its business relationships (see diagram in Appendix II). The Parties recognise that the Companies may need to prioritise. Upon request, the Companies must explain their prioritisation and the reasons for it.
- 3.5 Each company participating in this Agreement must ensure a satisfactory due diligence process by providing appropriate answers to the relevant questions. Appendix III, which is based on the OECD Guidelines, outlines the questions that they should reasonably be able to answer for themselves so as to identify, prevent and mitigate risks.
- 3.6 The Parties agree that in discharging their responsibility to perform due diligence, the Companies may make use of (but not limit themselves to)

standards and third-party audits, insofar as these will aid them in identifying, preventing and mitigating the risks and adverse impacts of their actions. They will decide for themselves what role certification can play in discharging their responsibility for due diligence.

- 3.7 In line with their responsibility as set out in the OECD Guidelines and UNGPs, the Companies are committed to promoting access to remedy when adverse impacts occur. As grievances may say something about the effectiveness of the due diligence process, in the first year of the Agreement the Parties will establish a Grievance Mechanism Working Group (see Clause 10.12) to investigate how individual companies can discharge this responsibility or whether a collective grievance mechanism can assist them in doing so. The recommendations of the Working Group will be submitted to the Steering Committee for decision-making. The Parties do not intend this arrangement to prevent or hinder those experiencing adverse impacts from asking the National Contact Point for the OECD Guidelines to help them resolve issues arising in specific cases in which the OECD Guidelines are applicable.
- 3.8 Since the Auction – although it does not purchase and sell flowers itself – can also be regarded as a company within the floriculture value chain, it will, with due regard for its specific role and position, perform due diligence in accordance with Clauses 3.4 to 3.7

4 Collective sector risk analysis (sector mapping)

- 4.1 The Parties are aware that in endeavouring to conduct due diligence in accordance with the OECD Guidelines and UNGPs, the Companies may not always have sufficient knowledge and information about existing and potential human rights violations and the adverse impacts on the environment and biodiversity associated with the floriculture sector. In an effort to remove this obstacle, the Parties agree to undertake a collective sector risk analysis ('sector mapping'). In doing so, the Parties will make use of existing studies and reports and, where appropriate, share local and other contacts and expertise with one another, insofar as possible within the framework of the competition rules.
- 4.2 Sector mapping involves:
- identifying the product streams in the floriculture sector, where they are located (where products originate) and the size of these flows; and
 - providing reliable information on potential adverse impacts in countries and, if possible, regions where the Dutch floriculture sector is active, including information on the risk, nature, severity and irreversibility of such impacts.
- 4.3 Sector mapping is intended to:
- serve as a source of information for the due diligence process within individual companies;
 - help users to identify severe impacts (and the risk of such impacts) and specific courses of action by providing information on the scale, scope and irreversibility of potential risks and adverse impacts in combinations of countries and/or regions; and
 - help the Parties prioritise the issues to be addressed collectively, in accordance with Clauses 5.3 and 5.4.
- 4.4 The Parties will have the Steering Committee set up a Sector Mapping Working Group to undertake sector mapping and due diligence on their collective behalf (see Clause 10.12). The collective sector mapping process will in principle address all potential risks and adverse impacts, looking specifically at the issues prioritised in recital 1.6.
- 4.5 In the first year of the Agreement, the Parties will start mapping the sector by identifying a number of prioritised production streams. These

are production streams for which information is already available¹, and that the Parties consider to be high-risk based on that information. The intention is to map the sector in more detail during the effective period of the Agreement based on the risks identified in the due diligence process or from other sources.

- 4.6 The Parties will make relevant knowledge and information available for sector-mapping purposes. The Parties will ensure that competition- and/or privacy-sensitive information is shared exclusively in accordance with the relevant international and national statutory frameworks.

¹ Examples include NGO reports and research reports and their local partners, universities, international organisations, etc.

5 Collective action on issues

- 5.1 Parties agree to work on collective project addressing a number of issues.¹ As far as possible, the Parties will align with and/or build on initiatives already being undertaken in the floriculture sector, including within the context of the FSI.
- 5.2 The purpose of undertaking collective projects on issues is:
 - to identify courses of action in which companies can combat risks and adverse impacts associated with the relevant issues; and
 - to undertake specific collective initiatives whenever collective action on the part of the Parties can leverage the effectiveness of the identified course of action.
- 5.3 The Parties agree that in preparing the operational plan for performance of the Agreement, the Steering Committee will meet to discuss this collective issue-specific approach/collective projects so as to:
 - set the annual agenda on the issues for the Parties as a group, and
 - flesh out this agenda in (multi-annual) SMART targets for the Parties (e.g. in the form of Key Performance Indicators). The Steering Committee will do so based on proposals prepared by the relevant issue-specific working groups that it establishes (see Clause 10.12).
- 5.4 In setting the annual agenda as referred to in Clause 5.3, the Steering Committee will assess the status and progress of the collective projects addressing the relevant issues. In addition, the Steering Committee will discuss opportunities for collective projects on other issues prioritised in recital 1.6, topics arising from collective sector mapping, and/or topics that companies raise within the context of their individual due diligence process with a view to a possible collective approach.
- 5.5 The Parties are committed to the objectives of the collective, issue-related approach but mindful that there is no one-size-fits-all template for their respective contributions. The Parties will make their knowledge, expertise and local and other networks and contacts available to the relevant collective issue-specific projects, unless there are insurmountable objections to doing so.

¹ To see how the Companies' individual due diligence process, collective sector mapping and the collective issue-specific approach are aligned, see the diagram in Appendix I.

- a. In the first year of the Agreement, the Parties will commence working on collective projects addressing the issues 'Living Wage' and 'Impact of using plant protection products'. Clauses 5.8 to 5.12 and Clauses 5.13 to 5.19, respectively, specify further provisions concerning these two issues. With regard to the other issues that the Parties have prioritised collectively (see recital 1.6), the Parties have already formulated a number of guiding principles, described in Appendix IV
- b. The Private Parties seek to align the standards used within the FSI – as one of the many ways to ensure improvements – with their collective efforts on the priority issues identified in recital 1.6. The Private Parties will ask the FSI to identify areas in which these standards and compliance with these standards can be improved (gap analysis). The Parties will share the results of this analysis with the (relevant) scheme owners with a view to agreeing on improvements to the standards, the audits and the audit systems, closer monitoring of compliance with the standards beyond the audits, and an impact analysis.

Issue: Living wage

- c. The Parties acknowledge the importance of a living wage for workers and will in any case endeavour, at the very least, to align wages at floriculture production sites in countries where there is no statutory minimum wage with the World Bank's extreme poverty line, i.e. USD 1.90/day Purchasing Power Parity (PPP), from April 2020 at the latest. This applies only to the basic wage; in-kind allowances and bonuses will not be taken into account. The Parties will use the World Bank's formula to calculate wages.¹ The Parties also acknowledge that the World Bank adjusts the extreme poverty line from time to time and they will undertake to incorporate these adjustments into the wages referred to in this clause. Within the effective period of this Agreement (three years), the Parties will endeavour to:
 - i. ensure that all the Parties become more knowledgeable about living wages; and

¹ To calculate the wages using the (\$1.90/day PPP) in real terms use the formula: [PPP rate private consumption for the given year x 1.90 x 30 (days/month) x typical number of family members]/ workers per family (note: these are typical averages per country). The PPP rates for private consumption are updated regularly by the World Bank and can be found here: (<http://data.worldbank.org/indicator/PA.NUS.PRVT.PP>).

