

Human Rights Due Diligence – Why and How

Shanghai 29.04.21, Heidi Furustøl, Executive Director

Ethical Trade Norway



*Founded in 2000 by LO,
Virke, Norwegian Church Aid
and Coop*

*170 members
10 advisers*

The mission of Ethical Trade Norway is to promote sustainable business conduct so that international trade safeguards human and labour rights, society and the environment.



Etisk handel Norge:

*Together for trade that benefits
people, society and the
environment*



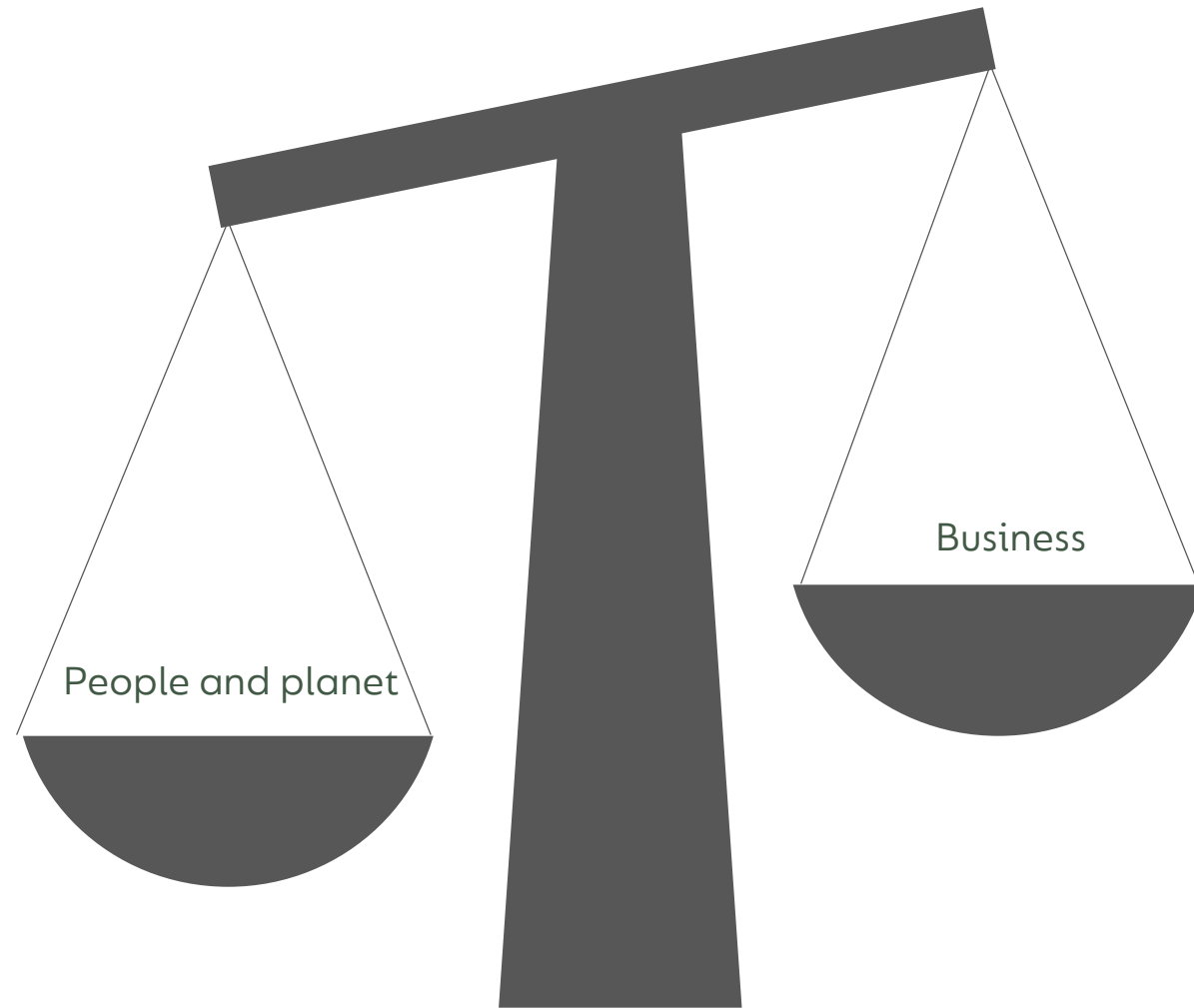


What is sustainability?

1. Do no harm! Avoid and address adverse impacts related to workers, human rights, and the environment
2. Work systematically and holistic through binding cooperation



Negative impacts for whom?



The New Normal!

- Ethical Trade Norway's new
strategy 2020-2024



The New Normal – Responsible Business Conduct (RBC)

- Responsible business conduct means decent work in all tiers of the supply chain
- Transition to new operation methods, reduce greenhouse gas emissions, prevent pollution and secure good water management
- Binding cooperation in order to solve complex challenges in the supply chain, such as child labour, forced labour and deforestation

Due Diligence Projects

- Bangladesh – garment sector and social dialogue
- South-Africa – merino and mohair wool
- Vietnam – cashewnut – social dialog
- The Ivory Coast – new! cashewnut
- Deforestation free supply chains - soya - Norway
- Migrant workers – grocery - Norway



Code of Conduct



Forced Labour



Freedom of association
and collective bargaining



Child Labour



Discrimination



Harsh or inhuman
treatment



Health and safety



Wages



Working hours



Regular employment



Marginalised
population



Anti-corruption



Environment



Animal Welfare



ARTIKKEL

Ny lov om åpenhet i leverandørkjeder.

Foto Fra venstre: Etikkinformasjonsutvalget v/ Caroline Dale Ditlev-Simonsen, Jon Vea, Heidi Furustøl, Ola Mestad, Kjell-Ingolf Roppstad (Barne- og forbrukerminister), Steinar Olsen, Mark Taylor, Sekretariatet: Kristel Tonstad, Stine Thomessen, Benedicte Bjerknes

Publisert
20.12.2019

The draft legislation on *Supply Chains Transparency Act*



Scope: The Act will apply to enterprises selling products and services to Norwegian consumers and enterprises

Harmonisation: to ensure the competitiveness of Norwegian enterprises, the duties are harmonised with requirements imposed internationally such as UNGPs and OECDs Guidelines. The draft will enhance Norway`s efforts to meet the UN Sustainable Development Goals, especially no. 8 and no. 12.

- Due to the delimitation in the Committee's mandate, corruption and impacts on the external environment are not included in the proposed due diligence duty, provided they do not simultaneously represent an infringement of human rights

1. **The Right to Information** – on enterprises impact on fundamental human rights and working conditions. Consumers, organisations, businesses can ask all enterprises to give out information
2. **Due Diligence on Human Rights** for larger enterprises (sales income: NOK 70 million, total assets: NOK 35 million in balance, 50 full time employees. The draft applies to approx. 9 000 Norwegian companies)

- Duty to disclose publically the key findings thereof

Appeals and enforcement: Dismissal and rejection of information requests and no publically disclosed due diligence may be appealed to the Consumer Authority and enterprises might be sentenced to fines

The government has now, with some amendments, put the draft legislation up for approval by the Norwegian Parliament before the summerbreak 2021



