

WHITE PAPER

---

# Guide to the OECD Six Stages of Due Diligence

A detailed look at the Supply Chain Due Diligence process advocated in the OECD Guidelines for Multinational Enterprises

[www.achilles.com](http://www.achilles.com)



 **Achilles**  
Supply Chain Sustainability



# Contents

---

## **Section One**

Introduction

## **Section Two**

Why have an OECD defined approach to supply chain due diligence?

## **Section Three**

Overview of the OECD steps

## **Section Four**

Summary

## **Section Five**

Get started with effective supply chain risk management and compliance with Achilles





# Introduction

---

**T**he Organisation for Economic Co-operation and Development (OECD) has guidelines for due diligence in the context of responsible business conduct, focusing on areas such as human rights, labour standards, environmental protection, and anti-corruption. These guidelines are known as the “OECD Due Diligence Guidance for Responsible Business Conduct.”

A key element of the OECD Due Diligence Guidance is a six-step process for companies to follow to help identify and mitigate the potential risks associated with their business activities.

The guidance is important because it provides a structured and comprehensive approach to due diligence, that helps companies identify, assess, and mitigate risks, foster responsible business conduct and contribute to a more sustainable and ethical global business environment.

As more and more companies globally find themselves having to comply with supply chain legislation such as the recently

approved Corporate Sustainability Due Diligence Directive (CSDDD) or LKSG in Germany, Bill S211 in Canada, BRSR Core in India and Apenhetsloven in Norway, the availability and implementation of an internationally recognised framework is becoming increasingly important.

In this white paper we walk through the 6 steps, explaining what the guidance means in practice and outlining some of the challenges businesses may face during implementation as well as providing practical advice and drawing on real world examples including some of the benefits companies are seeing from taking an OECD aligned approach.



# Why have an OECD defined approach to supply chain due diligence?

Having an OECD-defined approach to supply chain due diligence offers several advantages and addresses key challenges faced by businesses operating in global supply chains including:

- **Global Standards and Consistency**  
The OECD-defined approach provides a globally recognised and consistent framework for supply chain due diligence which draws on recommendations from other international standards. This common framework facilitates communication and understanding among businesses, governments, and stakeholders worldwide, ensuring a shared understanding of responsible business conduct.
- **Comprehensive Guidance**  
The OECD guidance covers a broad range of issues, including human rights,

labour, environment, and anti-corruption. This comprehensive approach helps companies address multiple dimensions of responsible business conduct, promoting a holistic and systematic evaluation of supply chain risks.

- **Legal and Regulatory Compliance**  
Adhering to the OECD-defined approach helps companies comply with international standards and expectations for responsible business conduct. It assists in navigating the complex landscape of legal and regulatory requirements related to supply chain practices across borders, reducing the risk of legal liabilities. It also supports more efficient reporting – as companies can collect information once and use it to meet a wide range of disclosure and reporting requirements.

- **Market Access and Competitiveness**  
Companies adhering to the OECD guidelines may find it easier to access international markets. Many consumers and business partners prefer to engage with companies that demonstrate a commitment to responsible business conduct, providing a competitive advantage in the global marketplace.
  - **Stakeholder Trust and Reputation**  
Following an internationally recognised due diligence framework signals a commitment to responsible and ethical business practices. This, in turn, helps build trust among stakeholders, including consumers, investors, and local communities. Enhancing a company's reputation for ethical conduct can positively impact brand value and competitiveness.
  - **Risk Management and Resilience**  
By systematically identifying and addressing risks, companies can enhance their overall risk management strategies. This contributes to the resilience of the supply chain, making businesses better equipped to handle disruptions, whether caused by natural disasters, economic shifts, or other unforeseen events.
  - **Alignment with Sustainable Development Goals (SDGs)**  
The OECD-defined approach aligns with broader global initiatives, including the United Nations Sustainable Development Goals (SDGs). Companies that integrate responsible business conduct into their supply chains contribute to societal goals related to sustainability, poverty reduction, and social equity.
  - **Facilitating Collaboration**  
A standardised approach fosters collaboration among businesses, governments, and other stakeholders. Companies can share best practices, collectively address challenges, and work towards common goals, creating a more collaborative and supportive business environment.
- An OECD-defined approach to supply chain due diligence offers a structured, comprehensive, and globally recognised framework. This helps companies identify and address risks, meet stakeholder expectations with greater confidence and share information to improve standards – and in doing so contribute to building a more sustainable, ethical, and resilient global business environment.





