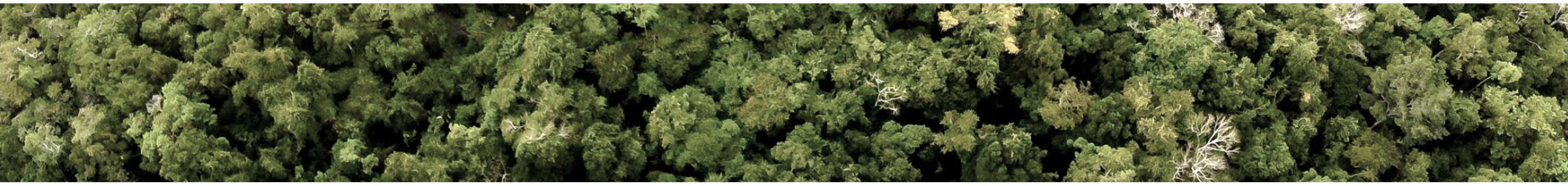

Accountability Framework

The Accountability Framework

Operational Guidance on Reporting and Disclosure

DRAFT FOR WORKSHOPPING
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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 workshopping 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

As an increasing number of companies make commitments to ethical supply chains, expectations for corporate reporting and disclosure on sustainability issues have increased as well. To meet the information needs of investors, business partners, governments, civil society, and consumers, companies must communicate their progress toward implementation and achievement of their commitments through accurate, thorough, and timely reporting. This Operational Guidance elaborates on Core Principle 9 to specify good practice for company reporting against commitments related to the Accountability Framework's scope (i.e., halting deforestation and ecosystem conversion and respecting human rights).

The guidance address three main types of reporting and disclosure:

- **Regular public reporting:** Section 1 of the guidance outlines good practices for aggregate-level reporting on the implementation and outcomes of ethical supply chain commitments. This includes reporting on exposure to supply chain risks, management systems intended to implement and monitor commitments, traceability of supply chain volume, and outcomes related to each element of the company's commitments. This section also clarifies the relationship between the Accountability Framework and the commonly used Global Reporting Initiative (GRI) standards.
- **Information disclosure regarding the supply base and suppliers:** Section 2 specifies the information that companies should disclose about their suppliers, supply origins, and the nature and status of any associated non-compliances and grievances. This information is intended to help foster greater transparency and stronger accountability around responsible supply chains.
- **Business-to-business (B2B) reporting:** Section 3 describes good practices and options for B2B reporting and information sharing to help ensure effective risk management, supply chain management, and sharing of information from producers and upstream companies to downstream companies and financiers in standardized and commonly accepted ways. Such B2B reporting can help commodity buyers and financiers to make better decisions and operate more effective management systems to fulfill commitments across their entire sourcing or financing portfolios.

Introduction

The Accountability Framework is intended to clarify the ways in which companies can demonstrate progress and outcomes related to responsible supply chain commitments. Reporting and disclosure is central to the AFi's goal of driving faster progress, stronger accountability, and clearer incentives for responsible production and trade. The Accountability Framework is not a certification or verification standard, nor is the AFi conducting its own rating or assessment of the performance of specific companies. Rather, the Framework provides a common set of guidelines for reporting on these commitments. These guidelines explain how existing mechanisms for reporting, disclosure, and assessment – including company sustainability reports, public disclosure, and business-to-business (B2B) reporting platforms – can be used effectively to enable companies to fulfill stakeholders' reporting and disclosure expectations and make informed decisions about their supply chains.

Claims related to supply chain commitments and to the Accountability Framework

Companies are encouraged to communicate their intent to follow the Accountability Framework, and to use it to guide how they track and report progress toward fulfilling their commitments. However, since the Accountability Framework is not a certification system, the AFi does not intend to support company claims regarding compliance to the Framework itself.

Reporting that follows this Operational Guidance can help inform and substantiate credible company claims related to supply chain commitments by documenting progress toward halting deforestation and ecosystem conversion and respecting human rights in common, interpretable, and technically sound ways. The AFi intends to develop further guidance on credible claims as part of the next revision of this document.

1. Regular public reporting

As specified in Core Principle 9, companies that have issued ethical supply chain commitments should report progress and outcomes related to the implementation of these commitments on a regular basis, at least once per year. These reports are a primary mechanism by which companies communicate information about the policies and systems in place to implement their commitments as well as the environmental and social outcomes and compliance of their operations and supply chains. Reports should address all segments of a company's business for which agricultural and forestry commodities pose environmental or social risks.[1] Any exclusions should be identified and justified in reports based on risk analysis or similar legitimate prioritization method.

