

The Accountability Framework

Terms and Definitions

DRAFT FOR WORKSHOPPING
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The Accountability Framework initiative (AFi) is developing a common framework to guide the setting, implementation, and monitoring of supply chain commitments. As part of the Accountability Framework, this draft document represents a working consensus of the AFi partners as well as input from prior consultations involving stakeholders from the private sector, civil society, and government. The partners are sharing this draft publicly and inviting feedback from all interested parties to further build and refine the Framework in a way that reflects the needs and perspectives of those working to bring about responsible supply chains and positive outcomes for people and nature. Based on this consultative process, version 1.0 of the Accountability Framework will be published in early 2019.

For more information, or to provide input during the present workshoping process, please visit <https://accountability-framework.org> or send an email to contact@accountability-framework.org

DISCLAIMER: *This work product is intended to be advisory only and is not intended to serve as a legal opinion or legal advice on the matters treated. The reader is encouraged to engage counsel to the extent required.*

PURPOSE & SUMMARY

This document defines key terms that are used in the Accountability Framework Core Principles and Operational Guidance. Terms are ordered according to theme, under the following headings:

1. Definitions related to forests, ecosystems, and other land use
2. Definitions related to indigenous peoples and local communities
3. Definitions related to workers' rights
4. Definitions related to the legal and jurisdictional context for voluntary commitments
5. Definitions of different types of supply chain actors
6. Definitions related to supply chain management
7. Definitions related to the assessment of risks and results
8. Definitions related to monitoring, verification, and reporting

For more information on how the definitions of *deforestation* and *conversion* are applied in practice, please see the Operational Guidance on How to Apply the Deforestation and Conversion Definitions.

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1. Definitions related to forests, ecosystems, and other land use

Deforestation: Loss of natural forest as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a plantation forest; or iii) severe and sustained degradation.

- *This definition pertains to deforestation-free supply chain commitments, which generally focus on preventing the conversion of natural forests.*
- *Severe degradation (scenario iii in the definition) constitutes deforestation even if the land is not subsequently used for a non-forest land use.*
- *Loss of natural forest that meets this definition is considered to be deforestation regardless of whether or not it is legal.*
- *The AFi definition of deforestation signifies “gross deforestation” of natural forest where “gross” is used in the sense of “total; aggregate; without deduction for reforestation or other offset.”*

Deforestation-free (synonym: no-deforestation): Commodity production, sourcing, or financial investments that do not cause or contribute to deforestation of natural forests.

- *The Accountability Framework specifies deforestation-free (i.e., no gross deforestation of natural forests) as the appropriate policy and goal for companies and supply chains.*
- *The term “deforestation-free” is used in favor of “zero deforestation” because “zero” can imply an absolutist approach that may be at odds with the need sometimes to accommodate minimal levels of conversion at the site level in the interest of facilitating optimal conservation and production outcomes (see definition for minimal levels conversion/deforestation).*

Natural forest: A forest that is a natural ecosystem.

- *Natural forests possess many or most of the characteristics of a forest native to the given site, including species composition, structure, and ecological function. Natural forests include:*
 - a. **Primary forests** that have not been subject to major human impacts in recent history
 - b. **Regenerated (second-growth) forests** that were subject to major impacts in the past (for instance by agriculture, livestock raising, tree plantations, or intensive logging) but where the main causes of impact have ceased or greatly diminished and the ecosystem has attained much of the species composition, structure and function of prior or other contemporary natural ecosystems.
 - c. **Managed natural forests** where much of the ecosystem’s composition, structure, and ecological function exist in the presence of activities such as:
 - *Harvesting of timber or other forest products, including management to promote high-value species*
 - *Low intensity, small scale cultivation within the forest, such as less-intensive forms of swidden agriculture in a forest mosaic*
 - d. **Forests that have been partially degraded** by anthropogenic or natural causes (e.g., harvesting, fire, climate change, invasive species, or others) but where the land has not been converted to another use and where degradation does not result in the sustained reduction of tree cover below the thresholds that define a forest or sustained loss of other main elements of ecosystem composition, structure, and function.
- *The categories “natural forest” and “plantation forest” are mutually exclusive, though in some cases, the distinction can be unclear; please see Annex 1 for guidance on “boundary cases.”*
- *For the purpose of company deforestation-free commitments, the focus is on preventing the conversion of natural forests.*

Forest: Land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds *in situ*. It does not include land that is predominantly under agricultural or other land use. Forest includes natural forests and forest plantations. For the purpose of implementing deforestation-free supply chain commitments, the focus is on preventing the conversion of natural forests.