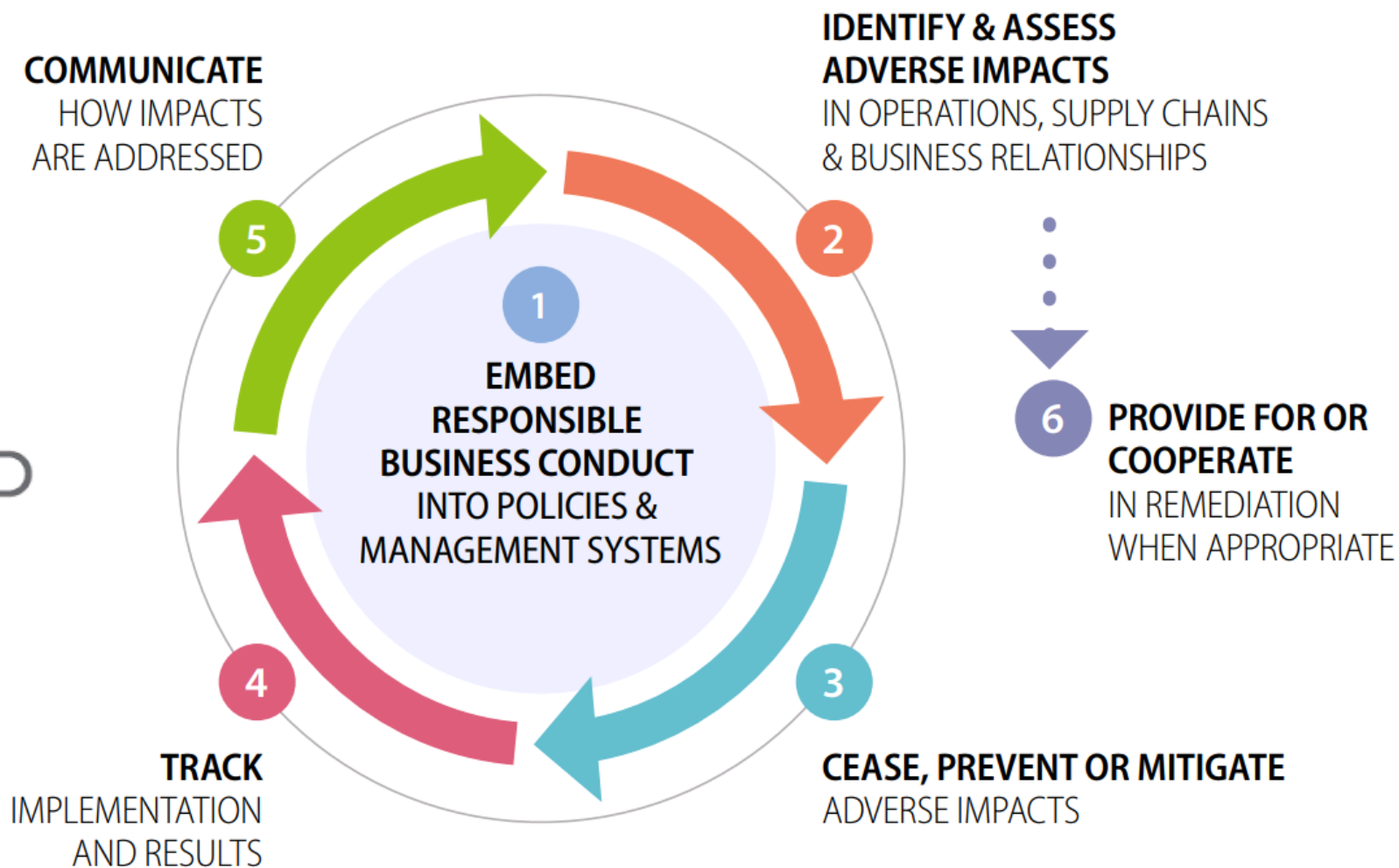
Due diligence is...

... a process business can carry out to identify and respond to real and potential negative impacts related to their own operations as well as throughout their supply chains.

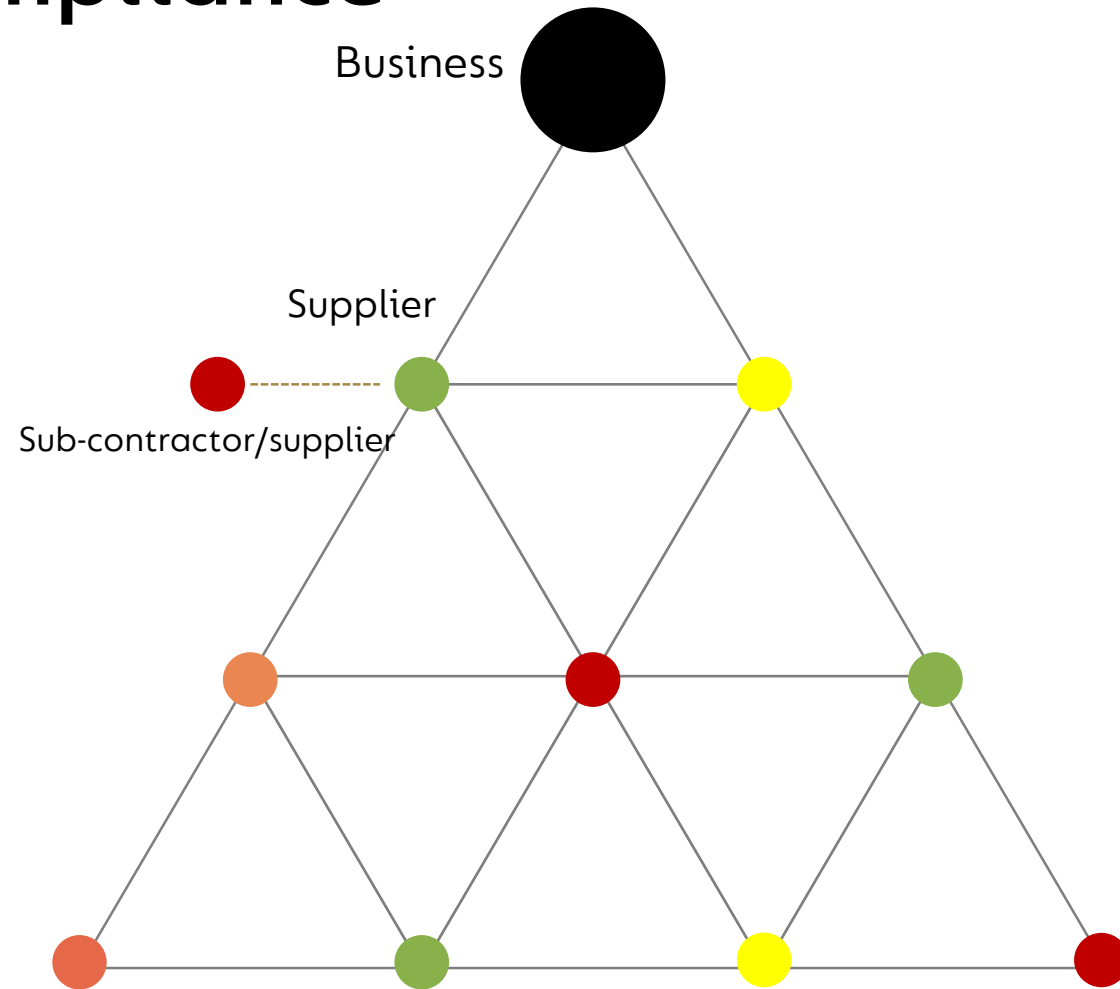
*OECD guidelines for
Multinational
Enterprises*



