

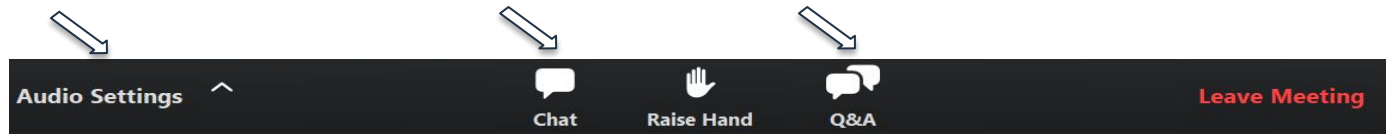
The Webinar will start in a couple of minutes.

Sustainable Corporate Governance Initiative: Due Diligence Principles and Practical Experience

26th January 2022, 10 a.m.–12 p.m. (CET)

Logistics:

- 1) If you have audio problems, please check the settings in your computer.
- 2) For any technical requests, please use the chat function.
- 3) For questions to the speakers, please use the Q&A. We will select as many as possible and reply to the other questions afterwards.
- 4) Please note that this webinar is being recorded and will be posted online.



Organiser:



 @purposeofcorp, @Frank_Bold

Welcome and Introduction



Filip Gregor

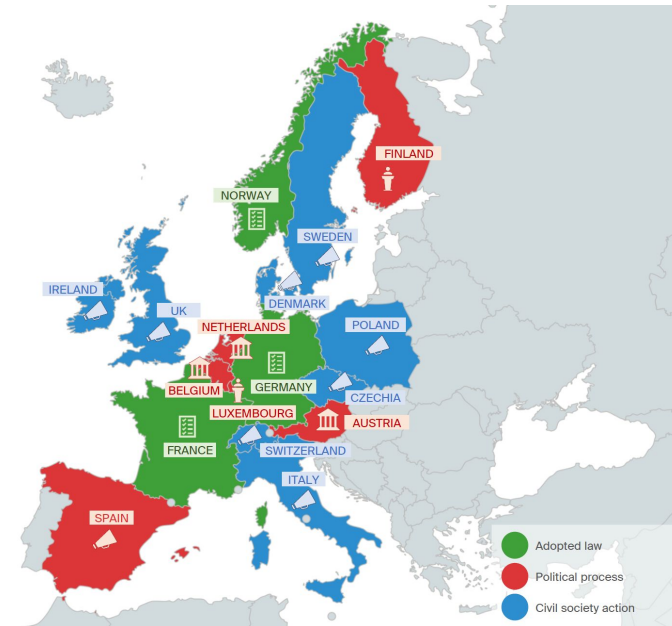
Head of Responsible Companies Section at Frank Bold

Agenda

- 1. Principles of due diligence** (10:00–11:00 a.m. CET)
 - Legislation and expectations
Lucie Slavíková, Ministry of Justice, Czech Republic
 - UN and OECD due diligence standards and their application in practice
Rachel Davis, Shift
 - Implementation of the new German legislation and good practice
Susanne Gasde, Federal Ministry of Labour and Social Affairs, Germany
 - Case studies: What is considered as good and bad practice
Filip Gregor, Frank Bold
- 2. Experience of companies with practical application; Q&A**
(11:00 a.m.–12:00 p.m. CET)
 - Théo Jaekel**, Ericsson
 - Bettina Roth**, Vaude
 - Julien Lavarini**, Lorenz

Where is due diligence at play?

1. **EU Sustainable finance:** Taxonomy and Sustainable Finance Disclosure Regulation (€28 Trillion)
2. **National requirements** (not always coherent)



