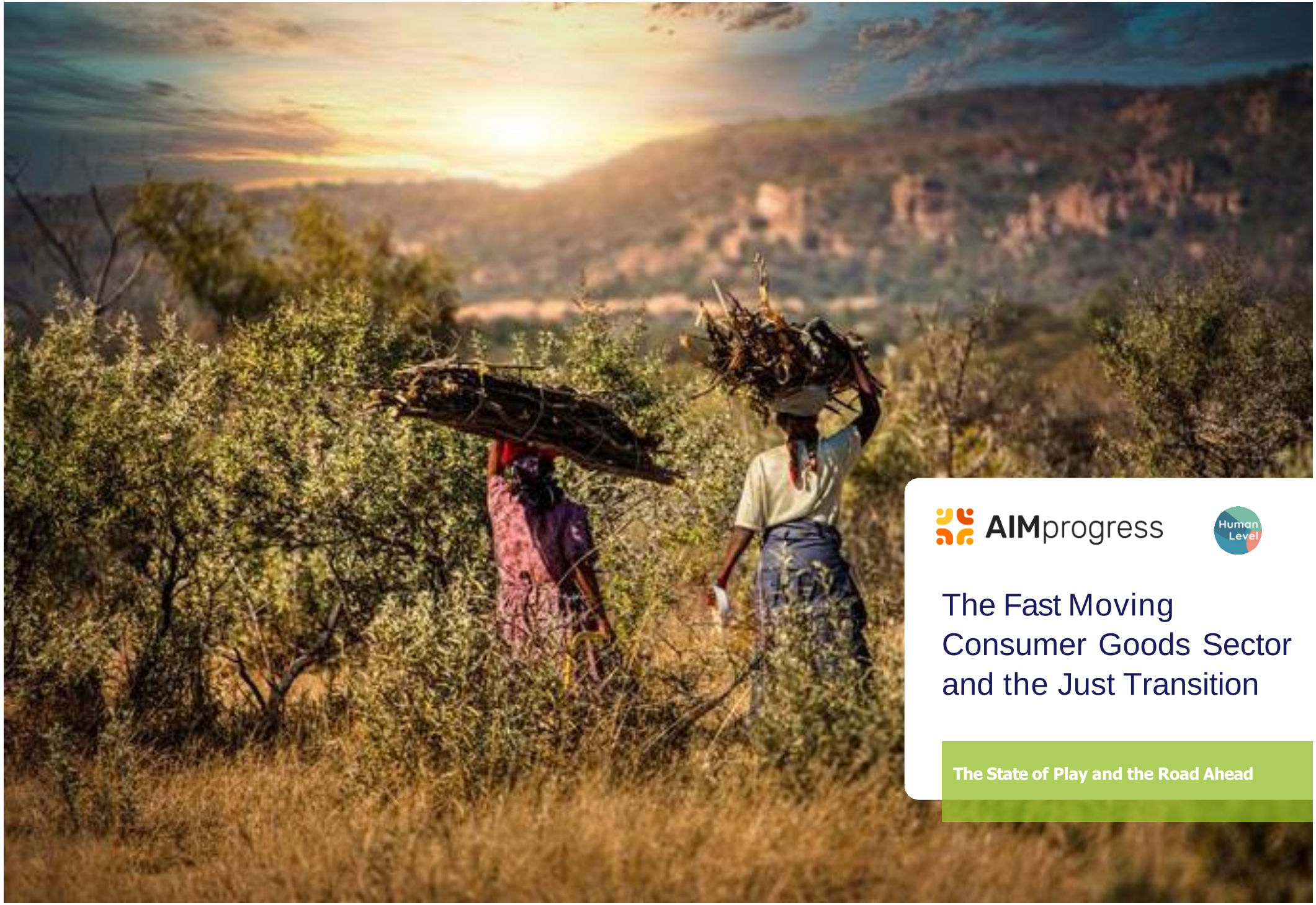


AIMprogress

Human Level

The Fast Moving Consumer Goods Sector and the Just Transition

The State of Play and the Road Ahead

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BACKGROUND

Introduction

Over the course of October 2022 through to January 2023, Human Level worked with AIM-Progress and AIM-Progress members to:

- Identify **current practices and trends** among members in addressing and reporting on the links between climate change and human rights.
- **De-mystify the term 'just transition'** for the fast-moving consumer goods (FMCG) sector, building on what other expert organisations are doing in this area.
- Support the creation of a **common understanding** of the just transition for the FMCG sector, based on what member companies are already doing in the human rights/climate nexus space.
- Provide reflections on a **helpful role for AIM-Progress** to play in the just transition space, ensuring the organisation builds on and amplifies work already being undertaken by peer organisations.

AIM-Progress is a collaborative network of 44 Fast Moving and Consumer Goods brands and their suppliers working to have a positive impact on people's lives and ensure respect for human rights through the co-creation of practical solutions, sharing best practice and building the capability of members and their suppliers. A full list of our members is available here.

The study followed a four-step process involving a desktop review of AIM-Progress members' public-facing materials, a desktop review of just transition and the FMCG sector, a series of interviews with AIM-Progress members and experts from international organisations, and consolidation of the findings. This summary provides an overview of the study. It was developed by Human Level in close collaboration and consultation with AIM-Progress and its members.



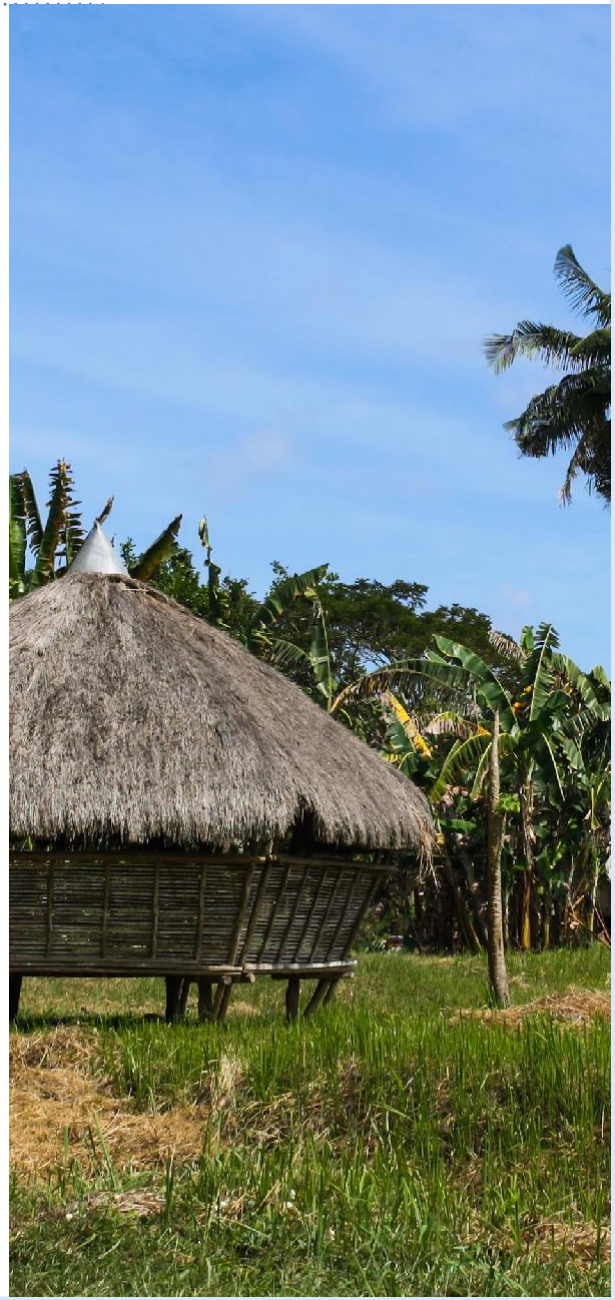
BACKGROUND

AIM-Progress offers this summary of the findings from this study to support FMCG companies in taking practical steps to advance on integrating just transition considerations into their work. This is urgent work that needs to pick up pace, and AIM-Progress welcomes all practical recommendations and steps that organisations and experts can share to support this practical implementation ahead. Please contact AIM-Progress at info@aim-progress.com

We identified through this study an inherent challenge which needs to be addressed in our response so that the just Transition is responsibly implemented by FMCG companies.