Due diligence model

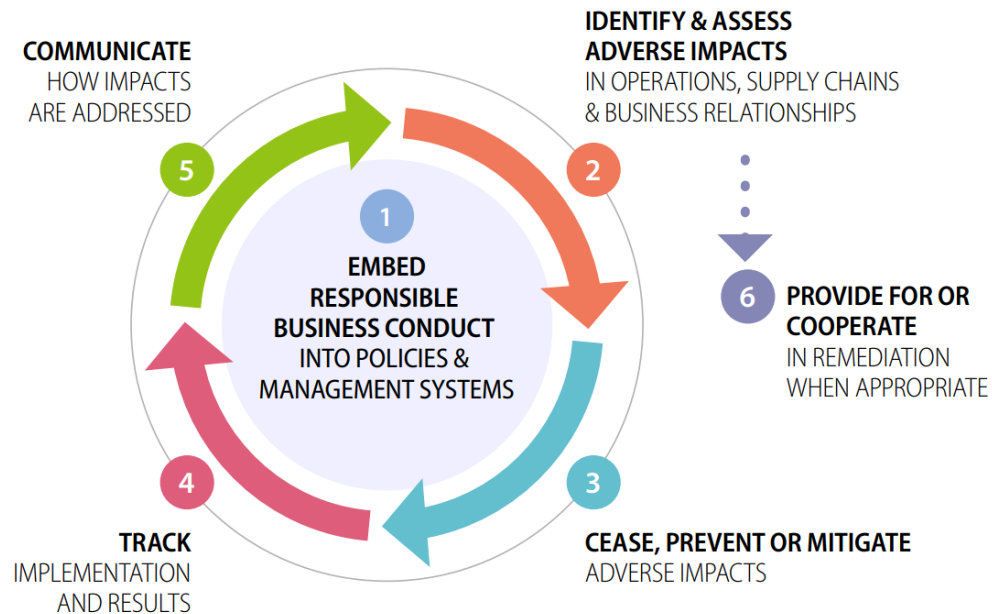


Difference between due diligence and compliance



- Beyond tier 1, includes sub-contractors and sub-suppliers
- Risk based and involves prioritization (salient issues first)
- Preventive
- Focus on sourcing and purchasing practices
- Dynamic and iterative process
- Strengthened through stakeholder involvement

Embedding responsible business conduct is all about systematic work....



1.A Adopt policy for own business

1.B Organize and communicate internally

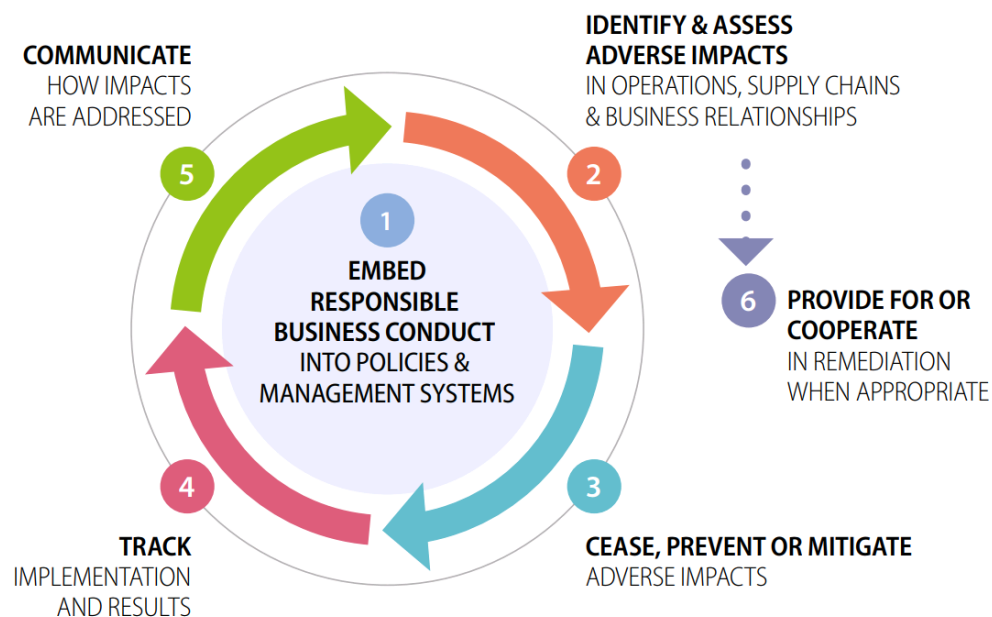
1.C Make plans and set aside resources

1.D Establish partnerships and collaboration with suppliers

... and about continuously
securing the buy-in of people!

So knowing a fair bit about «people» and what motivates them is useful.

Step 2 – Assess your risks

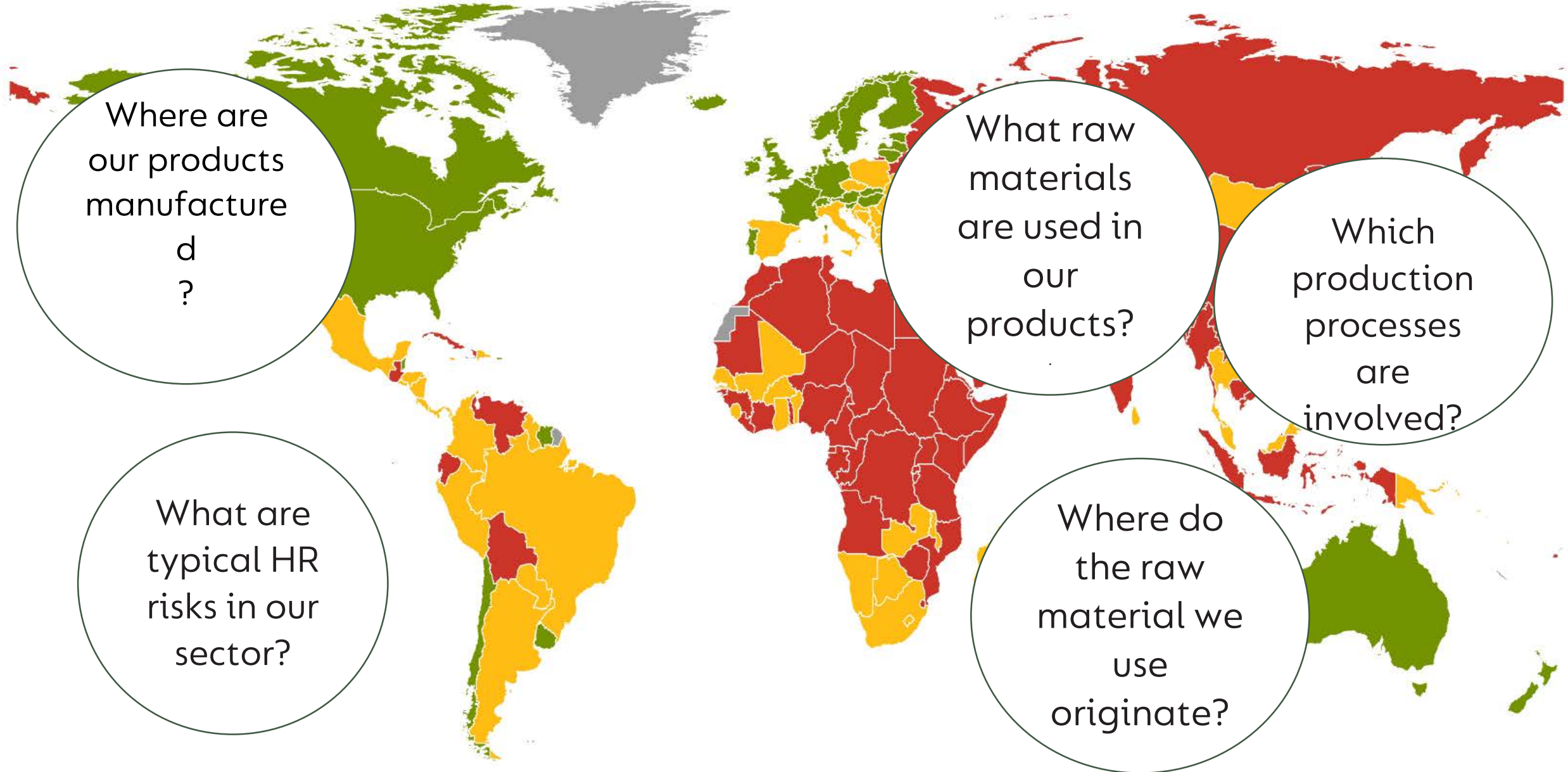


1. Do a scoping exercise of HR risks
2. Prioritize for further assessment
3. Do in depth assessment of prioritized risks
4. Prioritize for action (step 3 or 6)

... and repeat

Involve
Stakeholders

Management must be made aware of risks



Are you prioritizing saliency?



How to prioritize?

- Scale = how much infringement of rights?
- Scope = how many?
- Remediability = can the impact be put to right?