© ECCJ

Legislation and expectations



Lucie Slavíková

Ministry of Justice, Czech Republic

UN and OECD due diligence standards and their application in practice



Rachel Davis

Vice-President and Co-Founder, Shift

Putting Human Rights Due Diligence Standards into Practice

SCGI Webinar convened by Frank Bold | 26 January 2022

CORPORATE RESPONSIBILITY TO RESPECT HUMAN RIGHTS

WHAT



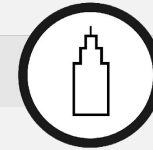
PREVENT

+



ADDRESS

WHERE



IN OWN
OPERATIONS

+



IN BUSINESS
RELATIONSHIPS

HOW



FOCUS ON RISK
TO PEOPLE



GO BEYOND
COMPLIANCE



NO
OFFSETS

Shift Project, Ltd. © 2022

A blueprint for **implementing the responsibility** to respect human rights



POLICY COMMITMENT
& EMBEDDING



HUMAN RIGHTS
DUE DILIGENCE

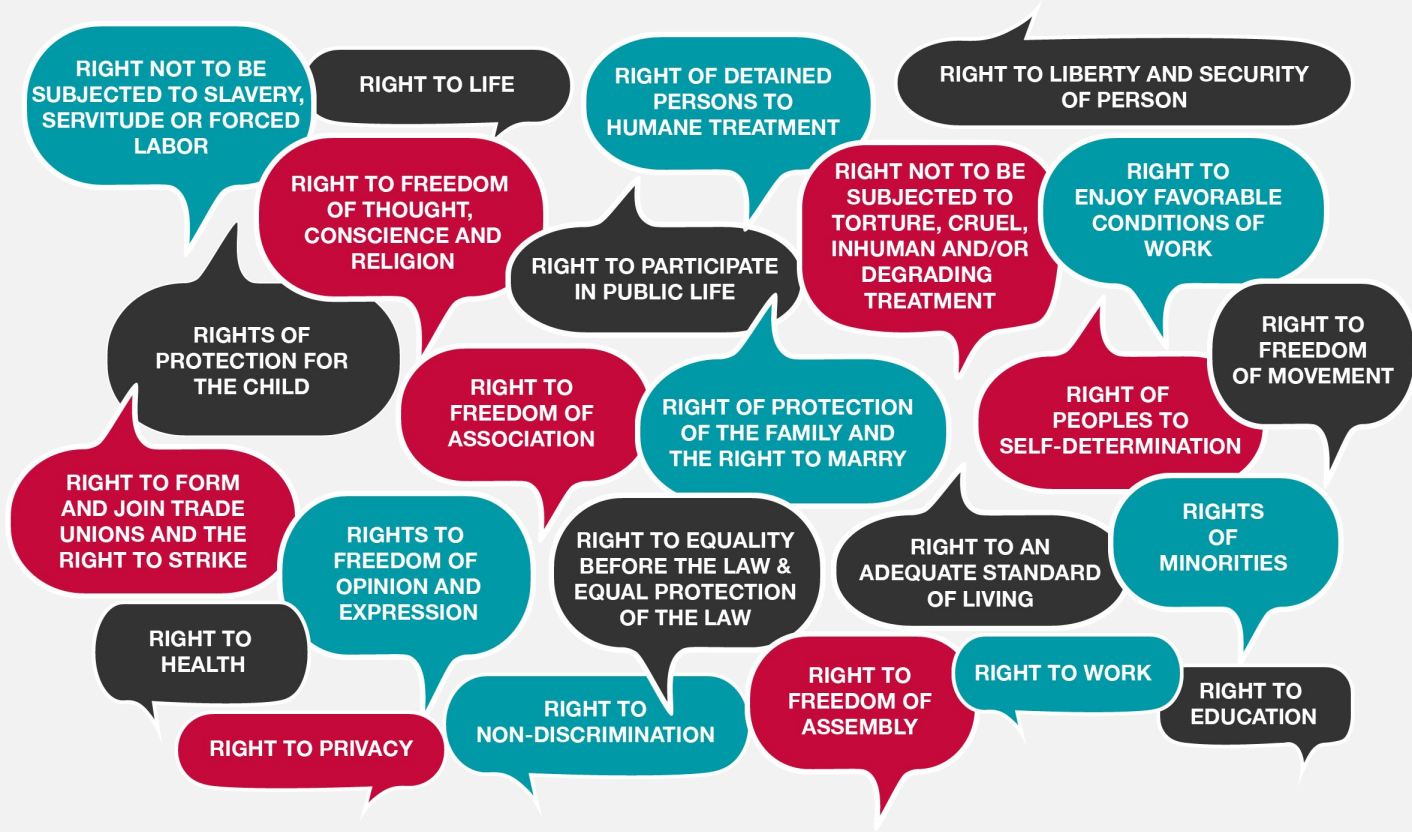


REMEDY & GRIEVANCE
MECHANISMS

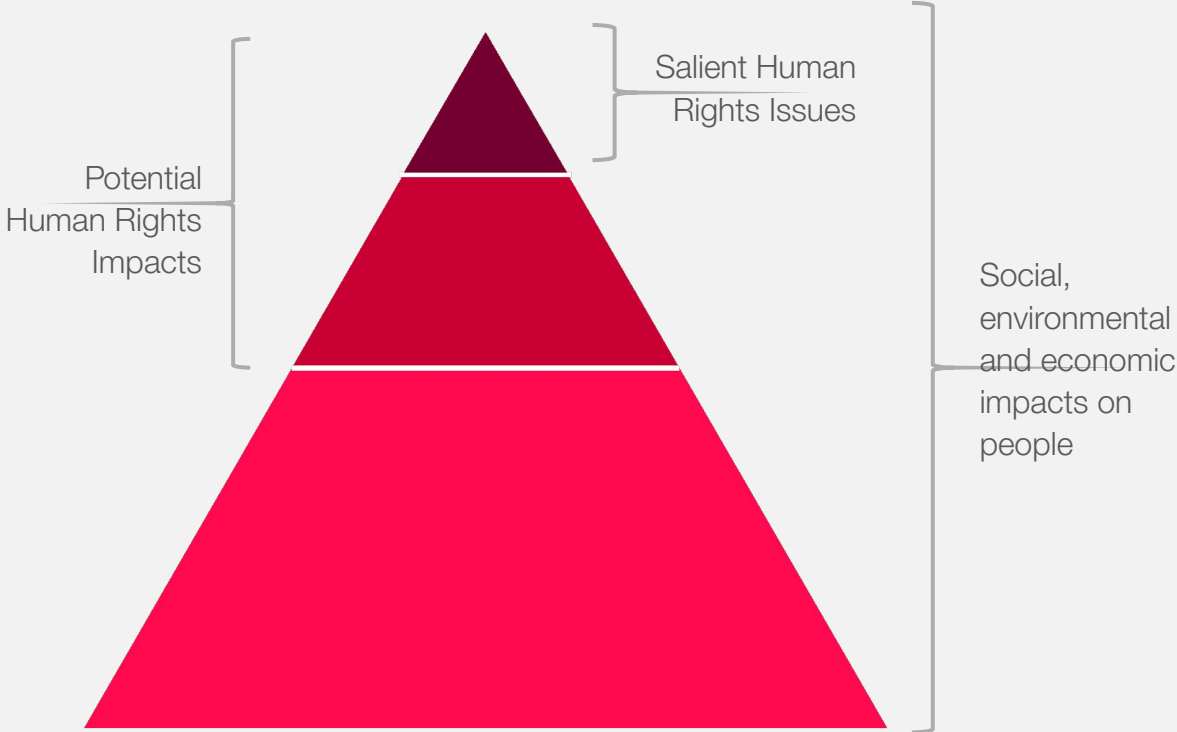


Who do we mean by **stakeholders**?