1.1 Principles and practices for effective public reporting

Company reporting should follow commonly accepted standards and guidelines for content, completeness, and quality. The reporting principles defined by the Global Reporting Initiative (GRI) provide a thorough set of general attributes that define effective reporting on environmental, social, and governance issues (see Box 1). Several other reporting frameworks, such as the United Nations Guiding Principles (UNGP) Reporting Framework, also lay out principles for effective reporting. Companies are encouraged to consider these principles when reporting on commitments within the scope of the Accountability Framework.

[1] As specified in Core Principle C1, commitments are expected to apply to all segments of the company for which agricultural and forestry commodities pose environmental or social risks; their scope is not limited to specific markets, product lines, ownerships, or geographies. Company reporting should cover at least this same broad scope. This is the case even if a company's commitments do not yet apply to all areas of the business for which agricultural and forestry commodities pose environmental or social risks. If the company has other lines of business beyond agricultural and forestry production, trade, manufacturing, or retailing, then reporting related to activities in these sectors may be included as part of a broader company-wide sustainability report.

Box 1: Global Reporting Initiative (GRI) reporting principles

The GRI Standard 101 provides general reporting principles for defining the appropriate scope, content, quality, and characteristics of effective public reporting. These principles are excerpted below from the GRI Standard 101:

1.1 **Stakeholder inclusiveness**: The reporting organization shall identify its stakeholders and explain how it has responded to their reasonable expectations and interests.

1.2 **Sustainability context:** The report shall present the reporting organization's performance in the wider context of sustainability.

1.3 **Materiality:** The report shall cover topics that:
1.3.1 reflect the reporting organization's significant economic, environmental, and social impacts; or
1.3.2 substantively influence the assessments and decisions of stakeholders.

1.4 **Completeness:** The report shall include coverage of material topics and their boundaries, sufficient to reflect significant economic, environmental, and social impacts, and to enable stakeholders to assess the reporting organization's performance in the reporting period.

1.5 **Accuracy:** The reported information shall be sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance.

1.6 **Balance:** The reported information shall reflect positive and negative aspects of the reporting organization's performance to enable a reasoned assessment of overall performance.

1.7 **Clarity**: The reporting organization shall make information available in a manner that is understandable and accessible to stakeholders using that information.

1.8 **Comparability:** The reporting organization shall select, compile, and report information consistently. The reported information shall be presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and that could support analysis relative to other organizations.

1.9 **Reliability:** The reporting organization shall gather, record, compile, analyze, and report information and processes used in the preparation of the report in a way that they can be subject to examination, and that establishes the quality and materiality of the information.

1.10 **Timeliness:** The reporting organization shall report on a regular schedule so that information is available in time for stakeholders to make informed decisions.

1.1.1 Use of standardized, accepted, and technically sound reporting standards and metrics

In addition to the above principles, reports should use standardized, technically sound, and appropriate metrics to facilitate comparability of findings over time and between companies, geographies, and sectors. Metrics should be selected to ensure that the reported information is sufficiently accurate and detailed for stakeholders to assess company performance relative to supply chain commitments. Other sections of the Accountability Framework – including the *Terms and Definitions* – provide a basis to inform the selection of standardized and technically sound metrics, as described further in Section 1.3, below.

On reporting topics for which they are available and applicable, existing reporting standards and metrics can be used to help improve the standardization and credibility of reported information. For instance, in addition to the general reporting principles summarized above, the GRI provides reporting standards on a broad range of environmental, social, and governance topics. For reporting on human rights compliance, progress, and risk, other frameworks such as the UNGP Reporting Framework provide guidance and questions for companies to use to structure their reporting on these topics[2]. Where credible frameworks such as these are applicable and

[2] See https://www.ungpreporting.org/.

sufficiently detailed, companies are encouraged to apply them; where additional detail or specification on reporting practices for topics within the Accountability Framework scope is needed (e.g., regarding adherence to deforestation-free and conversion-free commitments and the rights of indigenous peoples and local communities), the Accountability Framework seeks to provide such detail as a complement to existing available reporting guidelines. This approach is reflected in the specific reporting scope and practices elaborated in Sections 1.2 and 1.3, below.

