

The Accountability Framework

Operational Guidance on Applying Voluntary Commitments in Context

DRAFT FOR WORKSHOPPING
December 2018

DECEMBER 2018 DRAFT FOR 'WORKSHOPPING' WITH STAKEHOLDERS

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 provides guidance on how companies' voluntary commitments should be implemented alongside other governance processes and requirements. This alignment can lead to several positive outcomes:

- Companies are better able to fulfill their commitments and demonstrate results
- Companies are able to reduce legal, regulatory, and reputational risk related to potential conflicts or ambiguities between voluntary commitments and government requirements
- Companies are better able to support broader positive impacts on the ground (i.e., larger-scale and longer-term social and environmental improvements) through collaboration with government and other actors

The guidance provides good practice and examples on:

1. How companies should engage with government, peer companies, and other stakeholders to address elements of their commitments beyond their full manageable control (for instance, land governance or enforcement of forest protections)
2. How companies may utilize jurisdictional governance or monitoring initiatives to help fulfill – and demonstrate fulfillment of – their voluntary commitments

This document relates closely to the Operational Guidance on: 1) *The Relationship Between Voluntary Commitments and Applicable Law*, 2) *Supply Chain Management*, and 3) *Monitoring & Verification*.

1. Introduction

A company's supply chain commitment does not operate in a vacuum. It coexists with legal obligations that must be considered to ensure that implementation does not run afoul of the law, and it interacts with dynamics beyond the company's own control that are often driven or impacted by policies, programs, and actions undertaken by other companies, government entities, communities, and other actors. Companies may be able to effectively address certain issues covered by their supply chain commitments at the level of a production unit (e.g., respect for worker rights or protection of local water bodies). Other issues (e.g., halting deforestation and conversion or ensuring long-term protection of natural ecosystems) may require working beyond the bounds of supply chains to consider the broader landscape and the other actors and actions that shape it. For this reason, working with other stakeholders to address the broader context may be necessary for a company to achieve a deforestation- or conversion-free supply chain, to contribute to these outcomes at a scale beyond the bounds of its own supply chains, and in many cases also to ensure respect for human rights.

The Accountability Framework Core Principles articulate several relevant principles that this Operational Guidance further elaborates. [Core Principles 3](#) and [7](#) outline the role for companies to work with other stakeholders to achieve supply chains that are deforestation- and conversion-free and respect human rights. This includes encouraging broader adoption of responsible production and trade practices (as defined in the Accountability Framework) and creating enabling conditions that support positive outcomes at scale. Section 2 below offers guidance on how companies can engage with other stakeholders to address deforestation and conversion, land governance, and human rights impacts beyond their own supply chains. [Core Principle 2](#) highlights the potential role of landscape- or jurisdiction-level systems in supporting responsible supply chains. Section 3 below provides additional detail regarding how companies can make use of these systems to help address supply risk and fulfill commitments.

2. Engaging stakeholders to address challenges beyond the company's full manageable control

Sometimes companies are not able to fully address challenges related to deforestation, ecosystem conversion, or adverse impacts to human rights by working alone. Rather, concerted and integrated actions of multiple parties may be needed to overcome systemic challenges in commodity-producing geographies. Key challenges can include land tenure conflict and insecurity, inequitable decision making around economic development and conservation, limited knowledge or capital to adopt responsible land management techniques, ineffective implementation of applicable laws, limited enforcement capacity, corruption, and smallholder exclusion from value chains. While such challenges often lie beyond the full control of companies working to fulfill supply chain commitments, failure to address them may undermine companies' efforts and prevent them from meeting their commitments.

To address this situation, the following sub-sections list practical actions that companies could take to address these broader challenges through collective action, commensurate with their sourcing or production footprint, position in the value chain, and ability to contribute to lasting solutions beyond their full manageable control.