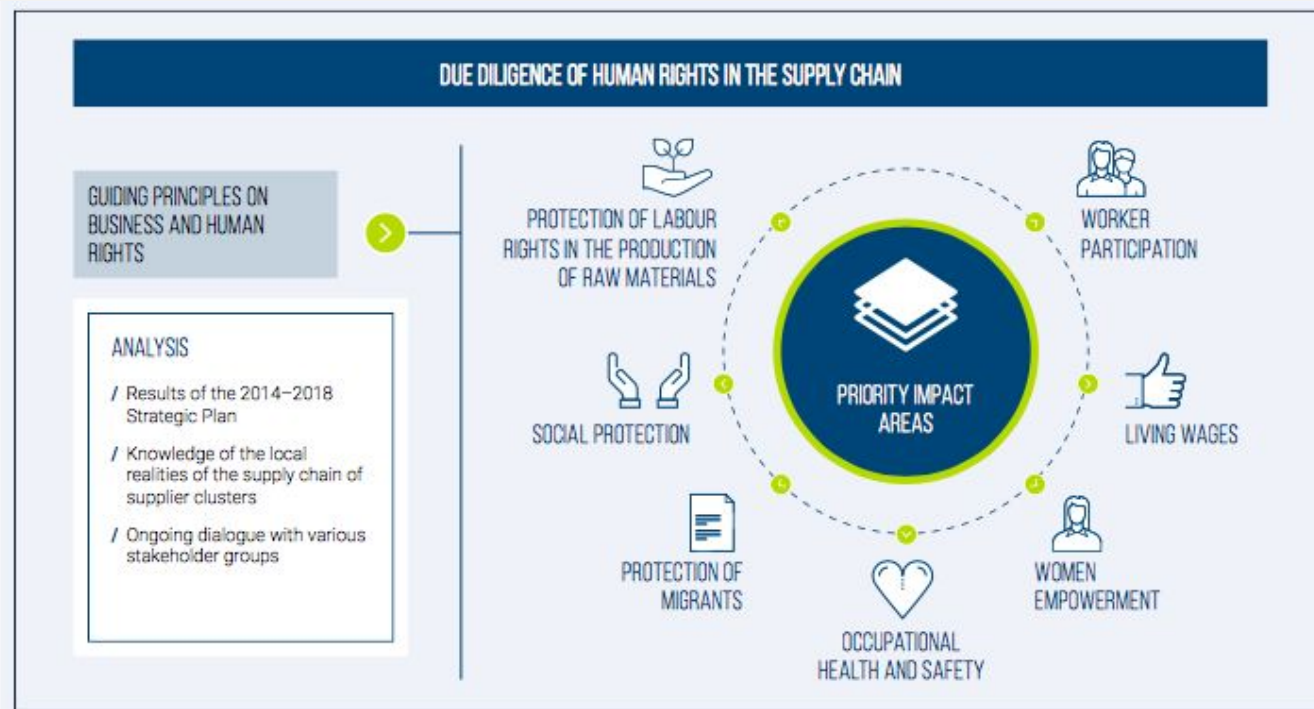




Understanding salient human rights issues



Company example: Inditex



Company example: Equinor

Priority areas

Our human rights policy tells us how to behave to ensure we respect human rights, as well as setting out what we expect from our suppliers and other business partners. Below are the six priority areas we have identified in this policy.

Human rights policy

Non-discrimination

Treating those working for us and those impacted by our operations fairly and without discrimination.

Safe working conditions

Providing safe, healthy and secure working conditions

Modern slavery

Opposing all forms of human trafficking and forced labour in our value chain

Communities

Respecting the human rights of people in communities impacted by our activities – including in relation to their use of land, water and other natural resources

Security

Conducting our security activities in line with our commitment to the Voluntary Principles on Security and Human Rights

Child labour

Opposing all illicit forms of child labour in our value chain



Company example: ABN AMRO

ABN AMRO Bank N.V.

Salient human rights issues 2020

We focus our attention on the most severe risks to people and prioritise our resources accordingly. These risks are called our 'salient human rights issues'.



IF A COMPANY...



Has **caused or may cause** an impact



Has **contributed or may contribute** to an impact



Has or may have its operations, products or services **linked** to an impact through its relationships with other entities

THEN IT SHOULD...

Prevent or mitigate the impact

Prevent or mitigate its contribution to the impact
+
Use or increase its leverage with other responsible parties to prevent or mitigate the impact

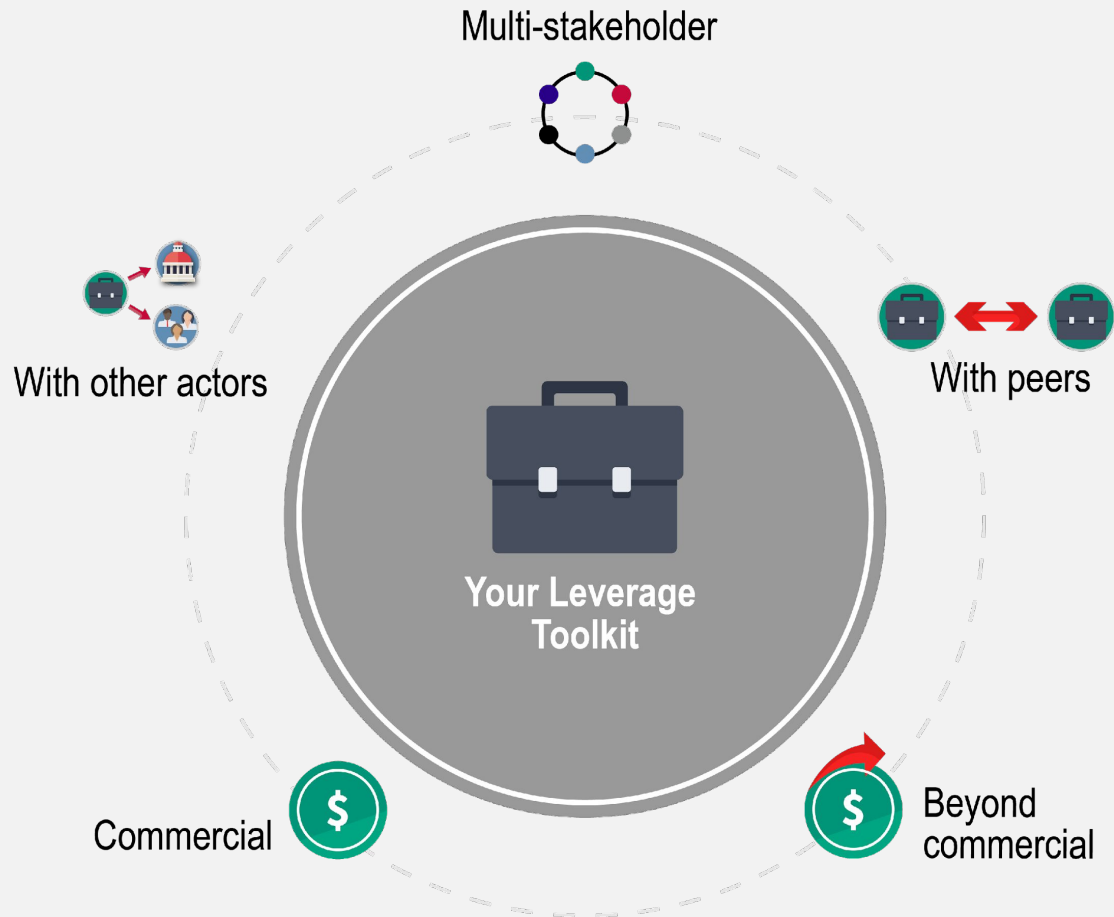
Use or increase its leverage with responsible parties to **seek to prevent** or mitigate the impact
+
Consider **using its leverage** with responsible parties to **enable remedy**

AND...

