



Just do it! Why companies need to commit to due diligence

Overview

Right now, your stakeholders have a world of information at their fingertips. In an age of open information, diligence matters like never before. Instead of fearing new processes and evolving technology, businesses of all sizes and sectors can seize the opportunity to turn diligence reporting into a world of engagement opportunities. This session explores the use of leading dashboards and tools, including those provided by FTA, that effectively report diligence and enhance your credibility, helping you assess your own performance more efficiently while teaching you how to make the most of analytics technology

Speakers

Moderator: **Veronica Rubio**, Senior Manager Strategic Issues - Foreign Trade Association

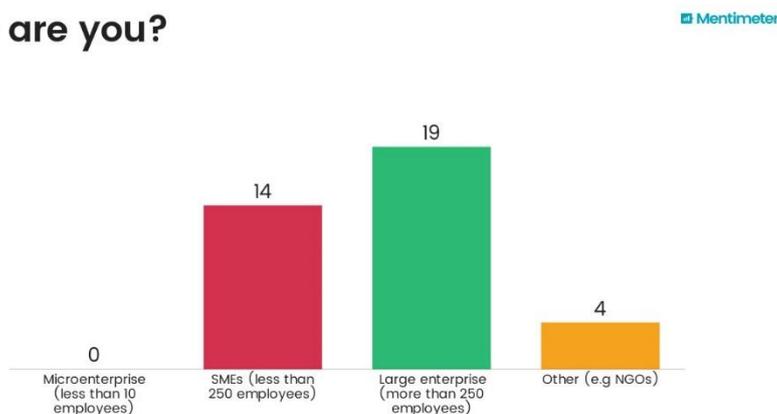
- **Dr. Leon Mol**, Director of Product Safety & Social Compliance - Ahold Delhaize GSO B.V.
- **Patricia Carrier**, Project Manager - Modern Slavery Registry Business & Human Rights Resource Centre.
- **Monique Gerson**, Social System Officer - Foreign Trade Association

Session Highlights

Total number of participants: 37

Participants category:

Who are you?

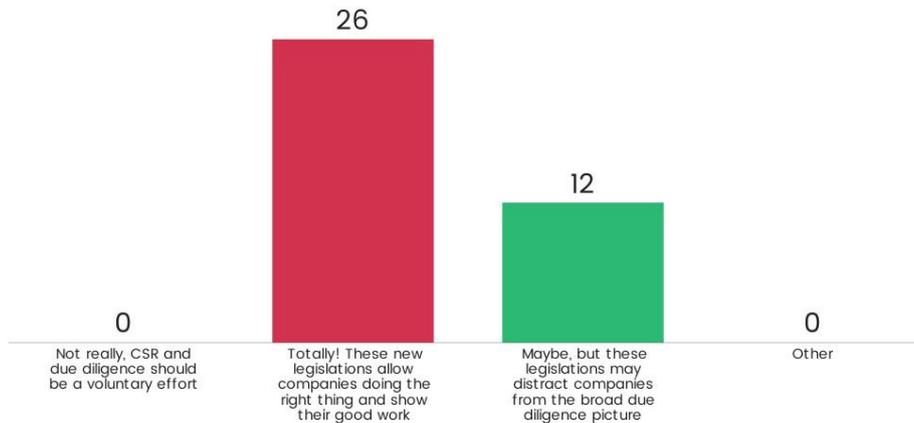


The session started with a survey on the question: do companies benefit from due diligence?

Results of participants' survey:

Do companies benefit from due diligence and transparency legislations?

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How can companies benefit from due diligence?

Patricia Carrier

- New legislation is emerging that requires companies to report on their efforts to promote sustainability.
- UK Modern Slavery Act was built on the California Transparency in Supply Chains Act. Similar legislation has recently been adopted in France with the "Due diligence" law and is begin developed in Australia and Canada. This indicates a trend towards increasing legislation requiring due diligence and setting requirements on companies.

Leon Mol

- It is important that companies are aware that there are these pieces of legislation and that they are required to report on this.
- There needs to be regulation involved in order to promote the efforts of companies to develop their due diligence processes so that consumers, social investors, governments know what companies are doing.

What challenges do companies face in complying with this legislation?

Leon Mol

- It can distract companies from their own due diligence priorities because it requires companies to follow the priorities set by government requirements which are not necessarily the same of the companies
- Companies have operations in several countries are faced by the need of understanding several pieces of legislation.