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- *Quantitative thresholds (e.g., for tree height or canopy cover) established in legitimate national or sub-national forest definitions may take precedence over the generic thresholds in this definition.*
- *The Accountability Framework should not be interpreted as weakening or qualifying any protection or provision of national forestry laws, including when these laws apply to legally classed forests that are plantation forests or presently have little or no tree cover. As stated in Section A4 of the Core Principles, company commitments are additional to applicable law, and when both apply to the same topic, the highest (more protective) standard prevails.*
- *The AFi advocates that natural forests be distinguished from plantation forests for the purpose of conducting forest inventories and quantifying forest loss and gain. This will facilitate comparability between government forest monitoring and the tracking of supply chain commitments focused on human-induced conversion of natural forests.*

Natural ecosystem: An ecosystem that substantially resembles – in terms of species composition, structure, and ecological function – one that is or would be found in a given area in the absence of major human impacts. This includes human-managed ecosystems where much of the natural species composition, structure, and ecological function are present.

- *Natural ecosystems include:*
 - a. **Largely “pristine” natural ecosystems** that have not been subject to major human impacts in recent history;
 - b. **Regenerated natural ecosystems** that were subject to major impacts in the past (for instance by agriculture, livestock raising, tree plantations, or intensive logging) but where the main causes of impact have ceased or greatly diminished and the ecosystem has attained species composition, structure and function similar to prior or other contemporary natural ecosystems;
 - c. **Managed natural ecosystems** (including many ecosystems that could be referred to as “semi-natural”) where much of the ecosystem’s composition, structure, and ecological function are present; this includes managed natural forests as well as native grasslands or rangelands that are, or have historically been, grazed by livestock; and
 - d. **Natural ecosystems that have been partially degraded** by anthropogenic or natural causes (e.g., harvesting, fire, climate change, invasive species, or others) but where the land has not been converted to another use and where much of the ecosystem’s composition, structure, and ecological function remain present or are expected to regenerate naturally or by management for ecological restoration.

Plantation forest: A forest predominantly composed of trees established through planting and/or deliberate seeding that lacks key elements of a natural forest native to the area, such as species composition and structural diversity.

- *Plantations generally have one or a few tree species and tend to include one or more of the following characteristics:*
 - i) *planted on cleared land,*
 - ii) *harvested regularly,*
 - iii) *trees are of even ages*
 - iv) *products from the plantation are managed and processed for commercial production.*
- *Plantation forests can consist of trees planted for timber, pulp, non-wood tree products (e.g., rubber latex), or ecosystem services (e.g., soil stabilization). Plantations dominated by agricultural species (e.g., fruits or oil palm) are considered agriculture, not plantation forests.*
- *There exist a range of “boundary cases” where sites have some characteristics of plantation*

Conversion: Change of a natural ecosystem to another land use or profound change in the natural ecosystem’s species composition, structure, or function.

- *Deforestation is one form of conversion (conversion of natural forests).*

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- *Conversion includes severe degradation or the introduction of management practices that result in substantial and sustained change in the ecosystem's former species composition, structure or function.*
- *Change to natural ecosystems that meets this definition is considered to be conversion regardless of whether or not it is legal.*

Conversion-free (synonym: no-conversion): Commodity production, sourcing, or financial investments that do not cause or contribute to conversion of natural ecosystems (as defined above).

- *The Accountability Framework specifies conversion-free as the appropriate policy and goal for companies and supply chains making such commitments.*
- *This term is used in favor of "zero-conversion" because "zero" can imply an absolutist approach that may be at odds with the need sometimes to accommodate minimal levels of conversion at the site level in the interest of facilitating optimal conservation and production outcomes (see definition for minimal levels).*

Minimal level (of deforestation or conversion): A small amount of deforestation or conversion that is negligible in the context of a given site because of its small area and because it does not significantly affect the ecological values of natural ecosystems or the services and values they provide to people.

