



Responsible Sourcing Guide

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PREFACE

The American Spice Trade Association (ASTA) provides this Responsible Sourcing Guide to assist member companies to voluntarily structure a program that meets their needs. This guide is provided as a service to ASTA members to provide information relevant to a company's independent development of its own responsible sourcing requirements within its supply chain. ASTA provides this document without providing any warranties of any kind, either express or implied, including but not limited to warranties of merchantability, fitness for a particular purpose, accuracy, design, usage, quality, performance, compatibility, or title. ASTA is not responsible for the use or nonuse of any information presented or discussed in this document. It is the responsibility of each ASTA member to verify information presented in this document before acting on it, and to comply with all relevant federal, state, and local laws. ASTA urges users of this document to consult with appropriate experts before acting on any information contained in this document.

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INTRODUCTION

This guide is structured in two parts. The first provides an overview of the key principles that may be considered in evaluating suppliers and environmental considerations. The second provides a checklist matched to the principles that can be used to evaluate supplier performance in each area. The checklist has been set up to allow an evaluation based on “fully meets” the criteria, “partially meets” the criteria, and “does not meet” the criteria. This provides auditors in the field with discretion to acknowledge progress that is being made. Each area also contains a notes/actions section which allows users to list deficiencies and actions required that can be used in discussions aimed at providing education and goals to work towards.

Individual companies must determine how the information gathered through the Responsible Sourcing Checklist will meet their needs. Some companies may wish to make compliance mandatory to be eligible as a supplier. Compliance may be written into contracts or purchasing agreements. The checklist may also be customized by companies to best meet their needs.

BACKGROUND

This guide is intended to outline key requirements and considerations for responsible sourcing, particularly as it relates to forced labor and environmental sustainability.

The Goal of Responsible Business Conduct

- Aligning around common standards for responsible business conduct (RBC) is key for enabling the creation of a level playing field across global markets, and fostering a dynamic and well-functioning business sector that supports growth and profitability.
- Nearly fifty years ago (in 1976), the Organization for Economic Cooperation and Development (OECD) introduced the *Guidelines for Multinational Enterprises on Responsible Business Conduct*, which has been continuously updated, most recently in 2023.¹ These *Guidelines* remain the leading international instrument on responsible business conduct and relevant to all companies regardless of their ownership structure or size, including multinational, small and medium-sized enterprises.
- The goal of the OECD *Guidelines* is to encourage positive contributions by companies to economic, environmental and social progress and to minimize the adverse impacts that may be associated with a company's operations, products, and services.
- The voluntary principles and standards provided by the *Guidelines* are a foundational reference that both complement and reinforce other private and public efforts to define and implement responsible business conduct and are consistent with applicable laws and internationally recognized standards.

Adopting a Due Diligence Framework

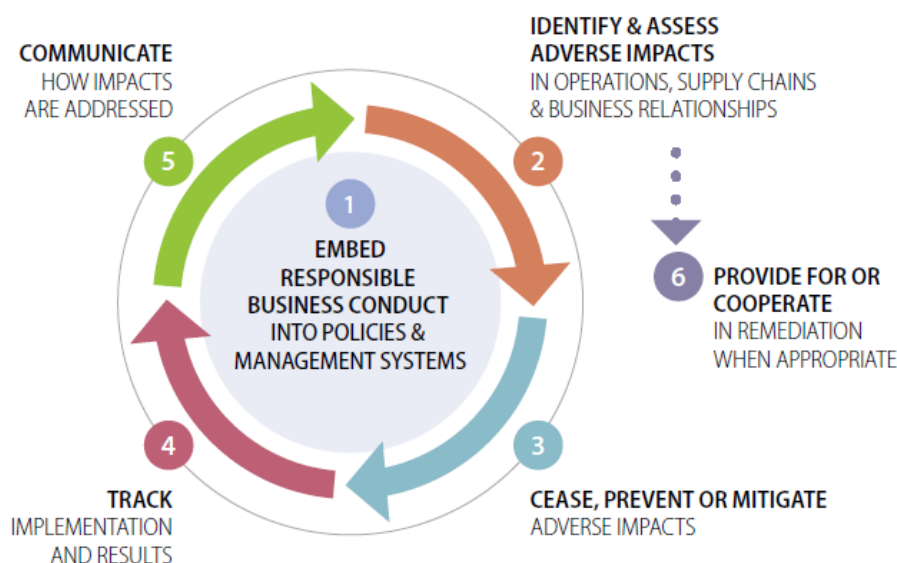
- A critical component of responsible business conduct is to undertake risk-based due diligence, which is a process to identify, prevent, mitigate and account for how a company addresses actual and potential adverse impacts.
 - Undertaking this process helps a company assess risks and also uncover business opportunities.
 - The process supports taking action, engaging with stakeholders, tracking performance, and communicating about the steps being taken.
- The due diligence process involves preventing and mitigating potential adverse impacts caused by a company's **own operations** and also addressing risks and impacts that may arise **in connection with suppliers** and other business partners.²

¹ OECD (2023), *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct*, OECD Publishing, Paris, <https://doi.org/10.1787/81f92357-en>

² The *Guidelines* include recommendations for the nature and extent of a company's due diligence and engagement with suppliers based on a company's size, context and place in the supply chain. Also included in the *Guidelines* are recommendations (in chapter 3) related to disclosing information about policies and practices.