- ii. identify specific courses of action that the Companies can take to address systemic issues related to living wages in the floriculture sector and, where necessary, tackle these with the Parties.
- d. To achieve this aim, the Steering Committee will establish the Living Wage Working Group (see Clause 10.12), which will align itself with FSI initiatives addressing the same issue.
- e. The Living Wage Working Group will achieve its first result within three months of the Agreement being signed by producing an action plan that translates the objective set out in Clause 5.8 into SMART targets and explains how they are to be achieved. The Working Group will submit the action plan to the Steering Committee for approval. If the Living Wage Working Group fails to achieve the SMART targets identified in the action plan, it will explain the reasons for this failure to the Steering Committee
- f. In drawing up the action plan, the Living Wage Working Group will in any event make allowance for the following provisions, considerations and principles:
 - i. Within one year of signing the Agreement, the Parties will endeavour to embark on or become involved in a project pursuing a living wage at the beginning of the value chain. The Parties will adhere to the definition of living wage given in the United Nations Universal Declaration of Human Rights (1948).¹ To this end, and as an initial step, the Companies involved in the project will encourage wage increases that exceed the rate of inflation.
 - ii. The Parties recognise that freedom of association and effective employer-employee social dialogue are important factors in arriving at wage arrangements that allow workers to provide for themselves and their family members. The Parties acknowledge and respect the principle that a sustainable living wage must be properly negotiated.
 - iii. The Parties recognise that a living wage is a cross-sector issue and intend to cooperate with other initiatives and value chains wherever possible.
 - a. The Parties welcome the work of the Living Wage Lab and, where appropriate, are prepared to use this platform to share their knowledge and experience about living wages with others in the floriculture sector.
 - b. The Parties welcome the work of the Global Living Wage Coalition and, where relevant, will use the benchmarks for Living Wages developed

¹ United Nations, Universal Declaration of Human Rights, New York, 1948 Article 23(3): 'Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.'

for each country/region by this coalition of sustainability standards organisations in accordance with the internationally acclaimed Anker methodology. These include available benchmarks for the floriculture sector in Kenya (Lake Naivasha and Mount Kenya) and Ethiopia. In addition, the Living Wage Working Group will take note of other practical methods for implementing living wages, from all affiliated sectors.

- iv. Within one year of signing the Agreement, the Parties will draw up a collective roadmap showing companies how to tackle the issue of a living wage. They can use this roadmap to show a public procurement agency how they are tackling this issue within the context of the International Social Conditions (ISC)¹ that have been incorporated into the Dutch National Government's policy on responsible business conduct.
- g. The Living Wage Working Group will, at the very least, share its knowledge and discuss its experiences concerning living wages with all the Parties at the annual stakeholder meeting (in accordance with Clause 10.10.g).

Issue: Impact of using plant protection products

- h. Plant protection products are subject to EU statutory provisions. The provisions agreed by the Parties on this issue will adhere to these statutory provisions.²
- i. The Parties recognise that the use of plant protection products may impact both the environment and worker health and safety. The Parties agree that they will focus on both aspects in their collective activities.
- j. Within the effective period of this Agreement (three years), the Parties will endeavour to:
 - i. mitigate the environmental impact of using plant protection products by employing Integrated Pest Management methods; and
 - ii. use plant protection products safely in nurseries by implementing and adhering more effectively to safety protocols.
- k. To achieve this aim, the Steering Committee will establish the Working Group on the impact of using plant protection products (see Clause 10.12), which will align itself as much as possible with FSI initiatives addressing the same issue and with the FSI Chain Transparency 2.0 Working Group.

1 The ISCs basically come down to due diligence requirements for suppliers. See

<https://www.pianoo.nl/en/sustainable-public-procurement/spp-themes/social-conditions-global-supply-chains>

2 Regulation (EC) No. 1107/2009 concerning the placing of plant protection products on the market and Directive 2009/128/EC establishing a framework for Community action to achieve the sustainable use of pesticides.

- l. The Working Group on the impact of using plant protection products will achieve its first result within three months of the Agreement being signed by producing an action plan that translates the objectives set out in Clause 5.15 into SMART targets and explains how they are to be achieved. The Working Group will submit the action plan to the Steering Committee for approval. If the Working Group on the impact of using plant protection products fails to achieve the targets in the action plan, it will explain the reasons for its failure to the Steering Committee.
- m. In drawing up the action plan, the Working Group on the impact of using plant protection products will in any case make allowance for the following provisions, considerations and principles:
 - i. Within one year of signing the Agreement, the Parties will develop a widely supported and practical method of measuring the overall environmental impact of using plant protection products. During the remaining effective period of the Agreement, this method will be used to mitigate the environmental impact of such products and the Parties will see that its use is properly monitored.
 - ii. The Parties are committed to removing obstacles to the use of products that have a smaller environmental impact, with a specific focus on commercial obstacles encountered by companies (cost of authorisation and use in practice) and on statutory and/or trade-inhibiting regulations concerning the use of such products. The Ministry of Agriculture, Nature and Food Quality has a specific role to play in this context (see Clause 7.4).
 - iii. The Private Parties will collectively enter into discussions with the agrochemical industry (or its representative organisations) and with the relevant scheme owners and auditors about ensuring safer use of plant protection products.
 - iv. The Parties will actively disseminate knowledge about Integrated Pest Management to growers in relevant countries where the Parties are active. Acting within their respective capacities, the Parties will encourage the establishment or qualitative improvement of institutions that can enable and, where necessary, enforce mitigation of the overall environmental impact of plant protection products (authorisation bodies and enforcement organisations).
 - v. Safe use of plant protection products is one of the standards applied by the FSI in the Basket of Standards. In addition to robust compliance

and strict controls associated with these certifications, the Private Parties recognise the importance of an approach in which employees themselves are involved in drawing up and complying with protocols for the safe use of plant protection products. The Private Parties will endeavour to ensure that safety protocols and compliance with such protocols are discussed explicitly with health and safety committees at nurseries.

- vi. The Private Parties are in favour of bolstering representative and independent workers' committees and trade unions, as they can effectively broach the matter of preventing and remedying damage caused by the improper use of or exposure to plant protection products with growers.
- n. The Working Group on the impact of using plant protection products will share its expertise on and discuss its experience of mitigating the environmental impact of plant protection products in the floriculture sector with all of the Parties at least once a year during the stakeholder meeting (in accordance with Clause 10.10.g).

2 Extending the scope and impact of the Agreement, for example through the Representative Organisations and the Auction.

- a. The Parties aim to extend the scope and impact of this Agreement. In so doing, the Parties will focus on, but will not limit themselves to, other companies active in the floriculture sector, the retail sector and companies/branches in allied sectors.
- b. In the first year of the Agreement, the Parties will, in any event, actively approach the representative organisations of companies that produce plant reproductive material (Plantum), that trade in flower bulbs and nursery stock products (Anthos) and that grow flower bulbs (KAVB) to ask them to state their support for and commitment to the Agreement.
- c. The Parties will do so collectively and, where appropriate, individually by informing other relevant parties of the aims, importance and substance of the Agreement. To this end, the Steering Committee will establish a Communications Working Group to draw up a communications plan in the first three months of the Agreement, which the Parties will implement upon the Steering Committee's approval.
- d. The Parties will extend the scope and impact of the Agreement, for example through the efforts of the Representative Organisations and the Auction to reach their members/affiliates.
- e. The Representative Organisations and the Auction acknowledge that it is incumbent on their members/affiliates to adhere to the principles of IRBC.¹³ They will encourage their members to undertake due diligence pursuant to the OECD Guidelines and the UNGPs.
- f. The Representative Organisations and the Auction will, collectively where possible, support their members in this regard by:
 - providing encouragement in communications about IRBC and the implementation of a due diligence process;
 - offering assistance in implementing the due diligence process. To this end, the Representative Organisations and the Auction may ask the other Parties to contribute relevant knowledge and expertise;

1 Refers to responsibilities under the OECD Guidelines and UNGPs.

- monitoring annually how many members are engaged in the due diligence process and in what way; and
 - encouraging companies to accede directly to the Agreement.
- g. The Representative Organisations and the Auction will actively share their knowledge, expertise and network with the other Parties by participating in the Sector Mapping and Due Diligence Working Group, the Communications Working Group and/or one or more of the issue-specific working groups, based on their expertise and a reasonable deployment of capacity.
- h. The Auction acknowledges that it is incumbent on the companies that use its marketplace to apply the principles of IRBC. During the effective period of the Agreement, the Auction will examine the extent to which it can make the use of its marketplace contingent on user efforts to perform due diligence.