- *Minimal levels of deforestation or conversion at the site scale do not necessarily violate deforestation-free or conversion-free commitments; further detail and examples will be provided in forthcoming Operational Guidance. However, this provision does not sanction substantial conversion of forests or natural ecosystems to enlarge commodity production areas.*
- *To be considered consistent with deforestation-free or conversion-free commitments, minimal levels must generally meet the following conditions.*
 - *Not exceed cumulative thresholds that are small both in absolute terms (e.g., no more than a few hectares) and relative to the area in question (e.g., no more than a small proportion of the site). Levels of conversion or deforestation should be assessed cumulatively over space and time; multiple small instances of conversion may lead to a producer being considered non-compliant with commitments.*
 - *Not result in the loss of important biological, social, or cultural values, for instance as defined by the High Conservation Value framework.*
 - *If planned in advance, be specified as a result of an integrated land use planning process that follows good practices for achieving environmental and social outcomes in a pragmatic way (e.g., as specified in Core Principle 4: Land Acquisition, Land Use Planning, and Site Development, or through use of tools such as the High Carbon Stock Approach).*
 - *If not planned in advance (e.g., if resulting from unauthorized encroachment or other unforeseen activities), are addressed through effective actions to prevent non-repetition and remediate harms if necessary.*
- *In some cases, monitoring systems may establish de facto thresholds for minimal levels of deforestation or conversion based on the detection levels of these systems (e.g., 6.25 ha for the PRODES monitoring system in the Brazilian Amazon).*
- *Even when minimal levels of deforestation or conversion may not be cause for exclusion from supply chains, they may still require compensation or remediation; further detail will be provided in forthcoming Operational Guidance.*

Degradation: Changes within a natural ecosystem that significantly and negatively affect its species composition, structure, and/or function and reduce the ecosystem's capacity to supply products, support biodiversity, and/or deliver ecosystem services.

- *Degradation may be considered conversion if it:*
 - is large-scale and progressive or enduring;*
 - alters ecosystem composition, structure, and function to the extent that regeneration to a previous state is unlikely; or*

- c) *leads to a change in land use (e.g., to agriculture or other use that is not a natural forest or other natural ecosystem).*

Net deforestation: The difference in forest area between two points in time, taking into account both losses from deforestation and gains from forest regeneration and restoration. Net deforestation is measured with reference to a given geographic area (e.g., a district, state, nation, or globe) and a given timeframe.

- *The Accountability Framework specifies that net deforestation is not an appropriate metric for characterizing the forest and land-use footprint of company operations, supply chains, or investments. Rather, companies should utilize the concept of (gross) deforestation, as defined above, in setting targets and monitoring outcomes.*
- *This definition is provided here for context and completeness because it sometime appears in the lexicon. Some have suggested that net deforestation may be a relevant concept for setting targets and informing land-use planning at the landscape, jurisdictional, or national scale, considering all sectors and all land uses together. To the extent that the net deforestation concept is used in these contexts, the AFI advocates that natural forests be distinguished and tracked separately from plantation forests for the purpose of quantifying forest loss and gain.*

Zero net deforestation: No net loss in forest area between two points in time, taking into account both losses from deforestation and gains from forest regeneration and restoration. Zero net deforestation would typically be assessed with reference to a given geographic area (e.g., a district, state, nation, or globe) and a given timeframe.

- *The AFI advocates against the use of zero net deforestation as a target related to the forest and land-use footprint or outcomes of company operations, supply chains, or investments.*
- *This definition is provided here for context and completeness because it sometime appears in the lexicon. Zero net deforestation may be a relevant target at the landscape, jurisdictional, or national scale, considering all sectors and all land uses together. To the extent that such a target is set in these contexts, the AFI advocates that the target also be disaggregated to establish separate sub-targets for and tracking of natural forests and plantation forests purpose of prescribing the desired types of forest conservation, loss and/or gain.*

Cutoff date (related to deforestation-free and conversion-free commitments): The date after which deforestation or conversion renders a given area or production unit non-compliant with no-deforestation or no-conversion commitments, respectively.

Target date: The date by which a given company (or other commitment- or policy-issuing entity) intends to have fully implemented its commitment or policy.