2.1 Actions for companies at all positions of the value chain¹

The following are possible approaches that companies at any stage of the supply chain might take in order to address systemic challenges:

1. Developing a stakeholder engagement plan for each jurisdiction in which a company operates. Stakeholders may include, among others, indigenous peoples, local communities, or smallholders affected by deforestation, conversion, and human rights impacts; civil society actors; other companies operating in the same sector or jurisdiction; suppliers and purchasers along the supply chains of which the companies are a part; and governments in the jurisdictions where the subject commodities are produced.
2. Engaging in multi-stakeholder planning and policy efforts to improve land use planning and governance, respect human rights, and reduce deforestation and conversion in commodity-producing jurisdictions where a company produces, sources, trades, processes, or finances commodities.
 - The type and degree of engagement may differ depending on a company's proximity in the value chain to the point of production and its relative significance (e.g., percent of volume purchased) in the value chain position that it occupies. For example, there is a strong case for producers and traders that operate in a production geography, and for manufacturers and retailers that sell products using a significant percentage of a commodity produced in a geography, to actively participate in and support multi-stakeholder initiatives in those geographies. Companies that are more removed from the point of production and that have a small footprint with respect to the production volume of a given jurisdiction might engage in less direct ways, for example by voicing support for these multi-stakeholder efforts.²
 - Participation may include attending and actively contributing to meetings; sharing experiences and technical expertise; offering to incorporate or pilot-test best practices or new approaches in the company's own operations or through its supplier relationships; and contributing funds or technical capacity to further the multi-stakeholder efforts. Multi-stakeholder or government-led initiatives may also provide mechanisms for companies to help ensure long-term forest and ecosystem conservation on the ground. In these cases, financial contributions to such efforts can

¹ The full value chain comprises companies that produce, process, or trade commodities; that manufacture or sell products containing commodities; and that provide finance to any other company in the value chain.

² Participation by palm oil producers Wilmar and Sime Darby in Sabah, Malaysia's Jurisdictional Certification Steering Committee is an example of the former. The pledge by Unilever and Marks & Spencer to preferentially source commodities from jurisdictions making progress against deforestation (which would include jurisdictions where the companies may be minor players) is an example of the latter.

be a way to demonstrate fulfillment of deforestation-free or conversion-free outcomes, as will be further elaborated in the forthcoming *Operational Guidance on Long-Term Protection*.

- Companies operating in commodity-producing jurisdictions where such multi-stakeholder efforts are not already underway or are not effective can work with relevant stakeholders to launch or strengthen them.
3. Actively encouraging suppliers and customers to support multi-stakeholder planning and policy efforts in the jurisdictions in which they operate.
 4. Working with other stakeholders to advocate that relevant government bodies provide easy public access to the applicable laws with which companies must comply, as well as existing data that can help support monitoring of commodity production, land-cover change, and respect for human rights relative to company commitments.³
 5. Ensuring that any advocacy and other forms of government engagement undertaken at any level is consistent with the company's legal obligations, voluntary commitments, and the elements of the Accountability Framework.

2.2 Additional actions for producers, producer groups, and primary processors

1. Sharing farm or concession boundaries, HCV/HCS maps, and other relevant spatial data, as well as land management plans with other stakeholders in the jurisdiction to facilitate efforts at land use planning, monitoring, and enforcement beyond the level of a production unit.
2. Sharing applicable improved agricultural practices and technologies with smallholders and communities in the jurisdictions where the company operates to promote increased productivity and resource-use efficiency on existing production lands.

2.3 Additional actions for commodity-purchasing and financing companies

1. Engaging with peers sourcing from or providing financing in the same jurisdiction to encourage and support commodity suppliers to adopt and implement practices that comply with the company's commitments in line with Accountability Framework guidance.
2. Financially supporting, or facilitating financial support from other sources, for:
 - suppliers of any size to adopt improved agricultural practices and technologies, and ensure that use of these practices and technologies are linked to forest and ecosystem conservation outcomes; or
 - large suppliers to establish effective mechanisms for undertaking human rights due diligence, risk management, monitoring, verification, and grievance resolution.
3. Remaining engaged in geographies characterized by high social or environmental risk or poor governance and working to assess and mitigate these risks. This may involve continued association with existing suppliers in those geographies that meet Accountability Framework guidance, engagement with suppliers that do not presently meet the guidance to help them to do so, and engagement with other stakeholders in the geography to improve enabling conditions needed to address deforestation, conversion, and human rights challenges at scale.
4. Preferentially sourcing from or providing financing to companies meeting Accountability Framework guidance that are located in jurisdictions making progress on reducing deforestation, conversion, and human rights abuses. Similarly, signaling intent to preferentially source or provide financing to such companies if the jurisdictions in which they are located demonstrate such outcomes in the future.