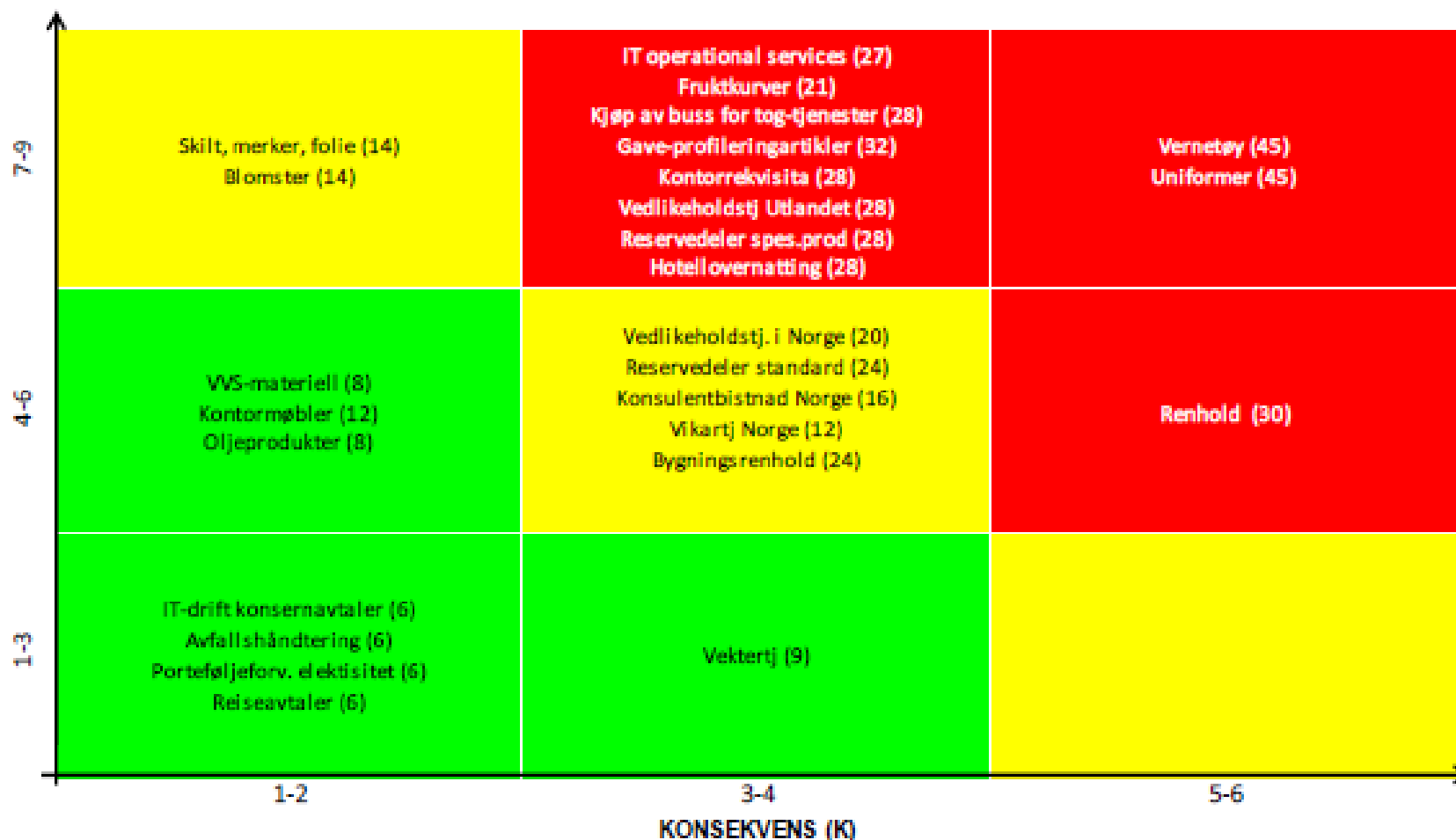
Prioritization based on risks and saliency

Risikokartet brukes for å få et oversiktlig bilde av risikoen for kontraktene.

Informasjon i risikobildet er overført fra bakenforliggende risikoanalyse

Verdiene for kontraktens sannsynlighet (S) og konsekvens (K) for risiko er plottet inn i selve kartet.

Risiko = S x K, Fargekoder: Rød; tiltak må iverksettes, Gul; Tiltak vurderes, Grønn; Tiltak ikke nødvendig

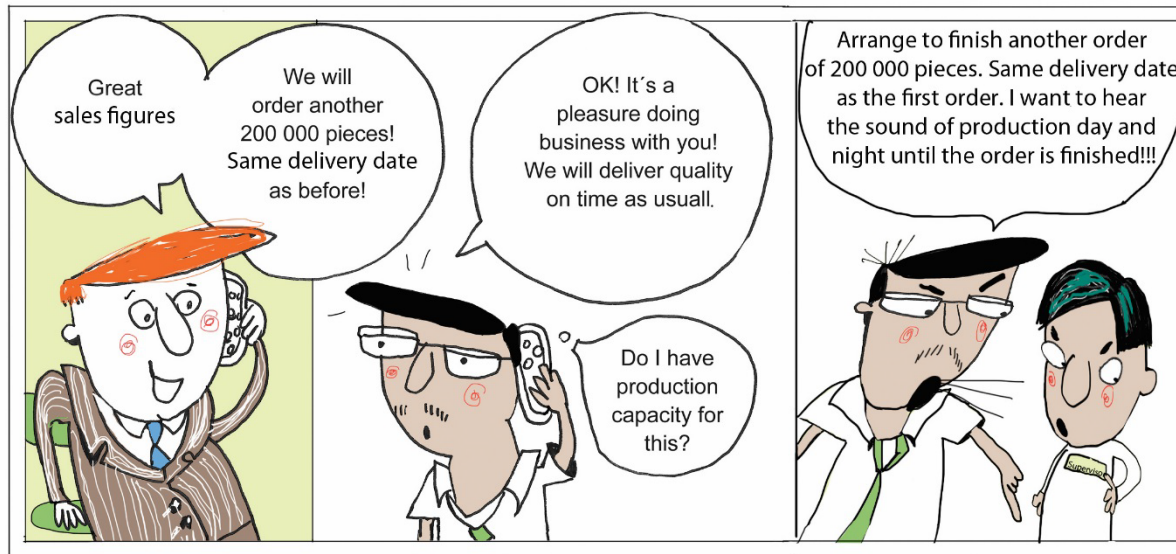


SUSTAINABLE MATERIALS



	STATUS	SHORT TERM GOALS	LONG TERM AMBITIONS
PACKAGING	<p>2016: All retail stores replace plastic bags with durable recycled paper bags</p> <p>2018: Offer PLA based transportation bags</p> <p>2019: Helly Hansen joins the EOG industry project on Single-use-plastic #RMB</p>	<p>2020: Start planning scaled solutions for reducing single use plastics</p> <p>2021: All hangtags in FSC paper</p>	Reduction of single used plastic within own operations. Transportation bags are no longer single-use, can either be recycled (with an infrastructure which can support it) or biodegradable.
WATER REDUCING DYEING PROCESSES	<p>1970: Launch of a solution dyed baselayer collection</p> <p>2018: Solution dyed fabrics rolled out in parts of our collection beyond baselayer</p>	2020: Initiating research projects for water reducing dyeing technologies in line with our water footprint target	A proven absolute reduction in water consumption according to set goals
RECYCLED MATERIALS	<p>2018: Majority of synthetic insulation contains 80% PCR</p> <p>2018: 70% of the fleece business is transferred to recycled polyester</p> <p>2019: Collaboration with FirstMile recycled polyester</p>	<p>2020: Set goals for recycled materials in accordance with our GHG footprint</p> <p>2020: Evaluation of fiber2fiber recycled fabrics</p>	Application of certified recycled materials in order to reduce the GHG footprint and textile waste, with a proven impact
ORGANIC COTTON	2019: Evaluate feasibility of organic cotton from current suppliers	<p>2020: Begin traceability and sustainability cotton program in collaboration with Cotton Connect.</p> <p>2023: Majority of the cotton should be certified under a sustainability scheme: BCI, certified organic, Cotton Connect's REEL</p>	All cotton to come from certified sustainable sources