1.1.2 Accessibility of reported information to stakeholders

Company reporting should be freely and readily available to the public. Full reports should be published in formats and languages that are accessible to primary stakeholders, including relevant governments, industry groups, investors, civil society, and tracking and assessment initiatives. Relevant components of public reports should be made further accessible to local stakeholders, where appropriate, as part of the company's overall stakeholder engagement processes and activities. Companies should provide opportunities for public comment on reports and on all components of company operations and commitment implementation, and should respond to such input as warranted to foster open stakeholder engagement.

1.2 Reporting on company attributes, profile, and governance

Company reports should include relevant contextual information on the company's profile, governance, markets, employees, reporting practice, and other information necessary for stakeholders to understand the scope of the company's business, the ways in which its business may be associated with social and environmental risks and impacts, and company-wide systems or mechanisms to manage such risk and impact. GRI Standard 102 provides a detailed list of such disclosures, and may serve as a guide to companies working to provide comprehensive information through their regular reporting.

1.3 Reporting on management systems related to the implementation of commitments

Companies should report on the implementation mechanisms and management systems that are used to implement and monitor compliance with commitments. This includes both a company's own systems and processes and those of suppliers and other entities in its supply chain, as assessed through monitoring and other control and traceability mechanisms (*see Operational Guidance on Monitoring and Verification*). GRI Standard 103 provides a well-developed format for reporting on various aspects of management systems that pertain to each aspect of implementation and monitoring of commitments, and companies are encouraged to use this standard or similar approaches. In relation to commitments to responsible agricultural and forestry supply chains, such reporting should address:

- Presence of specific, public, time-bound commitments for commodity supply chains, as well as the scope of those commitments, any exclusions, and justification for any exclusions based on credible risk assessment (Core Principle C1)
- Methodologies and outcomes of applicable law assessments undertaken to identify key legal requirements related to environmental and human rights topics within the scope of the company's business (Core Principle C4)
- The methodology and outcomes of risk assessments carried out to identify operations and suppliers at heightened risk of non-compliance with company commitments and to prioritize implementation and monitoring efforts accordingly (Core Principle 2.1)
- Management systems and control mechanisms used to improve traceability, assess levels of compliance, identify and engage non-compliant operations and suppliers, address and remedy non-compliance, and suspend or exclude non-compliant suppliers as necessary (Core Principle 2.2 and Core Principle 3)

- Systems and procedures to ensure that commitments are fulfilled as part of land acquisition and site development processes, such as the conduct of environmental and social impact assessments and other relevant studies, FPIC processes, and the enactment of mutually agreed implementation plans (Core Principle 4)
- Systems and practices to ensure the long-term protection of areas of ecological and cultural value (Core Principle 5)
- Procedures to receive and address grievances and complaints from affected parties and other stakeholders (Core Principle 6)
- Policies and activities carried out to ensure effective stakeholder engagement, including with smallholders, indigenous peoples, local communities, and other stakeholders as warranted (Core Principle 7)
- Monitoring systems – including tools, methods, and data sources – used to assess compliance and progress relative to supply chain commitments (Core Principle 8)
- Scope and methods for verifying of information gathered through monitoring and other forms of assessment (Core Principle 8)

The management systems and approaches used to implement commitments will differ based on the position of companies within the supply chain and level of supply chain visibility. Downstream companies may depend more heavily on risk assessments and on control mechanisms of their direct or indirect suppliers or partners (e.g., certification programs) to implement and monitor commitments. Producers and upstream companies may require systems to assess and monitor land use and to engage with communities to implement commitments effectively.

1.4 Reporting on compliance with commitments

Companies should report accurate and complete information regarding the degree of progress toward fulfilling their commitments and meeting any specific targets or milestones specified in relation to these commitments. This reporting should include information about the extent to which sources are known (through traceability and/or effective control systems), the present degree of compliance, the rate and manner by which the company is progressing toward full compliance, and the outcomes or impacts of company operations and supply chains on deforestation, conversion, and human rights.

1.4.1 Traceability

Companies should report on the extent to which the origins of materials in their supply chains are known (i.e., traceability) and, where origins are known, the extent to which the degree of compliance with company commitments is also known. More specifically, reporting should characterize the following:

1. **Traceability:** Companies should report on the *proportion of supply chain volume that is traceable to different supply stages (e.g., farm, farmer group, mill, or silo) or areas of origin (e.g., municipality or district)*. This information should be disaggregated by relevant factors including commodity, sourcing origin (e.g., country), or major suppliers (e.g., degree of traceability of product purchased from trader X versus trader Y).
2. **Degree to which level of compliance is known:** Companies should report on the *proportion of supply chain volume for which the level of compliance is known*. This information should be disaggregated by the same kinds of relevant factors noted in the element above. If the company uses effective control systems to manage or ensure compliance of upstream suppliers (see Section 2 of the *Operational Guidance on Supply Chain Management*), the identity of each such control system and associated product volume should be specified.

