

Supply Chain Due Diligence

10 Minute Read

Companies are increasingly expected to exercise due diligence in commodity production and sourcing as a means to minimize the risk of deforestation, conversion, and human rights abuses in their operations and supply chains. Supply chain due diligence is promoted through voluntary frameworks such as the United Nations Guiding Principles and increasingly being incorporated into regulatory mechanisms. The Accountability Framework provides a reference for implementing environmental and human rights due diligence processes that can help companies meet these market and stakeholder expectations.



Accountability
Framework

Together, making
ethical supply chains
the new normal

Find out more here:
[Supply Chain Due Diligence](#)

What is supply chain due diligence?

Due diligence is a systematic and ongoing risk management process that enables companies to proactively address their environmental and human rights impacts and conduct their business in a responsible manner.

Previously, supply chain due diligence was pursued primarily in the context of human rights. The United Nations Guiding Principles on Business and Human Rights (UNGPs) were key to establishing the supply chain due diligence approach, with a focus on human rights due diligence (HRDD). Similar approaches have now been enshrined in the OECD Guidelines for Multinational Enterprises, the OECD Due Diligence Guidance for Responsible Business Conduct, and other international voluntary and regulatory instruments.

Human rights due diligence is commonly recognized to include the following five elements:

1. Embed responsible business conduct into company policies and management systems
2. Identify, assess, and prioritize risks as a result of business activities and relationships
3. Design and implement strategies to cease, prevent, mitigate, and address these risks, including through remediation
4. Track implementation and performance
5. Communicate about performance including actions taken, their effectiveness, and on-the-ground outcomes

Company obligations regarding due diligence are increasingly being incorporated into government regulations to address both the environmental and human rights impacts of commodity supply chains¹.

¹ Such legislation generally takes two forms: 1) a “general obligation” to conduct due diligence across the company’s entire operations and supply chains, similar to the UNGP and OECD approaches; 2) a narrower approach that employs due diligence to help meet specific compliance criteria before products can be placed on the market. The former approach is reflected in supply chain due diligence laws in France and Germany, and in the proposed European Union (EU) Directive on Corporate Supply Chain Due Diligence, while the latter is integral to laws proposed in the EU and United States to exclude certain products linked to recent deforestation or illegal activity. This briefing refers to the first, broader approach, which can also encompass the narrower approach.

Why should companies use the Accountability Framework as a guide to effective due diligence?

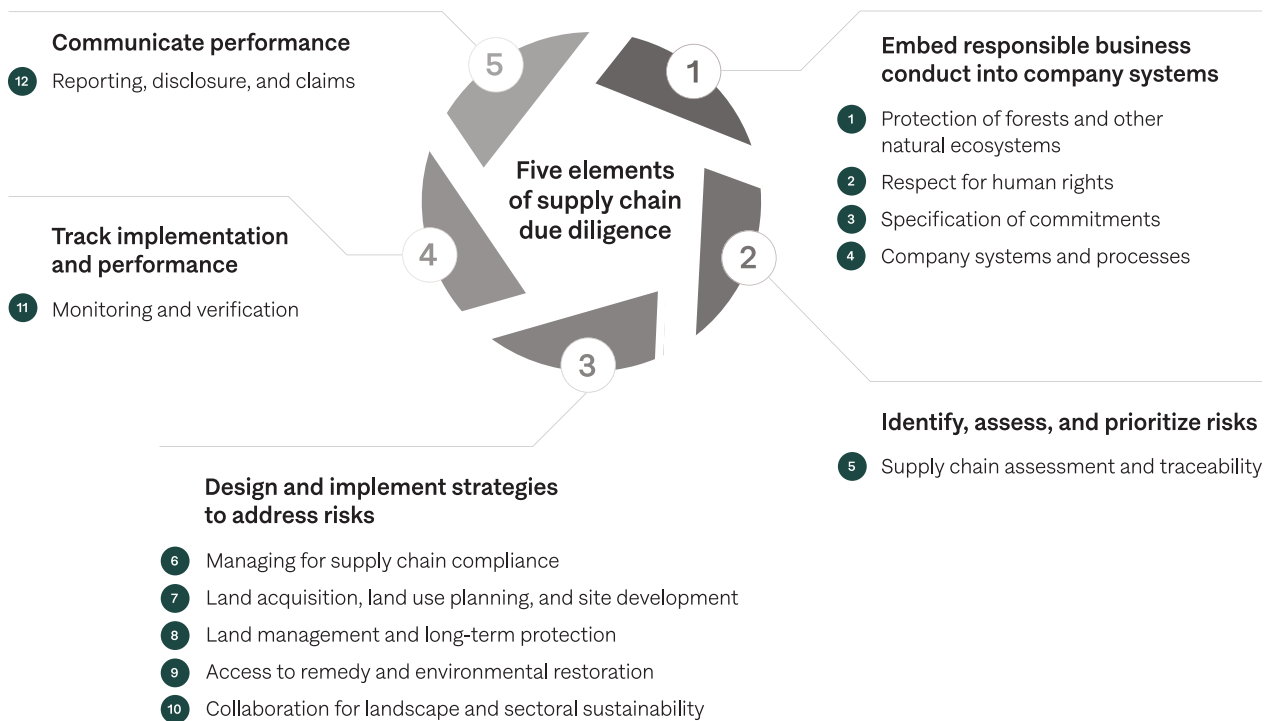
Building on well-established HRDD approaches, the Accountability Framework provides a detailed reference for implementing responsible supply chains in the agriculture and forestry sectors. There are several advantages to using the Framework to guide supply chain due diligence. These include:

1. **Environment and human rights:** The Framework addresses both environmental and human rights risks in an integrated manner. Following this approach can help companies to improve efficiency and avoid siloed actions, given that environmental and human rights issues are frequently linked and that both must be addressed through effective company policies, systems, and supply chain management processes.
2. **A recognized and accepted approach:** The Framework is a consensus-based guideline that has been widely applied in nearly all major forest-risk soft commodity sectors. It thus supports companies to apply due diligence in a manner consistent with the prevailing expectations of market actors, civil society, and other stakeholders. It also supports companies to act in concert, using a standardized approach to enable business-to-business compatibility.
3. **Interoperable with existing systems:** Many monitoring tools, reporting systems, and standards/guidelines (e.g., certification programmes) that companies may use to implement supply chain due diligence are well-aligned with the Accountability Framework, providing an 'umbrella' approach that helps align action company-wide.
4. **Universally applicable:** The Framework is applicable globally and for all agricultural and forestry commodities, while also aligning with context-specific guidelines. This provides coherence across an entire company, supported by necessary levels of detail for different commodities, origins, and types of suppliers.
5. **Attuned to the value chain:** Recognizing the roles of different supply chain actors in effective due diligence, the Framework provides differentiated guidance per type of actor within an overall logic of end-to-end compliance and risk mitigation in multi-level supply chains.

How can companies use the Accountability Framework as an environmental and human rights due diligence tool?

The Accountability Framework’s 12 Core Principles map well onto the five standard elements of the due diligence process (see figure 1). They elaborate on these general elements with specific guidance, definitions, and implementation tools to help companies practically apply the due diligence approach in the context of their business. Below is an overview of how companies can use the Framework to guide their work on each element of the due diligence process.

Figure 1: Accountability Framework 12 Core Principles: Supporting each step of the supply chain due diligence process



1. Embed responsible business conduct into company policies and management systems

Related Core Principles

- 1 Protection of forests and other natural ecosystems
- 2 Respect for human rights
- 3 Specification of commitments
- 4 Company systems and processes

Related Operational Guidance

- Applying definitions related to deforestation, conversion, and ecosystem protection
- Cutoff dates

A foundational expectation for due diligence is to set clear company policies and embed these in business management systems. The Accountability Framework's Core Principles 1-3 outline good practice for companies to establish responsible supply chain policies. Core Principle 1 specifies the main elements to include in commitments to deforestation-free and conversion-free supply chains, including cutoff dates and definitions of all key terms (such as natural forest, deforestation, and conversion). Use of these definitions avoids ambiguity and provides a single coherent approach for an entire company, since the definitions apply globally and for all soft commodity sectors. Additional guidance explains how to interpret and apply these definitions in different contexts.

The Framework's Core Principle 2 outlines the elements of a strong company policy to respect internationally recognized human rights. These include the rights of indigenous peoples and local communities (IPLC) and their specific right to free, prior, and informed consent (FPIC). They also include the rights of all workers under the ILO fundamental conventions as well as the right to a living wage.

Effective due diligence requires considering risks and impacts across the company's entire set of operations and supply chains. Consistent with this expectation, the Framework's Core Principle 3 outlines how companies should specify their policy scope. Recognizing that it may take time for companies to fulfil commitments while still needing to demonstrate accountability, this section of the Framework also describes how time-bound action plans and milestones can be used to monitor and report on progress.

To guide the embedding of commitments into company operations, the Framework's Core Principle 4 specifies key elements of internal management systems, senior leadership accountability, and other operational mechanisms that help integrate policy commitments into company processes and practices. The Framework also details good practices for establishing and operating company grievance mechanisms that follow the effectiveness criteria of the UNGPs. Grievance mechanisms are an essential instrument for both detecting and addressing risks and impacts in a company's operations and supply chains.

2. Identify, assess, and prioritize risks to human rights and to the environment as a result of business activities and relationships

Related Core Principle

- 5 Supply chain assessment and traceability

Related Operational Guidance

- Supply chain management
- The relationship between voluntary commitments and applicable law

Identification of a company's risks requires combining information on the company's operations and supply base with data on risk profiles of specific operations, suppliers, and areas of origin. In this regard, supply chain mapping and traceability are fundamental components of supply chain due diligence – yet companies are often unclear about how much traceability is enough in a given context. To support companies in answering this question, the Framework's Core Principle 5 provides guidance on the needed level of traceability for different supply chain actors in different contexts, and the multiple ways in which this may be achieved.