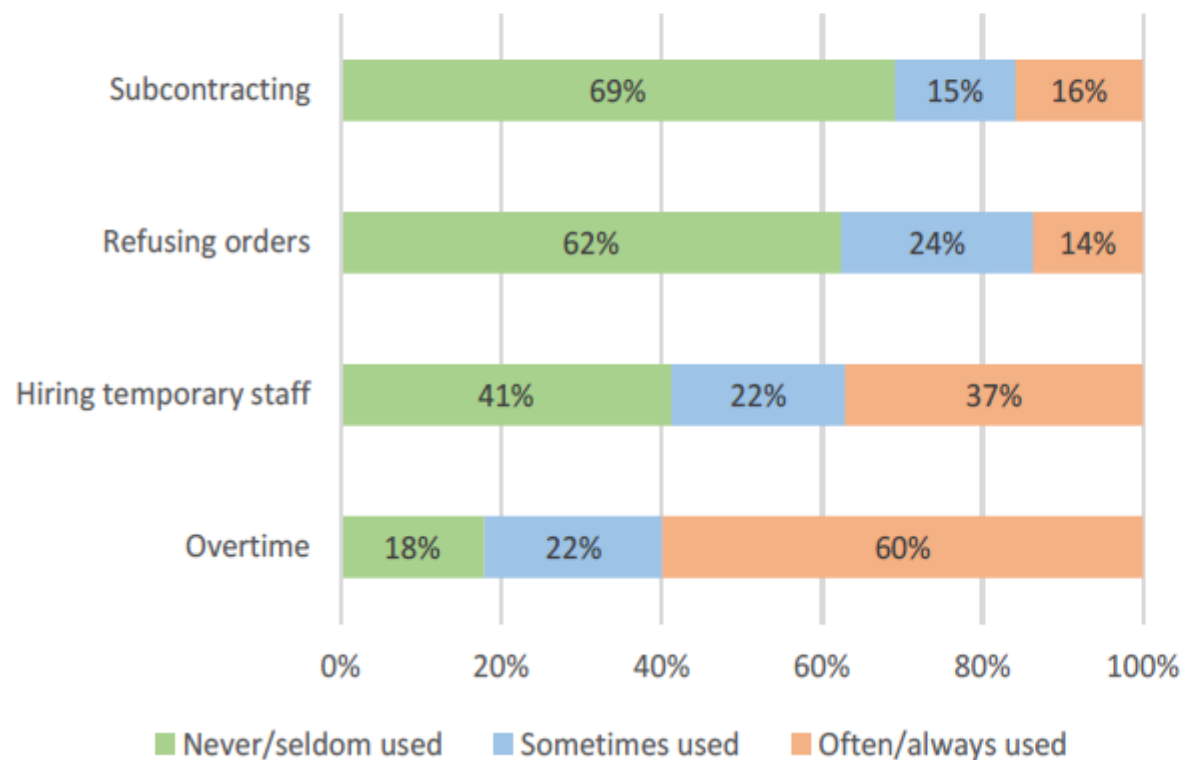
Changes in orders and overtime



Suppliers way of coping with peaks

Figure 28. Suppliers' ways of coping with peak demand periods

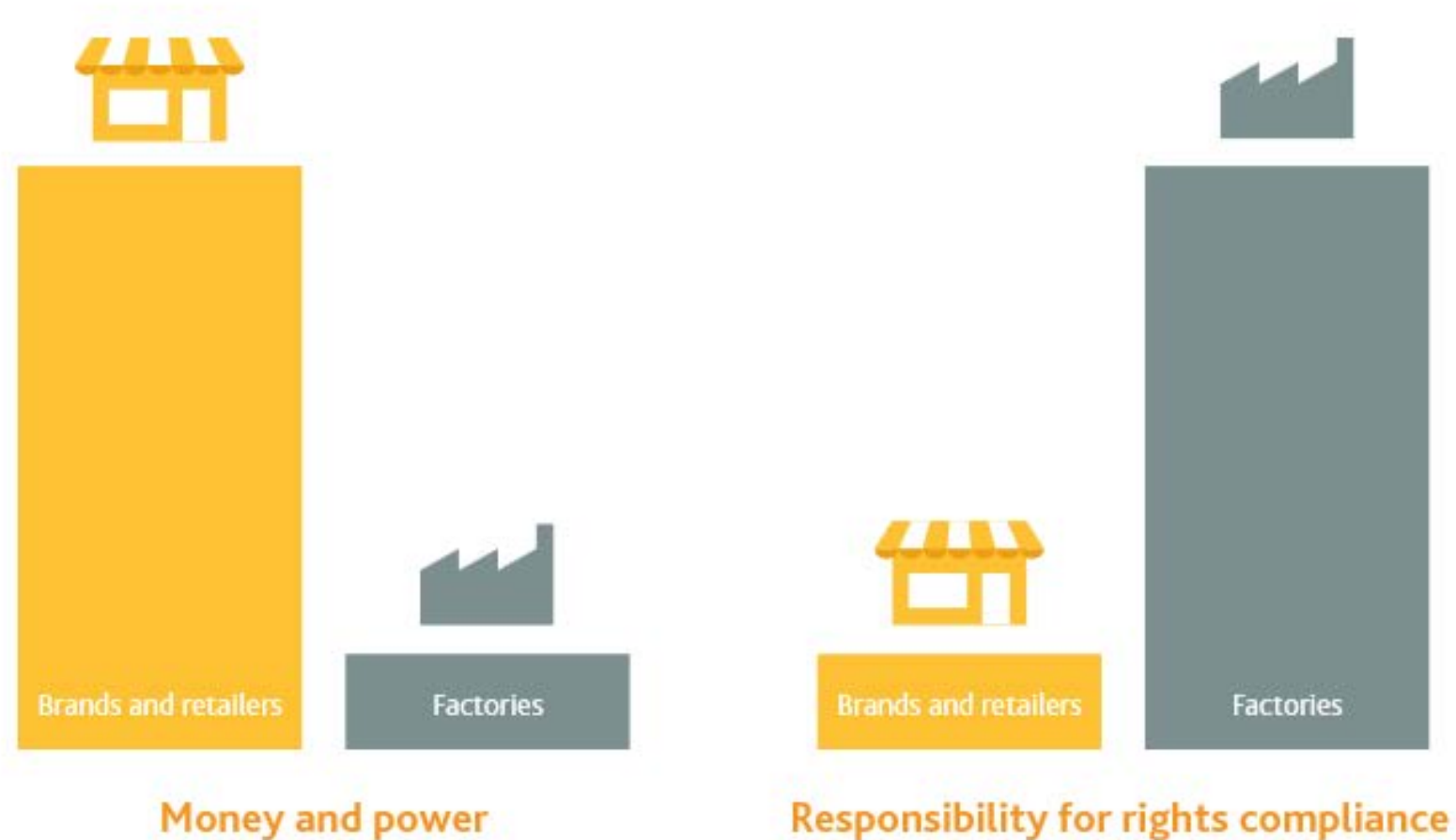
(Rate how often you use the following ways of dealing with periods of peak demand or changes in orders)