1.4.2 Outcomes

Regular public reporting should provide information on the degree of compliance with, or progress toward, supply chain commitments. This information should enable stakeholders to understand the extent to which companies have fulfilled their commitments and interim milestones and targets toward them as well as year-on-year trends toward such goals and milestones.

Information on compliance and progress may be derived through several different approaches and sources. These include:

1. monitoring data on the company's own operations (e.g., production or processing sites) or supplier operations, collected by the company itself or by the company's service providers or auditors; *this approach is most relevant for producers, upstream companies, and companies with visibility to the production base*
2. receipt and aggregation of monitoring and management data collected by the company's suppliers and furnished to the company upon request; *this approach is most relevant for downstream companies and companies with limited supply chain visibility*
3. data gathered through risk assessments that identifies the extent and origins of sourcing from low-risk sources, geographies, or jurisdictions
4. summary of grievances and concerns received by the company (or otherwise known through reasonable efforts by the company) and the company's response to these
5. verification conducted in the context of certification programs or other assurance processes
6. evidence of compliance with national laws or jurisdictional programs that serves to demonstrate compliance with or progress toward aspects of the company's commitment

In order to facilitate clear interpretation and comparability of reported information, metrics used for reporting on outcomes related to commitments should:

- quantify or describe such outcomes in both absolute terms (e.g., numbers of hectares or persons affected) and relative terms (e.g., proportion of the company's supply volume or proportion of its landbank affected);
- refer to a consistent scope across metrics and topics, including all segments of a company's operations to which commitments apply; and
- provide a full and balanced representation of the conditions or trends that are being reported on, including both positive and negative aspects of company performance. For instance, reports should not state the volume of sourced materials that are compliant without putting this information in the context of the total volume of sourced materials and the volume that remains non-compliant.

Balanced and interpretable presentation of outcomes and progress is essential to enable stakeholders to gain an accurate picture of company activities and outcomes. The most appropriate reporting metrics may differ based on the commodity sector(s), the company's position in the supply chain, and its level of visibility to the supply base.

For company reporting on many aspects of supply chain commitments, GRI standards provide a technically sound and widely accepted set of metrics that are well aligned with many elements of the Accountability Framework. These include commitments related to workers' rights, long-term protection of forests and other natural ecosystems, and, to a certain extent, the rights of indigenous peoples and local communities. Companies that already conduct GRI-based reporting can help align their reporting with the Accountability Framework by following those GRI standards that are germane to the Accountability Framework scope, as summarized in Box 2.

On topics for which GRI standards do not presently describe the full scope of information needed for accurate and thorough reporting on the outcomes of commitments – particularly commitments to deforestation and conversion and respect for the rights of indigenous peoples and local communities – companies will need to incorporate additional metrics to report fully on progress and compliance. Section 1.4.3 provides a set of suggested metrics for reporting on the outcomes of no-deforestation and no-conversion commitments. The final version of this document is expected to include additional guidance on frameworks and and metrics for reporting on commitments related to the rights of indigenous peoples and local communities.

Box 2: Alignment between the Accountability Framework and the GRI standards

The following table summarizes the alignment between key elements of the Accountability Framework and corresponding topic-specific GRI reporting standards. These applicable GRI standards provide a helpful guide for companies to report on systems, processes, and outcomes related to the corresponding Framework elements. When environmental and human rights standards do not fulfill the reporting needs of AFi, these should be supplemented with additional frameworks and metrics.

Topic in Accountability Framework Core Principles	**Corresponding GRI Standards against which information on this topic may be reported**
No deforestation and no conversion (Core Principles A1 and A2)	Related to GRI 304, 305, 308; however, additional information beyond these standards is necessary to report on these topics (See section 1.3.3)
Effective land management and long-term protection (Core Principle 5)	GRI 304, 307, 308; additional information beyond these standards may be useful to report on these topics
Rights of indigenous peoples and local communities (Core Principle B1)	GRI 405, 406, 410, 412, 411, 412, 413, 414; additional information beyond these standards may be useful to report on these topics (Additional information forthcoming)
Workers' rights (Core Principle B2)	GRI 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 412, 414

