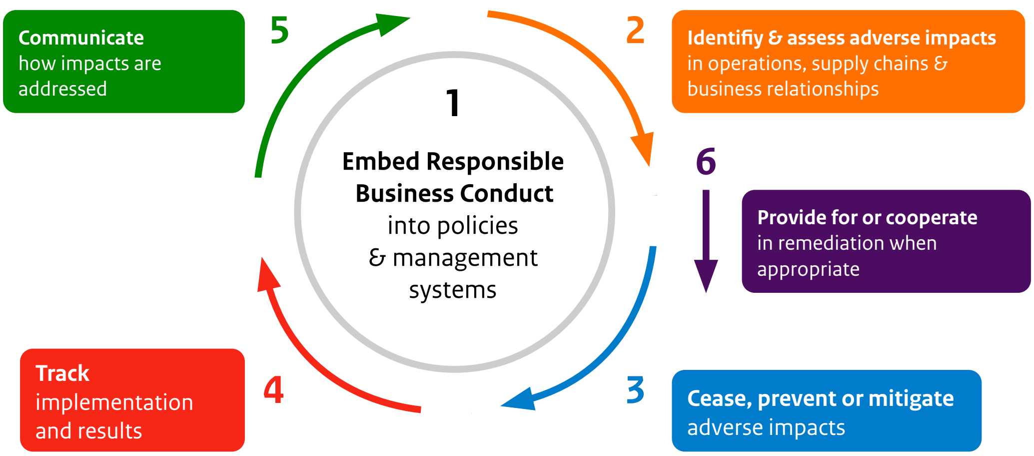
Due Diligence

Due diligence is a continuous process to help enterprises identify risks relating to human rights, labour rights and the environment with a view to ending, preventing or mitigating those risks. Due diligence is an essential element of international responsible business conduct and is a key theme of the internationally endorsed [OECD Guidelines for Multinational Enterprises (2011)] and the United Nations Guiding Principles (UNGPs). Due diligence is also known as supply chain responsibility.

The due diligence process consists of six stages, which are explained below:

Due Diligence Process & supporting measures



The six stages in brief

1. Embed responsible business conduct into policies and management systems

- Devise and explicitly adopt responsible business conduct (RBC) policies based on the OECD Guidelines and publish information on these policies. Review and update existing RBC policies periodically.
- Embed RBC policies in your enterprise's management structure and oversight bodies so that they are implemented as part of regular business processes. Provide training to workers.
- Communicate your enterprise's expectations on RBC issues to suppliers and other business partners.

2. Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services

- Carry out a risk assessment to identify operations and business relationships with potential or actual adverse impacts. Focus not on the risks for the enterprise itself but on the risks for the stakeholders who could be impacted, such as workers or local communities.
- Use the risk assessment to identify the most serious adverse impacts and prioritise them accordingly. Smaller enterprises operating in less complex value chains may be able to identify the most significant negative impacts directly.
- Assess your enterprise's involvement with these potential and actual negative impacts. An enterprise may cause a negative impact, contribute to it or be directly linked to it through a business relationship.
- Identify which adverse impacts should be tackled first, based on the risk and your enterprise's involvement. Once these have been dealt with, move on to less significant impacts.

3. Cease, prevent and mitigate adverse impacts

- Stop activities that are causing or contributing to adverse impacts.
- Use the findings of the risk assessment to draw up plans to prevent and mitigate potential future adverse impacts.
- If your enterprise is directly linked to an adverse impact through a business relationship, there are several courses of action available. Your enterprise can continue the relationship, temporarily suspend it, or end it altogether if all attempts to mitigate the adverse impact have failed. However it is essential for your enterprise to do everything possible to improve the situation before deciding to end the relationship. You should also consider the social and economic adverse impacts this might have.
- Set out clearly what you expect of suppliers, buyers and other business partners in terms of RBC.

4. Track implementation and results

- Periodically monitor the implementation and effectiveness of your enterprise's due diligence measures
- These measures include identifying, preventing and mitigating adverse impacts and supporting remediation.
- Assess whether your business partners are also taking measures to mitigate adverse impacts.
- Use the lessons learned in the tracking process to improve the due diligence process.

5. Communicate how impacts are addressed

- Publish information on your RBC policies and be transparent about the measures being taken to deal with adverse impacts, including their effectiveness. You can do this in the annual report or other public communications on sustainability or responsible business conduct.
- Publish the above information in a way that is easily accessible.

6. Provide for or cooperate in remediation when appropriate

- Provide access to or cooperate in remediation if your enterprise has caused or contributed to adverse impacts.
- Ensure that your enterprise has a grievance mechanism in place so that any affected parties can submit their complaint.
- It may be a good idea to submit grievances through a legitimate remediation mechanism such as the National Contact Point for the OECD Guidelines (NCP). This is particularly useful when the parties take different views on whether the enterprise caused the adverse impact or on the appropriate remediation.
  Read more about mediation by the NCP.

A full description of the due diligence process can be found in the OECD's Due Diligence Guidance for Responsible Business Conduct.