IDH International Corporate Responsibility Policy

December 20, 2012

This policy aims to outline IDH's strategy for the integration of the OECD guidelines for Multinational Enterprises in its program activities. This policy will enter into effect January 1, 2013.
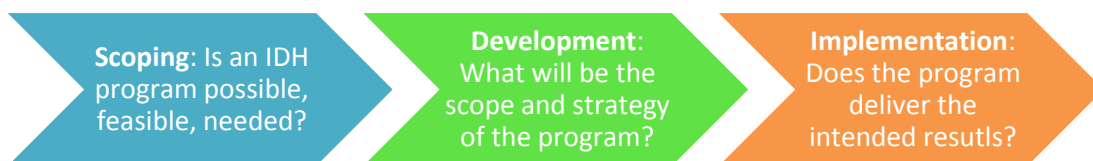
IDH accelerates and scales up sustainable trade by building impact oriented coalitions of front running multinationals, civil society organizations, (local) governments and other stakeholders. The programs built around these coalitions work to make international supply chains in (agro-) commodities more sustainable. By convening public and private interests, and building on the strengths and knowledge of each partner, IDH's programs help to create shared value that the partners could not have achieved on their own. IDH aims to contribute to best practice improvements in international value chains related to Millennium Development Goals 1, 7 and 8 (poverty alleviation/halving hunger, decent work, a sustainable environment and global partnerships).

IDH's theory of change is that engagement and continuous improvement trajectories are effective strategies to realize sustainable supply chains. IDH therefore works with multinational corporations and national companies in partner countries that are committed to the program objectives and use their influence to drive improvements in their value chains. In doing so, it is important that responsible practices are strengthened and negative impacts are adequately addressed. The OECD guidelines for Multinational Enterprises are a leading tool for defining responsible business practices and identifying related risks in the supply chain. These voluntary principles and standards, together with the ILO conventions on fundamental labor rights and principles provide a framework for IDH's International Corporate Responsibility Policy. IDH is not involved in any of the following sectors: weapons and munitions, tobacco, hard liquor, radioactive materials, gambling, casinos and equivalent enterprises.

How the OECD guidelines are translated into IDH's program flow
The programs of IDH pass through three phases: scoping, development and implementation. The paragraphs below describe how the OECD guidelines and the ILO conventions are integrated in each program phase. The due diligence starts with a sector and country analysis in scoping (knowing), identifying business conduct objectives and gaining commitment in development (committing), towards monitoring of improvements and addressing non-observance in implementation (practicing).

Figure 1: IDH program phases

Scoping: Is an IDH program possible, feasible, needed?

Development: What will be the scope and strategy of the program?

Implementation: Does the program deliver the intended resutls?

The decision to promote a program from one phase to another is made by the IDH Executive Board. Once in implementation, the success of the program is the responsibility of the program's Steering

Committee or the IDH Executive Board in the absence of a Steering Committee. The Executive Board also monitors the risk management of the Steering Committee and takes proportional remedial measures in the event of escalated issues. The IDH Supervisory Board is regularly informed on the success and potential risks of all programs in all phases.

Scoping

In order to gain a thorough understanding of a program's playing field and context, IDH looks into the main sustainability issues and risks and drivers in both the supply chains and countries for a particular sector. This means identifying key players, reputational issues, market trends, key environmental/social issues, and existing initiatives. In this context, the potential contributions to MDG's 1, 7 and 8 are identified and a risk analysis is conducted. This risk analysis includes an inquiry into the risks of non-observance to the OECD guidelines and ILO conventions with a particular focus on risk related to human rights, employment and industrial relations, environment and corruption (bribery). The scoping phase informs the IDH Executive Board regarding the existing opportunities and risks, the board then makes the final decision to develop a program or not.

Development

When the decision has been made to develop a program in a particular sector, the development phase will lead to a decision on the exact scope and strategy of the program. The long list of goals and risks that have been formulated during the scoping phase by performing a sector and country analysis will be narrowed down to the specific objectives (e.g. number of certified farmers) and risks (e.g. legality issues with land rights) to be addressed through the IDH program. With regard to the risks identified, mitigating measures will be defined. The objectives are translated into improvement indicators and in the implementation phase risks will be monitored on a regular basis with program partners. By participating in IDH programs, private sector partners subscribe to the OECD guidelines and ILO conventions. This is included in the cooperation arrangement between the IDH program and the partner. Where appropriate, IDH will encourage private sector partners to develop a policy on corporate social responsibility. The final decision to progress from development to implementation of a program is made by the IDH Executive Board.

Implementation

Each program in the implementation phase has a (multi-stakeholder) Steering Committee which is responsible for ensuring that the targeted progress is made and results are achieved within the scope of the program. The Steering Committee does this by monitoring the progressive improvement indicators that were identified during the development phase according to a regular reporting and monitoring cycle. Appropriate measures will be taken to ensure achievement of the objectives.

The Steering Committee will also, on a regular basis, address risks (beyond the program scope) that have been identified during the scoping phase. If IDH or the Steering Committee receives signals that those risks indeed become an issue, the Steering Committee may decide on an engagement process with the partner(s) concerned. The Executive Board will report to the Ministry of Foreign Affairs on issues of serious concern within the programs regarding observance of the OECD guidelines.

If a program partner is not receptive to this engagement process and/or is unwilling to give full cooperation in resolving the issue via existing grievance mechanisms (e.g. National Contact Points), the Steering Committee may take proportional remedial measures. As last resort, such measures may include termination of the relationship between the program and the partner concerned.