On the one hand, a number of company respondents are eager to move forward with further work on the inter-connections between climate, the environment and human rights. There was a strong sense from the respondents that the inter-connections between climate, the environment and human rights were going to increase with time, and therefore so too was the relevance of the term just transition. At the same time, a large number of respondents expressed challenges around the novelty and political connotations of the term just transition. Respondents highlighted that the understanding of the concept of just transition in companies was limited to specialist teams (in particular, human rights and sustainability, and at times, the climate team). They said that they saw it as their role to raise these conversations internally.

On the other hand, external experts highlighted a risk that companies might use the term to re-brand their existing work. External experts emphasized that this would lose the necessary business model transformations grounded in strong social dialogue and the restoration of the imbalance of power between corporates and impacted stakeholders that are viewed as central to the just transition. There was also sensitivity with companies extending the term too widely, so as to lose its focus on green and sustainable transitions. In other words, define the term too narrowly and we risk missing the essence of just transition; and define it too loosely and we risk diluting it to render it meaningless.



CONTEXT. WHY THE JUST TRANSITION CONVERSATION MATTERS

The growing attention on just transition emerges from a rapidly evolving business context where:

- The best available scientific evidence shows an acceleration in climate change, biodiversity loss and ecosystem degradation, all of which lead to growing, severe impacts on people.
- It is increasingly acknowledged that business-as-usual is contributing to this acceleration and companies need to quickly transition away from unsustainable practices.
- At the same time, the evolving operating context is intensifying many human rights risks and impacts across company value chains.
- There are growing expectations on companies (from investors, consumers, etc.; and also increasingly in laws) to address these risks and impacts in line with the UN Guiding Principles on Business and Human Rights (UNGPs), and to consider the inter-connections between their climate, environmental and human rights risks.

In this new business context, it is increasingly challenging to distinguish respect for human rights from the inter-connections between human rights, climate and the environment. Recognising and responding to these interconnections is the future for companies. It is also, increasingly, the reality for companies, workers and communities:

- Companies are starting to see how human rights risks are linked to environmental and climate risks in practice – for instance how their environmental impacts amplify their human rights risks, and how the actions taken to mitigate and adapt to climate change can create human rights risks .
- Laws are being adopted at rapid pace, aimed at driving necessary environmental transformations in ways that respect people and their human rights. For instance, the recent EU Regulation on deforestation-free products (EUDR) brings deforestation together with respect for human rights; and the upcoming EU corporate sustainability due diligence directive seeks to tackle together the climate, environmental and human rights risks connected to company operations and value chains.
- The use of human rights in climate change litigation is on the rise and the trend is set to continue for 2023 – including law suits against Governments as well as private sector entities.
- There is growing focus on these interconnections amongst Governments, civil society groups, investors, and various regional and international bodies and convenings – with a growth in relevant initiatives, collaborations and projects seeking to address this topic.



The critical takeaway for companies is to respond to these interconnections, whatever language is used. Just transition is emerging as the dominant framing in this area.

WHAT IS A JUST TRANSITION?

"In order to tackle pressing environmental challenges like climate change, pollution and plummeting biodiversity, nations and businesses need to transition towards greener, resilient and climate-neutral economies and societies".

A Just Transition means greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind.

A Just Transition involves maximizing the social and economic opportunities of climate action, while minimizing and carefully managing any challenges – including through effective social dialogue among all groups impacted, and respect for fundamental labour principles and rights.

Ensuring a just transition is important for all countries at all levels of development. It is also important for all economic sectors – by no means limited to energy supply – and in urban and rural areas alike."[1]

Just transition first emerged as a sector-specific concept focused on the rights of workers in transitions connected with environmental action. It has now broadened to encompass all sectors and all people impacted by the transitions. There are several key reference points for understanding just transition:

2015 ILO Guidelines on Just Transition[2]

The ILO Guidelines articulate a vision of a "just transition for all towards an **environmentally sustainable economy.**" This transition "needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty. … When referring to the greening of economies, enterprises and jobs, we consider it in the **context of sustainable development and poverty eradication.**" To meet this vision, the ILO has put forward seven guiding principles.

International Climate Agreements

The term just transition was referenced in the preamble of the **2015 Paris Agreement,**[3] and discussed further in the **Solidarity and Just Transition Silesia Declaration in 2018,**[4] with a just transition toolbox published by the Polish Presidency of COP24.[5] Just transition became a critical concept in the "Glasgow Climate Pact" following COP26,[6] and more recently the Sharm El Sheikh Implementation Plan.[7]

2011 UN Guiding Principles

The UN Guiding Principles on Business and Human Rights provide the reference point for companies seeking to respect human rights throughout their operations as they transition toward environmentally and socially sustainable economies and societies. In particular, companies are expected to conduct human rights due diligence – grounded in stakeholder engagement – to identify, prevent, mitigate and account for how they address their impacts on human rights.

1 International Labour Organisation, Frequently Asked Questions on just transition, https://www.ilo.org/global/topics/green-jobs/WCMS_824102/lang--en/index.htm
2 International Labour Organization, "Guidelines for a Just Transition Towards Environmentally Sustainable Economies and Societies for All" (2015) at 3.
3 Paris Agreement, Preamble (2015), available at: https://unfccc.int/sites/default/files/english_paris_agreement.pdf
4 Ministry of Environment, Poland "Solidarity and Just Transition: Summary Report of the Actions" (2019), available at https://vdocuments.mx/solidarity-and-just-transition-cop24-2019-10-16-7-cop24-presidency-solidarity.html
5 "Solidarity and Just Transition: Summary Report of the Actions", Ministry of Environment, Poland (2019), available at: https://climatestrategies.org/wp-content/uploads/2019/01/Implementing-Just-Transition-after-COP24_FINAL.pdf
6 United Nations Framework Convention on Climate Change (UNFCC), "Glasgow Climate Pact" (Nov 2021), available at https://unfccc.int/process-and-meetings/the-paris-agreement/the-glasgow-climate-pact-key-outcomes-from-cop26
7 United Nations Framework Convention on Climate Change (UNFCC), "Sharm el-Sheikh Implementation Plan" (20 Nov 2022), available at https://unfccc.int/documents/624444.

WHAT IS JUST TRANSITION? CONTINUED

As the ILO Guidelines show, just transition involves several interlocking transitions: environmental transitions (including climate and biodiversity) but also social transitions. Recent expert reports on just transition, and in particular the Wilton Park – IHRB Dialogues report, emphasise several dimensions of just transition in practice:[8]

1. Identifying and managing **risks and impacts** on people.
2. Identifying and enabling the **social opportunities** of the transition.
3. Ensuring **accountability** to an **agency** of potentially affected groups through meaningful social dialogue and stakeholder engagement.
4. Working towards **transformational systems change.**

Just Transition & the UN Guiding Principles

Companies are already familiar with conducting human rights due diligence (HRDD) to identify their adverse human rights risks and impacts throughout their value chain. HRDD applies to the full range of company activities relevant to the just transition. It can also help companies with:

Prioritising across the full value chain The UNGPs expect a full value chain approach grounded in internationally recognised human rights, where companies prioritise based on their most salient human rights impacts.