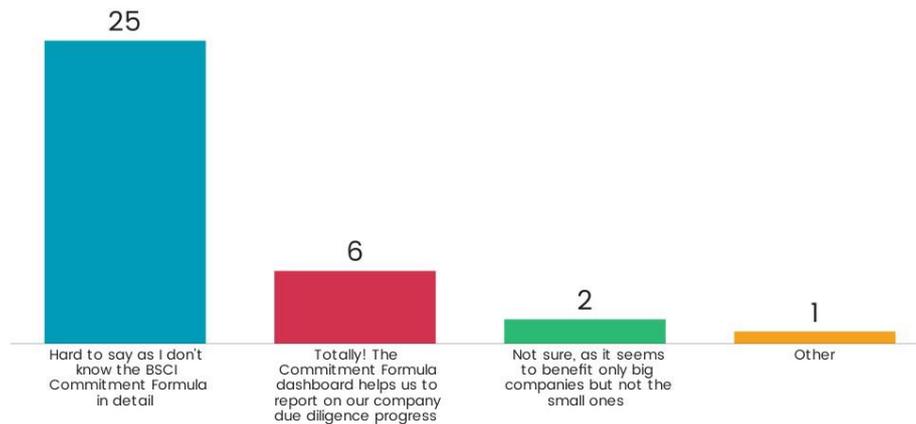
- Trying to measure continuous improvement in a credible way is a challenge and it is difficult to explain the underlying long term commitment to external stakeholders.

How does BSCI help members in reporting?

Results of participants survey:

Can the BSCI Commitment Formula help companies in their transparency / reporting efforts?

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Monique Gerson:

- Reporting is the last step in due diligence. BSCI helps companies in the entire process of due diligence: mapping supply chain, monitoring, capacity building and remediation.
- The Commitment Formula is a critical means and the first time that FTA/BSCI not only provides data on company performance but measures the performance through 18 KPIs and 5 MER capturing supply chain mapping activities, cascading, training, auditing.
- If we compare with other tools available in the industry, we see that the BSCI Commitment Formula is an innovative instrument, since it is the only one to utilize exclusively information that directly relates to companies activities and that is not based on second hand reporting.
- The CF as it is now is very useful as an internal tool in own operations. Ahold is trying to move the responsibility from a separate department to across the company. The commitment Formula helps people in other departments to visualize and to understand the issues. It is a part of the total process.

Are there good and bad practices of reporting?

Patricia Carrier:

- The UK govt holds a central repository for reporting statements. Now there are 2100 reports available. The Registry is monitoring the quality of the reports. Generally quality of reporting is low. Information is rarely detailed and robust, reports are akin to compliance statement. This can be due to the fact that we are in the can be due to the first year reporting.

- The leading companies are those that have been dealing with such reporting processes for a longer time and are more experienced.
- Looking at peer statements and learning from them can help companies improved.

Do and don'ts:

- Do not feel constrained by the headings of the legislation but provide a statement that truly reflect:
 - Risks identified in their supply chains (e.g. confiscated passports)
 - Strategies adopted to remediate the violations (e.g. improve recruitment processes)
- It is a statement produced on annual basis and should reflect improvements in your strategy.

Is the BSCI Commitment Formula suitable for small companies?

Monique Gerson:

- Small companies play an important role in BSCI (70% of members are micro enterprises).
- The strength of the BSCI System is that it applies across different companies size, the same KPIs are applying to different companies sizes. Small companies get the same support and the same preparation for reporting on sustainability as larger companies.
- Large companies are requesting their partners in the supply chains to provide information for reporting. This includes smaller companies. It is a trend that companies that are directly impacted by the legislation require their suppliers to be incorporated in the reporting efforts.
- Smaller companies should be alerted on this legislation and also be aware of the kind of due diligence required in their own operations and supply chains.
- The selection process for suppliers by larger retailers considers the capacity of suppliers to undertake due diligence and report on their risks and strategies. This results in competitive advantage for small companies.

How do retailers distinguish between own brand and other brand products?

Leon Mol:

- Ahold starts with a one size fits all approach, of which BSCI is a part. In own brand products retailers know who suppliers are, where products are produced.
- On own brand there is higher transparency and also there is a higher effectiveness of sustainability strategy because leverage is higher.
- However, due diligence is also about what we do not know. We need to look at the broader supply chains and collect information beyond what we already know.

Plenary discussion:

- In the field of CSR many changes are taking place. Retailers fear that there will be a proliferating of regulations on the social performance side, as it is for quality and safety standards.
- BSCI should support EU retailers to understand what legislation they should comply with depending on the markets they are serving.
- We cannot wait for legislation to do due diligence. If we wait for legislation it is not going to work. We need to be proactive and be transparent on what we do.

- There is 80% overlap between UK and California due diligence acts. Governments are not reinventing the wheel but building on each other efforts. The UK is advocating for the Australian legislation to be complementary to the UK MS act to avoid that new acts go too off-course. Core issues are going to remain the same.

The UK legislation is now very focused on modern slavery, is legislation broadening its scope beyond modern slavery?

Patricia Carrier:

- The legislation will be reviewed in 3-5 years and the government of the UK will look at broadening its vision e.g. with more stringent reporting requirements.
- With respect on broadening the scope on other human rights, the focus on modern slavery is not to say that this is the only issue relevant for companies and it is not only about forced labour or trafficking but it includes housing conditions and a broader set of rights. In addition, companies that do efforts to prevent modern slavery will be those that focus on human rights more generally.

We are moving from addressing risks, to preventing negative impact, are we going towards creating positive impact?

Leon Mol:

- We are going from a one size fits all to a much more detailed approach. Where it makes sense, we can differentiate our strategies.
- The risk based approach is still the core of Ahold strategy. This generates positive impact in terms of preventing risks from happening and mitigating the adverse consequences of business activities.