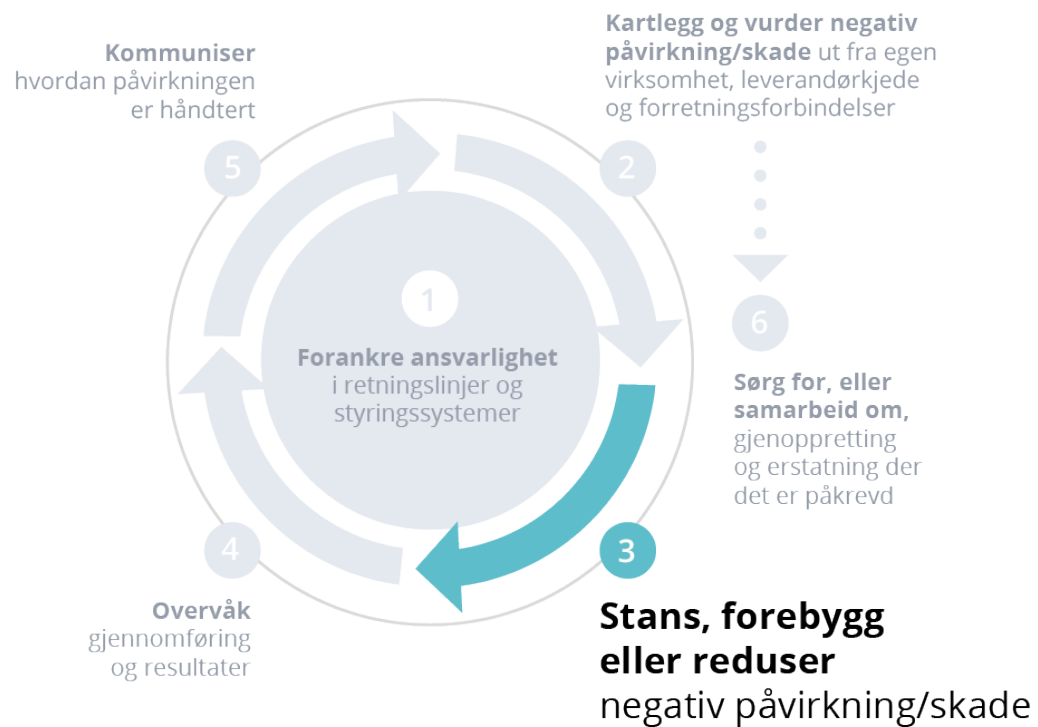


The power imbalance in supply chains

Figure 2:

Understanding the power imbalance in today's supply chains. Source: Fair Wear Foundation, Research Agenda 2017-2020



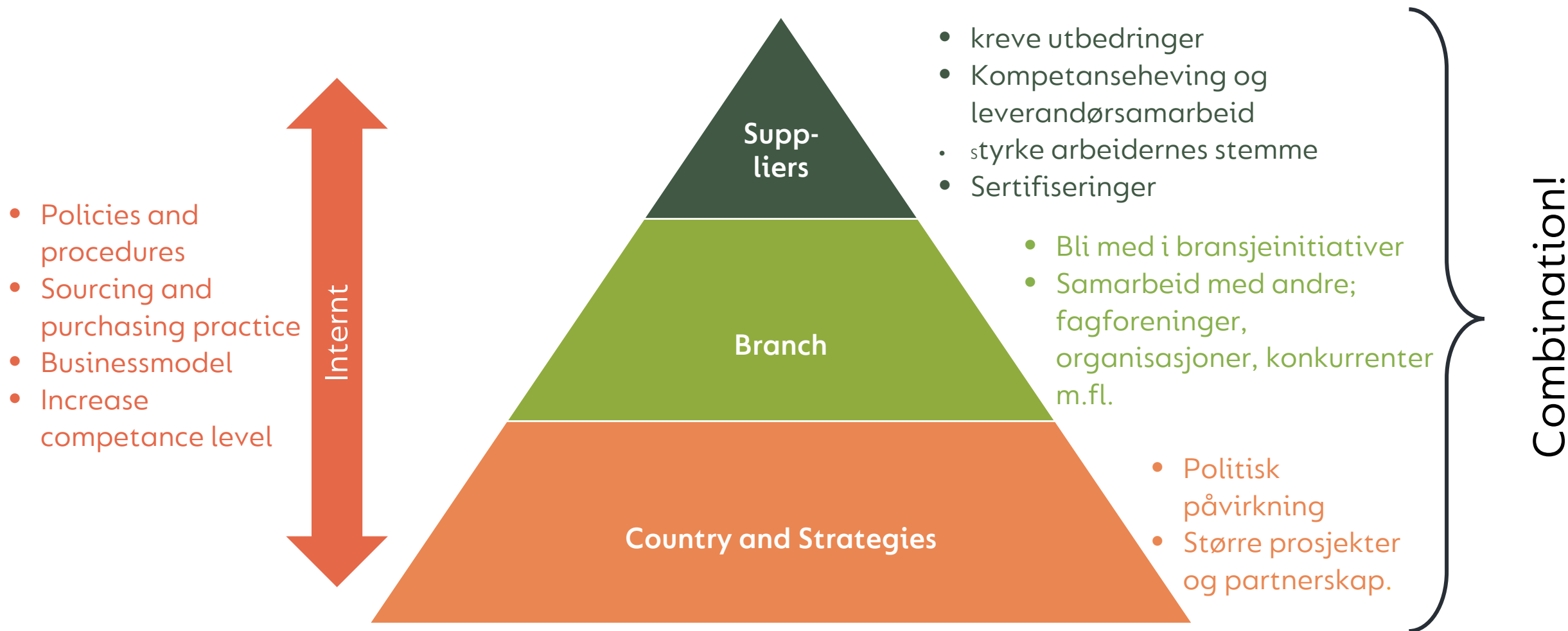


3. Cease, prevent or mitigate adverse impacts

Purchasing practice – what can you do?



Actions and strategies: prevent and mitigate risks



«Exploitation of migrant workers» example



Due diligence in agricultural supply chains:
**Counteracting exploitation of migrant workers
in Italian tomato production**

Interne prosedyrer, innkjøpspraksis

INTERNALLY

Tettere oppfølging av produsenter,
inkl audits.

SUPPLIERS

Etablert lokalt samarbeid med
fagforeninger og bransjeorganisasjoner.