Stakeholder engagement Just transition is grounded in social dialogue and stakeholder engagement, and the UNGPs provide guidance on who to engage with and how.

Taking action The UNGPs outline differentiated actions expected depending on how the company is connected to an impact, including with regard to providing and enabling remedy, and exercising leverage with peers and other stakeholders.

8 Wilton Park and Institute for Human Rights and Business "Just Transitions Dialogue: Exploring the Need for International Rules Based on Local Realities" (October 2022), available at: www.wiltonpark.org.uk/wp-content/uploads/2022/04/WP3012-Report.pdf. See also Grantham Research Institute on Climate Change and the Environment, "Making Transition Plans Just: How to Embed the Just Transition into Financial Sector Net Zero Plans" (October 2022) at p. 2, available at: https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/10/Making-Transition-Plans-Just-2.pdf

JUST TRANSITION IN THE FMCG SECTOR

The just transition is highly relevant to the FMCG sector: the sector (and the agricultural value chain in particular) contributes to the need for the transition, and is also impacted by the climate and nature crisis.

The contribution of the FMCG Sector

First, the **FMCG sector, and in particular the current agricultural and food production model, substantially contributes to climate change, biodiversity loss and ecological degradation**, which in turn lead to severe human rights impacts on people:[9]

GHG Emissions: Global food systems
(including farming, production, transport and food waste) account for around one-third of total of GHG emissions, and are therefore a significant contributor to the negative impacts on the biosphere and human systems.

Land degradation, biodiversity and habitat loss
Current ways of managing land for crops and grazing is the most extensive global direct driver of land degradation and subsequent biodiversity and habitat loss. Food systems have been described as the biggest single driver of habitat loss, and contributors to the "ongoing 'sixth extinction' of biodiversity."

Water
Around 70% of the world's current freshwater use can be attributed to agriculture, which reduces the amount of water available for people and ecosystems. Moreover, the agricultural value chain can pollute water sources, e.g., through the use of pesticides, which negatively impacts on rights to access clean water, sanitation, food and livelihoods.

Food and nutrition
Despite intensive production, global food systems fall short in delivering high-quality diets to all. Over 820 million people regularly go hungry globally. At the same time, some 2 billion adults are now obese, and many more consume too much food and food that has too low quality.

Further impacts on human rights
Around 25% of all deaths related to air pollution are linked to agricultural emissions and particulates. Overuse of antibiotics in fish and meat production are causing food-related antibiotics resistance. The high demand for land means land grabbing is a significant impact in the agricultural value chain, undermining rights to land, culture, and livelihoods, including of indigenous communities.

Inadequate standard of living for workers
Almost 70% of working populations in low-income countries are employed in the food system; and it provides a significant amount of work across all countries. Agriculture employs approximately 1.3 billion people, who are also many of the world's poorest. These workers and communities are also vulnerable to various forms of exploitation, including child labour, forced labour and inadequate incomes.



9 For instance, impacts on climate and the earth biosphere from agriculture are discussed across the report: Intergovernmental Panel on Climate Change (IPCC) "Climate Change 2022: Impacts, Adaptation and Vulnerability", Working Group II Contribution to the Sixth Assessment Report", available at https://report.ipcc.ch/ar6/wg2/IPCC_AR6_WGII_FullReport.pdf

HUMAN RIGHTS IMPACTS ON STAKEHOLDERS IN THE FMCG SECTOR

Second, the **climate and nature crisis is resulting in wide-ranging human rights impacts for stakeholders in the FMCG sector, and in particular the agricultural value chain.** This includes substantive changes to resource availability and quality (nutrition) for all; and impacts on workers and communities in the agriculture value chain. Illustrative examples include:

Crops
Global warming is increasingly reducing yield productivity and crop lifetimes (and crops and crop-based farming represent about 80% of the global dietary energy supply).

Livestock
Warmer climates reduce animal fertility and productivity, increase their vulnerability to disease and parasites, and increase stress on available water resources; cumulatively estimated to reduce global livestock numbers by up to 10% by 2050.

Oceans' fisheries and aquaculture
These have already been significantly impacted by climate change; and wetland fisheries face major threats from water stress, sedimentation, weed proliferation, sea level rise and loss of wetland connectivity.

Storage and transportation of food
This will become difficult, especially for the most nutritious food, due to a warmer and more humid climate; including increased risks of disease and contamination during transport and storage; increased costs of preservation such as refrigeration; and disruptions to domestic and international transportation networks from extreme weather events.

Food safety
Poisonous fungi and bacteria flourish in higher temperatures; heavier and more frequent rainfalls will increase the flow of heavy metals into fresh-water systems and contaminate food; and increased flooding and transmission of animal diseases could increase the spread of antibiotic-resistant bacteria.

Labour productivity
Already between 2000 and 2015, the loss in productivity for outdoor work fell by 5.3% as an overall estimate (but as high as 14% in low-income tropical countries) due to heat stress.



HUMAN RIGHTS IMPACTS ON STAKEHOLDERS IN THE FMCG SECTOR

What the transitions look like

Given the gravity of these threats to humanity, scientists point to the urgent need to transform the global food system (as well as other sectors). Science is increasingly unified on what kind of actions are needed, including from companies, in this sector. These include:

- Regenerative agriculture.
- Increased agricultural productivity.
- Halting the conversion of natural ecosystems into farmland.
- Offsetting GHG emissions.
- Developing new, healthy and sustainable protein sources.
- Re-designing and adjusting product portfolios to ensure healthy and sustainable dietary choices.
- Improving animal husbandry practices for more
- Achieving sustainable fishing and aquaculture.
- Moving towards circular food systems.
- Strengthening livelihoods for rural communities and reducing poverty planning.
- Supporting and promoting gender equality.
- In addition to specific actions, effective cross-cutting measures like putting the right price on carbon and accounting for the value of nature. sustainable agriculture.

Taken together, these transitions will lead to significant positive transformation for people and planet.