- Due diligence can be included within broader enterprise risk management systems.
- Given the important role due diligence plays, OECD has developed a flexible six-step OECD-Responsible Business Conduct due diligence framework (Figure 1). This is described in greater detail in OECD's *Due Diligence Guidance for Responsible Business Conduct*³, which also includes practical actions for implementing the steps.

FIGURE 1. DUE DILIGENCE PROCESS & SUPPORTING MEASURES



Embedding Responsible Sourcing Requirements into Policies and Management Systems

- A key first step in effective due diligence is to embed responsible business conduct into policies and management systems so that a company is equipped to prevent, mitigate or remediate adverse impacts that they cause or to which they contribute.
- The **policies** may include, for example, voluntary codes of conduct or other written documents that express a company's commitment to responsible business for their own operations and also set expectations for suppliers.
 - There are various approaches a company can take in developing and implementing policies related to responsible sourcing and their expectations for suppliers. The approach depends on a company's place in the supply chain and its policies and guidance may differ among different types of suppliers (e.g., direct suppliers versus

³ OECD (2018), *OECD Due Diligence Guidance for Responsible Business Conduct*. The topics covered in this guidance are: Human Rights (OECD, 2011, Chapter IV); Employment and Industrial Relations (OECD, 2011, Chapter V); Environment (OECD, 2011, Chapter VI); Combating Bribery, Bribe Solicitation and Extortion (OECD, 2011, Chapter VII); Consumer Interests (OECD, 2011, Chapter VIII); and Disclosure (OECD, 2011, Chapter III). Not covered by the guidance are the topics of: Science and Technology; Competition; and Taxation.

suppliers of agricultural raw materials) or include more detailed requirements for particular topics or commodities considered to be linked to a higher risk of adverse impacts.

- One approach is to start with “fundamental principles” that a company may express through a Code of Conduct. This lays out the standard of integrity to which the company holds itself - for example, its commitment to responsible, transparent and sustainable business. While the primary audience for this Code is typically its employees, many companies also include an expectation that suppliers or business partners respect a similar set of principles.
- Building on its fundamental principles, a company may establish separate expectations or mandatory requirements that enable suppliers to respect these principles – for example, through a Supplier Code of Conduct, Human Rights Policy, and/or Sustainable Sourcing Guidelines. Some companies provide within these policies a mix of mandatory requirements and suggested leading practices.
- Box 1 provides an example of how a company could explain the purpose and applicability of its supplier code or policy.

Box 1. Sample Text: Context for Supplier Code of Conduct

The (insert company) (insert name of Code) sets out the standards and principles we expect our suppliers of agricultural products to uphold, including in relation to (insert company) policies and all applicable laws and international standards.

The Code applies to (company) suppliers such as individual farmers and farmer groups, farming and processing enterprises as well as intermediaries such as buying or collecting agents and trading companies – that supply products to (company). Suppliers to (company) are expected to ensure their own suppliers are aware of, and comply with, the principles set out in this Code.

The following sets out our mandatory expectations, and those areas where we expect Suppliers to act in a progressive manner, subject to their capacity.

- Companies may also in addition provide guidance on the **management systems** that would help suppliers meet their mandatory requirements.
 - Management systems enable the policies to be implemented throughout all functions of the company. Box 2 provides a list of some common steps to ensure expectations are communicated and reflected in all relevant operational processes, procedures and systems.