³ Such data typically include the boundaries of various land units and land-use designations (e.g., protected areas, current and planned concessions, and other management designations); areas subject to customary or formal rights of indigenous peoples and local communities; land use plans; cadastral maps; and data associated with the administration of agriculture, forestry, and other land uses. In Brazil, for example, these data include animal transport data (GTA), forest documents (DOF), and the rural register with land ownership data (CAR-CPF). Data could also include monies paid to the government in respect of concessions. Agricultural concessions in Liberia, for example, disclose area-based and production-based taxes paid to the government.

Invitation for input

What information would be useful to further define *how companies should contribute* to addressing issues beyond their full manageable control and *how such actions can be tracked and documented* to facilitate accountability based on companies' contributions to solving key challenges related to deforestation, conversion, land governance, and human rights in the jurisdictions where they operate, source, or provide financing? Are there existing experiences or best practices (from your organization or others) that could inform the development of this guidance?

Balancing continued engagement in laggard jurisdictions with preferential sourcing from leadership jurisdictions

Companies that are confronted with a choice of jurisdictions in which to do business might think to disengage from those characterized by high social or environmental risk or poor governance as a way to avoid being associated with this risk, even though they currently source from individual suppliers in those jurisdictions that fulfill company commitments. This is strongly discouraged. Instead, commodity-buying companies can leverage their market power to improve performance rather than creating a demand vacuum that might be filled by companies with less concern for deforestation, conversion, or respect for human rights. Companies are encouraged to continue sourcing from suppliers that meet company commitments by applying Accountability Framework guidance, and to work with them alongside other stakeholders in the jurisdiction to address the challenges that elevate the jurisdiction's risk profile. Publicly communicating these efforts can help other stakeholders understand the rationale for continued engagement in risky jurisdictions, and can galvanize other actors to similarly engage for positive change.

At the same time, companies can provide strong market signals in support of scaled efforts to address deforestation, conversion, and human rights challenges by preferentially sourcing from suppliers that meet company commitments and are located in jurisdictions that are making progress against these objectives. This both rewards jurisdictions that are taking the necessary actions to address these challenges at scale with greater market access and provides incentives for lower performing jurisdictions to improve. Even as they continue to engage in and with laggard jurisdictions, companies can direct (and clearly signal their intent to direct) new purchasing to suppliers in leadership jurisdictions. In some cases, these new supplies may replace commodities from former suppliers that have remained non-compliant with little improvement despite good-faith engagement efforts from the buyer.

3. Using jurisdictional systems to help fulfill voluntary supply chain commitments

The Accountability Framework specifies what companies must do to ensure and demonstrate fulfillment of supply chains commitments and responsibilities related to deforestation, conversion, and respect for human rights. These actions include (among others) supply chain mapping and traceability, supplier management, monitoring, verification, and reporting. In some contexts, companies may utilize jurisdictional governance, monitoring, or enforcement instruments (collectively referred to as "jurisdictional systems") to help fulfill one or more of these functions. Types of jurisdictional systems that companies might use include:

- **Datasets**, including baseline forest cover provided by national forest monitoring systems, carbon stock estimates generated by LIDAR mapping, lists of embargoed suppliers, or evaluations of social risk linked to commodity production in a jurisdiction
- **Monitoring mechanisms**, such as remote sensing tools that monitor land cover change across jurisdictions, including national forest monitoring systems
- **Verification or enforcement systems**, such as government-led systems that require certain parameters or elements of compliance to be verified across an entire jurisdiction
- **Land governance systems** that integrate land-use planning, land designation, and enforcement; market-based incentives; and/or other mechanisms to address deforestation, conversion, and land

governance holistically across an entire jurisdiction (e.g., some jurisdictional REDD+ programs or other multi-stakeholder initiatives working to address deforestation in specific geographies)

Regardless of the function for which they are used, robust jurisdictional systems should generally have broad geographic coverage, a mechanism for identifying actors that cause deforestation, conversion, or adverse impacts to human rights and addressing the harm caused, and are accurate, impartial, transparent (in both methodology and outcomes), human rights based, and generally accepted by landscape stakeholders. Ultimate responsibility rests with companies to fulfill their supply chain commitments, demonstrate such fulfillment, and determine whether and how to use jurisdictional systems to help do so.