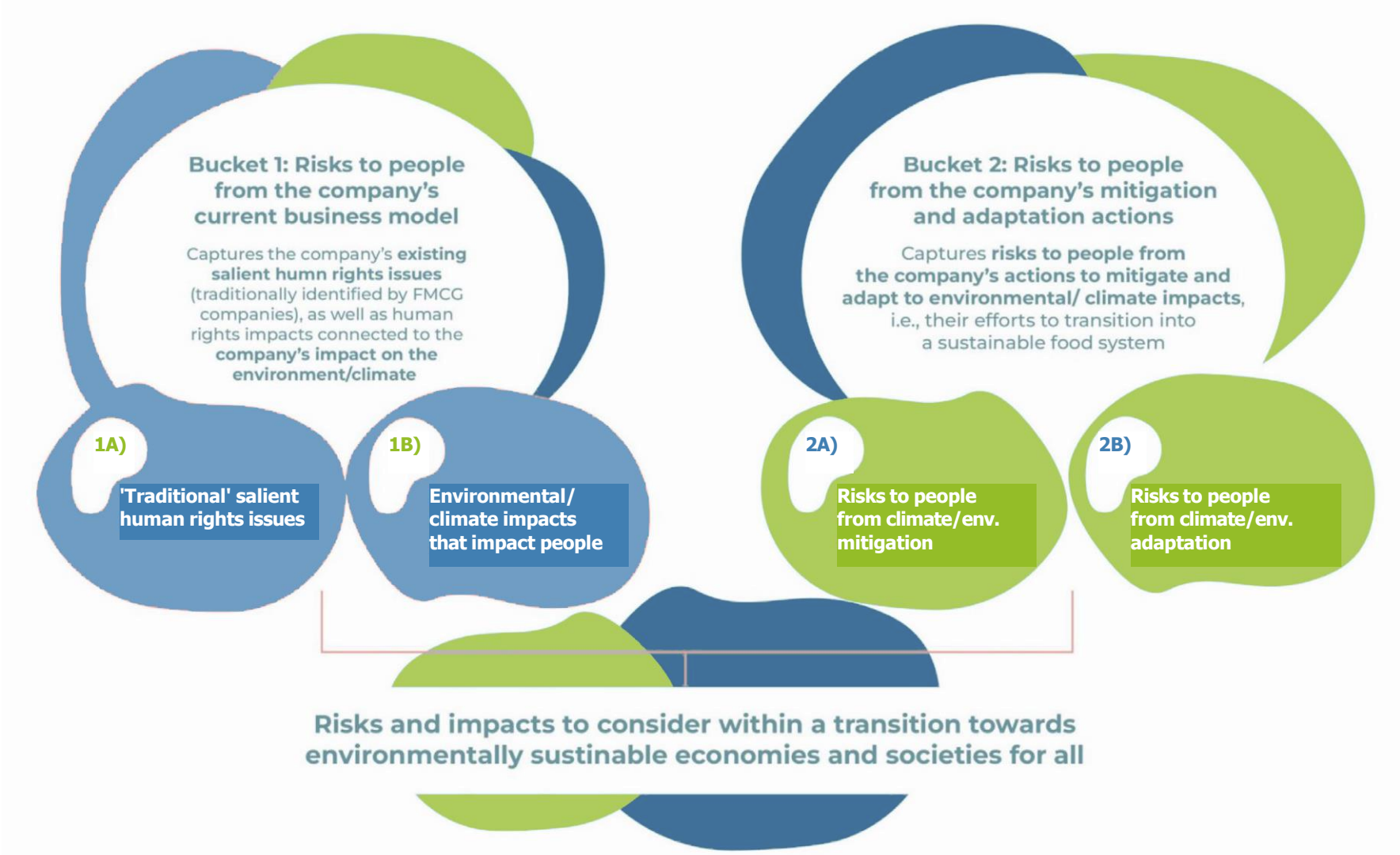
Just transition risks and impacts identification framework

One of the key findings of the interview part of the study was the need to further flesh out what just transition risks and impacts are in scope for FMCG companies. During the course of our conversations, we found that it helped to start to unpack the transitions in the FMCG sector out into several buckets. A number of respondents found these buckets helpful to articulate their thoughts and practices. Therefore, we provide here a proposed 'Just Transition Risks and Impacts Identification Framework' that we used as part of this process:



IDENTIFYING JUST TRANSITION RISKS AND IMPACTS

During the course of the discussions, we categorised the risks and impacts into two buckets



This model provides a possible identification framework for risks and impacts associated with the just transition, building on the methodology of the UNGPs.

Risks and impacts:
Although the just transition is not solely limited to the risks and impacts, there is a strong connection between risks and impacts, and the opportunities companies can create in the just transition. To ensure that companies are not cherry-picking their opportunity areas within just transition, they can first identify the risks of their most severe impacts to people they are connected to in their operations and value chain as part of the transition.

Temporal lens:
The framework applies a temporal framework of 2030. This is critical because many human rights risks connected to the transition are only just starting to emerge, and will be missed by a focus on present-day risks and impacts. 2030 is a well-recognised date in this arena: the Intergovernmental Panel on Climate Change (IPCC) offers mitigation pathways to achieve immediate and deep emissions reductions across all sectors, which is equal to reducing emissions by at least 43%, close to 50%, by 2030 compared to 2019.[10]

Taken together, this identification framework offers a starting point for companies seeking to take a holistic, long-term approach to how they respect human rights throughout their operations as they transition toward environmentally and socially sustainable economies and societies.

The focus in the first bucket is on how the company's existing business model - including from its existing adverse human rights impacts as well as its environmental impacts - has impacts on people, and the focus in the second bucket is on how the actions the company is taking to respond to its environmental/ climate impacts can impact people, capturing the unintended consequences of mitigation and adaption actions that may be beneficial for the planet, but detrimental to people.

10 IPCC Sixth Assessment Report (2022), available at https://www.ipcc.ch/assessment-report/ar6



Bucket 1: Risks to people from the company's current business model

1A
'Traditional' salient human rights issues

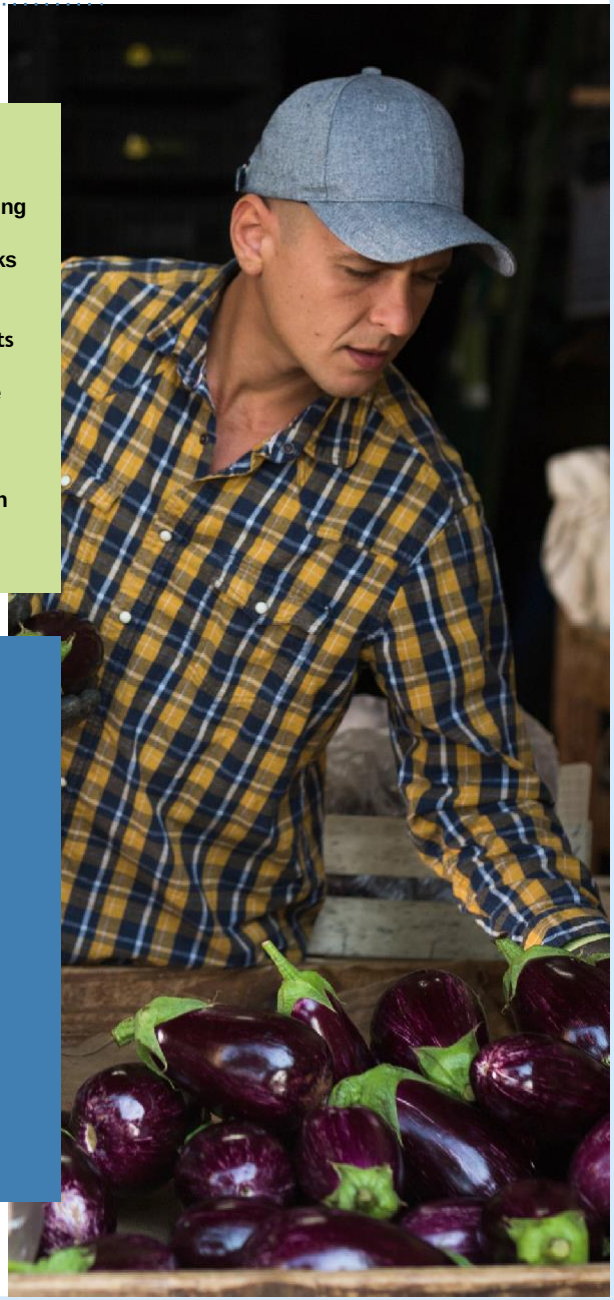
- This sub-group includes 'traditional' salient human rights risks which many companies are already identifying and taking action on under the UNGPs. Following the ILO framing, the just transition extends beyond those impacts created by virtue of the transition to pre-existing impacts in the sector.
- FMCG companies typically highlight in their salience assessments various human rights risks such as low wages and low incomes; discrimination and inequalities; and crackdowns on voice, freedom of association and collective bargaining.
- By 2030, the operating context will have acted as an amplifier of these existing human rights risks in the FMCG sector.
- For instance, risks to health and safety of farmers and workers resulting from heat stress are on the rise as the planet continues to warm up.
- Other rights that come into view with a longer-term perspective include those related to income, gender, voice, precarious work, stranded communities and child labour. For instance, risks to workers of forced labour and labour exploitation will increase as migration accelerates. These risks to people will be more and more severe and likely in light of the growing climate and planetary crisis.