Box 2. Sample Request for Suppliers About Management Systems

Some of the most common steps for embedding policies into suppliers' management systems include:¹

- *Define clear **roles and responsibilities** and **assign individuals** to ensure that processes and procedures are carried out effectively*
 - *Allocate adequate **resources** to the management systems*
 - ***Build internal capability** through awareness raising, training and communication*
 - *Create **incentives** that enable workers to meet the policy expectations*
 - *Identify and address **business pressures** that can undermine the policy being met*
 - *Create regular **senior-level discussions** with senior managers and directors of the company*
 - ***Convey expectations** clearly to business partners, for instance through contracts, guidance, conversations, and incentives*
 - *Create a system for **cascading** requirements for your suppliers and subcontractors and verify their implementation*
- Having policies and related management systems in place allows companies to then identify and assess the potential impacts, which is the second step in the framework.
 - Most companies begin by prioritizing their efforts on the higher risk areas and segments of the business.
 - One spice-sector specific tool available to help with the due diligence process and compliance is provided by the Sustainable Spice Initiative (SSI). SSI has partnered with Agriplace on an *SSI Due Diligence Sustainability Risk Assessment (SRA) tool*. This tool enables a company to uncover the key sustainability risks within the spices supply chain by prioritizing from more than 20 sustainability dimensions based on leading industry databases that also provide insight into mitigation potential.⁴

⁴ <https://sustainablespicesinitiative.org/programs/#duediligence>

Social Considerations

When evaluating suppliers, it is important to note that the United States, as well as the European Union, have laws to prevent the import of goods made with forced labor as well as laws to prevent exploitative child labor. Key laws include:

- **Tariff Act of 1930:** Section 307 of this act prohibits the importation of goods that are produced, mined, or manufactured in whole or in part by forced labor. This includes convict, indentured, and forced child labor.
- **The Uyghur Forced Labor Prevention Act (UFLPA):** In 2021, legislation was passed targeting goods made in China's Xinjiang Uyghur Autonomous Region with the goal of ensuring that American entities are not funding forced labor among ethnic minorities in the region.

U.S. Customs and Border Protection (CBP) is responsible for taking enforcement action against goods produced with forced labor. CBP issues withhold release orders (WROs) to prevent goods from entering the United States if there is reasonable evidence that they were made with forced labor. To ensure compliance with both state and federal laws, it is essential for businesses to implement a forced labor compliance plan.

Hallmarks of a Strong Forced Labor Compliance Plan

Effective Supply Chain Tracing: As the most stringent forced labor law in effect globally, UFLPA compliance serves as a litmus for strong supply chain tracing and due diligence. Companies must know their suppliers and labor sources at all levels of the supply chain. The first step in conducting supply chain tracing is “mapping” the entire supply chain, up to and including suppliers of raw materials used in the production of the imported good or material (all sub-suppliers through Tier-N). Beyond mapping, supply chain tracing is the ability to demonstrate chain of custody for goods and materials from the beginning of the supply chain to the buyer of the finished product.

Supply Chain Management Measures should include: An effective process for vetting potential suppliers for forced labor risks prior to entering into a business relationship; contracts that require suppliers to commit to supply chains free from forced labor; provisions requiring supply chain transparency; provisions stipulating quick corrective actions in the event of a CBP detention; and clear consequences of non-compliance, such as termination of the contractual relationship. Effective supply chain management also includes ensuring access to documentation, personnel, and workers for verification of the absence of forced labor indicators, including at the recruitment stage.

Engagement with business partners: Companies should engage with suppliers involved directly in the production of goods that will be imported into the United States and either work through those suppliers to engage (or engage directly) with sub-suppliers throughout the supply chain to assess and address forced labor risk.

Risk Assessment: To conduct a forced labor risk assessment, companies must map their entire supply chain back to the origin for their imported goods and then identify steps at risk of using forced labor.

Develop a code of conduct: A written code of conduct or equivalent statement of supply-chain standards that provides a framework for addressing the risk of forced labor in supply chains is an important element of due diligence.

Companies should communicate and train against this code of conduct across their supply chain and monitor forced labor compliance.

Remediate violations: If forced labor indicators are identified, thus signifying the presence of forced labor in the supply chain, the company must develop a corrective action plan. The corrective action plan must specifically address all indicators of forced labor.

Independent review: Independent third-party verification can demonstrate the effectiveness of a company's due diligence system; independent review is part of due diligence.

Definition of Forced Labor

The International Labour Organization (ILO) has identified 11 indicators of forced labor that help in recognizing situations where individuals are coerced into working against their will. These indicators are:

1. **Abuse of Vulnerability:** Exploiting a person's vulnerability, such as economic hardship, immigration status, or lack of knowledge of local laws or language, to coerce them into work.
2. **Deception:** Providing false information or promises about the nature, terms, or conditions of work.
3. **Restriction of Movement:** Limiting a person's freedom to move, such as controlling their ability to leave the workplace or accommodation.
4. **Isolation:** Physically isolating workers or cutting them off from communication with others, including family, friends, or the outside world.
5. **Physical and Sexual Violence:** Using or threatening violence to force a person to work or to keep them from leaving a job.
6. **Intimidation and Threats:** Using threats, either against the worker or their family, to force them into working or continuing to work.
7. **Retention of Identity Documents:** Confiscating personal documents, such as passports or work permits, to prevent workers from leaving or seeking help.
8. **Withholding of Wages:** Failing to pay workers, underpaying them, or withholding wages as a means of coercion.
9. **Debt Bondage:** Forcing workers to work to repay an unpayable or inflated debt, often with exploitative interest rates or terms.
10. **Abusive Working and Living Conditions:** Providing substandard, unsafe, or degrading working or living conditions as a way of controlling or punishing workers.
11. **Excessive Overtime:** Forcing workers to work excessive hours beyond legal limits or without appropriate compensation, often under threat or coercion.