3 Role of the government

In addition to the provisions of the Agreement to which the Parties commit themselves, the Government will undertake the following:

- a. As a component of the Netherlands' policy in bilateral and multilateral relations, the Government will promote the Agreement proactively at international level (within the EU, OECD, ILO, and UN) in order to create a level playing field for the participating Companies.
- b. The Government will call on EU and OECD member countries to step up efforts to foster commitment by companies to the OECD Guidelines and UNGPs.
- c. Acting through its relevant embassies, the Ministry of Foreign Affairs will assist the Private Parties to this Agreement in their efforts to implement IRBC policies. It will do so by providing information on IRBC in the local context, by helping local parties to gain more knowledge, and by focusing on economic RBC diplomacy within the context of economic relations. An example of such diplomacy would be to have embassies actively mediate in getting Dutch companies, local authorities, organisations of producers and stakeholders to discuss what steps they can take collectively to combat any risks and adverse impacts in floriculture value chains. Another example would be to enter into dialogue with national governments about key elements of the enabling business environment (legislation, enforcement of laws) that create a level playing field for companies that adhere to the Agreement.
- d. The Government will specifically help to remove government-driven obstacles preventing companies and stakeholders from achieving the overarching objective of the Agreement. The Ministry of Agriculture, Nature and Food Quality, acting through the Agricultural Councils and in consultation with the authorities in production countries, will endeavour to generate support for encouraging the use of low-risk agents, natural pesticides or other alternatives in accordance with the eight principles of Integrated Pest Management (IPM).²
- e. In the first year of the Agreement, the Ministry of Foreign Affairs will organise a knowledge-building session with land rights experts, allowing the Private Parties to learn about this issue and together explore possible courses of action to prevent the violation of land rights in the floriculture sector.

² See the pamphlet IPM in 8 basisstappen:
https://www.glastuinbouwnederland.nl/content/glastuinbouwnederland/docs/themas/Plantgezondheid/IPM/18-228_GTNL_A4_Flyer_IPM_v1.pdf.

- f. The Ministry of Foreign Affairs will encourage IRBC in its trade missions.
- g. The Government will continue to make every effort to promote IRBC in its incentive schemes and procurement policy.
- h. The Ministry of Foreign Affairs will endeavour to bring the Agreement to the attention of authorities so that companies in the floriculture sector that comply with the relevant provisions of the Agreement and that are applying for financial or other support under international trade and investment incentive schemes can more easily demonstrate that they satisfy the IRBC requirements of these schemes.
- i. The Ministry of Foreign Affairs will work through its embassies and possibly regionally to promote a living wage in the floriculture sector, attained by means of collective bargaining.
- j. The Government will endeavour to share lessons that other sectors have learned about living wage with the floriculture sector, for example through the Living Wage Lab.
- k. As agreed in the Sustainable Procurement Manifesto¹, the Government will promote knowledge-building among procurement officials so that they are able to apply the policy on International Social Conditions (ISV) in the various phases of the procurement process. These efforts will also encompass the floriculture sector, where the aim will be to emphasise the importance of applying International Social Conditions when procuring floriculture products, based on the conviction that these conditions can help to attain the aims of this Agreement. The Government will also draw attention to the floriculture sector and this Agreement by undertaking the following activities and initiatives within the context of the national government's procurement policy:
 - Running pilot projects in various product groups aimed at incorporating the OECD Guidelines into tender award criteria.
 - Making specific tools available through PIANOo² for implementing the OECD Guidelines during the procurement process.

1 See <https://www.pianoo.nl/en/sustainable-public-procurement/developments>. In this Manifesto, the National Government commits to supporting other public authorities.

2 PIANOo is the Dutch Public Procurement Expertise Centre operating under the Ministry of Economic Affairs and Climate Policy. It provides information, advice, tools and practical tips for anyone in the public sector involved in procuring and contracting for projects, goods and services.

- Supporting other authorities in applying the International Social Conditions through the Community of Practice¹, with lessons learned being shared and practical help being offered for procurements.
 - Supporting government procurement officials and those involved in implementing the International Social Conditions by providing specialised training courses.
 - Investigating how to define a selection criterion geared to due diligence that complies with the procurement principles.
 - Publicising the results of sector mapping among government procurement officials as a means of assessing suppliers' due diligence reports.
 - Raising awareness of the importance of a living wage in the floriculture sector and encouraging other authorities to consider the issue of a living wage in their procurement policy.
1. In addition to the provisions of the Agreement, the Government will continue to fulfil its 'duty to protect human rights' in accordance with international human rights conventions, the UNGPs, the Dutch National Action Plan on Business and Human Rights, and the policy note Corporate Social Responsibility Pays Off.²

1 <https://www.pianoo.nl/nl/minicongres-internationale-sociale-voorwaarden-in-praktijk-13-februari-2018ie>

2 Policy note 'Corporate social responsibility pays off' dated 28 June 2013.
<https://www.government.nl/documents/policy-notes/2013/06/28/csr-pays-off>.

4 Role of the trade union and NGO

- 8.1 The Trade Union and the NGO will raise the principles and provisions of this Agreement in relevant consultations with their members, affiliates, coalitions and networks.
- 8.2 The Trade Union and the NGO will play a constructive role in implementing this Agreement, specifically with regard to carrying out the projects and extending the scope and impact of the Agreement (including internationally), and also act independently to safeguard the interests that they represent.
- 8.3 Through the Steering Committee and working groups, the Trade Union and the NGO will offer a fresh perspective on due diligence for companies in the floriculture sector whenever the Parties are required to take action (collectively or otherwise).
- 8.4 To make an active contribution to the collective, issue-specific approach, the Trade Union and the NGO will draw on their available knowledge and expertise to advise the Companies on and suggest courses of action for preventing and mitigating risks and adverse impacts, and will make their knowledge and expertise available for developing or improving the tools needed to perform the Agreement.
- 8.5 The Trade Union and the NGO will make information available to the Companies about projects they have undertaken with local partners at the beginning of production chains in the floriculture sector, unless there are insurmountable objections to doing so. Where these projects are specifically relevant to achieving the objectives of this Covenant, they will indicate whether and how the Companies can utilise or join them.

5 Supporting Organisations

- 9.1 Where appropriate, the Parties shall involve organisations and companies that have expressed their support for the Agreement.
- 9.2 The Parties shall furnish such organisations and companies with a standard statement asserting that, by signing this document, they:
 - endorse the principles of this Agreement and discuss it actively in their coalitions and networks;
 - will, in general, make their knowledge, expertise and local and other networks available to the Parties to help them achieve the objective of this Agreement; and
 - if they are a scheme owner, are open to dialogue with the Parties about improving their standards, audits and auditing and other systems relevant to the floriculture sector.