1.4.3 Metrics for reporting on outcomes of no-deforestation and no-conversion commitments

Companies should report on the degree of compliance with no-deforestation and no-conversion commitments across their full commitment scope, disaggregated by relevant factors such as sourcing origin and commodity. In addition, whenever possible, companies should report on the area of deforestation or conversion associated with their operations and/or their supply chains, including assessments of reduced or avoided deforestation resulting from implementation of commitments. The included metrics are robust measures of land use change associated with commodity production in a company's operations or supply chain that are applicable to companies across a range of supply chain positions; however, in any given supply chain context some may be more appropriate than others. These metrics provide approaches to aggregating information gathered through monitoring of production and/or supplier managements systems as described in the *Operational Guidance on Monitoring and Verification*. Metrics used for monitoring systems (such as those in Annex 2 of the *Operational Guidance on Monitoring and Verification)* may thus be aggregated across a portfolio of suppliers to calculate relevant metrics for reporting. Specific suggested metrics for reporting outcomes of these commitments are detailed below:

Compliance with no-deforestation and no-conversion commitments:

- Quantity and % of supply chain volume for which level of compliance is unknown

- Quantity and % of supply chain volume for which level of compliance is known; of this:
  - Quantity and % supply chain volume that is compliant
  - Quantity and % of supply chain volume that is non-compliant but actively progressing toward compliance (e.g., appropriate remediation actions are underway)
  - Quantity and % of supply chain volume that is non-compliant

Direct and/or embedded deforestation/conversion:
Hectares of deforestation and/or conversion of other natural ecosystems – including peatlands, wetlands, and grasslands – since the cutoff date embedded in company's total supply chain volume. This quantity may be measured using site-level and/or area-level (e.g., jurisdictional) estimates as described in the *Operational Guidance on Monitoring and Verification*. Companies are also encouraged to report relative measures of deforestation and conversion, including reductions in attributable land use change since the previous report, as well as measures of avoided deforestation or conversion through the implementation of commitments.

Direct and/or indirect greenhouse gas (GHG) emissions:
GHG emissions in metric tons of CO_2-equivalent, and their primary source(s), arising from land use change (including deforestation, conversion, and draining of peatland or wetlands) attributable to commodity production within a company's own operations (direct; Scope 1) or in their supply chain (indirect; Scope 3).

- Total GHG emission from land use change
- Avoided GHG Emissions from land use change
- Reduced GHG Emissions from land use change
- Increased carbon sequestration

Increased production or trade volume:

- Hectares newly in production for the commodity since the previous year's reporting, the percentage of total production area that increase represents, and previous land cover or land use of those hectares
- Increase in commodity volume produced, sourced, or purchased since the previous year's reporting, the percentage of total production volume that increase represents, and the source(s) of that new volume

Invitation for input

Companies and other stakeholders are encouraged to provide input on the draft reporting guidelines presented here to help the AFi partners develop a final version that can most effectively support meaningful, comparable, and cost-effective reporting of actions, progress, and outcomes related to supply chain commitments. Input is especially welcomed on these questions:

- Does your company presently use any reporting standards for reporting on progress toward environmental and human rights commitments? If so, which ones and to what extent do you feel that they meet the need for clarity and consistency in report scope and approach?
- Which metrics of land use change (e.g., related to deforestation footprint) does your company report, if any? Which of the metrics suggested in 1.4.3 appear most relevant and feasible for your company?
- What frameworks and/or metrics does your company use to report on respect for the rights of indigenous peoples and local communities?
- What other reporting guidance (including clarity on the use of existing reporting standards and tools) would be most helpful for the AFi to provide?

1.5 Evaluation initiatives and scorecards

Evaluation initiatives and scorecards are a primary method by which civil society and other stakeholders analyze and present information about company performance relative to supply chain commitments and social and environmental impacts. Some of these initiatives – such as Forest 500 and Supply Change – characterize broad sets of companies based on whether and how they have enacted and are implementing responsible supply chain commitments. Others focus on specific sectors (e.g., palm oil-related rating and scoring initiatives or reports of SPOTT, WWF, and others), groups of companies, or types of social or environmental risk.

The AFi is engaging with many such assessment and scoring initiatives and organizations to seek ways to improve alignment and consistency in how company performance and progress is characterized. Doing so can help provide a clear and common set of expectations regarding how companies will be assessed and what kinds of information companies should furnish to aid in such assessment. It can also help standardize elements of reporting and assessment including definitions and metrics to improve the comparability and interpretability of information and reduce the need for companies to report similar information in different formats to different requesting organizations.

With the above in mind, companies are strongly encouraged to utilize the Accountability Framework definitions and follow other aspects of this Operational Guidance when furnishing information in their own reports and disclosures or in response to requests from external evaluation entities.