The following considerations are also recommended to ensure responsible sourcing:

Freedom of Association and the Right to Collective Bargaining

Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively. The employer must adopt an open attitude towards the activities of trade unions and their organizational activities. Workers' representatives must not be discriminated against and must have access to carry out their representative functions in the workplace.

Where the rights to freedom of association and collective bargaining are restricted under law, the employer must not hinder the development of parallel means for independent and free association and bargaining.

Working Conditions

Vendors, suppliers, and their representatives must provide a safe and healthy workplace for their workers, with attention paid to the need for working and accessible emergency exits. Steps must be taken to maintain a productive workplace by minimizing the risk of accidents, injury and exposure to health risks. Legally compliant safety and health training should be provided to their workers, and appropriate personal protective equipment is required to ensure the safety of workers. If workers are required to pay for personal protective equipment and uniforms, those costs must be reasonable so as not to lead to debt bondage.

Compliance with these health and safety requirements should be overseen by senior management.

Physical or mental abuse, or the threat of such, is prohibited. Sexual or verbal harassment, as well as other forms of intimidation, are also prohibited.

Child Labor

The use of child (defined below) labor is prohibited, except for legal exemptions related to children performing work on a family farm or other family-owned business. Vendors, suppliers, and their representatives must adhere to minimum age provisions of applicable law and regulations.

Suppliers currently using child labor shall immediately stop. Suppliers should develop policies and programs which will provide a transition of any such child to enable him/her to attend and remain in quality education until no longer a child. There shall be no further recruitment of child labor.

Children and young persons (defined below) under 18 shall not be employed at night or in hazardous conditions.

Policies and procedures shall conform to the provisions of the relevant International Labour Organization (ILO) standards.

A child is defined as any person less than 15 years of age, unless local minimum age law stipulates a higher age for work or mandatory education, in which case the higher age would apply. If, however, local minimum age law is set at 14 years of age in accordance with developing country exceptions under ILO Convention 138, the lower age will apply.

A young person or young worker is defined as any worker over the age of a Child as defined above and under the age of 18.

Wages and Working Hours / Acceptable Housing, if provided

Wages and working hours will, at a minimum, comply with all applicable wage- and hour- laws, rules and regulations, including, but not limited to, minimum wage, overtime, and maximum hours in the country concerned.

All workers should be provided with written and understandable information about their employment at hiring in easily accessible and understood documents written in languages understood by all workers. This should include terms of employment and wages. All workers should

be provided with information about the details of their wages for the pay period concerned each time that they are paid.

Deductions from wages as a disciplinary measure are not permitted.

If workers live in company-provided housing, information about the cost of housing and/or meals must be provided and must be reasonable. Garnishment of wages for housing and/or meals cannot lead to indentured employment. Living conditions are subject to inspection and must be locally appropriate.

No Discrimination

There must be no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, color, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership, political affiliation or any other legally protected class.

Confidentiality

The confidentiality of information exchanged in the course of business must be respected and must not be used for illegal purposes or for individual gain.

Ethical Requirements

Business must be conducted with integrity. The offering, paying, soliciting or accepting of bribes or kickbacks, including facilitation payments, is strictly prohibited.

A bribe may involve giving or offering any form of gift, consideration, reward or advantage to someone in business or government in order to obtain or retain a commercial advantage or to induce or reward the recipient for acting improperly or where it would be improper for the recipient to accept the benefit. Bribery can also take place where the offer or giving of a bribe is made by or through a third party, e.g., an agent, representative or intermediary.

Some examples of bribes are as follows. This is not an exhaustive list:

- lavish gifts
- meals
- entertainment or travel expenses, particularly when they are disproportionate, frequent or provided in the context of on-going business negotiations
- the uncompensated use of company services, facilities or property
- cash payments
- loans, loan guarantees or other credit
- the provision of a benefit, such as an educational scholarship or healthcare, to a member of the family of a potential customer/public or government official
- providing a sub-contract to a person connected to someone involved in awarding the main contract
- engaging a local company owned by a member of the family of a potential customer/public or government official

Facilitation payments are small payments or fees requested by government officials to speed up or facilitate the performance of routine government action (such as the provision of a visa or customs clearance). Such payments are strictly prohibited.

