Using the Accountability Framework and the OECD instruments on Responsible Business Conduct (RBC) in tandem to achieve ethical supply chains

Overview

The Organisation for Economic Cooperation and Development (OECD) has published multiple instruments on responsible business conduct. Together, these outline policy expectations, a step-by-step framework for risk-based due diligence, and other guidance for responsible business conduct related to global supply chains.

The Accountability Framework similarly supports companies in navigating expectations around responsible business and effective due diligence by providing a consensus-based common reference for setting goals, taking action, and reporting progress related to ethical supply chains for agricultural and forestry commodities. The Accountability Framework specifically addresses responsible business conduct in relation to the land use change (i.e., deforestation and ecosystem conversion) and human rights impacts of commodity supply chains. The OECD Guidelines and related guidance documents (notably the OECD-FAO Guidance for Responsible Agricultural Supply Chains) were used as a reference in the development of the Accountability Framework, particularly on the topics of human rights and risk management.

The Accountability Framework and the OECD instruments can be used in tandem to fulfill company due diligence expectations according to a typical due diligence process that includes:

— Policy expectations for responsible business conduct
— Management systems for embedding policy commitments into company operations
— Identification, assessment and prioritization of risk
— Implementation of strategies to respond to risks
— Tracking of and reporting on implementation and results.

Alignment and complementarity of the Accountability Framework and the OCED instruments for each of these elements is detailed in the next two sections.

Policy expectations for responsible business conduct

Policy commitments to respect human rights

The Accountability Framework (Core Principle 2) and the OECD recommendations (Items 1-3 of the OECD-FAO Guidance Model Enterprise Policy and Annex B) are aligned and provide similar expectations regarding supply chains that respect human rights. Both:

— Set clear and aligned expectations for respecting the rights of indigenous peoples, local communities, and workers, including remedy in cases where the company caused or contributed to human rights harms

— Set clear and aligned expectations for companies to have grievance mechanisms and robust stakeholder engagement processes

— Incorporate the UN Guiding Principles on Business and Human Rights (UNGP) and the International Labour Organization (ILO) fundamental conventions

Both also provide guidance on implementing the above expectations (detailed in Annex A of the OECD-FAO Guidance and in multiple AFi Operational Guidance documents)

To support companies in establishing policy commitments on human rights, the Accountability Framework provides clear and standardized expectations within Core Principle 2.

Policy commitments on environmental protection

The Accountability Framework (Core Principle 1) and the OECD-FAO Guidance (Item 8 of the Model Enterprise Policy) include policy elements on environmental protection.

The OECD-FAO Guidance provides a broad orientation to environmental quality overall, which includes preventing or minimizing pollution and negative impacts to forests, ensuring sustainable and efficient use of natural resources, supporting and conserving biodiversity, and protecting High Conservation Value areas.

The Accountability Framework complements this by providing greater detail and specifying that supply chains should be free from deforestation and ecosystem conversion. This specificity is provided in the form of Core Principles, definitions, and guidance that companies can incorporate directly into their policy commitments, implementation systems, and disclosure practices. The Framework also specifies the need for cutoff dates and remedy in cases where the company caused or contributed to deforestation or ecosystem conversion.

Policy scope and specifications

Both the OECD-FAO Guidance (Chapter 2) and the Accountability Framework (Core Principle 3):

- Specify that policy commitments should be applied at the corporate group level
- Recognize that it may take time for companies to fulfil commitments, and therefore set expectations for developing implementation plans with time-bound targets that should be monitored to assess and report progress

While the OECD-FAO Guidance focuses on agricultural supply chains (Chapter 1 and Note 1), the Accountability Framework addresses both agriculture and forestry.

Step-by-step process for risk-based due diligence

Management systems for embedding policy commitments into company operations

The OECD-FAO Guidance (Step 1 of the OECD-FAO framework for risk-based due diligence) and the Accountability Framework (Core Principle 4) are aligned in expectations for companies to adopt management systems, endorsed at the senior level, that integrate commitments into company policies and practices.

Both set expectations for traceability and control along the supply chain. The Accountability Framework (Core Principle 5) provides specificity regarding adequate levels of traceability and available means to achieve it. The OECD-FAO Guidance (Steps 1, 2, and 4) additionally recommends establishing controls, supply chain mapping, and verifying due diligence at control "choke points."

Both also set expectations for supplier engagement strategies, with guidance on effective implementation (OECD-FAO Guidance Step 1.4 and Accountability Framework Core Principle 6). The AFi's Operational Guidance on Supply Chain Management provides additional guidance to support companies in supplier engagement.

Identification, assessment and prioritization of risk

The OECD-FAO Guidance (Step 2 of the OECD-FAO framework for risk-based due diligence) and the Accountability Framework (Core Principle 5) are aligned in expectations for ongoing assessment of environmental and social risks associated with company production and sourcing. Both also offer guidance on characteristics of effective risk assessment.