# Overview of the OECD steps

The OECD's Due Diligence Guidance advocates a six-step process for companies to follow to identify and manage the potential risks associated with their business activities.

In this white paper we go through them step by step explaining each one in more detail and providing practical advice and examples for how to implement.

The OECD guidance starts with embedding responsible business conduct into policies

and managements systems through strong leadership and governance and works through a process that incorporates risk assessment, risk mitigation, performance tracking and improvement and reporting. It also emphasises the importance of communication and collaboration with other businesses, governments, civil society organisations, and other stakeholders to address common challenges and promote responsible business conduct on a broader scale.

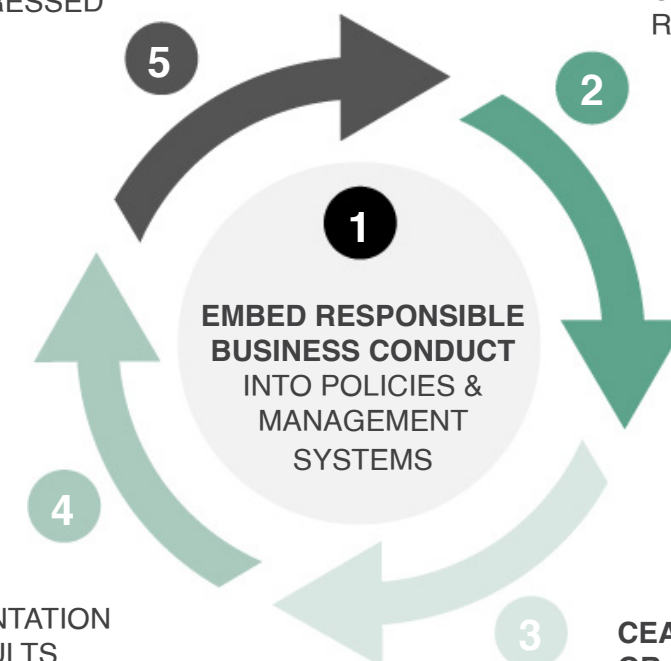
**COMMUNICATE**  
HOW IMPACTS  
ARE ADDRESSED

**IDENTIFY THE RISKS**  
IN OPERATIONS, SUPPLY  
CHAINS & BUSINESS  
RELATIONSHIPS

**TRACK**  
IMPLEMENTATION  
AND RESULTS

**CEASE, PREVENT  
OR MITIGATE**  
ADVERSE IMPACTS

**PROVIDE FOR  
OR  
COOPERATE**  
IN REMEDIATION  
WHEN  
APPROPRIATE





# Step 1

## *Embed Responsible Business Conduct into Policies & Management Systems*

Embedding ethical and responsible business practices into a company's policies and management systems provides the building blocks to a successful supply chain due diligence process. Forming the bedrock of most management systems, processes provide guidance and rules that impacted parties should follow.

There are several steps an organisation should take when introducing responsible business conduct into new policies or management systems. These include:

- **Engaging Stakeholders**

Stakeholder engagement is critical in ensuring that policies are practical and can be effectively implemented within the organisation. With supply chain due diligence, it is also critical that a business considers external stakeholders or relevant parties including its suppliers and potentially also its customers.