6 Governance, implementation and financing

- 10.1 In implementing this Agreement, the Private Parties aim to align as much as possible with the governance and structure of the FSI and in doing so reinforce the FSI.
- 10.2 All of the Parties will be represented at the General Meeting of Parties (hereinafter: 'General Meeting'). The General Meeting will establish a Steering Committee.
- 10.3 The General Meeting will take its decisions on the basis of consent between the Parties and will meet at least once a year.
- 10.4 The General Meeting will approve the Steering Committee's annual operational plan and annual budget. The Government must comply with the relevant statutory frameworks and the EU competition rules in this context.
- 10.5 In accordance with the Steering Committee's recommendation, the General Meeting will take decisions regarding the discontinuation of projects carried out under the Agreement, the launch of new projects and the progress of existing projects, bearing in mind the funding arrangements based on available resources. The Government will only be prepared to make funds available subject to the relevant statutory frameworks and EU competition rules.
- 10.6 Implementation of the Agreement will be administered by an eight-member Steering Committee (hereinafter: 'the Steering Committee') in which the Clusters are represented as follows: three members appointed by the Companies; one member appointed by the Representative Organisations and the Auction (three members and one member respectively) and four members by the NGO, the Trade Union and the Government. The members will be appointed in a personal capacity for the duration of the Agreement. If a Steering Committee member leaves his or her organisation while in office, he or she may only continue as a member with the explicit consent of the individual Cluster or Clusters that appointed him or her. If a Steering Committee member steps down, the individual Cluster or Clusters that appointed him or her will nominate and appoint a new candidate.
- 10.7 The Steering Committee will be chaired by an independent chairperson appointed jointly by the Parties. Upon request, the chairperson may represent the Parties as an Ambassador for the Agreement.

- 10.8 The Steering Committee will adopt its own procedures at its first meeting. The Steering Committee will take its decisions on the basis of consent and will meet at least four times a year.
- 10.9 Each Party has the right to ask the Steering Committee to take a decision on any matter relating to the Agreement.
- 10.10 The Steering Committee will be responsible for day-to-day governance matters associated with the Agreement's implementation. Its responsibilities will include the following:
- a. Ensuring that all of the Parties make an appropriate contribution to the activities and outcomes of the Agreement;
 - b. Monitoring the Companies' progress towards due diligence (and the due diligence process), the progress achieved in the working groups and projects, and the progress made towards extending the scope and impact of the Agreement;
 - c. Drafting an annual operational plan for implementing the Agreement; this includes setting the annual agenda for collective projects on specific issues (see Clauses 5.3 and 5.4);
 - d. Convening a General Meeting at least once a year;
 - e. Securing the approval of the General Meeting for the operational plan for implementing the Agreement (see c.) and the annual budget (see h.);
 - f. Informing the Parties by way of the General Meeting of the steps taken to implement the Agreement, reviewing progress on all aspects of the Agreement with the Parties, and identifying possible follow-up steps (see Clause 10.28);
 - g. Organising at least one meeting a year at which the Supporting Organisations and other stakeholders can advise and engage in dialogue on matters that the Parties have identified as issues for companies and risks posed to disadvantaged persons and consider how to address them, individually or collectively;
 - h. Drafting and administering the annual budget;
 - i. Where necessary, advising the Parties, both individually and collectively, on how to improve or amend the Agreement and its implementation;
 - j. Preparing an annual progress report on the implementation and (mid-term) outcome of this Agreement (see Clause 10.15) and publishing a summary of this annual progress report externally (see Clause 10.29);
 - k. Settling disputes in accordance with the procedure set out in Clauses 10.30 to 10.33;

- l. Organising liaison and a service agreement between the Private Parties and the organisation that serves as the independent Project Management (see Clause 10.13).
- 10.11 The Steering Committee may set up and dissolve working groups (hereinafter: ‘the Working Groups’) to support the implementation of the Agreement. Wherever possible, alignment will be sought with the FSI’s existing or future Working Groups. The manner in which this alignment will come about, in terms of the activities organised and the members involved, will be specified in a separate service agreement between the Private Parties and the FSI (hereinafter: ‘the Service Agreement’).
- 10.12 The following Working Groups will be set up and will convene their first meeting within three months of the Agreement entering into effect:
 - Grievance Mechanism Working Group (Clause 3.7);
 - Sector Mapping and Due Diligence Working Group (Clause 4);
 - Communications Working Group (Clause 6.3);
 - Living Wage Working Group (Clause 5.9);
 - Working Group on the impact of plant protection products (Clause 5.16).
 The Parties will endeavour to ensure proportional representation of clusters in the various Working Groups.
- 10.13 The Private Parties have asked the FSI/IDH (Initiatief Duurzame Handel) to provide independent project management and specialist guidance (hereinafter: ‘the Project Management’) to support the Steering Committee and to coordinate the Working Groups and projects that have emerged (in part) from arrangements made on the basis of this Agreement. The Project Management’s activities and the mutual obligations of the Private Parties and the FSI/IDH will be laid down in the separate Service Agreement concluded between the Private Parties and the FSI/IDH.

Monitoring

- 10.14 To facilitate mutual learning and the collective pursuit of solutions, efficient solutions or more efficient solutions to problems encountered by the Parties in implementing this Agreement, the Parties agree that each year, they will share, in a confidential setting, information on the progress achieved in activities provided for in this Agreement.
- 10.15 Acting on behalf of the Parties, the Steering Committee will monitor the progress made by the Parties in implementing the agreed activities, based on the principles of reasonableness and fairness.

The Steering Committee will inform the Parties in the General Meeting of its findings on a confidential basis by producing an annual progress report. The annual progress report drawn up by the Steering Committee, with the support of the Project Management, will be sent to all of the Parties in The first quarter of each year of the Agreement's effective period, the first time being one year after the Agreement enters into effect. In the final year of the Agreement's effective period, the Steering Committee will send the annual progress report to all of the Parties in the fourth quarter of the year.

- 10.16 The Steering Committee will base the annual progress report on the data submitted and processed annually by each Party and each Working Group through the Project Management. The Parties and the Working Groups will submit these data annually to the Project Management in the fourth quarter of each year of the Agreement's effective period.
- 10.17 Reporting by the Parties shall in any event concern the status of, and progress made in implementing, the provisions that a Party has undertaken in the Agreement.
- 10.18 With regard to the status of the Companies' commitment to due diligence, a due diligence expert, commissioned by the Steering Committee, will conduct an annual structured interview with each participating company. The interview will be based on the questions in Appendix III.²⁰ The interview should provide a reliable picture of the status of and progress made in implementing the due diligence process in the relevant company's business operations. The Project Management will prepare a report on the structured interview with each company. Where necessary to obtain a reliable picture, the Project Management can ask the company additional questions.
- 10.19 The Companies will indicate which material potentially qualifies as proprietary or competition-sensitive when providing information on their progress.
- 10.20 The interview will also give the Companies an opportunity to exchange ideas with the Project Management. Insofar as this does not conflict with its independent role in monitoring, the Project Management can play an advisory role in this context.
- 10.21 The Project Management will ensure that it is sufficiently familiar with the OECD Guidelines and due diligence procedures and/or will arrange (internally or externally) for the interviews to be properly conducted and for solid support to be provided.

²⁰ The questions are meant as a process monitoring exercise. The point of monitoring is not to record the answers to the questions, but to assess whether the answers (i.e. the type of data available to the company, the way in which it actively applies due diligence and the process elements of the due diligence system that are demonstrably in operation) are satisfactory in light of the due diligence required within the context of the company.