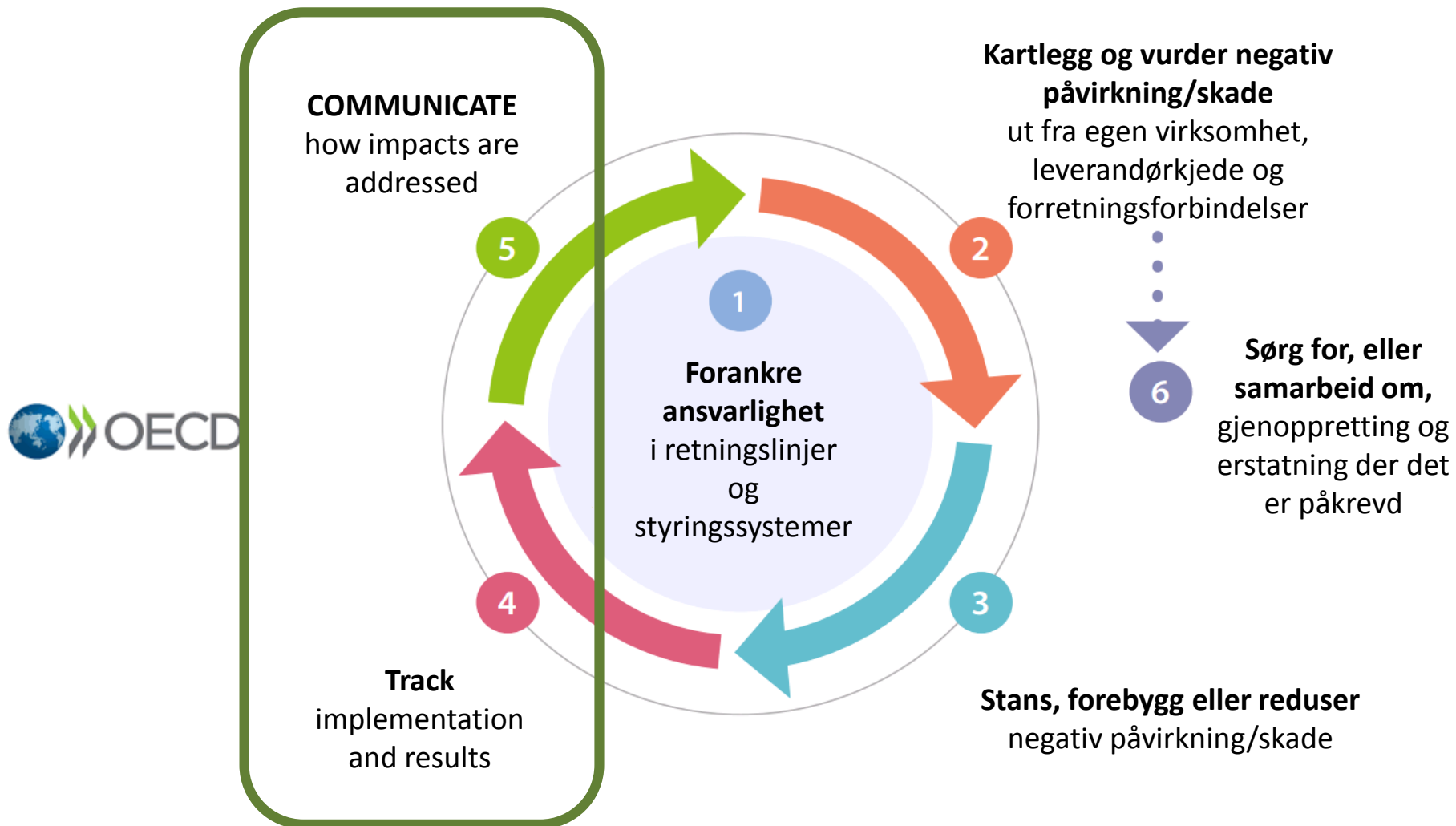
SECTOR

Guide for dagligvareaktører

Lobby opp mot myndigheter for
regulering av ansettelsespraksis

COUNTRY

Track, report and communicate



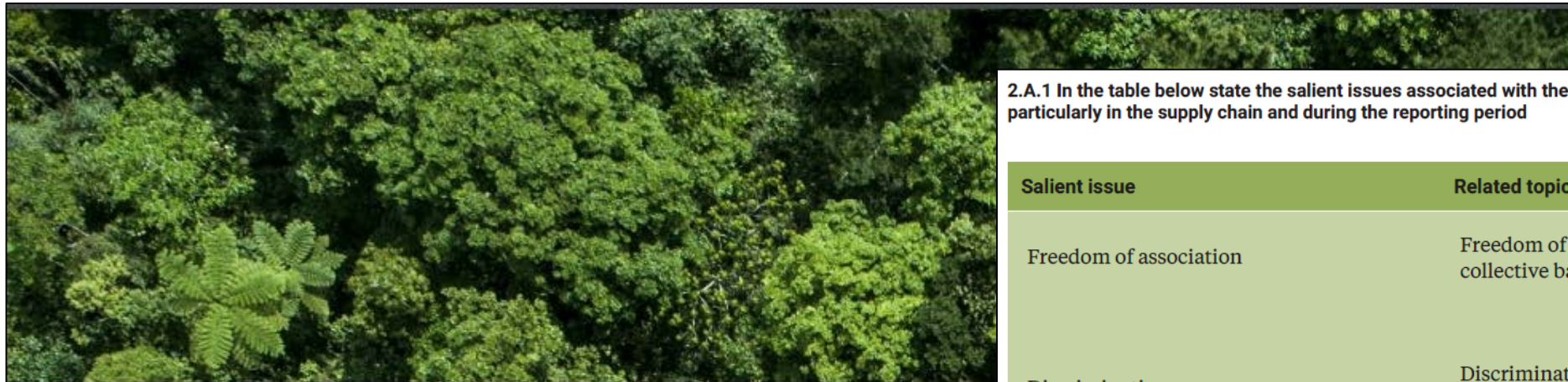
Reporting on Basic level – HR due diligence

- 11 objective documentation criterias – electronic reporting
- Self-assessment and many report questions. Our advisers read all reports and benchmark them against basic level. Full transparency and verifiable.
- It is a membership obligation – must be at the basic level within two years
- Members have their personal adviser, guidance, tools and resources, trainings and seminars
- Three additional levels; Improver, Achiever, Leader



What is a good report?

- ❏ Open and transparent about challenges, activities and results
- ❏ Focused on the most significant adverse impacts in business operations, supply chain and business relationship
- ❏ Concrete (SMARTER) and targeted goals
- ❏ Show progress and effect of work and activities
- ❏ Verifiable information – e.g. documentation requirements basic level due diligence reporting
- ❏ Detailed information



Rapport for

Bærekraftig forretningspraksis 2019

2.A.1 In the table below state the salient issues associated with the company's activities and business relationships, particularly in the supply chain and during the reporting period

Salient issue	Related topic	Geography
Freedom of association	Freedom of association and collective bargaining	Bangladesh China
Discrimination	Discrimination Marginalized populations	Bangladesh India Sri Lanka Myanmar/Burma
Migrant worker discrimination	Forced labour Child labour Working hours	China Turkey
		Global

2.A.2 Describe how the salient issues were determined, in terms of processes and sources of information, including any input from stakeholders

We identify salient issues in our business through an ongoing due diligence process. This includes supply chain audits, desktop reviews, worker and worker representative dialogue, surveys, stakeholder engagement, engagement with expert organizations, networks and forums. We actively seek engagement with relevant country forums that target salient issues. We regularly communicate with NGO's, unions, employer associations and governments to stay updated on changes to legal frameworks and prevailing risks. Social and environmental assessments throughout our supply chain gives us valuable insight. The CSR team in Varner have competence and local knowledge of the markets we work in which enables us to make competent decisions and plan actions based on identified risk.

We actively gather information about potential risks in our industry in markets where we have supply chains. We use a wide array of recognized sources, such as OECD, ILO, United States Department of Labour (DOL), relevant expert organizations such as CCR CSR, Homeworkers WorldWide, Ethical Trade Norway, Fairtrade Norway, Future in our Hands Norway, Canopy Style, Swedish Textile Initiative for Climate Action, Sweden Textile Water Initiative, Zero Discharge of Hazardous Chemicals, Sustainable Apparel Coalition among others.

In addition, we include affected stakeholders. Based on the information gathered we develop country risk profiles, supplier profiles, product risk profiles and materials/fiber risk profiles. We work strategically with the risks identified through global strategies and regional action plans. We rank our suppliers on risk from low risk to critical risk depending on the perceived risk from the above mentioned sources. Risk profiles are also developed for all new/potential markets/countries before initiating business.



Report

Form draft on 19.12.2019 14:39:51

Preface Company and context 1. Commit 2. Identify and assess 3. Cease, prevent or mitigate 4. Track and assess 5. Communicate 6. Remedy Preview

4. Track implementation and results ⓘ

4.A Monitoring and assessment

1. Base level

- ☐
- We have a system to monitor, assess and report on activities we do as a part of due diligence for responsible business conduct.

2. Improver

- ☐
- We conduct periodic assessments of our work with due diligence.
-
- ☐
- The assessments are presented to management.
-
- ☐
- We follow up and monitor that our suppliers address salient risks.

3. Achiever

- ☐
- We gather input from affected stakeholders, including workers and their representatives to assess the impact of due diligence.
-
- ☐
- We have started to monitor impact on outcome-level, for example, workers' knowledge vs. the amount of workers that have received training, real wage increase vs. cost per unit etc.
-
- ☐
- We have ordered independent assessments to verify our own assessments of our work.
-
- ☐
- We use the findings from our assessments to strengthen our work with due diligence and improve internal processes.

4. Leader

- ☐
- We document that our due diligence is working.

Document list

Se GRI rapport side 4

i DOCUMENTATION REQUIREMENTS

(11) Description of the allocation of responsibility and the organizing of the work with monitoring and assessments of due diligence. Answer below 4.A.1.