1B
Environmental impacts that impact people

The best available scientific knowledge confirms how the environmental impacts that occur in the FMCG sector also become risks to people – especially when adopting a different temporal timeframe.
Predominant environmental impacts of FMCG companies include:
- Emissions of greenhouse gases (including carbon dioxide and methane).
- Impacts on biodiversity.
- Impacts on water (both availability and quality).
- Impacts on land use (including deforestation) and soil integrity.

A growing number of FMCG companies are identifying environmental impacts that can manifest as risks to people as part of their salience assessments, especially around water and land use where risks to people are more direct and localised in nature, and the impacts are more palpable and immediate.

Other impacts are viewed as less direct and localised in nature: we cannot generally connect specific impacts on people from rising GHG emissions to one specific company's GHG emissions. But the connection between GHG emissions and human rights impacts is undisputed and we are starting to see companies recognise the link as part of salience. A similar trend can be expected for impacts on biodiversity in light of the growing scrutiny on biodiversity and the results of COP15.



Bucket 2: Risks to people from the company's mitigation and adaptation actions

2B
Risk to people from mitigation

Scientific and environmental experts in the FMCG sector describe a number of mitigation activities that FMCG companies will increasingly take:

- Reducing GHG emissions across the value chain
- Adopting productive and regenerative farming practices
- Increasing agricultural productivity
- Reducing food loss and waste
- Offsetting residual emissions including through carbon credits
- Halting deforestation and biodiversity loss
- Ensuring sustainable fishing and aquaculture
- Improving animal husbandry practices
- Shifting to healthier and more sustainable diets
- Moving toward a circular food system.

FMCG companies show a growing awareness of how mitigation activities can manifest into risks to people. Many respondents touched on four areas in particular:

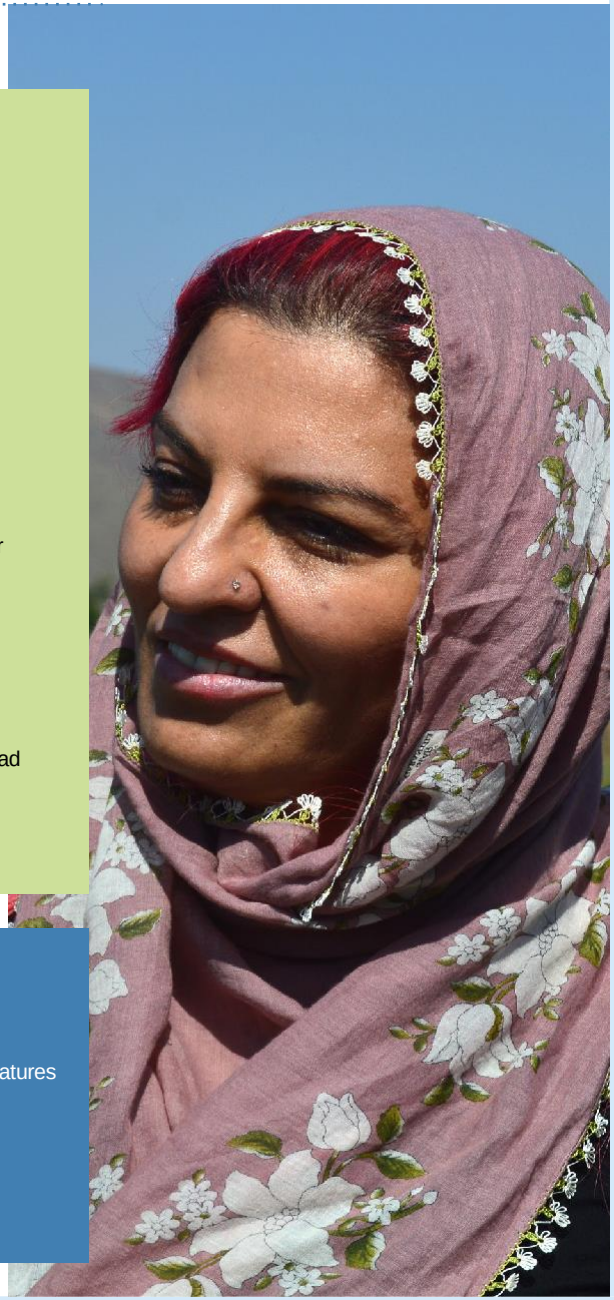
- **The agricultural transition**: respondents discussed how the reduction of GHG emissions and move to regenerative agriculture across the value chain could lead to the eviction of more vulnerable smallholder farmers and suppliers from the company's value chain. Prioritising large-scale farming may help a company meet its immediate environmental targets, but leaves smallholder farmers and suppliers behind in the process.
- **Renewable energy:** respondents discussed how the move to renewable energy can lead to adverse impacts on people. There was a specific focus on land rights of communities and Indigenous communities where the renewable energy project requires land (e.g. for wind farms), as well as working conditions in renewable energy supply chains (e.g. forced labour).
- **Carbon credits:** respondents discussed how the offsetting of residual emissions through carbon credits can lead to impacts on communities and Indigenous peoples –in particular with regard to use of land and livelihoods.
- **Circular system:** respondents discussed how the move toward a circular system with recycled plastic could bring child labour and other impacts on waste pickers into the company's value chain.

2B
Risk to people from adaptation

The interviews highlighted that impacts on people from adaptation activities had started – and that these impacts were likely to accelerate with time.
Illustrative adaptation measures for a FMCG company including:

- Changing sourcing locations to respond to **extreme weather events**
- Changing sourcing markets to **accommodate changes in growing commodities** from rising temperatures
- Changes in sourcing markets to reflect changes needed to offer **climate-friendly diets**
- Relocation of factories to areas with **lower heat stress impacts**
- New **constructions** to adapt to extreme weather events

These adaption measures highlight the importance of responsible disengagement that takes account of adverse impacts on people.



AIM-Progress member companies & just transition

We conducted a desktop review on what members are saying publicly on the interconnections between climate, the environment and human rights, and on just transition. The review shows:

- **A growing number of member companies are speaking about the inter-connections between climate, the environment and human rights, and some of these companies are starting to speak publicly about the just transition.**
- **Companies are starting to incorporate references to the interconnections and just transition into their public materials, and with time, starting to update their policies and strategies.**

Our interviews with members highlighted reflections which can be grouped into four overarching themes:

(1)Why the just transition matters,
(2)What the just transition means,
(3)How to make progress on the just transition in the FMCG sector and
(4)How to advance on just transition in practice within companies. These findings are also informed by the insights shared with us as part of the external expert interviews.

Theme 1
Why the just transition matters

Reflection #1 Growing awareness of the importance of the concept of just transition for FMCG companies
There was a strong sense from the respondents that the inter-connections between climate, the environment and human rights were going to increase with time, and therefore so too the relevance of the term just transition. Interviewees predicted that emerging policy discussion and new regulation would help raise the issue to the executive level, not least by bringing it within the scope of the legal team.

All respondents observed that they will be placing a growing emphasis on the inter-connections between climate, the environment and human rights moving forward. The majority said that they will be using the framing of just transition moving forward. Others noted that they were open to using other terms or framing narratives. Some observed that the terminology can be confusing, and bring to mind international politics or the energy sector. What ultimately mattered for respondents was finding ways to connect the dots between human rights, climate and environmental work, and using terms that resonated internally to make that happen. A particular area of priority was to support the understanding of the inter-connections at senior levels, to ensure the necessary allocation of funding and internal resources.

Theme 2
What the just transition means

Reflection#1 Challenges with the term's novelty and political connotations
A large number of respondents expressed challenges around the novelty and political connotations of the term just transition. They highlighted that understanding of the concept of just transition in the company was limited to specialist teams (in particular, human rights and sustainability, and at times, the climate team). They said that they saw it as their role to raise these conversations internally. In contrast, some respondents commented on how embedded the term was starting to become in the company, and how well understood it was internally.