- 10.22 If the interviews reveal that several individual companies are encountering similar obstacles to implementing due diligence, the Project Management will report this to the Steering Committee.
- 10.23 The Steering Committee will then consider whether obstacles can be removed or eased by a collective effort on the part of the Parties. Acting on this basis, the Steering Committee may propose an annual agenda for the collective issue-specific approach/projects in its operational plan.
- 10.24 If monitoring reveals that a company is making little or no progress in implementing its due diligence process, has not followed up informed and relevant suggestions and recommendations from other Parties concerning measures that could remove (or mitigate) risks and adverse impacts (for example specific courses of action identified through sector mapping), and/or is not participating actively in a collective project or part of a collective project of relevance to it, the Steering Committee may require the company in question to explain the reasons for its failure and/or inaction to the other Parties.
- 10.25 The Project Management will treat any competition-sensitive information received from the Companies, Representative Organisations or the Auction as strictly confidential. Proprietary information submitted by individual companies will not be shared with any representative of any other company; consequently, no Party or Supporting Organisation will receive such proprietary information. The company in question will determine which information is considered to be proprietary and will notify the Project Management accordingly. The Project Management will aggregate and anonymise any proprietary information so that it can be shared in this form, including in the annual progress report. To ensure a scrupulous approach to proprietary information, the Parties and the Project Management/FSI will sign a separate confidentiality protocol detailing how competition-sensitive information is to be handled. The Parties will further ensure that competition- and/or privacy-sensitive information is shared exclusively in accordance with the relevant international and national statutory frameworks. With regard to the exchange of information, the Government will, in principle, treat as confidential all information that has been or will be exchanged in connection with this Agreement and its implementation, and will not disclose it or any part of it to any third party unless it is required to do so by law, a court decision or this Agreement.

- 10.26 The Project Management will support the Steering Committee in preparing the annual progress report. The Project Management, acting under the authority of the Steering Committee, will prepare the draft annual progress report based on the information provided by the Parties and Working Groups.
- 10.27 The Project Management will submit the draft version of the annual progress report to the Steering Committee in the fourth quarter of each year of the Agreement's effective period. The Steering Committee will prepare the final annual progress report.
- 10.28 Using the final progress report as a basis, the Parties, in the General Meeting, will assess annually whether the progress made on all aspects of the Agreement is satisfactory and will also identify possible follow-up steps. In accordance with Clause 10.15, the Steering Committee will prepare this assessment by, inter alia, presenting proposals in appropriate cases.
- 10.29 To ensure transparency and communication regarding the progress of the Agreement, the Steering Committee will, where appropriate, publish an anonymised and aggregated summary of the annual progress report externally (including recommendations) in the first quarter of each year of the Agreement's effective period, the first time being one year after the Agreement enters into effect. In the final year of the Agreement's effective period, the Steering Committee will publish a summary of the annual progress report in the fourth quarter.

Resolution of disputes

- 10.30 In the event of a dispute between a Party and another Party concerning compliance with the obligations set out in this Agreement, the relevant Parties will first attempt to resolve the dispute amicably.
- 10.31 If the relevant Parties fail to settle their dispute, they may submit it to the Steering Committee. The Parties in the dispute must provide the information necessary for an adequate review. The Steering Committee will seek to resolve the dispute and will give the relevant Parties the opportunity to explain their views. To this end, the Steering Committee may, at the request of a Party in the dispute, permit that Party to engage the assistance of a third party or another Party.

- 10.32 If the dispute remains unresolved two months after being submitted to the Steering Committee, the Steering Committee will issue a ruling to the relevant Parties. Insofar as the dispute relates to a Party's failure to fulfil its obligations under this Agreement, the Steering Committee may rule that this Party must fulfil its obligations within a three-month period, unless the Party decides to withdraw from the Agreement. The Steering Committee will inform the Parties involved in the dispute of its ruling and the reasons for it. The Steering Committee's ruling will be binding on these Parties.
- 10.33 If a Party fails to comply with the ruling after expiry of the period referred to in Clause 10.32, the Steering Committee will ask the other Parties to cancel the Agreement vis-à-vis the non-compliant Party. If a three-quarters majority of the Parties consent, the Steering Committee will inform the non-compliant Party that the other Parties are cancelling the Agreement with that Party and that it can no longer assert any rights under this Agreement.

Financing

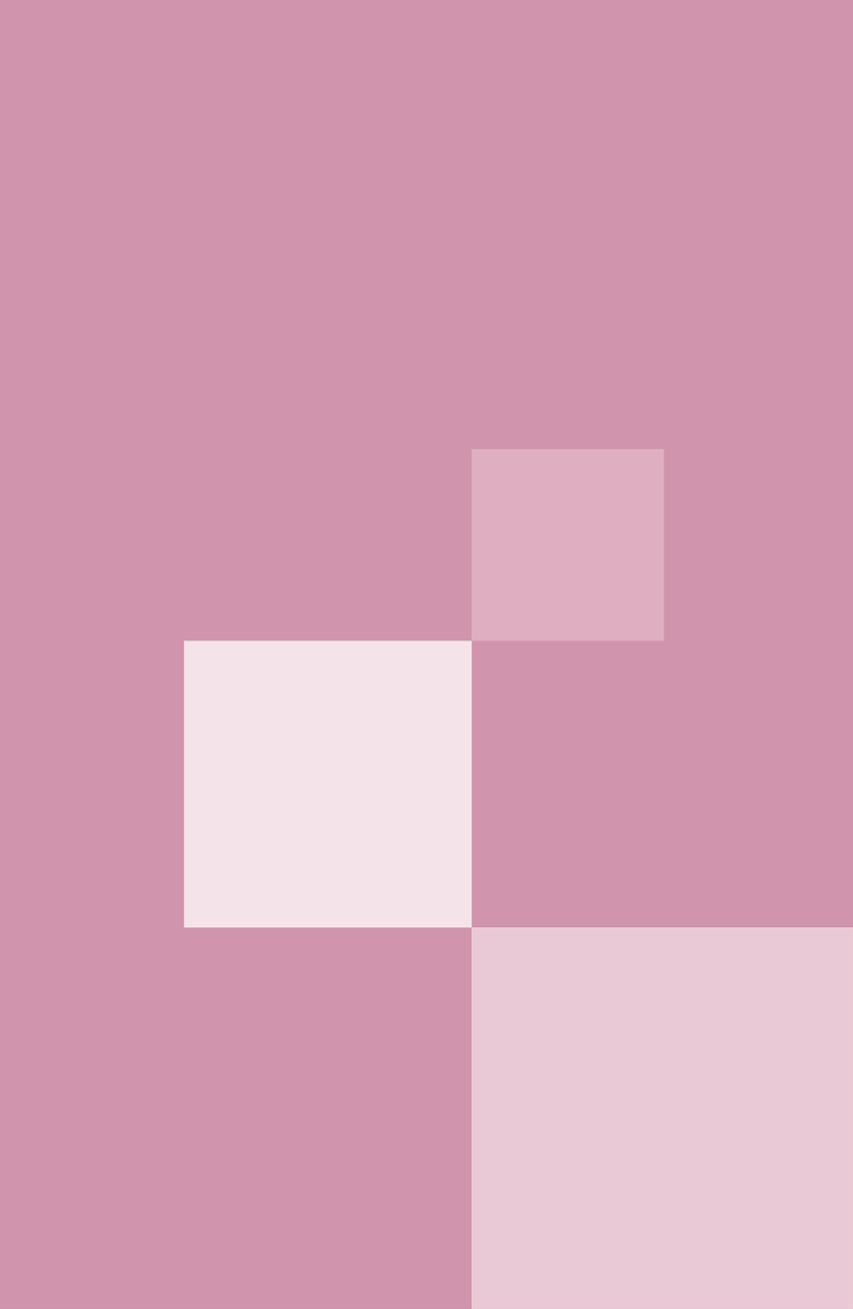
- 10.34 This Agreement will be funded by means of a budget agreed between the Private Parties.
- 10.35 The Parties will arrange additional funding to cover the costs associated with projects. The Working Groups will draw up a project proposal that will include a funding proposal. This proposal will be submitted to the Steering Committee. The Steering Committee will submit this proposal to the General Meeting along with its recommendation. The General Meeting will decide whether the project will go ahead. The funding system based on available resources will be determined by the Private Parties in the General Meeting.
- 10.36 The Government may only contribute funds if doing so is in compliance with the relevant statutory frameworks and European Union law, in particular the competition rules.