2. Definitions related to indigenous peoples and local communities

Indigenous peoples: Distinct groups of people who satisfy any of the more commonly accepted definitions¹ of indigenous peoples, which consider (among other factors) whether the collective:

- has pursued its own concept and way of human development in a given socio-economic, political and historical context;
- has tried to maintain its distinct group identity, languages, traditional beliefs, customs, laws and institutions, worldviews, and ways of life;

¹ Commonly accepted definitions generally include, but are not limited to those provided for in the Convention concerning Indigenous and Tribal Peoples in Independent Countries (ILO Convention No. 169), the Study on the Problem of Discrimination against Indigenous Populations, and the UN Working Paper on the Concept of "Indigenous People" prepared by the Working Group on Indigenous Populations.

- has at one time exercised control and management of the lands, natural resources, and territories that it has historically used and occupied, with which it has a special connection, and upon which its physical and cultural survival typically depends;
- self-identifies as indigenous peoples; and/or
- descends from populations whose existence pre-dates the colonization of the lands within which it was originally found or of which it was then dispossessed.

When considering the factors above, no single one shall be determinative. Indigenous peoples are defined as such regardless of the local, national, and regional terms that may be applied to them, such as “tribal people,” “first peoples,” “secluded tribes,” “hill people,” or others.

Local community: A group of interacting people living in and sharing a specific environment and place and sharing common concern around local facilities, services, and environment and which may at times depart from traditional or State definitions. Such communities may attach particular meaning to land and natural resources as sources of culture, customs, history and identity, and/or depend on them to sustain their livelihoods, social organization, culture, traditions, and beliefs. Like Indigenous Peoples, they may use and manage land in accordance with customary tenure systems and associated rights and may depend on their land for cultural and physical survival. Due to their similarities, the Framework refers to both ‘Indigenous Peoples and Local Communities’ and requires the same processes and respect for the rights of both groups, including with respect to property and the right to give or withhold free, prior and informed consent (FPIC; see definition below).²

Legal personality: Refers to whether an individual, group, or an entity is recognized under law as capable of having legal rights and duties including the right to sue, be sued, hold property titles and interest, and enter into contracts.

- *Legal personality of an indigenous people is not to be confused with the identification of indigenous peoples or the recognition by the State that a particular group is identified as an indigenous people.*³

Customary rights: Rights that arise from a behavior or act that is repeated over time under the belief that it is obligatory and, due to repetition and acceptance, acquire the force of law within a geography or society (also known as “customary law”).

Customary rights to land, resources, and territory: Patterns of long-standing land and resource usage in accordance with indigenous peoples’ and local communities’ customary laws, values, customs, and traditions.⁴

- *Such rights apply to the lands, resources, and territories that indigenous peoples and local communities have traditionally owned, occupied, or otherwise used. They do not apply to lands, territories, and resources that these groups have acquired in other ways, such as by purchase or part of a compensation package.*
- *These rights are a collective human right of indigenous peoples and local communities that exists whether or not a title from the State has been issued.*

Livelihoods: A person’s or a group’s way of making a living, from the environment or in the economy – including provision for basic needs and assurance of access to food, clean water, health, education, housing, and the materials needed for their life and comfort – either through their own direct use of natural resources or through exchange, barter, trade, or engagement in the market. It encompasses the capabilities, assets, and activities required to secure the necessities of life.⁵

² Source: Free Prior and Informed Consent Guide for Roundtable on Sustainable Palm Oil (RSPO) Members. RSPO Human Rights Working Group 2015.

³ Source: UNDP Social and Environmental Standards (SES) Standard 6: Indigenous Peoples.

⁴ Source: RSPO Principles and Criteria.

⁵ Source: RSPO Principles and Criteria.

Traditional livelihoods: The traditional ways in which indigenous peoples and local communities have adapted to their surroundings, using culture, values, and customary law to secure their livelihoods and to maintain, preserve, and transmit to future generations their spiritual and cultural identity.

