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:

Frank Bold

@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
1. **EU Sustainable finance**: Taxonomy and Sustainable Finance Disclosure Regulation (€28 Trillion)

2. **National requirements** (not always coherent)
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
A blueprint for implementing the responsibility to respect human rights

- Policy Commitment & Embedding
- Human Rights Due Diligence
- Remedy & Grievance Mechanisms
PREVENT HARM to PEOPLE

ENGAGE STAKEHOLDERS

ASSESS

COMMUNICATE

INTEGRATE AND ACT

TRACK

ENGAGE STAKEHOLDERS
Who do we mean by stakeholders?
Understanding salient human rights issues

- Potential Human Rights Impacts
- Salient Human Rights Issues
- Social, environmental and economic impacts on people
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.

<table>
<thead>
<tr>
<th>Non-discrimination</th>
<th>Safe working conditions</th>
<th>Modern slavery</th>
<th>Child labour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treating those working for us and those impacted by our operations fairly and without discrimination.</td>
<td>Providing safe, healthy and secure working conditions</td>
<td>Opposing all forms of human trafficking and forced labour in our value chain</td>
<td>Opposing all illicit forms of child labour in our value chain</td>
</tr>
</tbody>
</table>

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.
Company example: ABN AMRO

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
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.
Company example: SSE

### SSE’S 20 PRINCIPLES FOR A JUST TRANSITION

<table>
<thead>
<tr>
<th>transitioning into a net-zero world</th>
<th>transitioning out of a high-carbon world</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SSE’S PRINCIPLES FOR GOOD, GREEN JOBS</strong></td>
<td><strong>SSE’S PRINCIPLES FOR CONSUMER FAIRNESS</strong></td>
</tr>
<tr>
<td><strong>SSE’S PRINCIPLES FOR BUILDING AND OPERATING NEW ASSETS</strong></td>
<td><strong>SSE’S PRINCIPLES FOR PEOPLE IN HIGH-CARBON JOBS</strong></td>
</tr>
<tr>
<td><strong>SSE’S PRINCIPLES FOR SUPPORTING COMMUNITIES</strong></td>
<td></td>
</tr>
</tbody>
</table>

1. Guarantee fair and decent work  
2. Attract and grow talent  
3. Value employee voice  
4. Boost inclusion and diversity  
5. Co-create with stakeholders  
6. Factor-in whole-system costs and benefits  
7. Make transparent, evidence-based decisions  
8. Advocate for fairness  
9. Support competitive domestic supply chains  
10. Set social safeguards  
11. Share value with communities  
12. Implement responsible developer standards  
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  
17. Deliver robust stakeholder consultation  
18. Form partnerships across sectors  
19. Promote further industrial development  
20. Respect and record cultural heritage
Getting started…

Module 1: Introduction to the UN Guiding Principles on Business and Human Rights
ID: E.03DR31

ABOUT THIS COURSE

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
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

Voluntary vs. Mandatory

Question mark for other countries
Due diligence obligations

Overview of the obligations of the enterprise

- Risk management
- Preventive measures
- Remedial measures
- Risk analysis
- Complaints procedure
- 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

<table>
<thead>
<tr>
<th>Freedom from child labour</th>
<th>Freedom from slavery / forced labour</th>
<th>Life</th>
<th>Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriate protection for workers</td>
<td>Freedom of association</td>
<td>Freedom from discrimination</td>
<td>Access to food, water, accommodation</td>
</tr>
<tr>
<td>Decent wage</td>
<td>Protection against land grabbing</td>
<td>Protection against torture</td>
<td>Opening clause for further protected rights</td>
</tr>
</tbody>
</table>
Role of environmental protection

Environmental protection

- Environmental damage that violates human rights (e.g. access to drinking water)
- Environmental risks from 3 conventions (Stockholm, Basel, Minamata Convention)
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 ≥ 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”
<table>
<thead>
<tr>
<th>Good practice</th>
<th>Bad practice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Workforce (on-site)</strong></td>
<td></td>
</tr>
<tr>
<td>● Require contractors that all workers involved in the activity have</td>
<td>● Using subcontractors that hire foreign workers and pay less than national</td>
</tr>
<tr>
<td>guaranteed appropriate level of protection</td>
<td>minimum wage</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>High-risk supply chains</strong></td>
<td></td>
</tr>
<tr>
<td>● Know your chain</td>
<td>● Trading in a high-risk commodity and taking no precautions (e.g. cotton</td>
</tr>
<tr>
<td>● Assess new suppliers</td>
<td>and child labour, palm oil and deforestation, conflict minerals)</td>
</tr>
<tr>
<td>● Engage with high-risk suppliers</td>
<td>● Sourcing from high-risk geographies and failing to screen suppliers (e.g.</td>
</tr>
</tbody>
</table>
## Good and bad practice

<table>
<thead>
<tr>
<th>Good practice</th>
<th>Bad practice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct investments</strong></td>
<td></td>
</tr>
<tr>
<td>● Respect national and international law (even if disrespected locally)</td>
<td>● Failing to engage local and indigenous communities</td>
</tr>
<tr>
<td>● Carry out EIA and HRIA</td>
<td>● Harmful operations in national parks</td>
</tr>
<tr>
<td><strong>Finance</strong></td>
<td></td>
</tr>
<tr>
<td>● Implement system to identify heightened risk of potential human rights violations in screening of companies for potential investment</td>
<td>● Financing land grabbing activities</td>
</tr>
<tr>
<td></td>
<td>● Financing palm oil companies linked to deforestation and not exercising leverage</td>
</tr>
<tr>
<td></td>
<td>● Investing in companies which systematically abuse labour rights</td>
</tr>
</tbody>
</table>
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
Smallest possible footprint

Greatest possible quality of life
VENDOR MANAGEMENT

Environment  Quality  Social Compliance
- **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

- Less fluctuation
- Higher efficiency
- Education/knowledge
- Better quality
- Trust
- Sustainable success
Sustainable Management makes your company crisis-proof!
Experience of companies with practical application

Julien Lavarini, Lorenz
Responsible Supply Chain Manager
Sustainable Governance Initiative:
Practical Example with Raw Material
26th January 2022
CSR Risks Assessment Process

1. Step: Data Collection
   - Basic Data buyer

2. Step: Sustainability Risk Categorization Suppliers
   - Business Importance (with buyers)
   - Country risk based on World Governance Indicators (e.g. BSCI amfori list or SA 8000 list)

3. Step: Define mitigation action plan
   - Suppliers management
   - Own Social Audit / SMETA
   - Collaboration project
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
- Continuous Improvement
- Due Diligence
- Own Social Audit or SMETA (Sedex)

- Key Suppliers
- Code of Conduct
- Quality Risks Assessment
- CSR Risks Assessment

All Suppliers
Responsible sourcing is a journey, it will never end.
Never.
Contact:
Filip Gregor
filip.gregor@frankbold.org

www.frankbold.org

Thank you!

@Frank_Bold
@purposeofcorp