Suppliers, representatives and their employees must comply with all applicable anti-bribery and corruption laws. If no such anti-bribery or corruption laws apply or are of a lesser standard to that prescribed in the US Foreign Corrupt Practices Act of 1977 (FCPA) (15 U.S.C. § 78dd-1, et seq.), suppliers, representatives and their employees must adhere to the US Foreign Corrupt Practices Act of 1977.

Suppliers and their representatives should have in place anti-corruption and bribery procedures designed to prevent employees or persons associated with their business from committing offenses of bribery or corruption.

Quality

All goods supplied shall be merchantable and fit for any purpose held out by the supplier and its representatives or made known to the supplier and its representatives or for which they are commonly used. The goods shall conform in all respects with any order, specifications and/or patterns or samples supplied or advised by the supplier.

It is understood that intentional economic adulteration is prohibited by U.S. law and action can be taken under the ASTA Member Self-Regulation Program.

Any services supplied shall be provided by appropriately qualified and trained personnel, exercising with due care and diligence, to such high standard of quality as is reasonable for us to expect in all the circumstances and shall conform in all respects with any order.

Audit and Termination of Agreements

Box 3 provides sample contract language related to auditing and the termination of agreements.

Box 3. Sample Language: Audit and Termination of Agreements

(Company name) reserves the right to verify the compliance of each of its brokers, distributors, vendors, suppliers, and/or its representatives with this Code of Conduct.

Where an audit of the brokers, distributors, vendors, suppliers and/or their representatives demonstrates shortcomings of this Code of Conduct, the brokers, distributors, vendors, suppliers and their representatives should strive to implement a program of improvement (remediation) leading to conformance within an agreed upon timeline.

In the event that (company name) becomes aware of any actions or conditions not in compliance with this Code of Conduct, (company name) reserves the right to request corrective actions. Additionally, an agreement with any broker, distributor, vendor, supplier or its representatives may be terminated for failure to comply with this Code of Conduct.

ENVIRONMENTAL SUSTAINABILITY

Environmental Management

Member companies may wish to develop operating practices, farming practices and agricultural production systems that are sustainable from an environmental standpoint to align with global standards and commercial expectations. Common practices to continually improve the efficiency and sustainability of operations may include:

- Conducting regular environmental reviews as applicable to their products and services
- Appointment of a company environmental representative
- Demonstration of compliance with all current legislation that may affect their activities
- Documented water conservation programs
- Disclosure of any enforcement, improvement or prohibition notices served on the site within the last 24 months
- Documentation that hazardous materials and chemicals are disposed of in accordance with local law
- Documentation that solid waste removal and disposition is conducted in a way to minimize environmental pollution
- Documentation of a policy to minimize the use of Ozone Depleting Chemicals, if applicable

Although not legally required, additional environmental considerations for suppliers are contained within the following section of this document⁵.

Environmental Due Diligence: Recommendations

- The environmental expectations included in a company's responsible sourcing requirements should follow a risk-based due diligence process.⁶ Table 1 lays out the relevant steps and recommended actions a company could take to identify, assess, mitigate and account for how it addresses the adverse impacts of activities.
 - A company can apply the recommendations in Table 1 for its own operations and use these for setting expectations with suppliers in its agricultural supply chain.
 - While all companies should conduct due diligence, a company can tailor these recommendations to the characteristics of their business including products sourced and sold and their position in the spice supply chain.
 - Sample language that a company could include in policies that support Step 1 in the table below (i.e., to "establish strong enterprise management systems for responsible agricultural supply chains") are provided in Box 3 and Box 4.
 - As noted in Table 1 (Step 4), a company should verify supply chain due diligence. This could include asking its suppliers for documentation that the required actions

⁵ On March 6, 2024, the U.S. Securities and Exchange Commission (SEC) adopted [final rules](#) to require registrations to disclose certain climate-related information in registration statements and annual reports.

⁶ A risk-based due diligence process includes identifying, preventing, mitigating and accounting for how a company addresses actual and potential adverse impacts.

have been taken and/or relevant policy has been put in place. This may be facilitated by using a third-party sustainability rating program.