- **Approval**

As the foundational element of an effective due diligence process, it's important that policies and procedures are approved and endorsed by senior management. Demonstrating commitment at an executive level helps to ensure that the principles of a company's policies or procedures are followed.

- **Communication**

The impact of getting due diligence wrong can be huge for an organisation, both financially and reputationally. When policies or procedures have been developed it's critical that they are effectively communicated. Affected staff and suppliers should be aware of responsible business processes.

Many of Achilles' clients have incorporated our supply chain due diligence processes into their own responsible business conduct policies.







## Step 2

### *Identify the Risks*

Risks vary for a variety of reasons including the type of activity being undertaken by a supplier, the location of the supplier, or the size of the supplier. Risks can and should be identified using a holistic, evidence-based approach. Using mechanisms like risk profiling, maturity assessment and audit can all be effective. You can learn more about the benefits of supply chain audit [here](#). By understanding the health, safety, environmental and ethical risks associated with suppliers companies can prioritise where to focus attention.

An effective risk assessment process consists of several elements including:

- **Identify Suppliers**  
Companies should attempt to identify as many of the suppliers within their supply chain. Supply chains are typically formed of several tiers, it's common for issues to occur further down a supply chain where there is less control of supplier activities.
- **Identify the Risks**  
Risks vary for a variety of reasons

including the type of activity being undertaken by a supplier, the location of the supplier, or the size of the supplier. Understanding the health, safety, environmental and ethical risks associated with suppliers will help to prioritise where to focus attention.

- **Assess the Impact and Likelihood**  
Evaluating Impact and likelihood is often challenging as it almost always involves a level of subjectivity. Using company and public data in conjunction with broad stakeholder engagement is key to success.
- **Monitor and Review**  
Risks change, regular monitoring enables companies to identify the positive and negative shifts in a company's supply chain risk.

Using over 30 years of experience, supply chain and audit data in conjunction with access to international databases enables Achilles to support clients in accurately assessing supply chain risk.

## Step 3

### *Cease, Prevent or Mitigate Adverse Impacts*

Depending on the effectiveness of a company's due diligence process, their risk assessment and any preventative activities that might have been undertaken there may be instances where issues are identified which require action. A mature due diligence approach will relies upon robust actions to respond to adverse impacts.

The three actions defined by the OECD when identifying adverse impacts are:

- **Cease**  
In some cases, companies may need to cease activities with a specific supplier or business relationship where there are significant breaches of a company's responsible business policies.
- **Prevent**  
By definition, due diligence is preventative. Companies may decide to carry out additional activities or review the effectiveness of their policies and procedures to help prevent adverse impacts arising within the supply chain.

- **Mitigate**  
It may not always be possible or necessary to cease activities with a supplier or business relationship. In these instances, companies may consider implementing measures that reduce the likelihood or impact such as supply chain development initiatives or ongoing performance monitoring.

Achilles' due diligence process enables clients to identify adverse impacts within their supply chain and business relationships. Using our extensive questionnaires and on-site audits we have supported clients in preventing and mitigating issues within the supply chain.



## Step 4

### *Track Implementation and Results*

To ensure the effectiveness of a supply chain due diligence process, companies should track performance and monitor results. Conducting regular internal reviews, monitoring supplier performance and benchmarking against industry standards enables companies to continually improve due diligence processes, which ultimately reduces risk.

Tracking implementation and results may consist of:

- **Periodic Review**  
Companies should review policies and procedures with key stakeholders to ensure they remain relevant to business operations, the supply chain and business relationships. Management system standards typically recommend an annual review or more frequently where required.
- **Monitoring Adverse Impacts**  
Where adverse impacts have been

identified within the supply chain, companies should ensure that any mitigation measures are implemented effectively. Mitigation measures should be monitored to ensure their effectiveness over time.

- **Benchmarking**  
Reviewing performance against industry standards or peers provides an opportunity to identify areas of improvement. Benchmarking supply chain performance is also helpful in identifying new areas of focus.