[Guidance and resources](#)Here you upload documentation corresponding with your self-assessment. : *(word, excel, pdf)*

Primary

File

Name

Comment

☐

Velg fil

Ingen fil valgt

[Add document](#)

4.A.1 Describe responsibilities and procedures within the company for tracking performance with respect to due diligence activities ⓘ

Salient issue	Excessive working hours in the supply chain
Goal :	Work to prevent and address excessive working hours in the supply chain.
	We have identified the use of excessive overtime as a risk in our supply chains.
Status :	<p>The risk of excessive working hours has especially been identified in Bangladesh, India, China.</p> <p>This is a complex issue that needs a long-term approach. We need to assess factories policy on the use of overtime, but we also need to assess and improve our internal purchasing practices.</p>
Objectives in reporting year :	1. Identify and assess the use of overtime at all factories. 2. Contribute to establish plans to reduce the use of excessive overtime where it is identified, with special focus on root causes. 3. Improve and professionalize our product development teams to limit delays in the cooperation with suppliers.

Actions :	<ul style="list-style-type: none"> - We have assisted the implementation of proper working hour systems to enable suppliers to measure pay/working time levels accurately and transparently. - During 2019 we started a targeted project with two factories that had serious problems with excessive use of overtime work. The project aim to lower the use of overtime through addressing seasonal and departmental peaks in workload and production. - During 2019, we held two Responsible Buying sessions to the buyers at our head office. We will continue to focus on streamlining internal buying practices and investigating it's effects on the use of overtime in production.
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Stakeholder dialouge

Hva er interessenter?

Personer eller grupper som kan påvirke eller påvirkes av bedriftens virksomhet.

Meningsfull involvering av interessenter er nødvendig for å gjøre gode prioriteringer.

Interne interessenter:

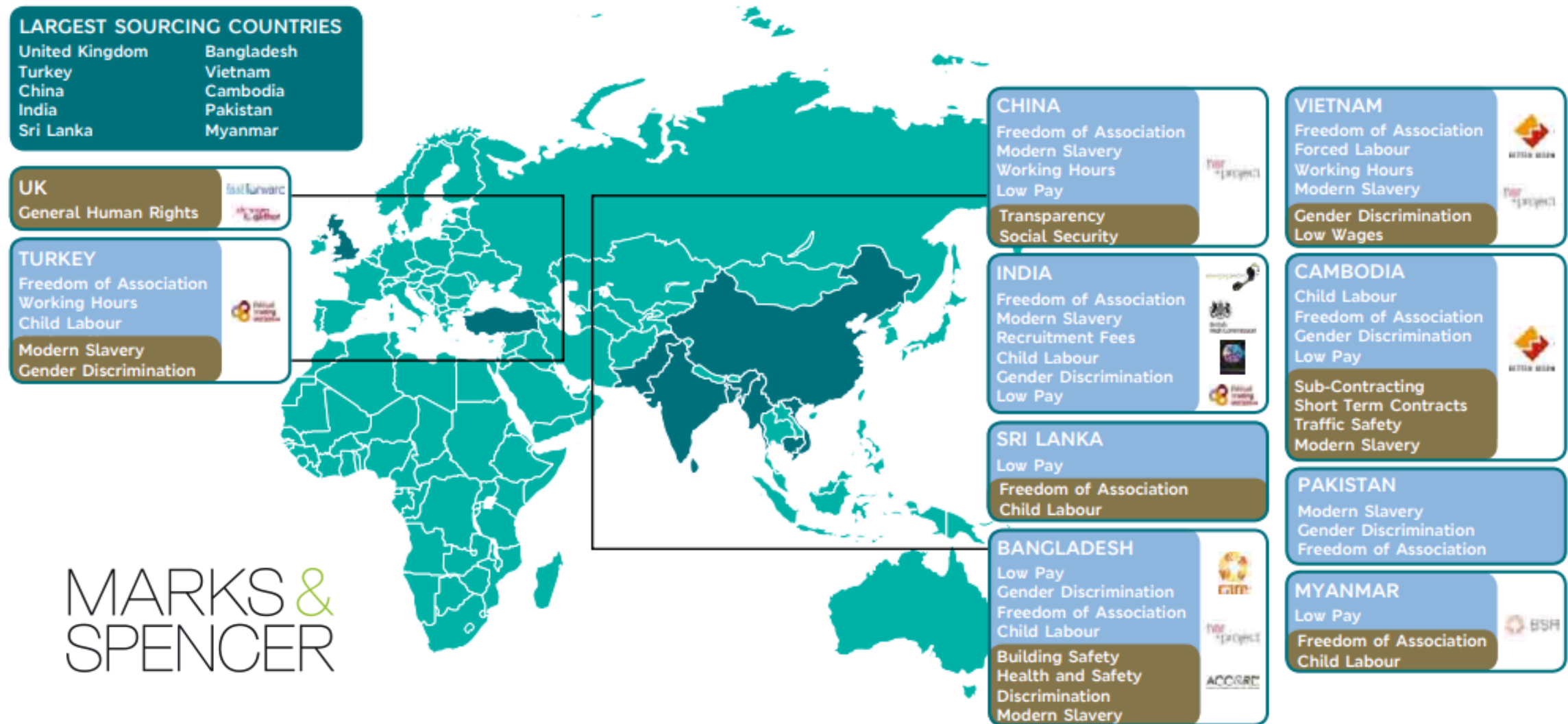
Styret, ledelse, innkjøpere, produktutviklere, juridisk avdeling, HR, økonomi, salg og marked, logistikk, butikk m.fl.

Eksterne interessenter:

Arbeidere i leverandørkjeden, representanter fra lokal samfunn, NGOs, investorer og bransjeorganisasjoner, kunder



OVERLAYING LEVERAGE AND EXISTING INITIATIVES ON REVISED MOST SALIENT CLOTHING & HOME HUMAN RIGHTS RISK BY COUNTRY AFTER STAKEHOLDER CONSULTATION



Trainings



EY AND ETHICAL TRADE NORWAY

Climate resilient supply chains

26.01.21 -- 26.01.2021

12.00 -- 13.00

Webinar

ETISK HANDEL NORGE

Aktsomhetsvurderinger trinn 1 - Forankre

18.02.21 -- 18.02.2021

12.00 -- 14.00

Digitalt kurs

ETISK HANDEL NORGE

Aktsomhetsvurderinger trinn 2 (del 2) - Kartlegge risiko leverandører/produsenter

17.03.21 -- 17.03.2021

12.00 -- 15.00

Digitalt kurs

ETISK HANDEL NORGE

Bærekraftig leverandørkjedestyring - grunnkurs

04.05.21 -- 04.05.2021

12.00 -- 14.00

Digitalt kurs

ETISK HANDEL NORGE

Aktsomhetsvurderinger trinn 6 - Gjenopprette

12.05.21 -- 12.05.2021

12.00 -- 14.00

Digitalt kurs

ETISK HANDEL NORGE

Bærekraftig leverandørkjedestyring - grunnkurs

16.02.21 -- 16.02.2021

12.00 -- 14.00

Digitalt kurs

ETISK HANDEL NORGE

Aktsomhetsvurderinger trinn 2 (del 1) - Kartlegge risiko land/bransje/råvare

03.03.21 -- 03.03.2021

12.00 -- 15.00

Digitalt kurs

ETISK HANDEL NORGE

Aktsomhetsvurderinger trinn 3 - Forebygge og redusere risiko

20.04.21 -- 20.04.2021

12.00 -- 15.00

Digitalt kurs

ETISK HANDEL NORGE

Hvordan bærekraftig leverandørkjedestyring? Gjennomgang krav til basisnivå, verktøy og ressurser

06.05.21 -- 06.05.2021

12.00 -- 14.30

Digitalt kurs

ETISK HANDEL NORGE

Aktsomhetsvurderinger trinn 4 og 5 - Overvåke og Rapportere

27.05.21 -- 27.05.2021

12.00 -- 14.00

Digitalt kurs



81%

**of people think
business can be a
force for positive
environmental &
societal change**

Takk for i dag!

www.etiskhandel.no

heidi@etiskhandel.no

Source: World Value Index