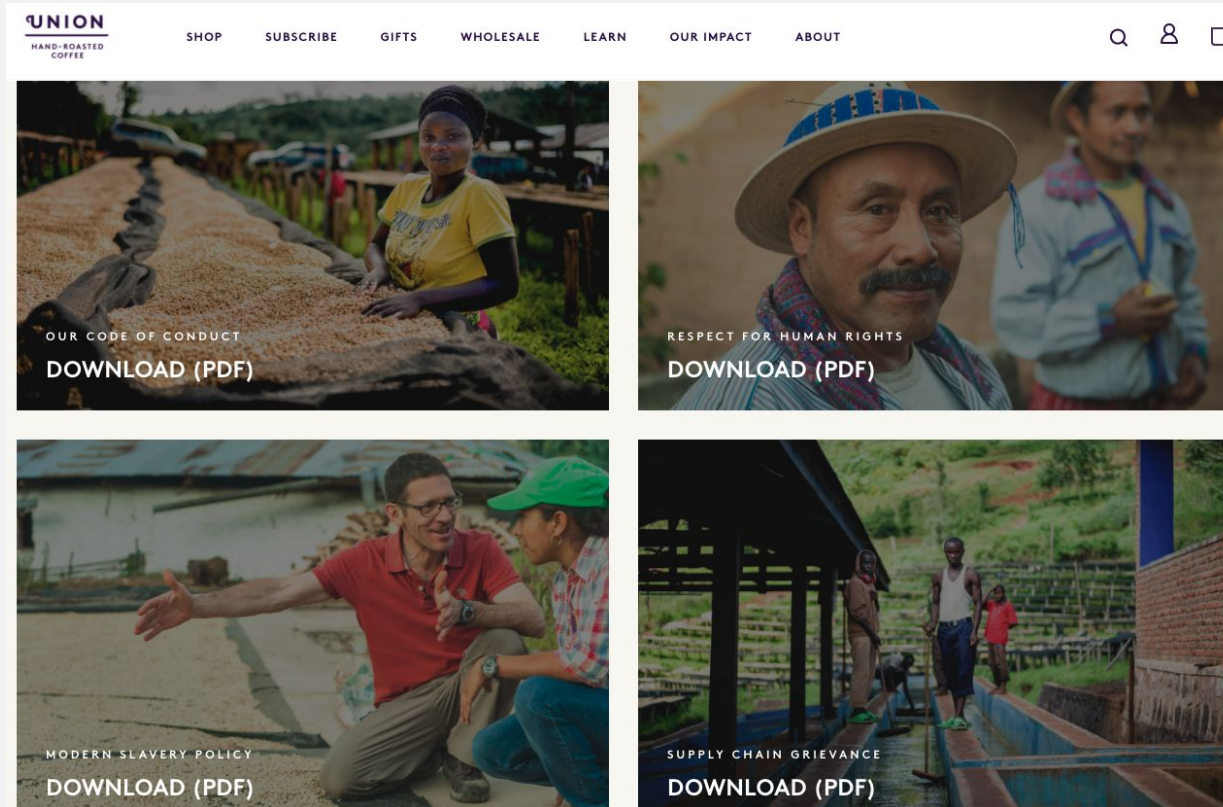
Remediate the harm if the impact has occurred

Contribute to remediating the harm if the impact has occurred, to the extent of its contribution

Not required itself to remediate the harm but may take a role in remedy



Company example: Union Roasted



stronger together

Tackling forced labour in businesses:
A toolkit for Spanish agri-businesses

stronger2gether.org/es

October 2020

in partnership with



Supporting Partner:



ACT

Action Collaboration Transformation

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The Responsible Mica Initiative has more than 70 members drawn from a cross section of industries that produce or use mica as well as industry associations and civil society and non-governmental organizations.

[ALL MEMBERS](#)

[AUTOMOTIVE](#)

[COSMETICS](#)

[INDUSTRIAL APPLICATIONS](#)

[PAINTS COATINGS & PRINTING INKS](#)

[PIGMENTS & INGREDIENTS](#)

[PLASTICS & CHEMISTRY](#)

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[NGOS & OTHER ASSOCIATIONS](#)



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Shift

Company example: SSE



SSE'S 20 PRINCIPLES FOR A JUST TRANSITION

TRANSITIONING INTO A NET-ZERO WORLD			TRANSITIONING OUT OF A HIGH-CARBON WORLD	
 <p>SSE'S PRINCIPLES FOR GOOD, GREEN JOBS</p>	 <p>SSE'S PRINCIPLES FOR CONSUMER FAIRNESS</p>	 <p>SSE'S PRINCIPLES FOR BUILDING AND OPERATING NEW ASSETS</p>	 <p>SSE'S PRINCIPLES FOR PEOPLE IN HIGH-CARBON JOBS</p>	 <p>SSE'S PRINCIPLES FOR SUPPORTING COMMUNITIES</p>
<ol style="list-style-type: none"> 1. Guarantee fair and decent work 2. Attract and grow talent 3. Value employee voice 4. Boost inclusion and diversity 	<ol style="list-style-type: none"> 5. Co-create with stakeholders 6. Factor-in whole-system costs and benefits 7. Make transparent, evidence-based decisions 8. Advocate for fairness 	<ol style="list-style-type: none"> 9. Support competitive domestic supply chains 10. Set social safeguards 11. Share value with communities 12. Implement responsible developer standards 	<ol style="list-style-type: none"> 13. Re-purpose thermal generators for a net-zero world 14. Establish and maintain trust 15. Provide forward notice of change 16. Prioritise retraining and redeployment 	<ol style="list-style-type: none"> 17. Deliver robust stakeholder consultation 18. Form partnerships across sectors 19. Promote further industrial development 20. Respect and record cultural heritage

Getting started...



