

PRINCIPLES OF GOOD DUE DILIGENCE

The design and implementation of due diligence will vary between companies, depending on their size, position in the supply chain, the forest-risk commodities they handle, and any existing due diligence systems they have in place. For all businesses, however, there are broad general principles of ‘good’ due diligence.

AMBITION

Businesses should engage in supply chain due diligence with ambition and strive to go beyond standard industry practice. This would ideally go beyond only illegal deforestation and conversion to assess risks of all deforestation and conversion, in alignment with existing industry initiatives such as the Consumer Goods Forum’s Forest Positive Coalition. The aim should be to match or exceed expectations of what due diligence should deliver, which is now well-defined in principles, guidelines and requirements (for example in the Accountability Framework initiative¹⁵⁷), as well as demands from downstream civil society and consumers¹⁵⁸.

RESPONSIBILITY

It is crucial that businesses do not shift responsibility for due diligence onto other businesses, farmers (particularly smallholders) or organisations (for instance, certification bodies). Effective due diligence will rely on the combined effort of all actors in a supply chain¹⁵⁹. Businesses will need to take responsibility for all risks linked with their activities *including* those occurring through their supplier relationships¹⁶⁰.

RESPONSIVE & EVALUATIVE

Where due diligence does not successfully prevent harms from occurring, it must also involve active mitigation and remediation of the issues. However, remediation should be viewed as a last resort measure. Due diligence processes and systems should also be continuously evaluated and improved to remain agile to changing risk in the business’s supply chain¹⁶¹. Ultimately, businesses’ due diligence systems and outcome actions should evolve to provide a positive impact on the environment and society of regions where their supply chains operate.

ROBUST & RIGOROUS

Businesses should seek to conduct their due diligence to the highest possible standards and quality. Due diligence carried out by businesses should be verifiable by third parties as far as possible.

STAKEHOLDER ENGAGEMENT

Meaningful engagement of stakeholders should be undertaken at all stages of the due diligence process and across the supply chain. This should involve two-way communication with stakeholders, and timely and open sharing of information about actions taken by the business as part of its due diligence process. This must critically include obtaining free, prior and informed consent (FPIC) of indigenous peoples and local communities where actions will have impacts on or near their lands¹⁶⁸, and provide simple mechanisms for receiving and assessing grievances.



COMMUNICATION & COLLABORATION

Successful supply chain due diligence relies on effective internal and external communication that enables collaboration¹⁶². Businesses must promote understanding of their expectations and cascade information about policies, commitments, implementation requirements and reporting to other actors in their supply chain¹⁶³.

THESE PRINCIPLES SHOULD NOT REMAIN IN THE BOARDROOM, BUT WILL NEED TO BE IMPLEMENTED THROUGHOUT THE COMPANY AND ACROSS ITS SUPPLY CHAIN

TRANSPARENT & TRUSTWORTHY

Transparent reporting remains weak across the industry. According to Forest 500, most companies to date do not publicly report on their progress towards their commitments¹⁶⁵. Businesses must disclose the results of their due diligence publicly and engage with other stakeholders to demonstrate compliance¹⁶⁶. Effective and transparent communication works to build trust with stakeholders and allows for effective enforcement of due diligence obligations. Further, disclosing results in a transparent manner with full detail signals to the wider stakeholder community that the business is committed to meeting its responsibilities and any goals it has set¹⁶⁷.

PREVENTATIVE

The purpose of due diligence is first and foremost to prevent adverse impacts on people, the environment and society¹⁶⁴. Due diligence systems and practices must seek to avoid negative impacts through businesses’ activities and supply chain, then to mitigate those risks that cannot be avoided completely.