11 Final provisions

- 11.1 This Agreement will enter into effect after it has been signed by all of the Parties.
- 11.2 This Agreement will have an effective period of three years, commencing on 1 September 2019.
- 11.3 In the third year of the effective period, at the first General Meeting (see Clause 10.2), the Parties will discuss their willingness to renew the Agreement, whether or not in amended form, with revised objectives and/or new parties, for one or more years. The Parties that are prepared to do so may then so resolve.
- 11.4 The substance of the Agreement will be published in the Government Gazette of the Netherlands within two months of the Agreement being signed. The publication in the Government Gazette will also state where the text of the Agreement can be obtained.
- 11.5 The Agreement is open to accession by other parties. In addition, other organisations may express their support by endorsing the objectives of the Agreement and signalling their willingness to make an appropriate contribution to achieving the objectives. After consulting the Ministry of Agriculture, Nature and Food Quality, the Steering Committee will decide whether to accept new signatories. An acceding party must undertake to fulfil its obligations under the Agreement.
- 11.6 The Parties acknowledge that this Agreement is not legally enforceable and that disputes concerning the implementation of this Agreement may be submitted in accordance with the dispute resolution mechanism set out in Clauses 10.30 to 10.33.
- 11.7 In the event of information emerging about any alleged or actual involvement by a Private Party in adverse societal impacts in its production or supply chain, the Private Parties may assume that this information will not be disclosed immediately. Any finding by one Party that specifically concerns another Party to this Agreement will be shared with that Party before disclosure, pursuant to the principle that both parties have the right to be heard. The other Party will have at least two weeks to respond and state how any malpractices will be addressed. Should the Party that made the findings consider this approach inadequate and wish to proceed with disclosure, it will make appropriate mention of the substance of this response in any such disclosure.

- 11.8 A Party may withdraw from this Agreement by giving the Steering Committee three months' notice of its intention and stating the reason for its withdrawal. Any obligations on the Party arising from this Agreement will lapse at the end of the notice period. Insofar as the withdrawal does not prevent the other Parties from implementing the Agreement, it will remain in full force and effect for the other Parties.
- 11.9 Any information shared confidentially by the Parties during the Agreement's effective period and in connection with its implementation will continue to be treated confidentially after expiry of the Agreement and/or if a Party has given notice of its withdrawal from the Agreement. The Government will, in principle, continue to treat this information as confidential and will not disclose it or any part of it to any third party unless it is required to do so by law, a treaty, a court ruling or this Agreement
- 11.10 The following appendices form part of this Agreement:
- Appendix I: Relationship between due diligence, sector mapping and issue-specific approach
 - Appendix II: Due Diligence
 - Appendix III: Due Diligence: Essential questions
 - Appendix IV: Descriptions of certain issues
 - Appendix V: Floriculture Sustainability Initiative (FSI)
 - Appendix VI: Establishment of Agreement

Thus agreed upon and signed in Naaldwijk on 2 July 2019



Appendices

Relationship between due diligence, sector mapping and issue-specific approach

Every individual company is obliged to perform due diligence (Clause 3.4). An individual risk analysis will reveal the risks (issues) for that company. Such risks are not limited to the priority issues identified. Based on the dialogue between the Parties preceding the Agreement, it is likely that a company's risk analysis will reveal risks in priority areas (to a greater or lesser extent).

- A company's individual due diligence can yield input for collective sector mapping (Clauses 4.4 and 4.6).

The Parties will together perform a sector risk analysis (sector mapping) (Clause 4.1). Sector mapping will clarify the risks for companies active in the floriculture sector. Based on the dialogue, it is likely that the risk analysis will reveal risks in the seven priority areas identified, but the outcomes will not necessarily be limited to those areas.

- Sector mapping is meant to be a source of information for individual companies as they perform due diligence and to identify specific courses of action for them (Clause 4.3.1). The issues to be addressed by specific courses of action will have emerged from the collective sector mapping exercise (and are therefore not limited to the first issues that the Parties have chosen to address in their collective issue-specific initiatives/projects; see below).
- Sector mapping is also intended to help the Parties prioritise the issues to be addressed collectively (Clause 4.3.2).

The Parties will together develop issue-specific initiatives/projects with a view to identifying what Clusters/Parties can do collectively to counteract risks and adverse impacts on issues and to implement such measures in practical terms (Clauses 5.1 to 5.6).

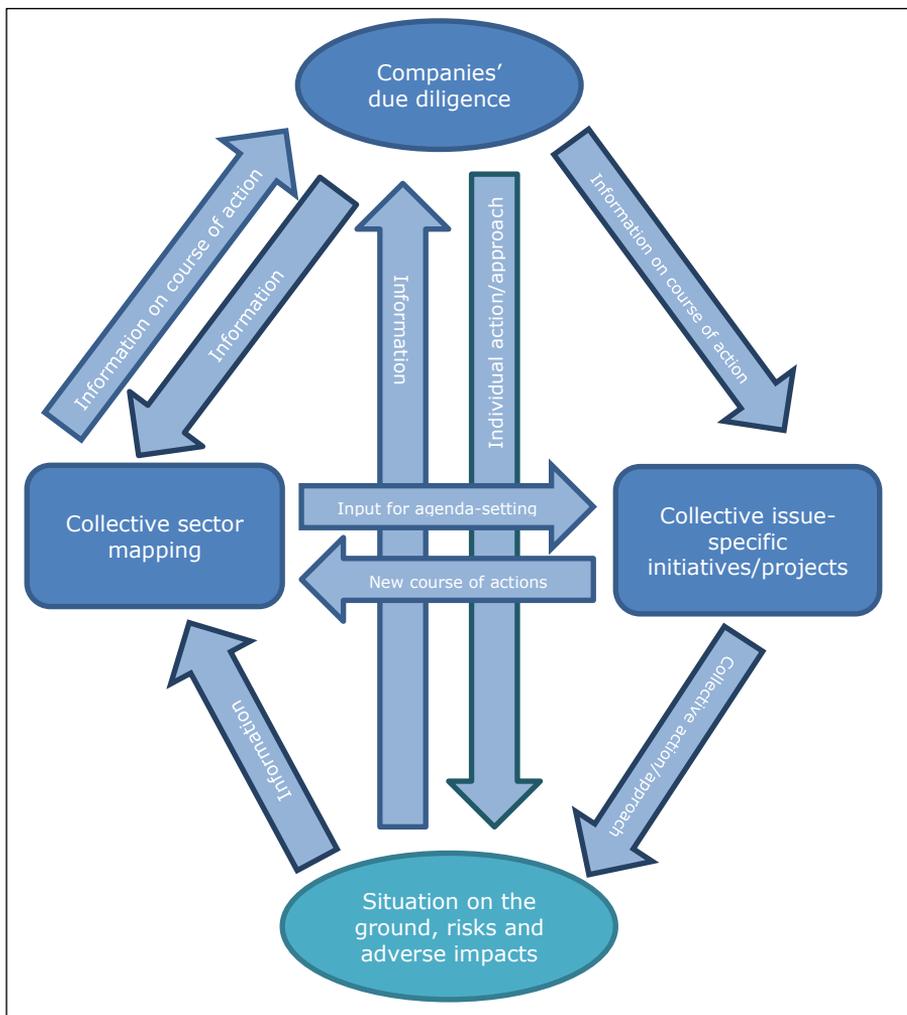
The Parties have concluded that they cannot arrange to undertake specific activities within the context of these initiatives/projects in all seven priority areas at once, and will therefore have to make choices. Such choices will explicitly concern the collective issue-specific initiatives/projects and will be unrelated to the scope of issues identified in an individual company's due diligence process and the collective sector mapping exercise (see above).