Respondents also described a concern of signing up to something that they had not fully understood within the company. They observed that they knew that the term had a very specific meaning to a large number of external groups (in particular, from the trade union movement, as well as within government and civil society). There was concern that they would 'get it wrong' when engaging with the term. Generally, respondents felt that there was not a strong connection between what was being discussed at international political and expert levels, and what was happening in companies.

Theme 2
What the just transition means

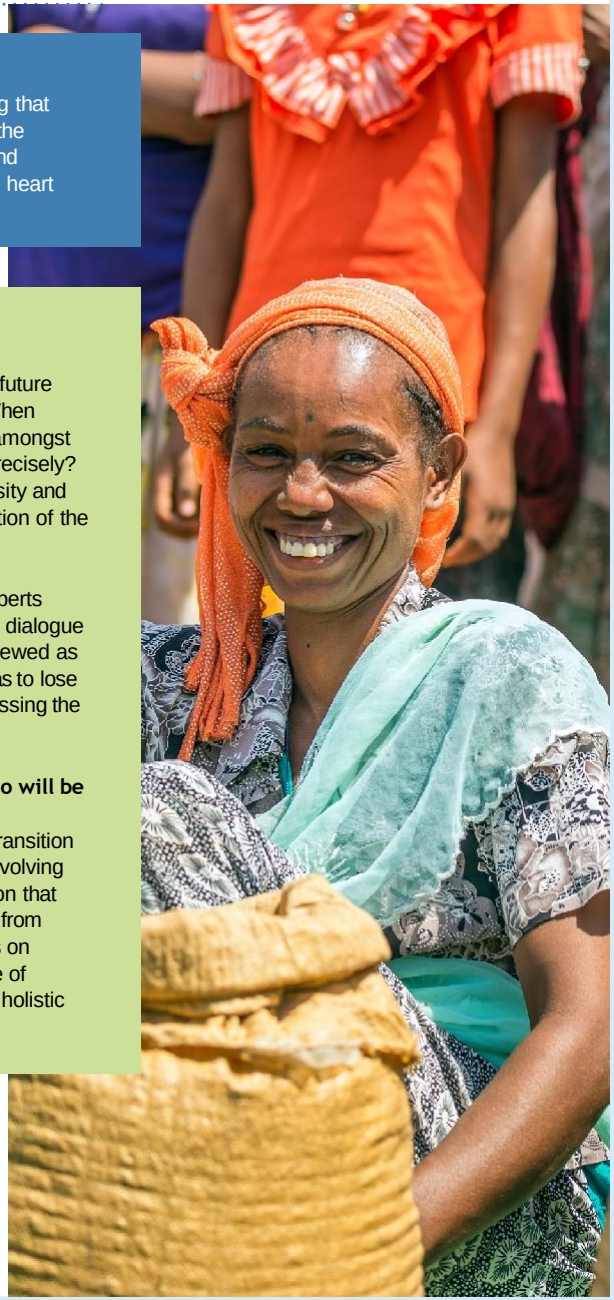
Reflection #2 Consensus on the core essence of just transition
At the same time, all respondents aligned on the core foundations of the just transition: one of ensuring that people are front and centre of the changes ahead in the FMCG sector. Terms that were echoed across the interviews included 'equitable', 'fairness', 'placing people at the heart', 'keeping people at the centre' and 'humanity.' Particular emphasis was placed on farmers and farming communities who are viewed at the heart of the just transition for the FMCG, and especially the agricultural value chain.

Theme 3
How to make progress on the just transition in the FMCG sector

Reflection #1 The need to clarify which transitions are in scope, and what just transition means for those transitions
There was general agreement as part of the company interview process that we are looking ahead at the future greening of the FMCG sector, and the implications on people from the transitions needed to get there. When drilling down into what we are looking at more specifically, there were a number of distinctions in views amongst respondents. Which transitions are in scope for the just transition –what does the just transition capture precisely? The human rights implications of the transition to net zero? The human rights implications of the biodiversity and nature transition ahead? The transition away from ongoing human rights impacts in the sector? The transition of the work force more broadly –beyond the green transition?

There was particular sensitivity with companies using the term to re-brand their existing work. External experts emphasized that this would lose the necessary business model transformations grounded in strong social dialogue and the restoration of the imbalance of power between corporates and impacted stakeholders that are viewed as central to the just transition. There was also sensitivity with companies extending the term too widely, so as to lose its focus on green and sustainable transitions. In other words, define the term too narrowly and we risk missing the essence of just transition; and define it too loosely and we risk diluting it to render it meaningless.

Reflection #2 The need to place the farmer at the core, while needing to capture other people who will be impacted across the FMCG value chain
Respondents observed that the stakeholder groups that typically come to mind when considering a just transition in the FMCG, and especially the agricultural value chain, are those that arise upstream, and in particular involving farmers, as well as women, communities and Indigenous peoples. At the same time, there was a perception that there were going to be other stakeholder groups that could be impacted as well, that were often missing from ongoing conversations. Other types of impacts referenced as needing to be considered included impacts on companies' own workers in factories, impacts on people in the energy transition in light of the sector's use of energy, and impacts on people in the transportation sector, in light of the sector's use of transportation. A holistic approach to human rights risks and impacts connected to the transition tends not to take place.



Theme 3

How to make progress on the just transition in the FMCG sector

Reflection #3 Unlocking progress by applying a temporal lens to evaluate the risks to people connected to the climate and environment

Another significant point of discussion related to the challenge in identifying impacts on people connected to the transitions when a number of these impacts were only just starting to emerge. In short, by taking a present-day approach to the evaluation of risks to people, a number of risks are missed and/or not prioritised for action. Respondents observed that this approach is leading to one of 'fighting fires', rather than considering impacts on people that will accelerate with the transition.

In the course of the conversations, we explored the usefulness of re-visiting the timeframe companies are using to evaluate the risks of impacts on people from the transition as a way to unlock progress on both risk and impact identification and prioritisation, to in turn inform actions to take now.

Companies could, for example, adopt a timeframe of 2030 by which to evaluate both the risks of human rights impacts, as well as their severity and likelihood. This would allow them to adopt a rights-respecting approach and prioritise for action now impacts connected to the transition that are likely to be the most severe and likely in the future. The advantage of taking 2030 as a temporal timeframe to evaluate risks and impacts is that 2030 is a well-recognised date in this arena: the Intergovernmental Panel on Climate Change (IPCC) offers mitigation pathways to achieve immediate and deep emissions reductions across all sectors, which is equal to reducing emissions by at least 43%, close to 50%, by 2030 compared to 2019.[11] Therefore, there are a large number of authoritative reports that use this date to describe the kinds of risks to people's rights that are possible by 2030, going through a range of different warming scenarios.

This forward-looking approach to the human rights risks was viewed as fully consistent with what companies were doing already on climate, where they were applying a longer-term timeframe to the risks of impacts and using this longer timeframe to prioritise actions now. A similar mindset change is needed when it comes to human rights.

