



Accountability
Framework
initiative

TOPIC SUMMARY

COMPANY MANAGEMENT SYSTEMS

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A company's management systems are the bridge between commitments made on paper and actions taken to achieve them. Such systems provide the oversight, capacity, incentives, and processes needed to achieve ethical supply chains. This document summarises the Accountability Framework's elements on effective company management systems, based on the Framework's Core Principle 4.



The **Accountability Framework** was created through a consultative process with a wide range of stakeholders including companies, NGOs, and government, and following applicable good practices for multi-stakeholder initiatives. It represents the consensus of the entire **Accountability Framework initiative (AFi) Coalition**, whose members as of the date of this publication include:



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What are management systems and why are they important?

A company's management systems are the internal processes, policies, and procedures that systematise how a company meets its business objectives. They also define the organisational structure and operating model needed to successfully put these processes into practice. Management systems guide a company's approach to fulfilling goals including product quality, on-time delivery, and profitability, as well as environmental and social responsibility.

More specifically, effective management systems:

- Ensure that clear policies, procedures, and contracting mechanisms related to ethical supply chains are in place and adequately resourced.
- Improve clarity among all staff, business units, and affiliates on roles, responsibilities, and goals.
- Support establishment of internal incentives and capacity for a company's board, executives, employees, and teams to contribute to responsible commodity production and sourcing.
- Strengthen efficiency of operations, including by developing systems to address multiple elements of responsible business in tandem, such as due diligence approaches that cover both environmental and human rights issues.
- Demonstrate to buyers, investors, regulators, and other stakeholders that systems are in place to achieve compliance and that the company is committed to effectively implement its responsible supply chain goals.



What are key attributes of management systems?

The Accountability Framework's Core Principle 4 identifies the following essential elements of management systems for effective implementation of ethical supply chain goals:

1. Senior leadership accountability to achieve responsible supply chains.
2. Embedding supply chain goals into core decision-making processes and systems.
3. Effective stakeholder engagement processes that provide opportunities for stakeholder input and involvement related to fulfilment of supply chain goals. This should include a grievance mechanism as a formal and accessible channel for rights-holders and other stakeholders to contact the company with inquiries, concerns, or formal complaints and to access remedy when warranted.

Each of these elements is further detailed below. Additionally, management systems should include monitoring, feedback, and improvement mechanisms to continually assess and refine effectiveness towards achieving company goals.



What is senior leadership accountability and why is it important?

Fulfilling ethical supply chain goals typically requires long-term vision, investment of staff and other resources, and the need to make business decisions based on multiple risk factors. For these reasons, it is important that those with leadership authority are engaged and accountable for delivering outcomes.

Senior leadership accountability should generally involve both the company's executive leadership and its board. Depending on the company's organisational structure, the designated senior leaders might include the CEO, the executive board, and/or a board-appointed committee.

Companies should also consider their broader corporate structures to determine senior leadership at the individual company, parent, and/or group level. If the company is part of a corporate group, senior leadership accountability should be situated at appropriate points of control and oversight, which could include both the company or business unit that directly manages commodity production or sourcing as well as oversight at the corporate parent or group level.

Regardless of where they sit, the designated accountable senior leaders should function as internal champions, setting the company's direction and culture so that achievement of sustainability goals becomes part of the corporate mindset. Senior leaders should also serve as the external advocates to suppliers and business partners, investors or shareholders, and other stakeholders in the company's responsible supply chain efforts.

Linking executive compensation packages and other incentives (as well as disincentives) to the company's sustainability performance can be an important way to establish or strengthen senior leadership accountability and foster close attention to environmental and social issues.



How can companies embed ethical supply chain goals into their operations?

Embedding refers to the process of bringing ethical supply chain considerations into the oversight, management, and operation of all relevant company functions, such as production and field operations, procurement, sustainability, legal/compliance, finance, public affairs, and others.

A main aspect of this embedding process is the development of written policies and procedures that cover each activity associated with managing, monitoring, and reporting on responsible production and/or sourcing. Key policies and procedures referenced in the Accountability Framework are summarised in [Annex 1](#).

Equally important, companies need to make sure that they have the organisational structure and capacity to drive effective implementation. In addition to senior leadership, this entails:

- Defining clear staff responsibilities.
- Establishing mechanisms and cross-functional teams to coordinate the management of sustainability issues across all relevant employees and company departments.
- Providing employee training as part of new hire onboarding and on an ongoing basis.
- For employees whose jobs are relevant to environmental or social responsibility, defining staff goals, key performance indicators (KPIs), and incentives to succeed in these duties.
- Widely socialising ethical supply chain goals within all relevant business units as a core part of the company's purpose and culture.
- Allocating sufficient resources to fully execute policies and procedures for implementing, monitoring, and reporting on supply chain goals.



Structuring for success

Achieving ethical supply chains typically requires multiple functions within a company to be engaged. Consequently, a critical and early step is to ensure that business units are structured to facilitate this cross functional approach.