Core Principle 5 and its associated guidance also provide criteria for effective risk assessment, including the information that should be gathered and analysed as part of the supply chain mapping, assessment, and prioritization process. Guidance is also provided on how to assess compliance with applicable law in relation to all environmental and human rights risks as part of the risk assessment process.

3. Design and implement strategies to cease, prevent, mitigate, and address risks, including through remediation

Related Core Principles

- 6 Managing for supply chain compliance
- 7 Land acquisition, land use planning, and site development
- 8 Land management and long-term protection
- 9 Access to remedy and environmental restoration
- 10 Collaboration for landscape and sectoral sustainability

Related Operational Guidance

- Supply chain management
- Respecting the rights of indigenous peoples and local communities
- Free, prior, and informed consent
- Workers' rights
- Smallholder inclusion
- Environmental restoration and compensation
- Remediation and access to remedy
- Achieving commitments through collaboration

The actions taken to respond to environmental and social risks will vary based on the company's supply chain position. For upstream companies that own or manage land, the Accountability Framework's Core Principles 7 and 8 provide guidance on land acquisition, land management, and responsible production that support long-term protection of forests and ecosystems while safeguarding the rights of indigenous peoples and local communities. And the Framework's Operational Guidance on Workers' Rights provides detail on implementing company obligations to respect human rights in the workplace.

For downstream buyers sourcing commodities from suppliers, the Framework's Core Principle 6 outlines the key elements of supplier management systems to assess and manage risk upstream to the supply base level. Consistent with the due diligence approach of addressing risks and supporting improvement, the Framework advises companies in most cases to engage suppliers to address outstanding instances of non-compliance, rather than immediately divesting from riskier areas as a means to quickly 'clean' their supply chains. However, the exclusion of persistently or severely non-compliant suppliers is warranted in some cases. The Framework provides criteria and considerations to help companies choose the best course of action in each given case to mitigate existing risk and prevent future negative impacts.

Effective mitigation sometimes requires taking action to remediate past environmental or human rights harms while preventing new harms². The Framework's Core Principle 9 and associated guidance outlines good practice for remedy in the case of adverse impacts to human rights as well as effective restoration and/or compensation in the case of environmental harms including deforestation and conversion. Grievance mechanisms are one important tool for identifying remediation needs, planning appropriate remediation actions together with affected parties, and tracking progress toward resolving risks and impacts.

² While all relevant due diligence frameworks (including those of the UNGPs and OECD) include remediation, this element is positioned in different places in different frameworks. Here, we include remediation as part of step 3 since its purpose is to address and mitigate risks and impacts. Regardless of where it is positioned, remediation is a key element of the due diligence approach.

Since deforestation, ecosystem conversion, and human rights impacts are not always fully within a company's control, effective prevention and mitigation strategies sometimes require a company to engage beyond its direct operations and supply chains. Recognizing this need, the Framework's Core Principle 10 elaborates actions that companies can take at the landscape and sectoral levels in partnership with other organizations, to address risk associated with their business. Such actions are integral to the due diligence process, not separate from it.

4. Track implementation and performance

Related Core Principle

- 11 Monitoring and verification

Related Operational Guidance

- Monitoring and verification

The Accountability Framework's Core Principle 11 defines the key elements associated with monitoring and verification of progress toward, or fulfilment of, environmental protection and human rights obligations. Guidance is provided on different methods for monitoring environmental and social outcomes at the supply-base level, based on the company's supply chain position. For companies downstream in the supply chain, this includes monitoring key attributes of suppliers and their own due diligence systems. The Framework also provides an indicative set of monitoring metrics and criteria for effective use of independent verification.

5. Communicate about performance including actions taken, their effectiveness, and on-the-ground outcomes

Related Core Principle

- 12 Reporting, disclosure, and claims

Related Operational Guidance

- Reporting, disclosure, and claims

The Accountability Framework's Core Principle 12 specifies the key elements for credible reporting, including which metrics to select, what information should be publicly disclosed, and how to make credible claims. Because several leading reporting standards and disclosure platforms have aligned with the Accountability Framework's [Common Methodology](#) for assessing progress, companies may use these well-recognized tools to help communicate about performance as part of their due diligence system.

Next steps

Apply the Accountability Framework

Several tools and resources are available to help companies apply the Accountability Framework to implement effective environmental and human rights due diligence:

1. **Assess current systems and practices:** The Accountability Framework initiative (AFi) [self-assessment tool](#) provides a structured way to assess a company's existing practices relative to good practices for due diligence as detailed in the Accountability Framework.
2. **Establish or revise company policies:** Use this [step-by-step guide](#) to craft a policy that aligns with the Accountability Framework.
3. **Implementation (assess, address, and track progress):** Begin with this [overall guide](#) to implement responsible supply chains or access [topic-specific guidance](#) on traceability, supplier management, and responsible production.
4. **Report on progress:** Follow [this guide](#) to report on progress using existing reporting systems and in alignment with the Accountability Framework.

Contact the AFi team for support

[Submit questions or book a complimentary one-on-one information session](#)

Learn More

The full Accountability Framework may be accessed via these links:

- [Core Principles](#)
- [Operational Guidance](#)
- [Definitions](#)