The MyAchilles platform enables both buyers and suppliers to benchmark performance against key sustainability metrics. Additionally, our non-conformance module enables clients to proactively track mitigation measures implemented by suppliers where issues have been identified.





## Step 5

### *Communicate How Impacts are Addressed*

Businesses around the world are adapting to the an increased number of requirements to disclose sustainability-related performance, including the performance of sustainability indicators associated with the value chain.

Effective communication plays an important, dual role within a supply chain due diligence process:

- **Internal Communication**  
Due diligence processes impact several stakeholder groups within an organisation. Communicating on importance of the due diligence processes, their performance and areas for improvement assists in ensuring there is ongoing internal cooperation and support of the processes at all levels of the company.

- **External Communication**  
Companies should communicate relevant due diligence information publicly. Providing information on the due diligence process, internal policies, areas of risk that have been identified and addressed, as well as actions taken to prevent or mitigate risk promotes transparency. Providing information the outcome of reviews or the implementation of improvement measures demonstrates a company's ongoing commitment.

Through our suite of standard analytics dashboards and bespoke reports produced by our team of Data Scientists we actively support clients in their internal and external communications. Our data insights provides the foundation of many mandatory and voluntary sustainability disclosures, shareholder reports and sustainability reports.

## Step 6

### *Provide For or Cooperate in Remediation When Appropriate*

As with Step 3 (Cease, Prevent or Mitigate Adverse Impacts) there may be occasions where a business identifies that it has caused or contributed to adverse impacts. Responsible businesses should ensure that there is a process for cooperating with any remediation measures or by remediating directly.

Remediation or 'making good' can take many different forms, some of these include:

- **Stakeholder Engagement**  
Companies may work with affected stakeholders, including community groups, civic society or non-government organisations to identify remediation measures that restore adverse impacts to an acceptable standard.
- **Supplier Improvement**  
Where adverse impacts have been identified within the supply chain,

companies should consider actively engaging with suppliers and business partners to communicate acceptable standards and provide a mechanism for capacity building through training and education.

- **Compensation**  
There may be instances where a company identifies and provides forms of compensation to affected individuals or communities. Compensation can take different forms including financial compensation, access to healthcare or education or the provision of 'decent work'.

Achilles is proud to partner with several charities and not-for-profit organisations that provide our clients with impartial, practical advice where adverse impacts have been identified and remediation is required.



## Summary

The OECD's Six Stages of Due Diligence provide a robust framework for businesses to navigate the complexities of global supply chains while upholding responsible business conduct. As outlined in this white paper, each stage offers critical insights and actions aimed at identifying, mitigating, and remedying potential risks and adverse impacts.

By adopting an OECD-defined approach to supply chain due diligence, companies stand to benefit in numerous ways. Using a globally recognised standard, helps to ensure consistency and facilitates communication across borders. It also helps ensure compliance with the plethora of legislation and stakeholder reporting requirements that businesses today have to navigate. In doing so, it can also enhance market access and boost competitiveness in an increasingly demanding global business landscape.

Aligning with the OECD guidelines supports better risk management and greater resilience, enabling companies to navigate disruptions more effectively. It also helps to foster trust among stakeholders, protect from allegations of obfuscation and greenwashing

and enhance brand value. Additionally, by integrating responsible business conduct into supply chain practices, businesses contribute to broader societal goals, such as sustainable development and poverty reduction.

The team here at Achilles hope that the practical advice and real-world examples provided in this white paper will provide businesses with valuable insights into the task of implementing the OECD's Six Stages of Due Diligence. From embedding responsible business conduct into policies and management systems to cooperating in remediation efforts, we hope that businesses will leverage these strategies to strengthen their supply chain resilience and ethical standing.

In summary, embracing the OECD's framework not only mitigates risks but also fosters a more sustainable, ethical, and resilient global business environment. As companies navigate an evolving landscape of regulations and stakeholder expectations, adherence to these guidelines becomes increasingly imperative for long-term success and positive impact.