- *Traditional activities such as weaving, fishing, hunting, shifting cultivation, and wildlife rearing may evolve to account for contemporary and changing social, political, and economic circumstances, but do not necessarily lose their origins in a traditional livelihood.*⁶

Cultural heritage: The legacy of physical and intangible assets that a group or society inherits from past generations, maintains in the present, and preserves for future generations. This may include (i) tangible forms of cultural heritage, such as moveable or immovable objects, property sites, or structures having archaeological, paleontological, historical, cultural, artistic, or religious values; (ii) unique natural features that embody cultural values, such as sacred groves, rocks, lakes, and waterfalls; and (iii) intangible forms of culture, defined as the practices, innovations, representations, expressions, knowledge, skills – as well as the instruments, objects, artefacts, and cultural spaces associated therewith.⁷

Free, prior, and informed consent (FPIC): A collective human right of indigenous peoples and local communities to give and withhold their consent prior to the commencement of any activity that may affect their rights, land, resources, territories, livelihoods, and food security. It is a right exercised through representatives of their own choosing and in a manner consistent with their own customs, values, and norms.

Stakeholder: Persons, groups, or institutions with an interest in the company's production and trading activities, the ability to influence the outcomes of these activities, and/or the potential of being impacted by these activities.

Food security: The condition in which all people, at all times, have physical and economic access to sufficient, safe, and nutritious food that meets their dietary needs and food preferences for an active and healthy life.⁸

3. Definitions related to workers' rights

Child: Any person under 15 years of age, unless the minimum age for work or mandatory schooling is higher by local law, in which case the stipulated higher age applies in that locality⁹.

Child Labor: Any work performed by a child younger than the age(s) specified in the above definition of a child, except as provided for by ILO Recommendation 146¹⁰.

Forced or compulsory labor: Any work or service that a person has not offered to do voluntarily and is made to do under the threat of punishment or retaliation or that is demanded as a means of repayment of debt¹¹.

Freedom of association: The right of workers and employers, without distinction whatsoever, to establish and join organizations of their own choosing without previous authorization¹².

⁶ Source: United Nations Development Programme (UNDP) Social and Environmental Standards (SES) Standard 6: Indigenous Peoples.

⁷ Source: UNDP SES Standard 4: Cultural Heritage.

⁸ Source: World Food Programme.

⁹ Source: SA8000 Standard

¹⁰ Source: SA8000 Standard.

¹¹ Source: SA8000 Standard, ILO Convention No. 29.

¹² Source: ILO Convention 87.

Collective bargaining: All negotiations which take place between an employer, a group of employers or one or more employers' organizations, on the one hand, and one or more workers' organizations, on the other, for: (a) determining working conditions and terms of employment; and/or (b) regulating relations between employers and workers; and/or (c) regulating relations between employers or their organizations and a workers' organization or workers' organizations¹³.

Discrimination: Any distinction, exclusion or preference made on the basis of race, color, sex, religion, political opinion, national extraction or social origin (among other characteristics), which has the effect of nullifying or impairing equality of opportunity and treatment in employment or occupation¹⁴.

Abusive practices or undue disciplinary procedures: The use of corporal punishment, mental or physical coercion or verbal abuse of personnel, or other harsh or inhumane treatment in the workplace¹⁵.

Legal and decent working hours: Working hours that comply with applicable laws, collective bargaining agreements (where applicable) and industry standards on working hours, breaks and public holidays¹⁶.

Safe and healthy workplaces: Workplaces in which companies take effective steps to prevent potential health and safety incidents and occupational injury or illness arising out of, associated with, or occurring in the course of work¹⁷.

Living wage: The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events¹⁸.

Fair benefits: Goods and services furnished to employees free of charge or at markedly reduced cost that are clearly and primarily of benefit to the employee. They comprise things such as healthcare, social security (including proper facilitation of employee participation in governmental systems), voluntary savings systems, food, drink, transportation fuel, and other payments in kind; and cost, other than capital cost, of workers' housing borne by employers. These benefits must not be considered as replacement for any regular wages¹⁹.

Vulnerable workers: Workers who may be at greater risk of having their rights violated and for whom special protections should be put in place. Vulnerability is not an absolute term or descriptor and is influenced by various factors that can change depending on geographic region, industry, and season, for example. These types of factors throughout global supply chains can create specific vulnerabilities for populations such as women, young workers, migrant workers, minority populations (indigenous groups and local populations), and temporary workers²⁰.

¹³ Source: ILO Convention 154.

¹⁴ Source: ILO Convention 111.

¹⁵ Source: SA8000 Standard.

¹⁶ Source: SA8000 Standard.