Home > Module 1: Introduction to the UN Guiding Principles on Business and Human Rights



Module 1: Introduction to the UN Guiding Principles on Business and Human Rights

ID: E-03DR31

ABOUT THIS COURSE

CONTENT

Welcome to this joint UN Global Compact and Office of the UN High Commissioner for Human Rights course on the UN Guiding Principles on Business and Human Rights (UNGPs) — the global standard for business conduct in relation to human rights.

During this course, you will learn about the key concepts of the UNGPs and what businesses are expected to do in order to respect human rights. The course consists of four modules; this module provides an introduction to the UNGPs. Stay tuned for the following modules launching later this year.

Created in collaboration with Shift

<https://academy.unglobalcompact.org>

/



shiftproject.org



@ShiftProject

Shift



Rachel Davis
Vice President

info@shiftproject.org

Note: Publicly available company examples are used here to illustrate key concepts in HRDD (such as prioritization of risks according to severity, the use of creative leverage).

Implementation of the new German legislation and good practice



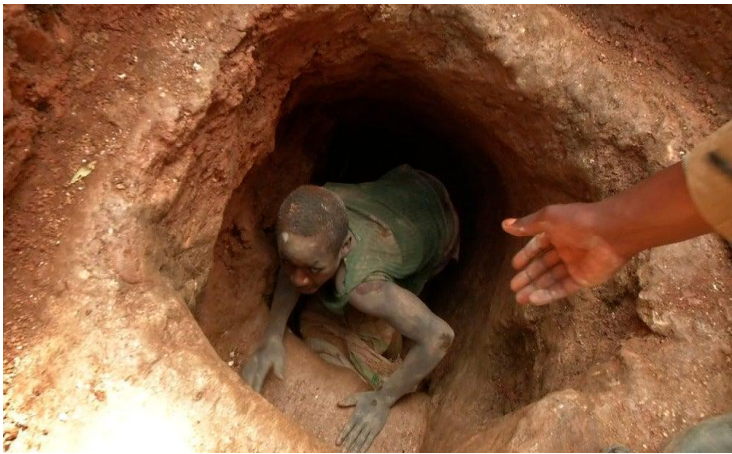
Susanne Gasde

Head of the CSR Unit, Federal Ministry of Labour
and Social Affairs, Germany

ACT ON CORPORATE DUE DILIGENCE IN SUPPLY CHAINS

SUSANNE GASDE, HEAD OF DIVISION CSR

FEDERAL MINISTRY OF LABOUR AND SOCIAL AFFAIRS



What problems are addressed by the Act?

Problems:

Human rights violations and environmental deterioration in supply chains

Voluntary action does not lead to a change of attitude

Legal uncertainty as to the question how enterprises can fulfil their due diligence obligations

Solution:

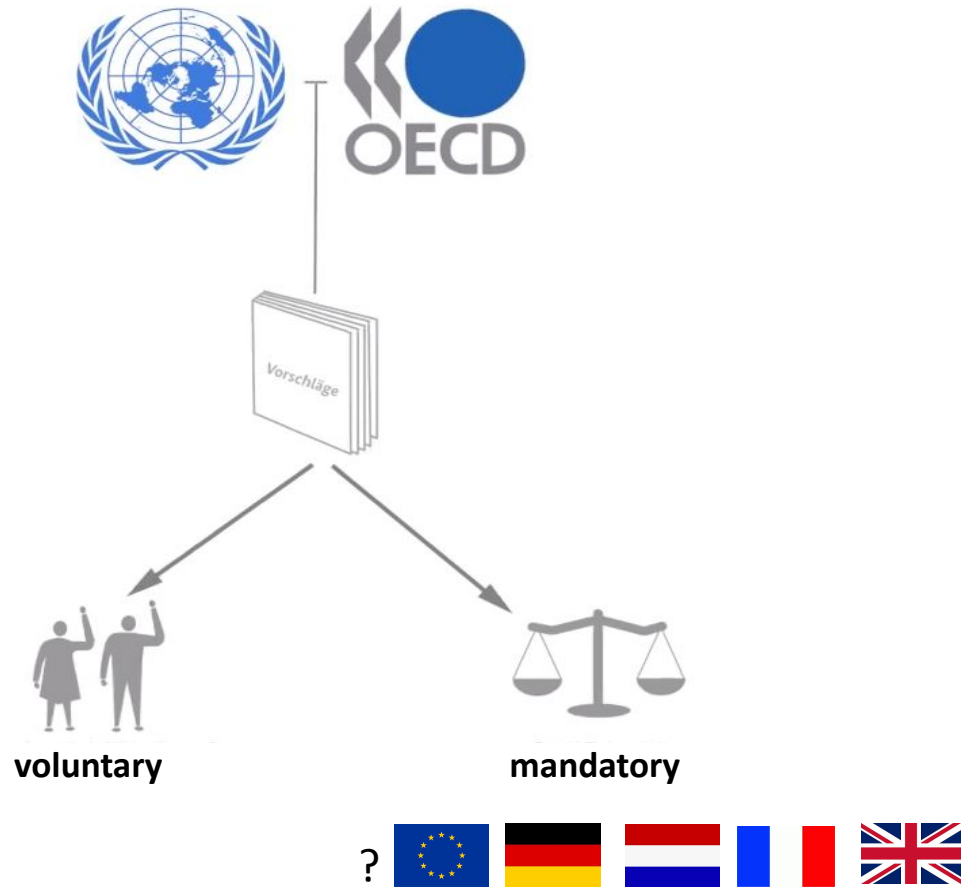
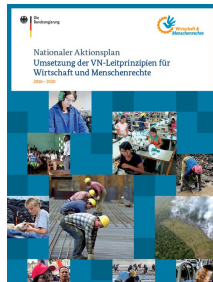
Act with official enforcement mechanism

Enterprises recognise their responsibility and improve human rights situation

Binding framework for action for enterprises based on NAPs and UN Guiding Principles

More legal certainty

National Action Plans



Due diligence obligations

Overview of the obligations of the enterprise

Risk management

Risk analysis

Preventive measures

Complaints procedure

Remedial measures

Documentation / reporting

To whom does the Act apply?