Table 1. Key Recommendations: Environmental Due Diligence for Agricultural Supply Chains

FRAMEWORK FOR RISK-BASED DUE DILIGENCE ^{7, 8}	SELECT RECOMMENDATIONS IN THE OECD <i>GUIDELINES</i> , 2023 ⁹
<p>➤ STEP 1 Establish strong enterprise management systems for responsible agricultural supply chains</p>	<p>Establish and maintain a system of environmental management, including by carrying out risk-based due diligence, for adverse environmental impacts, including, amongst others: a) climate change; b) biodiversity loss; c) degradation of land, marine and freshwater ecosystems; d) deforestation; e) air, water and soil pollution; f) mismanagement of waste, including hazardous substances.</p> <p>Contribute to climate mitigation and adaptation goals. Introduce and implement policies, strategies and transition plans on climate change:</p> <ul style="list-style-type: none"> • For mitigation and adaptation. • That are consistent with internationally agreed global temperature goals. • That are based on the latest available scientific evidence. <p>Adopt, implement, monitor and report on climate mitigation targets:</p> <ul style="list-style-type: none"> • For the short, medium and long-term. • That take into account scope 1, 2, and, to the extent possible based on best available information, scope 3 GHG emissions. <p>Contribute to the conservation of biological diversity, the sustainable use of their components, and the fair and equitable sharing of the benefits.</p> <p>Respect animal welfare standards.</p>
<p>➤ STEP 2 Identify, assess and prioritize risks in the supply chain</p>	<p>Identify and assess adverse environmental impacts associated with business operations, products or services.</p> <p>Prepare an appropriate environmental impact assessment.</p>

⁷ Framework from OECD/FAO (2016), *OECD-FAO Guidance for Responsible Agricultural Supply Chains*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264251052-en>; website with companion material: <https://mneguidelines.oecd.org/rbc-agriculture-supply-chains.htm>. The OECD-FAO Guidance is specifically focused on helping business operating along agricultural supply chains, as well as investors in the sector, operationalize risk-based due diligence in line with the recommendations of the *OECD Guidelines*.

⁸ Note that the wording of these five steps differs slightly from the six provided in Figure 1 based on the OECD's *Due Diligence Guidance*. While the wording in Table 1 is from the *OECD-FAO Guidance* (produced before the OECD *Due Diligence Guidance* document was published), steps 1 – 5 in Table 1 align with steps 1 – 5 in Figure 1.

⁹ OECD (2023), *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct*, OECD Publishing, Paris, <https://doi.org/10.1787/81f92357-en>

	Assess and address social impacts in the context of one's environmental management and due diligence activities.
➤ STEP 3 Design and implement a strategy to respond to identified risks	<p>Prioritize eliminating or reducing sources of emissions over offsetting, compensation, or neutralization measures.</p> <p>Avoid activities, which undermine climate adaption for, and resilience of, communities, workers and ecosystems.</p> <p>Contribute to sustainable land and forest management, including restoration, afforestation, reforestation including reduction of land, marine and freshwater degradation.</p> <p>Be guided by the biodiversity mitigation hierarchy.¹⁰</p> <p>Adopt, where feasible, best available technologies.</p> <p>Provide adequate education and training to workers in environmental, health and safety matters.</p> <p>Safeguard against dispossession of legitimate tenure right holders.</p>
➤ STEP 4 Verify supply chain due diligence	<p>Verify the effectiveness of strategies.</p> <p>Monitor progress toward environmental objectives and targets.</p> <p>Periodically review the continued relevance of objectives, targets and strategies.</p>
➤ STEP 5 Report on supply chain due diligence	<p>Provide information on environmental impacts, that is:</p> <ul style="list-style-type: none"> • Available to the public, workers, and other relevant stakeholders. • Adequate, measurable, verifiable (where applicable) and timely. <p>Engage with stakeholders, including Indigenous Peoples and persons possessing special rights or legitimate tenure rights, where:</p> <ul style="list-style-type: none"> • They may be affected by adverse environmental impacts. • Where scarce or at-risk environmental assets are at stake.
Table adapted from: <i>Agricultural Supply Chains and the Environment: What do the OECD Guidelines for MNEs on RBC expect from Business?</i>	

Environmental Goals and Impacts Relevant to the Spice Sector

- The *OECD Guidelines* recommend a company should conduct due diligence to assess and address adverse impacts in relation to environmental topics that include climate change;

¹⁰ The mitigation hierarchy recommends first seeking to avoid damage to biodiversity, reducing or minimizing it where avoidance is not possible, and using offsets and restoration as a last resort for adverse impacts that cannot be avoided, and providing for or co-operating in remediation when appropriate.

biodiversity loss; degradation of land, marine and freshwater ecosystems; deforestation; air, water, and soil pollution; and mismanagement of waste, including hazardous substances.