¹⁷ Source: SA8000 Standard.

¹⁸ Source: Global Living Wage Coalition.

¹⁹ Source: based on definitions of in-kind benefits from the Global Living Wage Coalition.

²⁰ Source: based on the Ethical Trade Initiative definition of vulnerable workers.

4. Definitions related to the legal and jurisdictional context for voluntary commitments

Applicable law: National and ratified international laws that apply in a given context or situation.

- *National laws include the laws and regulations of all jurisdictions within a nation (local, regional, and national).*

Jurisdictional system: Governance, monitoring, or enforcement initiatives implemented by a sub-national jurisdiction to help address social and environmental challenges (e.g., deforestation, ecosystem conversion, and negative impacts to human rights) and/or increase social and environmental benefits (e.g., farmer livelihoods, smallholder inclusion, and sustainable forest management).

5. Definitions of different types of supply chain actors

Company: An enterprise, firm, or other organizational and legal entity involved in the production, provision, trade, or sale of goods and services (including financial services). For the purpose of the Accountability Framework, companies are defined to include their subsidiaries, affiliates, joint ventures, and majority holdings. This includes corporate groups under which multiple business entities are affiliated by means of significant ownership shares or financial stakes, or by commonality in directors or senior officers of the same individuals or family relatives.

- *This definition encompasses all company ownership structures, including privately-held, publicly traded, and state-owned companies as well as companies in which states hold an interest.*

Producer: The owner or manager of a farm, estate, plantation, or ranch used to produce agricultural products, or of a forest that is managed at least in part for the harvest of forest products. This includes smallholders, producer groups, and production systems owned or managed by communities.

Smallholder: Small-scale agricultural or forest products producers that are distinct from larger-scale producers found in similar contexts by virtue of many or all of the following characteristics:

- high degree of dependence on family labor
- profits accrue primarily to the farm's or forest's owner and his or her family
- the farm or forest provides a primary source of income for the smallholder
- production units have a relatively small land footprint (relative to the range of production unit sizes for the given commodity and region)
- household resources are allocated to both food crops and cash crops
- relatively low use of agricultural inputs and generally low productivity and yields
- significant economic constraints, such as lack of capital assets and low access to finance
- significant information constraints, including lack of technical knowledge and low access to market information

Consistent with the criteria and parameters outlined in the above definition, numerous governments, international agencies, policies, and sector initiatives provide more specific and quantitative definitions of smallholders, which may differ depending on location, land use type, and commodity. Where companies participate in certification programs, sector programs, or jurisdictional initiatives that define smallholder production, they may adopt those definitions when they appropriately reflect the above characteristics as relevant in the given context.

Primary processor: A business, cooperative, or other entity that conducts the first stage of processing after an agricultural or forestry raw material is harvested. Examples include palm oil mills, slaughterhouses, oilseed aggregation and crushing sites, coffee wet milling facilities, and sawmills processing logs into lumber.

Trader: A business that purchases and sells raw or primary processed agricultural or forestry materials. Traders commonly also provide transport services for these goods. Trading companies may also engage in primary or secondary processing.

Manufacturer: A company that manufactures consumer products from raw or processed agricultural or forestry materials.

Retailer: A company that sells products directly to individual consumers. This includes supermarkets, convenience stores, lumber and home improvement stores, home furnishings stores, online retailers, restaurant chains, and the like.

Supplier: A producer or company that supplies raw materials, processed materials, or finished products to a buyer.

- *Suppliers can include producers, processors, traders, and manufacturers. For instance, farms or processing mills supply raw or processed materials to traders, while manufacturers supply consumer products to retailers.*
- *A given company can be both a supplier and a buyer.*
- *A supplier may either be a direct supplier (selling directly to the buyer) or an indirect supplier (selling to an intermediary that is one or more steps removed from the buyer).*
- *The definitions of supplier and buyer are relevant to the Accountability Framework guidance on monitoring, verification, and supply chain management.*

Buyer: A company that purchases raw materials, processed materials, or finished products from a supplier.

- *Buyers can include processors (e.g., mills or slaughterhouses), traders, manufacturers, and retailers. For instance, traders buy raw or processed materials from farms or processing mills, while retailers buy consumer products from manufacturers.*
- *A given company can be both a supplier and a buyer.*
- *The definitions of supplier and buyer are relevant to the Accountability Framework guidance on monitoring, verification, and supply chain management.*

Upstream: A position in the supply chain closer to the raw material origin.

