

Future Fit Food and Agriculture: Developments in voluntary frameworks and standards and their influence on legislation for businesses (Report 1/2)

A report by the *Food and Land Use Coalition, We Mean Business* and the *World Business Council for Sustainable Development*, published on March 26, 2024.

Key messages

Top line messages

- Companies in the food sector must urgently transform their supply-chains between now and 2030 to align the sector with the 1.5C Paris Agreement.
- Companies are responsible for three quarters of greenhouse gas (GHG) emissions from food and land use systems, driven mainly by agricultural production and land-use change in their value chains.
- Current and emerging voluntary frameworks can help companies set, deliver and disclose against ambitious climate and nature strategies.
- Despite commitments, many food and agriculture companies are not making progress at the speed or scale required. Food systems emissions are projected to increase by 2030 in the absence of accelerated action.
- Increasingly, consumers expect, and legislators demand, that businesses set ambitious emissions-reduction targets that are backed up by concrete action.
- Policymakers are increasingly using existing voluntary standards as the basis for new legislation, with European countries among those leading this trend.
- It is in the interest of companies to be pro-active and ambitious when implementing climate and nature solutions as those who are lagging risk facing business disruption when regulations come into force and may incur penalties for non-compliance.

Environmental and social context

- Food systems are major contributors to the climate and nature crises. They contribute approximately one third of total GHG emissions annually, are the largest drivers of biodiversity loss and account for approximately 70% of freshwater withdrawals globally.
- Against this backdrop, transforming food systems must be central to the solution. Land-based mitigation strategies can contribute over a third of the mitigation potential needed to achieve the Paris Agreement's goal to limit global warming to 1.5°C.
- More than 700 million people faced hunger regularly throughout 2022 and global demand for food is estimated to increase by at least 35% by 2050.

Regulatory and political context

- In the last five years, the number of voluntary frameworks supporting companies to develop ambitious sustainability strategies has significantly increased.
- Initially, voluntary frameworks for companies focused primarily on climate targets. More recently, several frameworks are emerging with a focus on nature targets.
- The adoption of the Kunming-Montreal Global Biodiversity Framework at COP15 in 2022, highlights the need for nature protection and restoration targets, and the integration of nature into climate transition plans.
- Most importantly, it commits governments to adopt policies that halt and reverse nature loss by 2030.
- Policymakers are increasingly considering and introducing legislation that mandates food and agriculture companies to set, deliver and report against more ambitious climate and nature strategies.
- In many cases, existing voluntary standards are being used by legislators to inform the development of new regulation.
- European countries are among those leading this trend, with more countries expected to follow suit.
- Much of this recent legislation focuses on mandatory due diligence and disclosure, such as:
 - The EU Directive on corporate sustainability due diligence (CSDD)
 - The EU Corporate Sustainability Reporting Directive (CSRD)

- The EU Regulation on deforestation-free products (EUDR)
- These regulations demand greater levels of supply chain transparency and public reporting on sustainability strategies from food and agriculture companies. They also carry significant near-term costs for non-compliance.

Recommendations for companies

- In response to the growing climate crises, and to conform with the evolving regulatory environment and consumer preferences, companies in the food and agriculture sector must transform their businesses and supply chains.
- Companies should pro-actively leverage existing and emerging voluntary standards and frameworks to develop and deliver ambitious climate and nature strategies.
- Doing so will also increase supply-chain resilience and companies who are ahead of the game will be better positioned to face new regulations and avoid costly penalties from non-compliance.
- To be credible, companies' strategies must assess and measure 'Scope 1' GHG emissions, i.e., direct emissions owned or controlled by companies, but also 'Scope 2' and 'Scope 3' emissions, which are indirect (e.g., from agricultural production and land-use change within their supply chains) but account for a significant proportion of their total emissions.
 - According to the World Benchmarking Alliance, 165 of the 350 most influential food and agriculture companies are yet to disclose any Scope 3 commitments.
- Forward-thinking companies should engage with policymakers and other value chain actors, including farmers, to support and shape the development of ambitious and long-term legislative agendas on key issues across the sector
- Companies should engage with governments and seek opportunities for public-private collaboration.

Recommendations for policymakers

Policymakers should:

- support the food and agriculture sector by rewarding fast-moving and ambitious companies while also leveling the playing field by penalizing laggard companies for inaction and freeriding.
- provide the regulatory clarity companies need to make ambitious, longer-term, strategic decisions more confidently.
- Engage with the sector and support public-private collaboration.

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