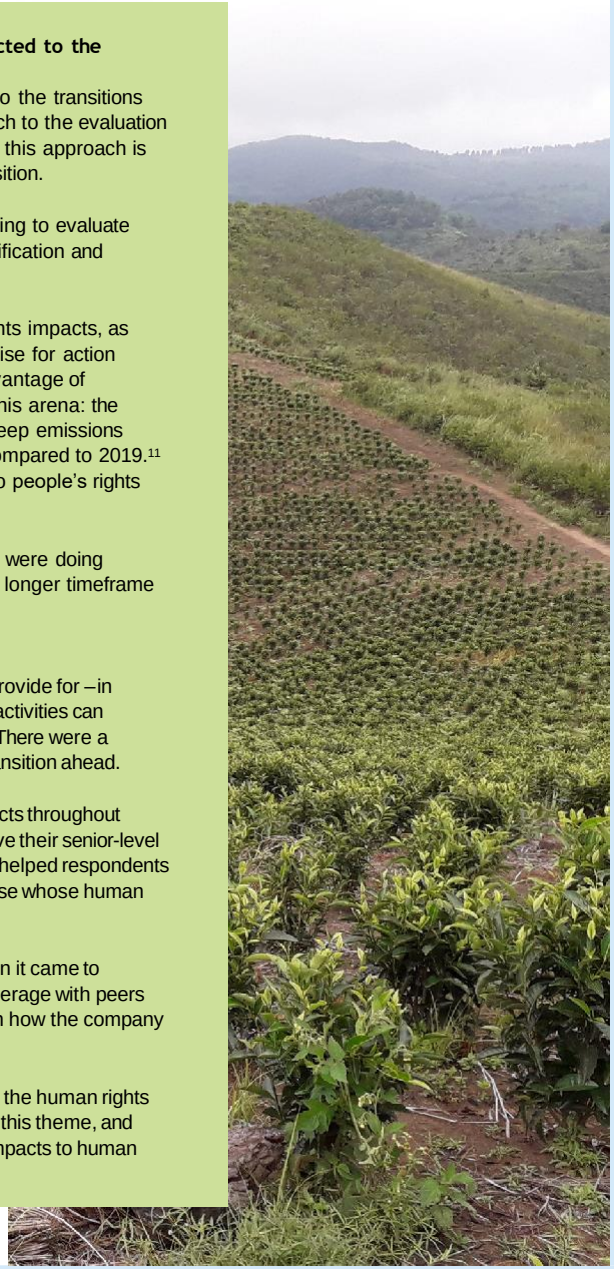
Reflection #4 Applying the UN Guiding Principles to the risks and impacts created in the transitions

A number of respondents underscored the usefulness of the UNGPs – and the human rights due diligence they provide for – in shaping rights-based responses to the transitions. Applying human rights due diligence to companies' transition activities can support companies in delivering the transition to a sustainable economy in line with expectations for it to be just. There were a number of reasons described for why the UNGPs can help support FMCG companies in advancing on the just transition ahead.

Companies are already used to conducting human rights due diligence to identify their adverse human rights impacts throughout their operations. Companies have the policies and the teams set up to manage human rights risks. They already have their senior-level commitments to respect human rights in human rights policies, upon which this work builds. Using the UNGPs has helped respondents gain clarity on which risks and impacts to look at (across the value chain), which stakeholder groups to consider (those whose human rights can be impacted the most severely), and the necessary actions to take.

A particular area that numerous respondents referenced as valuable in this regard was the UNGPs' guidance when it came to expected actions to take – including the UNGPs' focus on the government's own duty, building and exercising leverage with peers and other stakeholders, the focus on stakeholder engagement, the differentiated actions expected depending on how the company is connected to an impact, and its expectations of remedy.

However, respondents observed that they were not as a matter of course applying human rights due diligence to the human rights risks connected to the transitions – in part because of the temporal challenge described above in Reflection #3 of this theme, and also in part due to internal company dynamics, for instance sensitivity in connecting climate and environmental impacts to human rights impacts or concerns that applying due diligence could delay mitigation and adaptation efforts.



11 IPCC Sixth Assessment Report (2022), available at https://www.ipcc.ch/assessment-report/ar6

Theme 4

How to advance on just transition in practice within companies

Reflection #1 The need to break down silos and take a holistic approach to the risks and impacts created in the transition

Many respondents commented on the difficulty of integrating human rights and climate/ environmental agendas because they operate in different strategic pillars. There are few interconnections between them at the strategic/ conceptual level, and so this carries through into team structures, processes and practices. Silos between the business and the human rights team were also viewed as contributing to blind spots – in particular when business teams had made climate-related decisions (e.g. related to sourcing) that in turn impacted people.

A number of respondents described how the impacts from the transition are being left behind, due to the silos that exist within companies. A number of different factors were raised to explain the silos that exist between companies' environmental and climate work, and their human rights work, as well as between companies' human rights work and the business:

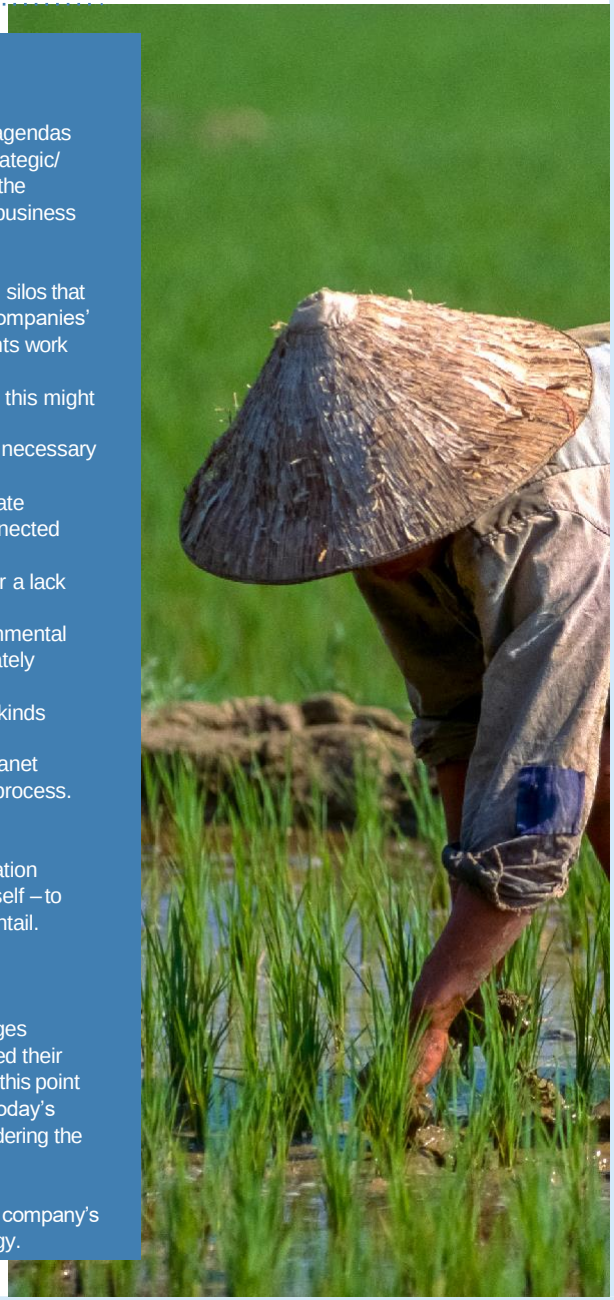
- Sensitivity in connecting climate and environmental impacts to human rights impacts, in particular when this might lead to enhanced scrutiny or litigation risks;
- Concerns that applying human rights due diligence to environmental measures could delay urgent and necessary mitigation and adaptation efforts;
- Unwillingness within the company to look at human rights impacts from climate actions, due to the climate strategy being signed off by senior levels of the company with strict targets – some of which can be connected to senior executive promotion, appraisals and compensation;
- Lack of mandate for the human rights team to get involved in climate and environmental matters, and/or a lack of resource to do so;
- Lack of knowledge from the human rights team of what is entailed in the company's climate and environmental actions specifically, and a sense that their lack of technical knowledge may hinder their ability to adequately evaluate risks to people;
- Lack of understanding from the climate and environmental colleagues, as well as from the business, on kinds of human rights implications at play;
- A desire from the business to rapidly manage the risks to business that are growing with the warming planet (e.g. related to sourcing decisions), without seeing the need to bring human rights colleagues in to the process.