Yet too often, this key step is overlooked or insufficient. This may result in a siloed 'sustainability team' that has opposing incentives from the procurement or other units and that sits in a separate location within the company. As companies work to figure out the appropriate operating structure that makes the most sense for them, questions to consider include:

- What are the reporting lines? Does the sustainability team have direct access to the executive level?
- Are the roles and decision-making responsibilities of the sustainability team and other business units clear?
- Are there clear lines of communication and engagement pathways between all relevant business units and teams?
- Is there accountability built into all relevant business units? Are there quantifiable, near-term KPIs and targets specific to each relevant business unit? Are the KPIs integrated into performance reviews?
- Are environmental and social metrics considered in financial measures and procurement decision-making?

What constitutes effective stakeholder engagement?

In addition to guiding a company's internal operations, management systems play the critical role of ensuring effective external engagement with key stakeholders.

Stakeholders are persons who or groups that are directly or indirectly affected by company operations and supply chains, as well as those who may have interests in them or the ability to influence them, either positively or negatively.

Companies should develop and implement stakeholder engagement plans that provide relevant information to stakeholders and that afford opportunities for stakeholders to provide input and engage in relation to environmental and social risks and companies' efforts to address them.

An important early step in the process is to conduct stakeholder mapping to identify all relevant stakeholders, their potential interest in engaging, and appropriate mechanisms for doing so.

This initial scoping should inform the stakeholder engagement plan, which describes how stakeholders will be engaged, with a focus on involvement that will be meaningful to both the company and the stakeholder.



Company grievance mechanisms

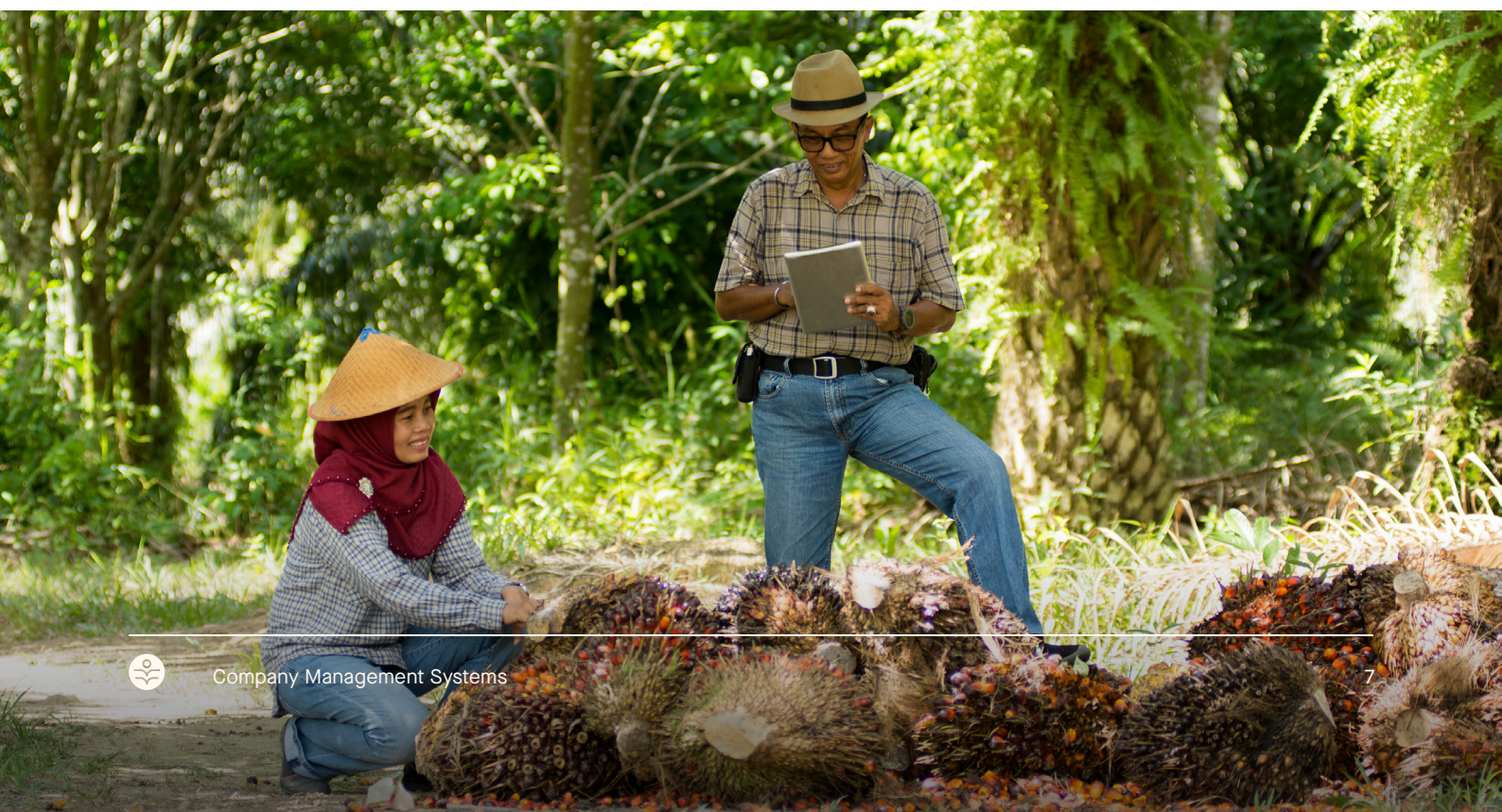
Grievance mechanisms serve two important functions:

1. They provide a clear, standardised, and formal process for individuals, workers, affected communities, civil society organisations, and other stakeholders to raise complaints and access remedy when commodity production or sourcing has resulted in environmental and/or human rights harms; and
2. As a risk management tool, they serve as an early warning signal, enabling the company to identify patterns over time and to prevent or mitigate harms before they escalate to serious problems.

The Accountability Framework points to the eight 'effectiveness criteria' of the UN Guiding Principles on Business and Human Rights (UNGPs) as best practice to follow when designing, revising, or assessing grievance mechanisms to ensure they are fit-for-purpose. Each company should have its own grievance mechanism. The design of which should be tailored to the roles that the company plays in the supply chain:

- Producers and primary processors should have a grievance mechanism at the level of each production or processing unit. They should also have a grievance mechanism at the company level to handle complaints that are more systemic in nature or that escalate from the local mechanisms and require a greater dedication of resources.
- Supply chain intermediaries (eg, traders) and downstream companies should have grievance mechanisms that cover their own operations and supply bases. They should also require and verify that their suppliers have effective grievance mechanisms in place. Since commodity buyers may be implicated in grievances that are lodged against their suppliers, downstream companies may also need to address harms that cannot be, or are not, effectively handled by their direct or indirect suppliers.

Grievance mechanisms that are part of an industry, multi-stakeholder, finance, or other initiative serve as important engagement and recourse mechanisms but do not take the place of companies needing to operate their own grievance mechanisms.



Next steps

Learn more

- What to include in company management systems:
Section 1 of the [Operational Guidance on Supply Chain Management](#)
- How to design an effective grievance mechanism:
Section 2 of the [Operational Guidance on Remediation and Access to Remedy](#)

Assess

Assess your existing management systems against the Accountability Framework to identify potential gaps, opportunities, and priorities for improvement using the [self-assessment tool](#).

Find additional support

Although effective company management systems generally include similar elements, as described in this topic summary, it is important that they are tailored to the specific contexts in which the company operates. Many companies therefore seek the support of a service provider whose approach and advice are aligned with the Accountability Framework. For a list of AFi delivery partners, [see here](#).

You may also [contact the AFi](#) to discuss your company's next steps. The AFi is not a service provider and does not accept funding from companies but will help identify options for further support based on your company's need.



Annex 1

The following table summarises key policies and procedures that are part of company management systems and about which the Accountability Framework provides detailed guidance. Please see the action area that corresponds with each topic to learn more about each one.

Topic	Processes	Action area
Risk assessment	A methodology to assess environmental and social risks, which may be used to identify potential challenges and non-compliances and to guide and prioritise action. Risk assessments should follow good practice for credibility, transparency, and accurate risk characterisations.	Manage supply chains
Supply chain mapping	A process for identifying the actors in a company's supply chain and the relationships among them. Supply chain mapping should include attribute information about suppliers that is useful for assessing risk and compliance, such as the supplier's location, certifications held, dates and results of audits, and workforce characteristics.	Manage supply chains
Traceability	A system for linking product volumes to specific suppliers and for achieving traceability to a level where compliance can be ascertained.	Manage supply chains
Responsible production and sourcing	<i>For companies that own or control commodity production or primary processing operations:</i> procedures that ensure responsible production, respect for human rights, and long-term protection of natural ecosystems. These include procedures related to land acquisition, land use planning, land management, and respect for the rights of Indigenous Peoples, local communities, and workers.	Manage production
	<i>For companies sourcing from suppliers:</i> procedures for ensuring that suppliers comply with company commitments and other obligations for responsible supply chains, and that these requirements are cascaded to indirect suppliers, as well. Mechanisms include supplier screening processes, supplier codes, procurement policies and practices, and contracting mechanisms.	Manage supply chains
Supplier engagement and support	Activities that build and strengthen supplier capacity to effectively implement responsible supply chain goals, such as training programmes, peer exchanges, and support when remedial actions are needed. This is particularly relevant for companies that maintain long-term and recurring buying relationships with suppliers. Support should prioritise engagement with smallholders and others who may require more assistance.	Manage supply chains
Supplier non-compliance	Procedures for engaging suppliers in situations where there have been environmental or social harms or other forms of non-compliance.	Manage supply chains
Monitoring	Monitoring systems for assessing environmental and social performance and for detecting harms, including incidence of deforestation, conversion, or human rights violations.	Monitor and verify
Reporting	Procedures and methodologies for reporting on progress and compliance relative to company commitments and other obligations for responsible supply chains.	Report progress



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