# Get started with effective supply chain risk management and compliance with Achilles

Many businesses are now required by law to assess their human rights and environmental risks. Investors and consumers are increasingly voicing a preference for brands that make a positive impact. Knowing what's happening in your supply chain is more important than ever before.

In supply chain legislation, being able to evidence what you are doing is key. Getting it wrong can impact brand reputation and lead to significant fines and other penalties.

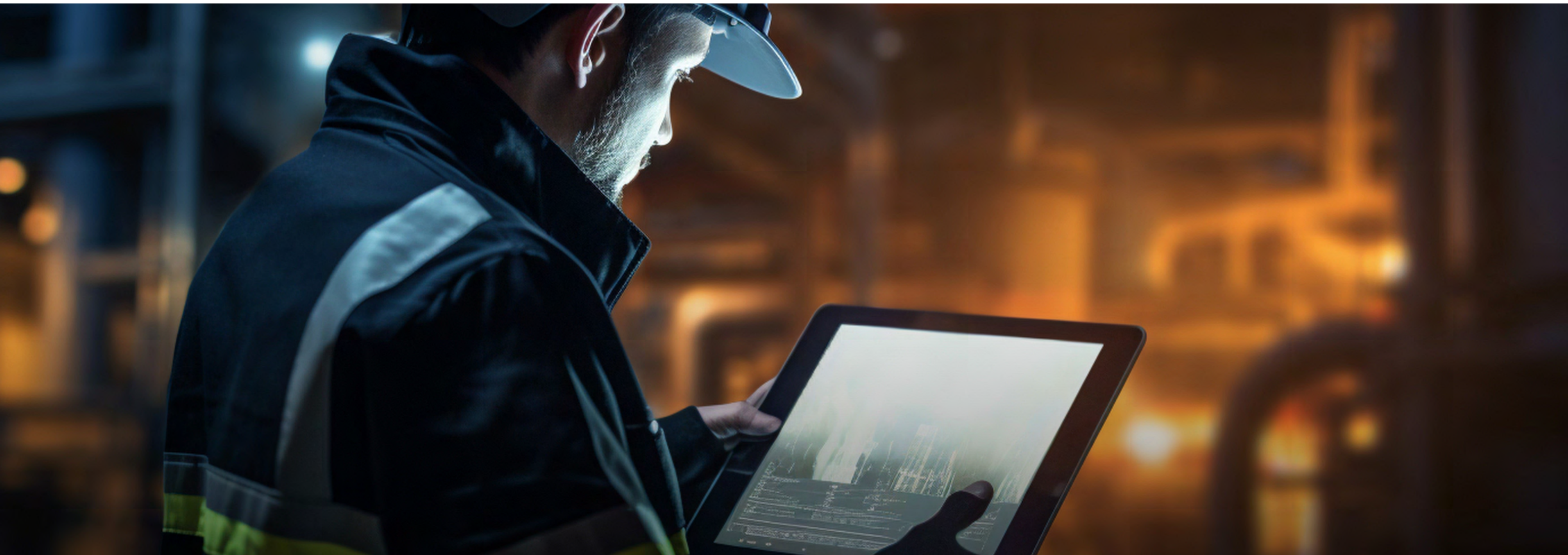
Even the most experienced procurement and supply chain professionals admit to feeling overwhelmed by the detail they are

being asked to provide to demonstrate the impact their organisations are having on people and the planet.