Human rights specialists in particular observed that they would like to find ways to bring this topic more systematically into their work, for instance through a senior-level change to their mandate, a greater allocation of resources, and/or through equipping climate and environmental colleagues – as well as the business itself – to better understand the risks to people involved in the transition and what mitigation of these risks might entail.

Reflection #2 Changes to company human rights/ climate/ environmental strategies are starting, and will accelerate with time

A number of respondents shared recent changes to their internal strategies that were going to help build bridges between these distinct areas and place a greater focus on the inter-connections between them. Some described their own internal journey to drive strategic changes. Some respondents observed that a sector-wide discussion on this point could help drive further progress, with all companies seeking to adjust their strategies to be fit for purpose in today's rapidly evolving climate and human rights context. A common refrain was that where the importance of considering the inter-connections was understood internally, this in turn paved the way for noteworthy strategic changes.

Respondents spoke about two distinct entry points into the strategic discussions: bringing human rights into the company's climate/ environmental strategy, and bringing the climate/ environment into the company's human rights strategy.



Theme 4

How to advance on just transition in practice within companies

Reflection #3 Starting with specific areas where the just transition applies to move for ward
Respondents described how highlighting internally how the work they were undertaking was already included within the just transition helped internal respondents gain comfort with the use of the term. Respondents noted that the feeling of being overwhelmed with the term came from a sense that there were so many issues to consider, and that a number of them were outside of the control of the company. This is where taking a focused approach – grounded in salience (i.e., where the impacts on people could be the most severe and likely) or grounded on internal interest at first – was viewed as particularly helpful.

In particular, respondents observed that it was easier to work on one specific area, or to advance with a specific target on just transition, rather than being overwhelmed by the entirety of the conversation. The majority of the examples surfaced that had enabled companies to make headway related to considering the human rights implications of climate mitigation efforts (renewable energy, carbon credits, and waste pickers for recycled materials in particular).

Reflection #4 Responsible disengagement as a key area of importance as the transition accelerates
Respondents referenced several reasons for expecting an increase in disengagement in the years ahead – that is, companies needing to move away from a certain supplier, region, commodity or group of farmers. Respondents anticipated that disengagement for climate or environmental reasons was only going to increase with time. The reasons relate both to mitigation and adaptation. In the first instance, companies will begin shifting their agricultural sources, to meet both climate targets and environmental targets (e.g., shifting to less carbon intensive commodities or to new climate-friendly diets). At the same time, companies will also shift in response to how the warming climate is impacting the sourcing of materials and commodities (e.g., through extreme weather events, and increasingly, through gradual warming). This climate-related responsible disengagement was viewed as a new area but one that needed more focus and attention from within the company.



Priority areas ahead

Respondents identified four priority areas for supporting companies to advance on just transition.

Priority No.1 The Why	**Building knowledge of the drivers for a rights-respecting transition in the FMCG sector and helping to build the business case internally for making the interconnections between the climate, the environment and human rights.**
Priority No.2 The What	**Refining the common understanding of what just transition means for the sector, building on existing reference points for just transition, and fleshing out the draft 'Just Transition Risks and Impacts Identification Framework' for the sector.**
Priority No.3 The What in Practice	**Identifying what just transition steps can look like in practice, in certain areas of the FMCG value chain and in certain locations and supporting companies to implement these steps**
Priority No.4 The Engagement	**Engage with affected stakeholders and their proxies, governments, peers, investors and experts who all play a role to make progress.**

Building on these priority areas, Annex A provides a brief overview of the suggested actions for AIM-Progress and its members resulting from the full study.

Conclusion

Scientific evidence, studies and research show us that climate and environmental impacts are accelerating with time, as are human rights impacts. The earlier the work by FMCG companies to connect climate, environmental, and human rights, the more meaningful the work will be. As each year goes by, it will become harder to consider the inter-connections between these areas in light of how rapidly the environment is evolving. In short, now is the time to consider what a meaningful role looks like: this is urgent work that needs to pick up pace, and will be critical to the long-term success of business, as well as people and planet that business impacts. There is a role to play for all stakeholders in the field – building on the extensive work, reflections and efforts already undertaken by many. As we advance further on fleshing out a potential role for AIM-Progress and its members, we welcome further practical recommendations and steps that organisations and experts can share to support this practical implementation ahead. Please contact AIM-Progress at info@aim-progress.com

Annex A: A Role for AIM-Progress

The goal of AIM-Progress is to "positively impact people's lives and ensure respect for human rights, while delivering value to our members and their supply chains." In working towards this goal, there are several reasons for AIM-Progress to play a role in supporting members:

- It is increasingly challenging to distinguish respect for human rights from the inter-connections between human rights, climate and the environment.
- This study showed that just transition can provide a helpful framework of thinking for AIM-Progress members to consider the inter-connections.
- The role that AIM-Progress seeks to play can be light-touch in nature, building on the existing work undertaken by members, as well as peers and experts.
- AIM-Progress can play a unique role in building bridges between company practices and strategies, and international expert debates that are amplifying and accelerating.
- AIM-Progress can help FMCG companies save time, resources, energy – and ultimately reach better outcomes for people and planet – by ensuring they can build on each others' learnings.
- AIM-Progress would be delivering on member needs.
- AIM-Progress can integrate Just Transition into AIM-Progress' current work (i.e.working groups, regional hubs and capacity building) and seek to consider the human rights implications of environmental work, as well as the environmental and climate context for human rights work.
- Scientific evidence, studies and research show us that climate and environmental impacts are accelerating and exacerbating with time, as are human rights impacts connected to these. The earlier FMCG companies connect climate, environmental,and human rights work, the more effective it will be. As each year goes by, it will become harder to address the inter-connected effects in light of how rapidly companies' operating context is changing. In short, now is the time to consider what a holistic strategy for companies looks like building on the principles of just transition: this is urgent work that needs to pick up pace, and will be critical to people and planet that business impacts and relies on – as well as to ensure the long-term success of business.



The full report explores a possible structure for AIM-Progress' role as well as possible action steps, borrowing from the four-stage maturity framework that AIM-Progress uses – the Responsible Sourcing Journey (RSJ) with its members. At a high-level, the four stages progress through the foundational 'why' and 'what' questions to more detailed and nuanced applications of 'how' just transition is implemented in different contexts. Social dialogue and stakeholder engagement is a cross-cutting theme across all four stages. It also discusses organisations and initiatives AIM-Progress can seek to engage with further. At a high level, the four stages and recommended actions are as follows:

Launched
Grounding the why and the what

- Building knowledge of Just Transition and its drivers
- Refining the common understanding of what just transition means for the FMCG sector
- Amplifying social dialogue and stakeholder engagement
- Engaging with other sectors on just transition

Established
Moving forward with issue-specific and local applications.

- Delving into issue-specific areas of the Just Transition within company value chains
- Facilitating local context-specific discussions on the just transition

Integrated:
Embedding just transition into existing tools and processes.

- Integrating Just Transition into The Responsible Sourcing Journey, the Business Toolkit and other training and other capacity building tools
- Integrating just transition into current working groups (i.e. Impact Measurement, Living Wage/Living Income; Grievance Mechanism and Responsible recruitment)
- Fleshing out an integrated Environmental and Human Rights Due Diligence Framework
- Reviewing The Mutual Recognition Framework

Leadership:
Elevating members' voice and exercising leverage.

- Engaging with other sectors
- Engagement and advocacy on an international level (through side event at COP28 etc)
- Building and exercising leverage with governments
- Exercising leverage to highlight the need for public and private investment