- To **enterprises based in Germany** with
 - their head offices, principal places of business, administrative headquarters or registered offices
- To **enterprises based abroad** with
 - a subsidiary in Germany
- **Thresholds**
 - from 2023 enterprises with at least 3,000 employees in Germany (some 1,000)
 - from 2024 enterprises with at least 1,000 employees in Germany (some 4,800)

Scope of responsibility: entire supply chain



Staged due diligence obligations for enterprises in the **entire supply chain**

Enterprises have to take **preventive** and **remedial measures** when identifying risks of human rights violation

- in their own business area (including subsidiaries under dominating influence)
- at the direct supplier
- at the indirect supplier

Appropriate measures: no excessive demands



Appropriateness of due diligence obligations is the **central principle** and is defined according to

1. Type and scope of business activities
2. Possibility of exerting influence on the person causing the risk / of a violation.
3. Severity, reversibility and probability of a violation
4. Type of contribution of an enterprise to the cause of the risk / violation

Human rights in question

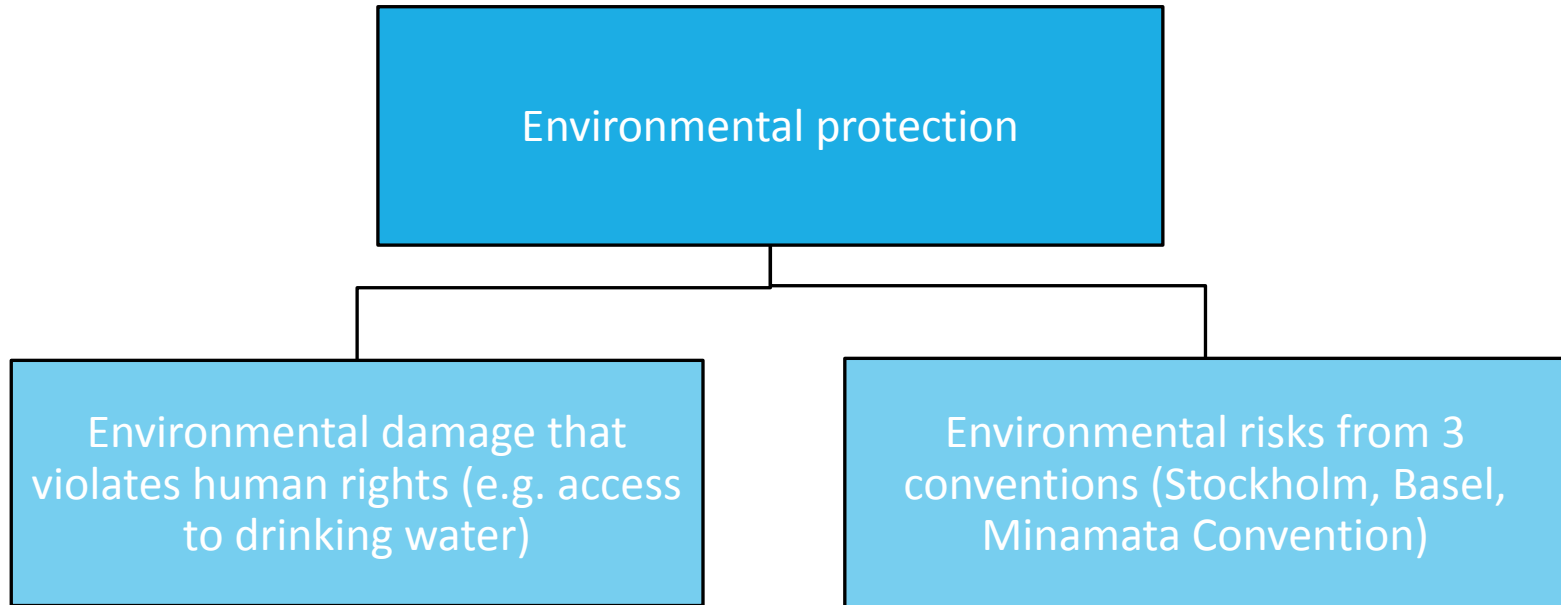


- The Act includes an exhaustive list of internationally recognized human rights conventions. These are “translated” into guidelines for companies to conduct due diligence.
- Eleven conventions protecting human rights
 - Nine ILO conventions including the four ILO core labour standards
 - International Covenant on Civil and Political Rights
 - International Covenant on Economic, Social and Cultural Rights

Human rights in question

Freedom from child labour	Freedom from slavery / forced labour	Life	Health
Appropriate protection for workers	Freedom of association	Freedom from discrimination	Access to food, water, accommodation
Decent wage	Protection against land grabbing	Protection against torture	Opening clause for further protected rights

Role of environmental protection



Official control

- **Federal Office for Economic Affairs and Export Control - far-reaching powers**
 - can order enterprises to take specific action
 - can request certain information and documentation; access rights
- **imposition of administrative fines**
 - in the event of severe violations up to EUR 8 million
 - in the event of \geq EUR 400 million annual turnover up to 2 per cent of global turnover
- **Exclusion from the award of public contracts**
 - within a period of up to 3 years starting with a defined amount of the administrative fine

Rights of persons affected

- Persons affected who see their rights violated can submit an **application** to the Federal Office for Economic Affairs and Export Control to examine the matter
- In future, NGOs and trade unions can represent persons affected by a violation of their rights in their own name before German courts
- This representative action applies to cases in Germany (the damage occurred in Germany) but also to cases outside Germany (the damage occurred abroad)

What makes the Act special?