While setting the annual agenda, the Parties will consider how the other issues identified in recital 1.6 can be addressed collectively.

- Individual due diligence and collective sector mapping can yield input for setting the annual agenda for collective issue-specific initiatives (Clause 5.4).

The figure below illustrates the relationship between individual due diligence, collective sector mapping and the collective issue-specific approach.

Relationship between individual due diligence, joint sector mapping and joint thematic approach.



Due diligence

International Responsible Business Conduct requires due diligence, also referred to as IRBC risk management. The UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines stipulate that companies that transact business internationally themselves or through their production or supply chain must perform due diligence.

A crucial difference between risk management as many companies are familiar with it and due diligence is that the latter considers risks from the vantage point of parties that may be affected and not primarily from the vantage point of corporate interests.¹ Examples of such parties include company employees, workers at production sites, and local communities.

Within the context of RBC, due diligence is a continuous process in which companies identify, prevent and mitigate the actual and potential adverse impacts of their own operations or the operations of their business relationships in the production or supply chain and account for how they deal with the risks and adverse impacts so identified.

‘Adverse impacts’ refers to issues (for example child labour, exploitation of employees, environmental damage and animal abuse) in which production and services in the Netherlands are implicated through international value chains.

It is, first of all, important for companies to identify where, in their own operations or in their production or supply chain, adverse impacts are likely to affect stakeholders. They must then verify the risks and adverse impacts with internal and external stakeholders.

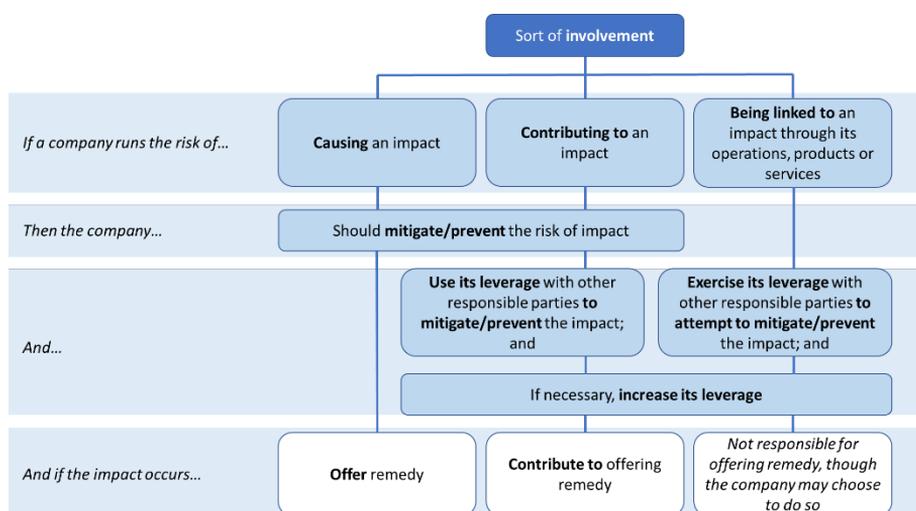
Second, it is important for companies to decide which issues they are going to address. If they cannot address all of the issues all at once, they will have to prioritise. Companies should initially focus on preventing and reducing the worst impacts or any impacts that would be irreversible if intervention was left until later. The severity of the risks and the likelihood of their arising are the main criteria in this regard.

¹ See NEN Praktijkrichtlijn NPR9036 MVO - Handleiding voor de integratie van due diligence in bestaande risicomanagementsystemen, <https://www.nen.nl/NEN-Shop/Norm/NPR-90362015-en.htm>

The company can then ascertain how to prevent and mitigate risks and adverse impacts in order of priority. If the company is powerful enough to prevent and mitigate an adverse impact, it will have more ways to minimise risks directly, in consultation with stakeholders.

V The UNGPs and the OECD Guidelines identify different ways in which companies can be implicated in adverse impacts. These differences are important because they touch on the question of what the company can be expected to do to correct or prevent the violation, and what role it is expected to play in terms of remedy (see diagram below).

Diagram of involvement during risks



The flow diagram has been printed here with the permission of Shift Project Ltd

If a company itself causes or contributes to harm or injury in its production or supply chain, it must offer remedy. If the company has not caused or contributed to the damage but is 'directly involved' in activities that have resulted in damage, it must try to induce other responsible parties to offer remedy and/or to contribute to any remedy.

Companies are often inclined to address only those risks and adverse impacts that fall within their sphere of influence. But even if they have only limited leverage and there are complex problems upstream in the production or supply chain, they can increase this leverage by collaborating with others (e.g. by participating in collective projects with other companies or in a multi-stakeholder initiative such as the IRBC Agreement for the Floriculture Sector). Creative brainstorming with other participating companies and stakeholders can generate new insights and ideas.

It is important for companies to monitor the effectiveness of their actions. One of the positive side-effects of due diligence is that companies that have a better understanding of their own business processes and production or supply chain can also better identify and take advantage of new opportunities, e.g. to produce better products, streamline production processes and improve their reputation

Due Diligence: Essential questions

The questions listed below are based on the OECD Guidelines and UNGPs and offer companies a useful tool when performing due diligence. These are questions that a company should reasonably be able to answer for itself so as to identify, prevent and mitigate risks effectively.

1. Has the company articulated and communicated its 'international responsible business conduct' principles (based in part on the OECD Guidelines) to its employees, customers, suppliers and other stakeholders in its production chain?
2. How have these principles and the need to perform due diligence properly been embedded in the company's organisation and the way in which it deals with suppliers, customers and stakeholders in its production or supply chain?
3. Is the company familiar with the following data, for example through public sources and local and other stakeholders?
 - a. the raw materials used in its products and the possible adverse impacts of their production (e.g. energy or water consumption, or poor working conditions or child labour during planting, growing, harvest, etc.) or the use of these raw materials;
 - b. the countries/regions where their products are produced or where their raw materials originate, and the social risks/problems there (e.g. corruption, child labour) in which the company may be implicated (in possible adverse impacts) by importing products and raw materials;
 - c. know your supplier and your supplier's supplier. For each country: which suppliers (of raw materials) are involved (name and address) and how many (directly or indirectly);
 - d. the potential adverse (health) impacts of the company's products in the user phase (when they reach consumers).
4. Can the company use these data to identify the potential or actual adverse impacts in which it is implicated through its production chain? Has it 'caused', 'contributed to' or is it 'linked indirectly to' these impacts? What are the findings of the risk analysis, specifically with regard to risks associated with:
 - Living wage
 - The rights of women
 - Health and safety (exposure to plant protection products)
 - Land rights
 - Climate change
 - Responsible water use
 - Plant protection.