The OECD-FAO Guidance complements the Framework's Operational Guidance on Supply Chain Management by further providing a comprehensive list of possible risks and associated risk mitigation measures (Annex A), as well as guidance on prioritizing action based on severity and likelihood of identified risks.

Implementation of strategies to respond to risks

The OECD-FAO Guidance (Step 3 of the OECD-FAO framework for risk-based due diligence and Annex A) and the Accountability Framework (Core Principles 1-9) are aligned in expectations to cease, prevent, and mitigate adverse impacts. These are further differentiated according to whether the company caused, contributed to, or was linked to the impact. More specifically, Core Principles 1 and 2 address policy-level commitments to cease prevent, and mitigate adverse impacts; Core Principles 5 and 6 describe how downstream buyers implement these expectations; and Core Principles 7-9 describe how they are implemented by upstream suppliers who own or manage land.

Both also call on companies to develop implementation plans to address risks, and the OECD-FAO Guidance (Annex A) provides recommendations on actions companies can take to address specific risks.

To address complaints and disputes early and to provide for effective remedy, both set the expectation that companies adopt operational-level grievance mechanisms and that these mechanisms adhere to the effectiveness criteria laid out by Section 31 of the UN Guiding Principles on Business and Human Rights

In the case of supplier non-compliance, both take the approach that the first course of action should generally be to retain commercial relationships and leverage these to help resolve impacts or risks, with suspension or termination when impacts are severe enough to warrant such action and/or when attempts to prevent or mitigate the impacts have failed.

Tracking of and reporting on implementation and results

The OECD-FAO Guidance (Steps 4 and 5 of the OECD-FAO framework on risk-based due diligence) and the Accountability Framework (Core Principles 11 and 12) are aligned in expectations to monitor, verify, and report on the due diligence process, on activities to address identified risks, and on the outcomes of those activities. Companies are expected to track and report on compliance with (or progress toward) their environmental and social commitments and obligations. For a downstream company, this includes assessing performance across the company's supplier portfolio. Further, monitoring results should be used to guide continuous improvement of the company's due diligence process.

Independent verification and information disclosure are key elements of this process. Both highlight the need for supplier control mechanisms to be in place (referred to as "choke points" in the OECD-FAO Guidance) to verify the adequacy of the due diligence carried out by a company's direct suppliers on suppliers further upstream in the supply chain.

The OECD-FAO Guidance does not provide specific guidance for monitoring deforestation. In this regard, the Accountability Framework complements the OECD-FAO Guidance by providing guidance on approaches for monitoring deforestation.

Achieving commitments through collaboration

The OECD-FAO Guidance (notably the Introduction section on Key Concepts) highlights that companies can collaborate with industry peers on due diligence to ensure that the process is mutually reinforcing and reduces costs, with due regard to competition and data privacy issues. The Accountability Framework (Core Principle 10 and related Operational Guidance) addresses the need for companies to engage with landscape and multi-stakeholder approaches to contribute to systemic changes beyond their own supply chains.

Guidance to companies

Companies can use both the Accountability Framework and the OECD-FAO Guidance as references for responsible conduct in supply chains that respects the rights of indigenous peoples, local communities (IP/LC) and workers. The Framework and its supporting tools (e.g., How to write a strong ethical supply chain policy) can help companies develop policy commitments that are clear, operable, and aligned with the OECD-FAO guidance.

Companies can also use the Accountability Framework's principles, definitions, and guidance to further elaborate credible and practical commitments to eliminate deforestation and ecosystem conversion from production and sourcing of agricultural and forestry commodities.

Companies can use both the Accountability Framework and the OECD-FAO Guidance to inform their approach to company management systems and supplier engagement, as both include similar expectations and recommend similar due diligence processes. The OECD-FAO Guidance specifies this approach through its 5-step framework for risk-based due diligence while the Framework specifies it through its Core Principles 4-12 and associated Operational Guidance. The OECD-FAO Guidance's Annex A related to risk assessments can further support companies in operationalizing the Accountability Framework's expectations on the topic of risk assessment.

Annex: Additional context on relevant OECD instruments

In 1976 the Organisation for Economic Cooperation and Development (OECD) published a broad standard on responsible business conduct entitled OECD Guidelines for Multinational Enterprises (OECD Guidelines). This hallmark instrument from the OECD has been updated five times since then, with the most recent update taking place in 2011. To support companies in implementing the concept of due diligence highlighted in the OECD Guidelines, OECD later published several Sector Guidance documents including the OECD-FAO Guidance for Responsible Agricultural Supply Chains (2016) (OECD-FAO Guidance) and the OECD Due Diligence Guidance for Responsible Business Conduct (2018).