- no restriction to special protected rights, e.g. child labour or forced labour
- cross-industry approach
- differentiated due diligence obligations instead of reporting obligations
- official control with sharp instruments / exclusion from award of public contracts
- strengthens civil procedure enforcement (representative action)

Case Studies: What is considered as good and bad practice



Filip Gregor

Head of Responsible Companies Section, Frank Bold

Sources: OECD NCP cases, MVO Risk Check (NL), German Helpdesk's "Tipps"

Good and bad practice

Good practice	Bad practice
Workforce (on-site)	
<ul style="list-style-type: none">• Require contractors that all workers involved in the activity have guaranteed appropriate level of protection	<ul style="list-style-type: none">• Using subcontractors that hire foreign workers and pay less than national minimum wage
High-risk supply chains	
<ul style="list-style-type: none">• Know your chain• Assess new suppliers• Engage with high-risk suppliers	<ul style="list-style-type: none">• Trading in a high-risk commodity and taking no precautions (e.g. cotton and child labour, palm oil and deforestation, conflict minerals)• Sourcing from high-risk geographies and failing to screen suppliers (e.g. garment factories in SE Asia)

Good and bad practice

Good practice	Bad practice
Direct investments	
<ul style="list-style-type: none">• Respect national and international law (even if disrespected locally)• Carry out EIA and HRIA	<ul style="list-style-type: none">• Failing to engage local and indigenous communities• Harmful operations in national parks
Finance	
<ul style="list-style-type: none">• Implement system to identify heightened risk of potential human rights violations in screening of companies for potential investment	<ul style="list-style-type: none">• Financing land grabbing activities• Financing palm oil companies linked to deforestation and not exercising leverage• Investing in companies which systematically abuse labour rights

2. Experience of companies with practical application

Théo Jaekel, Ericsson
Corporate Responsibility
Expert



Bettina Roth, Vaude
Head of Quality Management
& CSR Supply Chain



Julien Lavarini, Lorenz
Responsible Supply Chain
Manager



Ericsson's approach to due diligence



Théo Jaekel, Ericsson
Corporate Responsibility Expert

Experience of companies with practical application



Bettina Roth, Vaude

Head of Quality Management & CSR Supply Chain




VAUDE
The Spirit of Mountain Sports

**Smallest possible
footprint**



**Greatest possible
quality of life**





VENDOR MANAGEMENT





- **Multistakeholder Initiative**, NGOs and Unions in Board
- **Shared Responsibilities** between Brands and Suppliers, but also between Brands
- **Onsite Audits**
- **Brand Performance Check**
- **Complaint Mechanism**
- **Worker Education Programs**
- **Management Trainings**
- **Living Wage Projects**

Benefits for Partners and Brands



VAUDE Academy
for sustainable business



Less fluctuation



better quality



higher efficiency



trust

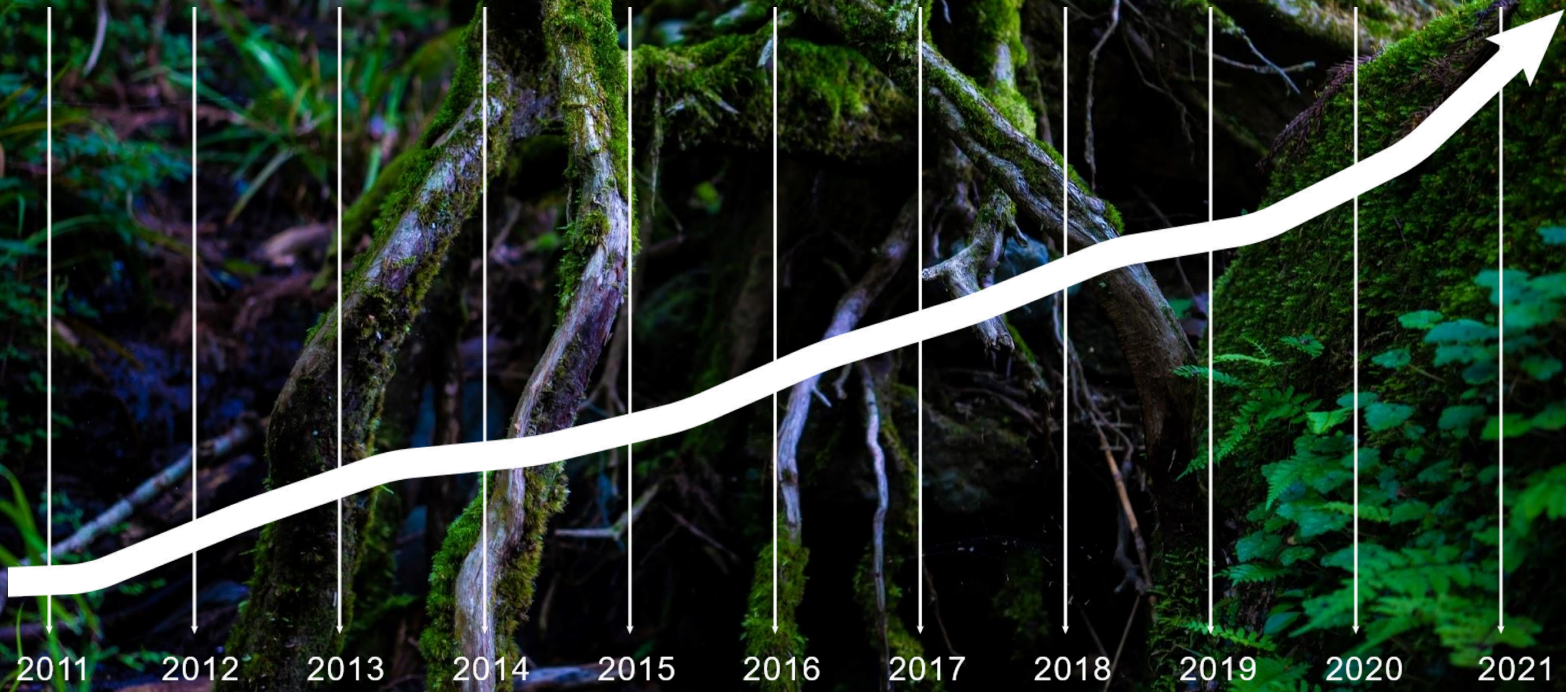


Education/knowledge



sustainable success

Sustainable Management makes your company crisis-proof!