Upstream company: Companies that buy directly from producers (such as traders and slaughterhouses).

Downstream: A position in the supply chain further from raw material origin and closer to the stage of final sale and consumption.

Downstream company: Companies that do little or no direct purchasing from producers (such as manufacturer and retailers).

6. Definitions related to supply chain management

Production unit: A discrete land area on which a producer cultivates crops, manages timber, or raises livestock.

Supply base: The upstream origin of materials in supply chains. The supply base includes: 1) production units; 2) primary processing facilities and their associated supplysheds; and 3) groups of production units and primary processing facilities located in close geographic proximity and under common or coordinated management.

Supply chain mapping: Documentation of the origins (or potential origins) of material in a supply chain.

Traceability: The ability to identify and trace the history, distribution, location and application of products, parts and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labor, the environment, and anti-corruption.²¹

Control system: A system for assessing and managing the attributes of raw materials or products at their place of production and/or as they move through a value chain.

- *Control systems include certification programs, systems of government regulation and enforcement (including moratoria), jurisdictional management systems, trader and buyer managed control systems, and commercial systems.*

Gap assessment: An assessment of actual performance compared to desired performance (e.g., as defined by the company's commitments, obligations and targets), which results in the identification of gaps that must be filled to achieve the desired performance. Gap assessments inform action plans developed to achieve full compliance. Gap assessments are sometimes referred to as baseline assessments or needs assessments.

Implementation plan (also referred to as an improvement plan, management plan, or corrective action plan): Documentation of the activities, investments, processes, procedures, and methodologies that a company intends to implement at the supply base level to achieve and demonstrate compliance with environmental and social commitments and obligations. Implementation plans may follow from risks assessments, gap assessments, and other processes that identify actual or potential non-compliances, adverse social or environmental impacts, or other improvement needs.

Supplier engagement plan: Documentation of the activities, investments, processes, procedures and methodologies and activities that a buyer intends to implement to ensure that its suppliers comply with the buyer's social and environmental commitments and obligations.

Suspend: Action by a buyer to temporarily pause purchasing from a supplier while continuing to engage the supplier to resolve and remediate non-compliance or other identified issues.

Exclude: Action by a buyer to end a purchasing relationship with a supplier (in the case of a prior or ongoing relationship) or to avoid purchasing from a given supplier (in the case of spot markets or lack of an ongoing purchasing relationship).

²¹ Source: Adapted from UN Global Compact. Definition presented in A Guide to Traceability: A Practical Approach to Advance Sustainability in Global Supply Chains (2014), available at https://www.unglobalcompact.org/docs/issues_doc/supply_chain/Traceability/Guide_to_Traceability.pdf.

7. Definitions related to the assessment of risks and results

Due diligence: A risk management process implemented by a company to identify, prevent, mitigate, and account for how it addresses environmental and social risks and impacts in its operations, supply chains, and investments.

- *Note: This definition of due diligence pertains to environmental and social issues in commodity supply chains, consistent with the scope of the Accountability Framework. Other forms of business due diligence – such as financial and legal due diligence – are not included in this definition.*

Risk: The probability of a potential adverse impact combined with its potential seriousness in terms of consequences, relative importance, and likelihood of occurrence.

Risk assessment: A systematic process of evaluating potential risk in a company's current or future operations, supply chains, and investments.

- *In the context of the Accountability Framework, this term refers to the assessment of risk of non-compliance with the company commitments or applicable law related to the Accountability Framework scope, as well as adverse impacts to internationally recognized human rights. This is different from the use of the term in a general business context, where it refers to assessment of financial risks and the drivers of such risk (e.g., legal risk, credit risk, reputation risk, and others). Risk of adverse social and environmental impacts, including non-compliance with company commitments, can be an important element of broader business risk.*

Low risk: A conclusion, following a risk assessment, that there is negligible or insignificant risk that material produced in or sourced from a given context is non-compliant with one or more aspects of a company's social and environmental commitments or obligations.