- In developing requirements for suppliers, a company may describe the **environmental goals** it is seeking to support. As one example, the OECD *Guidelines* note that undertaking environmental due diligence (i.e., avoiding and addressing adverse environmental impacts) supports:
 1. the goals of climate change mitigation and adaptation;
 2. the conservation, restoration, and sustainable use of biological diversity;
 3. the sustainable, efficient and lawful use of land, resources and energy;
 4. sustainable consumption and production including through promotion of circular economy approaches; and
 5. pollution prevention, reduction and control.
- A company should identify for its specific circumstances which environmental topics are **material** to include in its requirements. This allows a company to prioritize actions that prevent and mitigate environmental impacts and informs its disclosure and communication.
 - The specific circumstances of a company that will influence which topics are material include its business model; geographic, cultural, and legal operating context; ownership structure; and nature of its impacts.
 - Reporting standards such as the Global Reporting Initiative (GRI) provide useful references about identifying material topics based on their significance or importance as a sustainability-related risk or opportunity. Using GRI as a reference aligns with increasing expectations (and sometimes legal requirements) for companies to communicate about the environmental impacts associated with their operations and products.
 - The GRI Standard's GRI 13: Agriculture, Aquaculture and Fishing Sectors (2022) has identified the topics that might be material for a company operating in the food and agriculture sector based on the sector's most significant impacts on the environment (see Appendix for additional details).
 - A company that is asked to comply with sustainability-related **financial** disclosures would find useful the educational material published by the International Sustainability Standards Board (ISSB)¹¹ - *Sustainability-related risks*

¹¹ In June 2023, the **International Sustainability Standards Board (ISSB)** issued its inaugural Standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. ISSB Standards are designed to result in the provision of information that is useful to primary users of general purpose financial reports (primary users). The definition of material information in ISSB Standards focuses on whether information could reasonably be expected to influence the decisions that primary users make on the basis of general purpose financial reports, which include financial statements and sustainability-related financial disclosures. Primary users are existing and potential investors, lenders and other creditors.

*and opportunities and the disclosure of material information.*¹²

- For identifying topics **material to the spice industry**, a company could use the *SSI Due Diligence Sustainability Risk Assessment (SRA) tool* and refer to the SSI Covenant, which lays out priorities relevant to Sustainable Sourcing, Environmental Action, and Social Action.¹³
- In terms of Environmental Action, SSI members agree to reduce their environmental footprint with a focus on climate, agrochemical use, water, and biodiversity (while noting that this is still considered a work in progress). This language in Box 4 from the SSI Covenant could be used by a company in its requirements for suppliers.
- While not specific to the spice sector, included in the *OECD-FAO Guidance for Responsible Agricultural Supply Chains*¹⁴ is a model enterprise policy outlining the standards a company should observe to build responsible agricultural supply chains (Box 5). A company can apply this model policy for its own operations and use it for setting expectations with suppliers in its agricultural supply chain.

Box 4 Sample Request #1 for Suppliers: Environmental Impacts (from SSI Covenant)

The following is from the SSI Covenant:

(SSI members) commit to intervene locally and globally, either individually or collectively, on key sustainability issues for the spices, herbs and dehydrated vegetables sector through active engagement in one or more of the following aspirational goals and concerted (SSI) interventions at farm and factory level:

Environmental action recommended:

- *Actively contribute to climate change mitigation by **carbon reduction and sequestration and support to farmers to build climate resilience***
- *Support water conservation by **improved water management practices***
- *Support **forest and biodiversity conservation and responsible agrochemical use***

¹² To support the implementation of ISSB Standards, the IFRS Foundation has published a [comprehensive guide](#), *Sustainability-related risks and opportunities and the disclosure of material information*. This educational material portrays explains how an entity might apply some of the requirements in IFRS Sustainability Disclosure Standards (also referred to as ISSB Standards). IFRS S1 requires that an entity refer to and consider the applicability of the disclosure topics in the SASB Standards to identify sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects (see paragraph 55(a) of IFRS S1).

¹³ Covenant: Sustainable Spices Initiative, 2025 (Revision 2022)

¹⁴ OECD/FAO (2016), *OECD-FAO Guidance for Responsible Agricultural Supply Chains*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264251052-en>; website with companion material: <https://mneguidelines.oecd.org/rbc-agriculture-supply-chains.htm>. This guidance is focused on helping business operating along agricultural supply chains operationalize risk-based due diligence in line with the recommendations of the *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct*.