Experience of companies with practical application



Julien Lavarini, Lorenz
Responsible Supply Chain Manager

Lorenz

Sustainable Governance Initiative :

Practical Example with
Raw Material

26th January 2022



CSR Risks Assessment Process

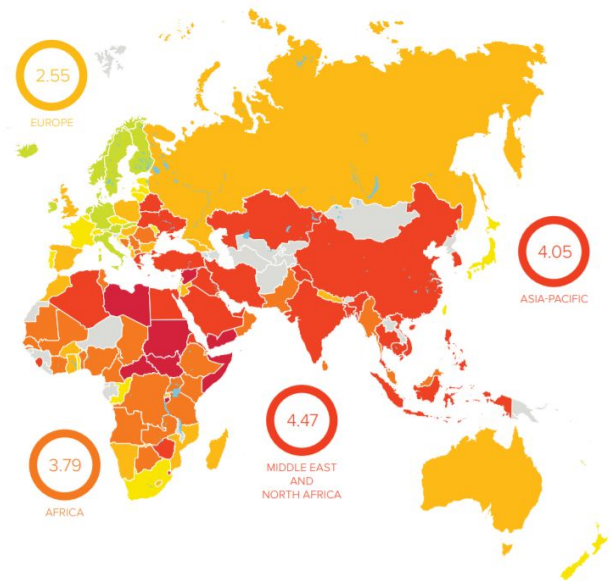


CSR Risks Assessment Approach



Tools:

- Country risk based on World Governance Indicators (e.g. BSCI Amfori List, SA 8000 List)
- MVO Risks Monitor Tool (Funded by Dutsch Government)
- SEDEX (next steps for Lorenz)



Lorenz Responsible Sourcing Approach



Focus Materials

Focus Projects



Priority Materials

Collaboration program
Certification



Key Suppliers

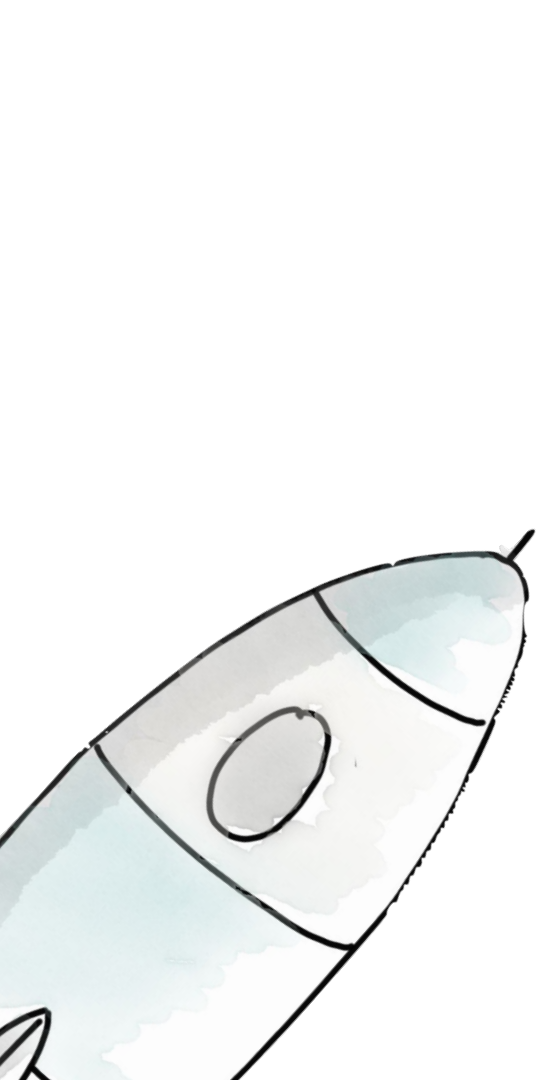
Continuous Improvement
Due Diligence
Own Social Audit or SMETA (Sedex)



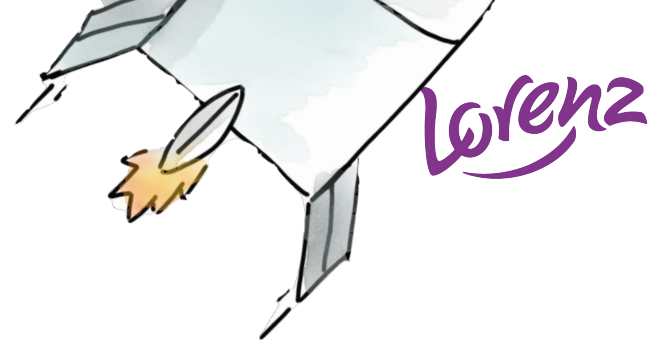
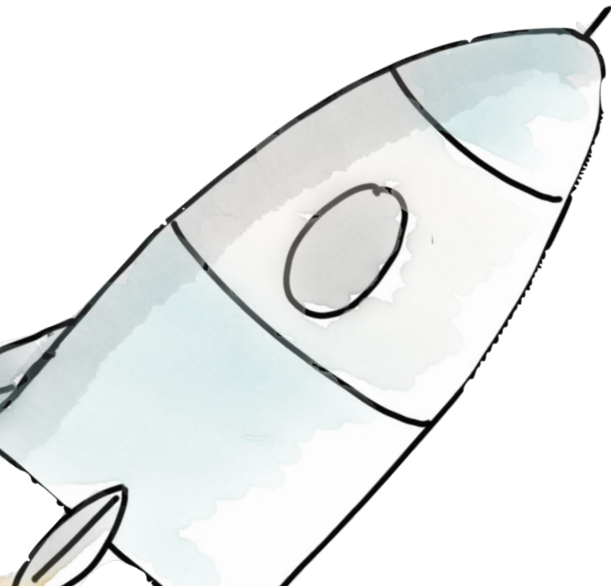
All Suppliers

Code of Conduct
Quality Risks Assessment
CSR Risks Assessment



A stylized illustration of a rocket ship, split into two parts. The top part is in the upper right corner, showing the tail section with a flame and a fin. The bottom part is in the lower left corner, showing the nose and a circular window. The rocket is light blue and grey with black outlines.

**Responsible sourcing is
a journey,
it will never end.**



Never.



Frank Bold

Contact:

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Thank you!



@Frank_Bold
@purposeofcorp