The AFi has no preference as to whether companies use systems focused at the level of the production unit or the jurisdiction to demonstrate fulfillment of their commitments, so long as the chosen systems are sufficiently robust to serve the risk assessment, monitoring, or verification function for which they are being used.⁴ Where robust jurisdictional systems that provide property-level risk assessment, monitoring, or verification exist, these systems should not be substituted by jurisdictional systems that provide these functions at lower resolution (e.g. at the level of a political boundary).⁵

To fulfill *monitoring and verification functions* for commitments related to halting deforestation and conversion, jurisdictional systems must provide either: a) accurate site-level monitoring (so that the system can be used to monitor specific production units) and/or b) a deforestation- or conversion-free land governance scheme paired with effective enforcement functions (so that the system can demonstrate no or only a minimal level of deforestation or conversion at a jurisdictional level). For example, regional moratoria (like those for soy and cattle in the Amazon) use monitoring and verification systems that provide property-level information on deforestation across a large region, while jurisdictional REDD+ programs provide jurisdictional level information on deforestation. Companies could use either type of system if it is robust and demonstrates that no or only a minimal level of deforestation or conversion is occurring.

If a jurisdiction can be shown to have low risk⁶ of deforestation, conversion, or adverse impacts to human rights using robust systems, then:

- Producers who manage production units within the jurisdiction, and companies that purchase commodities from them, need not monitor or verify at the level of the individual production unit the subject topics that are effectively addressed at the level of the jurisdiction by the jurisdictional system.
- Commodity-buying companies that source from the jurisdiction do not need to establish traceability beyond the level of the jurisdiction.
- Companies that follow the guidance in the two bullets above should disclose their reason for sourcing from the jurisdictions in question and the methodology that identified the jurisdictions as low risk.

⁴ While a company's *supply chain management, monitoring, and verification systems* may be managed at the production unit/supply chain level, the jurisdictional level, or both (using effective instruments at each level), its *implementation approach* must consider both the supply chain and the broader context, as elaborated in Section 3 above. This is essential to ensure that the company is adequately addressing, or contributing to addressing, key issues beyond its full manageable control.

⁵ For example, the Amazon Soy Moratorium and the Cattle Agreement use data spanning the Amazon biome to monitor deforestation at a resolution that is precise to level of property boundaries. Companies sourcing from or financing operations in this region should not use a system that monitors deforestation at a lower resolution than property-level (e.g., municipal level) to fulfill the monitoring component of their supply chain commitment.

⁶ Low risk is defined as "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." The AFi is developing further guidance on the meaning of "low risk" and how to assess it in the context of deforestation- and conversion-free supply chains.

Invitation for input

The Accountability Framework clarifies that a precondition for responsible supply chains is for companies to adequately address deforestation, conversion, and human rights in their production and sourcing activities. Should the Accountability Framework provide specialized guidance on sourcing from jurisdictions that are making consistent and significant improvements to address deforestation drivers, enable inclusive development, and respect human rights? If yes, what safeguards and monitoring and verification requirements could apply to such sourcing?

4. Tools and resources

Organizations, governments, and companies are increasingly working to develop tools that may be used to improve alignment and compliance with jurisdictional approaches and other initiatives that operate across a broader landscape.

4.1 Identifying jurisdictions for preferential sourcing

There are already several frameworks and tools that can help companies make decisions about where they might direct preferential sourcing efforts. Two indicative examples are summarized below.

The Commodities/Jurisdiction Approach⁷ evaluates jurisdictional initiatives on the basis of their inclusion of several elements: 1) a strategy for reducing emissions from land use while increasing agricultural productivity and improving livelihoods; 2) a system for measuring and monitoring reductions in emissions from deforestation against an established baseline; 3) a commitment to adhere and monitor adherence to social and environmental safeguards; 4) high-level political commitment to, and support for, the jurisdictional initiative; 5) stakeholder engagement in development and implementation of the initiative; and 6) an ambitious Nationally Determined Contribution (at the national level) under the UNFCCC. Jurisdictions that meet these criteria are listed to inform companies wishing to source from such jurisdictions.