Box 5. Sample Request #2 for Suppliers: Environmental Impacts (from *OECD-FAO Guidance*)

This excerpt is focused on environmental impacts referenced in a model policy that also includes principles focused on other topics underlying responsible business conduct, which a company may also want to reference. The text below is taken from “section 8. Environmental protection and sustainable use of natural resources.” **Since this model policy was developed in 2016, companies using it should independently confirm any updates, in particular to the detail provided in the footnotes.**

We will continuously improve our environmental performance by:

- 1. Preventing, minimizing and remedying pollution and negative impacts on air, land, soil, water, forests and biodiversity, and reducing greenhouse gas emissions*
- 2. Avoiding or reducing the generation of hazardous and non-hazardous waste, substituting or reducing the use of toxic substances,¹ and enhancing the productive use or ensuring a safe disposal of waste*
- 3. Ensuring the sustainable use of natural resources and increasing the efficiency of resource use and energy¹*
- 4. Reducing food loss and waste and promoting recycling*
- 5. Promoting good agricultural practices, including to maintain or improve soil fertility and avoid soil erosion*
- 6. Supporting and conserving biodiversity, genetic resources and ecosystem services; respecting protected areas,¹ high conservation value areas and endangered species; and controlling and minimizing the spread of invasive non-native species¹*
- 7. Increasing the resilience of agriculture and food systems, the supporting habitats and related livelihoods to the effects of climate change through adaptation measures.¹*

APPENDIX: Likely Material Environmental Topics (GRI 13)

The GRI Standard's *GRI 13: Agriculture, Aquaculture and Fishing Sectors* (2022) has identified which topics might be material for a company operating in the food and agriculture sector based on the sector's most significant impacts on the environment. These are summarized and defined in Table 2.

For each material topic, a company should report information about its impacts and how these are managed. The *GRI 13* document lists for each likely material topic details about metrics and information that could be disclosed.

Of note, these topics are all represented in the issues that are addressed by the SAI Platform's Farm Sustainability Assessment (FSA) 3.0 Self-Assessment Questions.¹⁵ Companies may choose to request that suppliers use certification programs that are benchmarked against the FSA.

Table 2. Definition of Environmentally Relevant Topics

Likely Material Topics	About the Topic
Topic 13.1 Emissions	This topic addresses emissions into the air, including greenhouse gas (GHG), ozone-depleting substances (ODS), nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions regarded as pollutants. Emissions can have negative impacts on air quality, ecosystems, and on human and animal health. GHG emissions are also a major contributor to climate change.
Topic 13.2 Climate adaptation and resilience	Organizations contribute to climate change and are simultaneously affected by it. Climate adaptation and resilience refer to how an organization adjusts to current and anticipated climate change-related risks, as well as how it contributes to the ability of societies and economies to withstand impacts from climate change.
Topic 13.3 Biodiversity	Biodiversity is the variability among living organisms. It includes diversity within species, between species and of ecosystems. Biodiversity not only has intrinsic value, but is also vital to human health, food security, economic prosperity, and mitigation of climate change and adaptation to its impacts. This topic covers impacts on biodiversity, including on plant and animal species, genetic diversity, and natural ecosystems.
Topic 13.4 Natural ecosystem conversion	Natural ecosystem conversion refers to changing a natural ecosystem to another use or a profound change in a natural ecosystem's species composition, structure, or function. This topic covers impacts related to natural ecosystem conversion, including discrete incidents of land clearance, severe degradation, or the introduction of practices that lead to substantial and sustained change in natural ecosystems.
Topic 13.5 Soil health	Soil health is the capacity of soil to function as a living ecosystem and to sustain plant and animal productivity, promote plant and animal health, and maintain or enhance water and air quality. This topic

¹⁵ <https://saipatform.org/fsa/>; The FSA is free to use by anyone.

	covers impacts on soil health, including soil erosion, soil loss, and reduction in soil fertility.
Topic 13.6 Pesticides use	Pesticides are chemical or biological substances intended to regulate plant growth or control, repel, or destroy any pest. This topic covers an organization's approach and impacts related to pesticides use, including the impact of their toxicity on non-target organisms.
Topic 13.7 Water and effluents	Recognized as a human right, access to fresh water is essential for human life and well-being. The amount of water withdrawn and consumed by an organization and the quality of its discharges can have impacts on ecosystems and people. This topic covers impacts related to the withdrawal and consumption of water and the quality of water discharged.
Topic 13.8 Waste	Waste refers to anything that a holder discards, intends to discard, or is required to discard. When inadequately managed, waste can have negative impacts on the environment and human health, which can extend beyond the locations where waste is generated and discarded. This topic covers impacts from waste and the management of waste.
Topic 13.9 Food security	Food security means that people have physical and economic access to sufficient, safe, and nutritious food that is acceptable within a given culture and meets people's dietary needs and food preferences for an active and healthy life. Adequate food is a human right and is crucial to the enjoyment of all rights. This topic covers impacts on the dimensions of food security.
Topic 13.10 Food safety	Food safety concerns the handling of food and feed products in a way that prevents food contamination and foodborne illness. This topic addresses an organization's efforts to prevent contamination and ensure food safety.