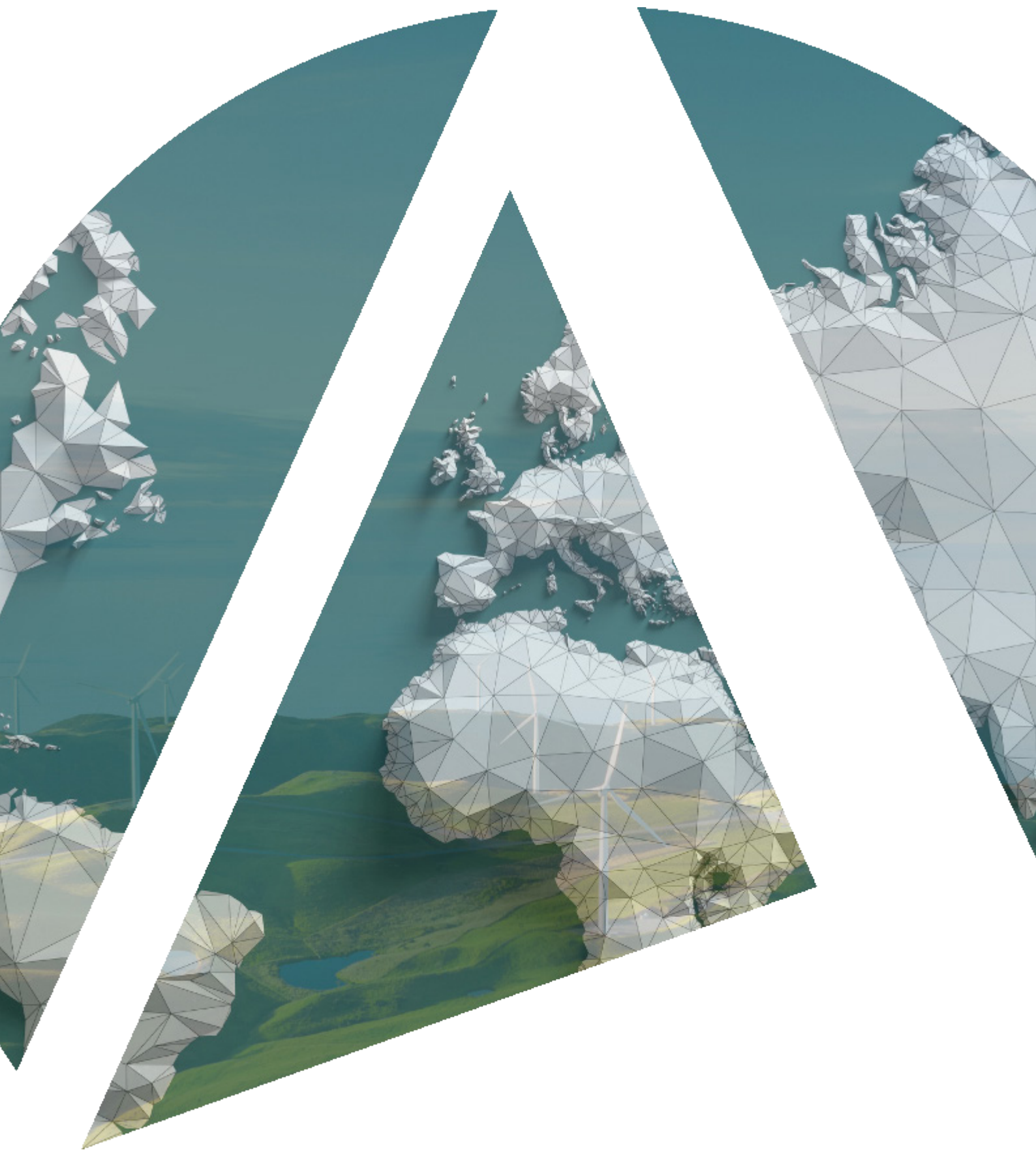
For more than 30 years, Achilles has worked with market leading businesses globally to provide the serious, detailed analysis and expert insight necessary to deliver exceptional ESG supply chain due diligence and reporting confidence.

Get in touch to learn more about how we can support your business's supply chain risk management and reporting requirements.

[www.achilles.com](http://www.achilles.com)







[www.achilles.com](http://www.achilles.com)

 **Achilles**  
Supply Chain Sustainability