The &Green Fund⁸ invests money from bilateral and multilateral donor agencies, companies, and foundations in inclusive, sustainable, and deforestation-free commodity production. Investment criteria limit funding eligibility to projects in jurisdictions that have: 1) globally significant quantity and quality of forest and/or peatland; 2) a clear strategy for tracking deforestation reductions against historic trends in the jurisdiction; 3) timely progress toward meeting a strategy for reducing deforestation; 4) a transparent system for monitoring, measuring, reporting, and verifying deforestation reductions; and 5) documented progress toward implementing the social and environmental safeguards of the Cancun Agreement.

4.2 Monitoring deforestation and conversion at jurisdictional scale

Several existing tools may help companies monitor and verify the level of deforestation or conversion in a jurisdiction, including nationally developed tools that track these trends such as PRODES in Brazil, and global tools like Global Forest Watch, Trase, and the Governors Climate and Forest Taskforce Impact Platform and Knowledge Database.

The PRODES project monitors deforestation in the Brazilian Legal Amazon, and has documented annual deforestation rates for the region since 1988. The Brazilian government uses these figures to establish public

⁷ <https://commoditiesjurisdictions.wordpress.com/approach/>

⁸ <http://www.andgreen.fund/>

policy, including defining access to credit in the Amazon biome, establishing deforestation reduction goals, and soliciting funds to reduce deforestation.

Global Forest Watch⁹ offers a map and dashboard system that spatially and graphically shows tree cover loss and tree cover gain across the world. These data are not equivalent to deforestation and reforestation but may be useful as a first cut for assessing forest-related change in a jurisdiction.

Trase¹⁰ compiles trade data for deforestation-risk commodities including municipality of production, exporter, importer, and destination country. These data are overlaid with other information including deforestation metrics and whether the exporters have made a deforestation-free commitment.

The Governors Climate and Forest Taskforce Impact Platform¹¹ and Knowledge Database¹² are two web tools that provide a number of metrics for each jurisdiction that is a member of the Task Force, including forest cover percentage, deforestation rate, avoided deforestation, total deforested area, and drivers of deforestation.

4.3 Risk assessment and due diligence

A few tools may help companies with risk assessment and due diligence functions for commitments related to human rights.

The NEPCon Sourcing Hub¹³ evaluates the social risk associated with the timber, beef, soy, and palm oil sectors by specifying risks at country, and in certain cases, sub-national levels. Risk is quantified and ranked along four categories: legal employment, health and safety, ILO Fundamental Conventions, and Indigenous and Traditional Peoples' rights. The rating is listed for both smallholder and estate systems.

The Global Map of Environmental and Social Risks in Agro-Commodity Production (GMAP)¹⁴ is an online tool that helps users conduct systematic, high-level environmental and social due diligence associated with trade finance and short-term finance (STF). In the case of direct investments (project or corporate finance) or other non-trade/STF investments through financial intermediaries, the GMAP can provide a first-level assessment of agro-commodity risks. It identifies and scores risks for commodity-related investments in producer countries focusing on child labor, forced labor, and biodiversity at national level.

The Global Forest Registry¹⁵ maps national-level risk associated with sourcing timber; although designed for the timber sector, some of the indicators of social risk could apply to other commodity sectors as well. Five types of risks are quantified by jurisdiction: legality; traditional, civil, and collective rights; adverse impacts to High Conservation Values; forest conversion; and genetically modified organisms. The risk characterization associated with traditional, civil, and collective rights for a given country is based on four indicators: presence of a UN Security Council ban on timber exports from the country concerned; presence of a designation at the national or sub-national level as a source of conflict timber; evidence of child labor or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the jurisdiction concerned; and presence of recognized and equitable processes to resolve conflicts of substantial magnitude pertaining to traditional rights including use rights, cultural interests, or traditional cultural identity in the jurisdiction concerned.

⁹ <https://www.globalforestwatch.org/>

¹⁰ <https://trase.earth/>

¹¹ <http://gcfimpact.org/>

¹² <http://www.gcftaskforce-database.org/>

¹³ <https://www.nepcon.org/sourcinghub>

¹⁴ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/gmap

¹⁵ <http://globalforestregistry.org/>