2. Information disclosure regarding the supply base and suppliers

As stated in Core Principle 9.2, in addition to regular reports on progress toward commitments, companies are expected to disclose information on their suppliers, supply origins, and the nature and status of any associated non-compliances and grievances. “Disclosure” signifies that companies make this information available in format and languages that are accessible to stakeholders and the general public.

Information disclosure: the AFi's approach and an invitation for stakeholder input

Information disclosure – also referred to as "transparency" – is an important element for improving company accountability and management systems related to supply chain commitments. Such transparency can help companies at multiple stages of the value chain to better understand and manage risk and non-compliance in their supply chains. It can also help foster greater trust and collaboration between responsible companies, civil society, and other stakeholders. When combined with emerging information technology, transparency is a powerful tool to help support a broad shift toward responsible commodity sectors.

At the same time, current commercial, legal, and technical considerations or constraints can complicate efforts to move toward much greater transparency, at least in the short term. With these factors in mind, the AFi has developed a nuanced approach on information disclosure that is reflected in Core Principle 9.2 and in this Operational Guidance. This approach focuses on those aspects of transparency that are most critical to: i) help curtail deforestation, conversion, and human rights abuses; ii) send clear market signals in support of responsible practices to upstream producer and suppliers; and iii) send accurate information on supply origins, risks, and compliance levels to downstream buyers. In acknowledgement of existing constraints and commercial considerations, the proposed approach does not call on companies to disclose all relevant information, but rather a key subset of information. It also recognizes that greater transparency may take time and suggests how companies can progressively move toward this goal.

Good practice for information disclosure differs somewhat depending on the company's position and role in the supply chain. Several general principles inform the specific disclosure practices outlined in this section:

1. Knowing the identity, location or boundaries, basic characteristics, and compliance level of production and primary processing operations is essential to ensuring fulfillment of supply chain commitments. Without this information it is generally impossible to know the compliance or performance of supply origins, and there can be myriad opportunities for non-compliant supplies to enter the supply chains of companies that have issued commitments.
2. At the same time, as recognized by Core Principle 2, when effective control systems are in place (e.g., many certification programs and certain other types of systems), these can partially or entirely satisfy the need for downstream companies to know the locations and manage the attributes of all producers and primary processors within their supply base.
3. Information disclosure and transparency are rapidly-evolving areas of practice, driven in part by new information technologies and shifting societal expectations. Elements of transparency that seemed impossible five or ten years ago are commonplace today. As a forward-looking tool for transforming the social and environmental performance of commodity sectors, the Accountability Framework includes certain elements – including aspects of information disclosure – that may require progressive realization in some contexts.

The AFi partners invite input from companies and other stakeholders regarding the approach to information disclosure presented here. The partners recognize that some of the proposed elements may be challenging for some companies to fulfill, at least in the short term. For companies reviewing this material, the AFi partners particularly invite feedback on any aspects that appear challenging or infeasible, including the specific challenges or barriers and what may be done to overcome them.

As noted in the preceding box, appropriate disclosure practices may differ somewhat based on the disclosing entity's position and role in the supply chain and, for buyers of raw or processed materials, the extent to which effective control systems are in place. Specific approaches for different supply chain actors are elaborated below:

A. Disclosure by producers and primary processors[3], as well as traders when they purchase directly from producers or primary processors[4]

These entities should disclose the following information:

1. Location of production, primary processing, and aggregation sites, consisting of:
    - Boundaries of production units of origin (to the level of the farm, estate, plantation, ranch, or forest management unit), except that:
        - point locations may be sufficient for smallholders where the size of the production unit is at or below detection thresholds or monitoring capability of available remote sensing-based tools or data products[5]
    - Point locations of primary processing and aggregation sites (e.g., mills, slaughterhouses, other processing facilities, silos, and other collection sites)
2. Boundaries of areas used or designated for conservation (e.g., areas of natural ecosystem that remain undeveloped per legal requirements, areas identified for conservation through relevant assessments such as High Carbon Stock Approach and High Conservation Value assessments, land being managed for restoration, and other areas of natural ecosystem remaining within the production unit)[6]
3. Information on the locations and nature of non-compliances and grievances, as well as plans and timelines for resolution, and current status of resolution

NOTE: The AFi does not call for public disclosure of information on production and sales volumes due to stakeholder concerns with disclosing information of a potentially proprietary or competitive nature. However, companies are expected to maintain accurate and detailed records of this information and make it available (e.g., to auditors) for monitoring and verifying the integrity of the supply chain and the accuracy of information regarding levels of compliance with company commitments (see *Operational Guidance on Monitoring and Verification*). This is critical to help guard against product laundering, double-counting, over-selling, and other forms of dishonest trade practices that serve to hide the true origins of product supplies and their associated social and environmental impacts. In contexts where there are systemic problems with these types of manipulations, and these problems are enabled or exacerbated by non-disclosure of information on production and sales volumes by source, good practice for responsible companies and their suppliers is to disclose such information.