- *Low risk is defined per context and risk topic (e.g., aspect of a company's social and environmental commitments or obligations). A given production region may be considered low risk for one aspect of a company's commitment but higher risk for other aspects.*

Compliance (related term: compliance monitoring): The state of complying with or fulfilling a given law, standard, commitment, or target. Compliance assessment is binary. Compliance may be assessed at the level of production or primary processing unit(s) (e.g., farms, farmer groups, or mills), supply chains, or an entire company commitment.

Non-compliance: The state of not complying with or fulfilling (or only partially complying with or fulfilling) a given law, standard, commitment, or target. In the context of the Accountability Framework, non-fulfillment of voluntary commitments, non-compliance with applicable law, and adverse impacts to internationally recognized human rights are all considered instances of non-compliance

Actions: Activities, improvement processes, or practices that a company is carrying out to implement its commitments or those of its customers. Actions may be based, for instance, on best practices identified in the Accountability Framework or other credible standards and frameworks and/or on specific activities identified in action plans or engagement plans.

Performance (related term: performance monitoring): Quantitative or qualitative measures of social and environmental conditions or outcomes related to a stated goal or target (such as a company commitment).

Progress (related term: progress monitoring): Advancement toward fulfilling environmental and social commitments. 'Progress' is a general term that can refer to actions and/or improvements in performance that demonstrate, or serve as credible proxies for, positive change toward fulfilling commitments.

Outcome: Social, environmental, or other conditions or results.

- *Outcomes are associated with "on the ground" conditions within farms, forests, processing facilities, and landscapes. These outcomes may also be assessed and reported in aggregate (e.g., at business unit or supply chain level), with reference to these same place-based social and environmental results.*

8. Definitions related to monitoring, verification, and reporting

Audit/auditing: Systematic, documented process for obtaining records, statements of fact or other relevant information and assessing them objectively to determine the extent to which specified requirements are fulfilled.

Assurance: Demonstrable evidence that specified requirements relating to a product, process, system, person, or body are fulfilled.

Metric: An objective and verifiable measure used to assess conditions, outcomes, or trends (e.g., in relation to a given land area, facility, supply chain, company, process, or system).

- *The Accountability Framework uses this term, rather than the closely related term 'indicator', although the terms may often be used interchangeably.*

An objective and verifiable measure used to assess conditions, outcomes, or trends (e.g., in relation to a given land area, facility, supply chain, company, process, or system).

- *The Accountability Framework uses this term, rather than the closely related term 'indicator', although the terms may often be used interchangeably.*

Monitoring: A continuing function that uses systematic collection of data on specific indicators to provide indications of the extent to which actions, progress, performance, and compliance are being achieved.

Verification: Assessment and validation of compliance, performance, and/or actions (as defined below) relative to a stated commitment, standard, or target. Verification processes typically utilize monitoring data but may also include other sources of information and analysis.

- **First-party verification** is conducted by the company itself but carried out by personnel not involved in the design or implementation of the operations being verified.²²
- **Second-party verification** conducted by a related entity with an interest in the company or operation being assessed, such the business customer of a production/processing operation or a contractor that also provides services other than verification.
- **Third-party verification** is conducted by an independent entity that does not provide other services to the company.

Oversight: The act of overseeing an assurance provider's (e.g., verification entity) work to ensure the quality and legitimacy of the verification process.

Reporting: Conveyance of information on compliance, performance, or actions from one party to another.

- *In the context of supply chain commitments in the Accountability Framework, reporting is typically from suppliers to buyers, supply chain companies to financial institutions, and all types of companies to external stakeholders (e.g., government, civil society, and the general public). Reporting can be public (see*

²² The concept of verification signifies that information is validated by persons other than those involved in the operation or entity being assessed. Thus, even in the case of first-party verification, a person or team separate from the operation or unit being assessed should be designated to carry out the verification. Data collection or assessment carried out by personnel involved in the operation or unit being assessed is generally considered to be monitoring but not verification.

definition of disclosure) or private (e.g., internal, bi-lateral party-to-party, or one-to-many via supplier reporting platforms).

Disclosure: Public sharing of information by companies. This can include reporting that is available to the public as well as free public sharing of other information, such as company policies and commitments; company business structures, affiliates, and financial interests; supplier lists; conflicts of interest; or political action (lobbying, campaign contributions, etc.). Disclosure is a mechanism for transparency.

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