5. Can the company properly explain how it has prioritised the identified risks by asking:
 - a. What is the likelihood of an adverse impact?
 - b. How severe is that impact in terms of its scale, the number of people affected and the possibility of its consequences being irreversible?
6. What actions will the company be taking on any of the risks prioritised by means of the above procedure? For example:
 - a. Can the company indicate how its actions will lead to the removal (or mitigation) of the adverse impacts?
 - b. Has the company followed the recommendations issued by the Parties to the Agreement? If not, can the company explain why not?
 - c. If the Parties to the Agreement have set up a collective project addressing this risk, does the company participate in this project? If not, can the company explain why not?
 - d. If specific circumstances have (temporarily) prevented an individual company from taking appropriate action against an identified adverse impact in its chain, can the company offer a good and transparent explanation of these circumstances?
7. Has the company set ambitious improvement targets regarding the relevant risks? Is the company monitoring these targets and taking them into account in policy decisions?
8. How is the company ensuring a process of continuous improvement? For example: does it verify the results of its actions; will it amend its approach if necessary based on the results of verification; does it review its risk analysis at regular intervals?
9. In what way is the company receptive to grievances from those affected in its production chain and/or does it promote access for those affected to grievance mechanisms elsewhere in the chain?
10. To what extent does the company communicate transparently with the public about its due diligence process (including how it addresses risks)?
11. What difficulties has the company encountered in setting up and carrying out the due diligence process, and what problems in its value chain has the due diligence process revealed that it would like to share with the Parties to the Agreement in the interests of finding a collective solution?

Description of certain issues

Rights of women

- The Parties recognise that empowering women is crucial to making the floriculture sector more sustainable and also plays a positive role in combating IRBC risks (e.g. violence against women).
- The Parties consider the presence of well-functioning *gender committees, gender sensitive workplace policies and female leadership policies (including sexual harassment policies)* to be of great importance.
- The Parties regard the FSI approach to gender equality and women's empowerment as a solid basis on which to build. The Parties appreciate the ongoing work of, among others, BSR/Her+Project and Hivos in Kenya, Ethiopia and Uganda and Asocolflores in Colombia, and the project 'Empowering the source' in Ethiopia, as proposed in the FSI Working Group on Gender. The Parties are considering the possibility of similar projects in other countries.

Land rights

- Violation of land rights is a cross-sector issue about which relatively little is known in the floriculture sector. The Parties recognise the importance of due diligence with regard to land rights in guaranteeing responsible investments and working practices in the floriculture sector.
- The Parties recognise the value of a knowledge-building session with land rights experts that will allow them to learn more about this issue and collectively explore possible courses of action to prevent the violation of land rights in the floriculture sector.

Climate changes

- The Private Parties endorse the objectives of the Paris Climate Agreement and are committed – either individually or, for now, within a framework other than the present Agreement – to making a proportionate contribution to achieving these objectives as a minimum.
- The Private Parties recognise that this requires understanding the impact that the floriculture sector has on the climate and the scope of that impact. The Private Parties appreciate the importance of developing and using an objective and reliable method to calculate trends in energy consumption and carbon emissions in the value chain, starting with a baseline measurement.

- The Private Parties recognise that in addition to a method, it is also important to have an action plan identifying specific courses of action whereby companies can achieve an identified target and other Parties can help them to do so. This could in any case include entering collectively into discussion with local and other authorities in all relevant countries about the way in which Government schemes and measures are deployed so as to make climate-friendly cultivation systems (or parts thereof) more economically attractive.

Responsible water use

- The Parties recognise the importance of responsible water use ('in harmony with the environment') for all cultivation and geographical locations. It is crucial to improve water quality (of waste water) and to reduce water use, especially where water shortages exist or are imminent, so as to ensure that floriculture production is not detrimental to the quality of life of people living in the vicinity of production sites. Local/regional awareness-raising and a local/regional approach are essential.
- The Parties recognise the importance of collectively developing specific courses of action in both areas – reducing water consumption and improving water quality – and the risks associated with their absence. If the Parties find that they themselves do not possess the relevant knowledge and expertise for this purpose, they consider it valuable and useful to collectively seek out this relevant knowledge and expertise from third parties.

Floriculture Sustainability Initiative (FSI)

The market-driven Floriculture Sustainability Initiative (FSI) was founded in 2013 as an international multi-stakeholder platform. The members of the FSI are active in the floriculture value chain, ranging from production, auction and wholesale to retail. The aim of the FSI is to work towards improving the sustainability of the international floriculture sector. The FSI wants 90% of the cut flowers and pot plants sold internationally by FSI members to be sourced from responsible sources by 2020.

The FSI's main instrument is its own Equivalency Tool. The Equivalency Tool is meant to improve the transparency and comparability of sustainability labels and schemes in the floriculture sector. The Equivalency Tool also helps in assessing how sustainable these labels and schemes actually are. The FSI Equivalency Tool uses a 'Basket of Standards' containing standards that at the very least comply with the environmental and/or social standards of the GLOBALG.A.P. (farm production) and Global Social Compliance Program (social auditing), respectively. FSI members use the Basket of Standards to identify sustainably produced products and to measure their progress towards having 90% of the cut flowers and pot plants that they sell sourced from responsible sources by 2020. The FSI Equivalency Tool and the Basket of Standards are not static and are updated as necessary.

The FSI enters into dialogue with scheme owners about making improvements to their standards, audits and auditing systems. Parallel to the process in which certification plays an important role, FSI members - through additional projects, best practices and innovations - also look closely at the most relevant environmental and social issues with a view to achieving the desired improvements and impact.

The FSI is a growing initiative that now has approximately 52 active organisations and active participation from companies, representative organisations, non-governmental organisations, scheme owners and other relevant stakeholders.

Establishment of the agreement

The negotiations were conducted by the Representative Organisations, the Trade Union, the NGO and the Government. The Social and Economic Council of the Netherlands (SER) facilitated the process, with an independent chairperson supervising.

Various stakeholders were consulted while preparing the Agreement: Chrysal, Duurzame Bloemisten, Koppert, Max Havelaar, MPS, and Natuur & Milieu.

Members

Deputies

Chairman

Jeroen Oudheusden

Representative Organisations

Geert van Oosterhout (Glastuinbouw Nederland)	Jean Aerts
Frank van der Heide (Tuinbranche Nederland)	Manon de Ruijter
Matthijs Mesken (Vereniging van Groothandelaren in Bloemkwekerijprodukten)	Manon Velthuis

Companies

Frans Kuipers (Afriflora)	Michel van den Bogaard
Leon Mol (Albert Heijn)	Nienke Weidema
Marcel Zandvliet (Dutch Flower Group)	Raimon Loman
Petra van der Goes (Dümmen Orange)	
Susanne van der Mark (FleuraMetz)	Nancy van Kleef
Esther Sonneveld (Flowertradeconsult)	Wiebe van der Veen
Stefanie Miltenburg (Royal Flora Holland)	Gijs Kok
Elise Wieringa (Royal Lemkes)	Marieke Kessels,
	Michiel de Haan
Koen Druijf (Waterdrinker)	Mariska Foppen

Trade Union

Sander Martins (FNV)	Vivian Vaessen
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NGO

Kristina Ullrich (Hivos)	Caroline Wildeman
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Government

Kirsten Kossen (Ministry of Foreign
Affairs)

Vincent van den Berk (Ministerie
van Economic Affairs and Climate)

Secretariat

Anneke François (SER)

Jan van Wijngaarden (SER)

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IDH facilitates the independent chairmanship and execution of the covenant's activities.

Colophon

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In the event of discrepancies between the original Dutch text of this covenant and translations thereof, the Dutch text shall prevail.

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