[3] Primary processor is defined as "a business, cooperative, or other entity that conducts the first stage of processing and/or any pre-processing aggregation after an agricultural or forestry raw material is harvested. Examples include palm oil mills, cattle slaughterhouses, grain and oilseed silos, coffee wet milling facilities, and sawmills processing logs into lumber."

[4] Examples of these traders include: soy traders purchasing directly from farms or farm groups; soy traders purchasing from Soy Moratorium-compliant producers or primary processors; vertically-integrated palm companies that process palm fruits from their own plantations as well as fruits purchased from third-party suppliers; and cocoa traders purchasing from producer groups.

[5] For instance, for smallholder cocoa groups in West Africa whose members' farms are often roughly 1-3 hectares in size, collection of point locations at the center of each member farm may provide a feasible way to meet this requirement while still furnishing sufficiently detailed information to assess risk and monitor compliance. As the resolution and precision of monitoring tools continues to increase over time, smallholders and smallholder groups should anticipate an increasing emphasis on furnishing full farm boundary information in the future.

[6] Where there is significant risk that disclosure of such information could jeopardize the conservation values within these areas (e.g., endangered species habitat or sites with cultural artifacts), companies should disclose as much of the indicated information as possible without revealing the sensitive information that could put the given conservation values at risk.

B. Disclosure by consumer goods manufacturers and others that purchase from traders

The following scenarios outline information disclosures by consumer goods manufacturers. The same scenarios apply to other companies that are in intermediary supply chain positions but do not purchase directly from producers or primary processors, such as animal feed producers and some secondary or tertiary processors (e.g., of oleochemicals derived from palm oil and palm kernel oil). The different disclosure scenarios are based on whether these companies utilize control systems administered by other parties (e.g., certification programs, traders, or jurisdictions) to help manage part or all of their supply chain.

B1. Use of certification

When utilizing credible certification systems capable of linking raw material supplies with production units having specific compliance or performance attributes, manufacturers should disclose:

1. Certificate number or other unique identifier of the producer or primary processor
    - Certification programs are encouraged to disclose, or require their participants to disclose, information as per Section A, above. Manufacturers who purchase certified volume can refer to this publicly available information to disclose relevant information about their certified supply origins.

B2. Use of other control mechanisms or jurisdictional sourcing

When purchasing from traders with effective control mechanisms[7] and/or from low risk jurisdictions[8], manufacturers should disclose, as applicable:

1. Origin of supplies purchased from traders with effective control mechanisms, disaggregated by trader, commodity, and sourcing area
    - Traders with effective control mechanisms disclose information as per Section A, above. Manufacturers who purchase from these traders can refer to this publicly available information to disclose their supply origins further upstream of the trader.
2. Origin of supplies from low-risk jurisdictions or controlled by jurisdictional control systems, disaggregated by jurisdiction and commodity

B3. In all other cases

For any portion of their supply that is not controlled by means of certification, other effective control mechanisms, or jurisdictional sourcing (i.e., sourcing from low-risk jurisdictions), the default expectation is for manufacturers to trace their supplies to the producers and primary processors of origin and disclose the following:

1. Location information of the producer or primary processor, as per Sections A(1) above
2. Information on the locations and nature of non-compliances and grievances, as per Section A(3) above

C. Disclosure by retailers

Retailers should disclose or support disclosure of the following information, based on the different supply chain role(s) that they play in relation to their different product lines:

1. When retailers purchase finished goods from consumer goods manufacturers, they should encourage or require these manufacturers disclose the information listed under Section B. Retailers can then refer

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[7] See the *Operational Guidance on Monitoring and Verification* for characteristics of effective control mechanisms. This includes information disclosure as listed in Section A above. Manufacturers are encouraged to support their suppliers in developing and implementing effective control measures.

[8] As defined in the *Operational Guidance on Voluntary Commitments in Context*.

to this publicly available information to disclose their supply origins further upstream of the manufacturer.

2. When retailers purchase raw or processed materials from other supply chain stages, they should follow the disclosure practices for the corresponding supply chain role as elaborated above. This includes:
    - When retailers purchase directly from producers or primary processors (e.g., for fresh fruit, dairy, or meat) they should disclose as specified in Section A above
    - When retailers purchase from intermediaries (i.e., traders) downstream of producers or primary processors, they should disclose as specified in Section B above. This includes the case when retailers function as consumer goods manufacturers (e.g., for own brand products).

D. Cases when companies do not presently disclose all the above information

As noted in the box above, the AFi partners recognize that some of the disclosure elements listed in sections A, B and C may be challenging for some companies to fulfill, at least in the short term. This can be especially true for companies that manage long supply chains with numerous indirect suppliers and complex intermediary trading stages. Companies that do not yet disclose all this information should indicate their intent and good faith efforts to work toward this level of transparency by providing the following information as part of their overall reporting and disclosure:

- Explanation of why this level of disclosure has not been reached (e.g., limited traceability to the production unit; government regulations prohibit such information to be made transparent; concern that disclosure of the location of specific conservation values could risk the loss of these values (e.g., poaching of endangered species or theft of cultural artifacts); situations where the company is still working with its suppliers to upgrade their control systems, etc.)
- Time-bound plans for reaching this level of disclosure and, if certain information is expected never to be disclosed due to its level of sensitivity (e.g., as described above), enumeration of what information is expected to remain undisclosed and why

Where laws or government procedures prohibit or inhibit disclosure of the information outlined in this document, companies are encouraged to promote changes to legislation and procedures that will allow this information to be made publicly accessible. Companies should share as much of the above-listed information as possible within the confines of the law.

E. Management and delivery of disclosed information

With regard to their information disclosures, companies should follow good and standard practices in data management, data formats, accessibility, and presentation. Information should be made available online in a manner that allows interested stakeholders to easily access, search, aggregate, and download information. This may be done through the company's own system or hosted on a common or shared platform; the latter is encouraged where it can provide cost savings, increased functionality, and alignment or integration of related datasets. Consistent information formats should used, including commonly file formats as appropriate (e.g., shapefile or kml/kmz formats for spatial boundary data).

3. Business-to-business reporting

In addition to public reporting, companies should report or share information with their buyers and financiers regarding their commitments and progress toward them using common and technically sound reporting frameworks or platforms. Appropriate reporting by suppliers will allow the companies that do business with these suppliers to assess the extent to which their own supply chains or financing portfolios comply with commitments. It will also enable these partner companies to monitor and assess the control mechanisms of their suppliers, and support improvements as needed, as discussed above and in the *Operational Guidance on Supply Chain Management* and the *Operational Guidance on Monitoring and Verification*.

There are numerous tools, platforms, and services available for downstream companies and financiers to request information from their suppliers and investees and for these suppliers and investees to furnish such information to the requesting parties. Companies should identify and use tools and platforms for reporting compliance to other supply chain and finance entities that are most relevant to their sector and supply chain position.

Some B2B reporting tools are designed to accommodate only bi-lateral reporting (i.e., from one reporting company to one recipient company) while others are set up to manage many-to-one or many-to-many reporting and disclosure flows. The latter can help foster efficiencies and alignment in how reporting data are enumerated and shared, for instance from one supplier to its many different customers. Where they provide common reporting questionnaires and metrics (e.g., CDP Forests and The Sustainability Consortium), these platforms can also help promote standardization and best practices on B2B reporting. Companies are encouraged to participate such reporting platforms to increase the comparability and reliability of information, improve efficiencies in data flow between suppliers and buyers, and improve overall accountability. The Accountability Framework is intended to help inform the development of common and aligned reporting questions and metrics, and the AFi is collaborating with partners in the reporting space to foster alignment and clarify and harmonize reporting needs for companies.

B2B reporting through CDP Forests

CDP Forests provides a standardized method and common platform for B2B reporting through which companies can report on their exposure to deforestation risk due to production of agricultural commodities and on the actions they are taking to minimize and address that risk. Since early 2018, the AFi and CDP Forests have been collaborating toward the goal of aligning the CDP Forests questionnaire and guidance with the Accountability Framework definitions and Core Principles that are germane to the scope of CDP Forests. The 2019 CDP Forests questionnaire is expected to reflect initial alignment work based on the development of the Accountability Framework to date, including alignment of key definitions and questionnaire guidance. Further alignment work will be reflected in the 2020 questionnaire. Due to this alignment, companies that report through CDP Forests will be reporting consistently with the Accountability Framework for those themes covered by CDP Forests.