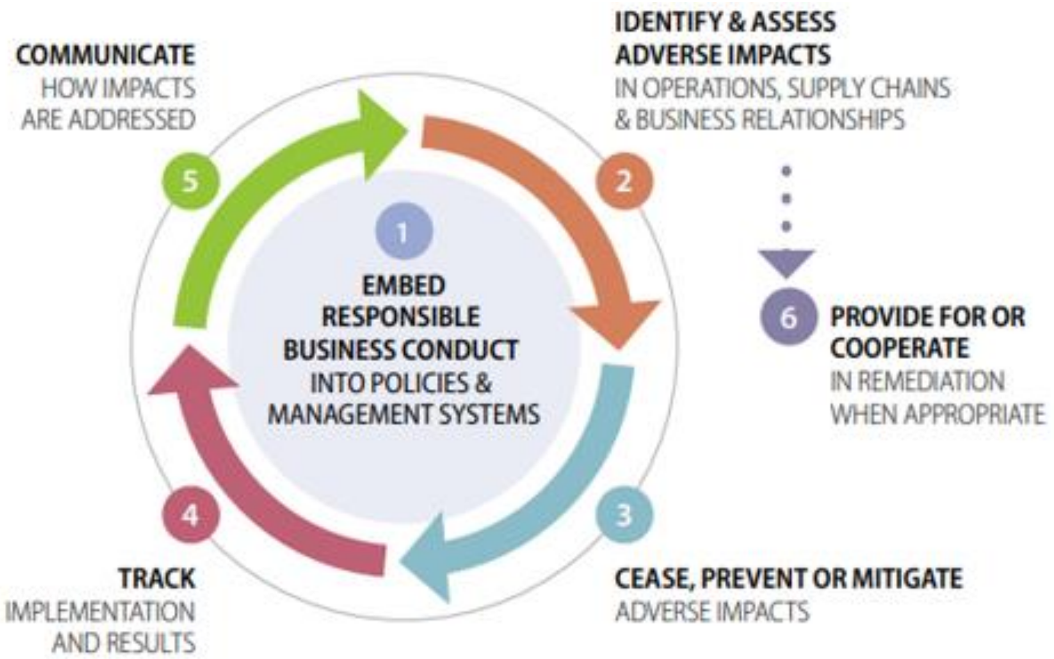
IMPACT25

Due Diligence…what does it mean?

Due diligence is a continuous process that helps companies identify risks in the areas of human rights, labour rights and the environment and subsequently stop, prevent, or mitigate them. The due diligence process is defined by internationally recognized OECD Guidelines for Multinational Enterprises (2011) (the OECD guidelines) and the United Nations Guiding Principles (the UNGPs). The due diligence process consists of 6 steps:



STEP 1: Embed responsible business conduct into policies and management systems
What it entails: Create, integrate, and shares policies on responsible business conduct that articulate your organisations' commitments to the principles and requirements in the OECD Guidelines. These principles apply to your organization's own operations as well

as its business relationships in the supply chain. These policies should therefore be part of an organization's management systems as well as its business relationships, so that they are a standard part of doing business.

STEP 2: Identify and assess actual and potential adverse impacts associated with your organization's operations, products, or services
What it entails: In this step an organization scopes all areas of the business, across its operations and relationships, including in its supply chains, where sustainability risks are most likely to be present and significant. Next, an organization should assess its involvement in the (potential) adverse impact (i.e. direct or indirect) and prioritize the most significant risks, based on severity and likelihood.

STEP 3 Cease, prevent and mitigate adverse impacts
What it entails: Stopping activities that cause or contribute to adverse impacts on RBC issues, by developing and implementing plans to prevent and mitigate potential (future) adverse impacts. This can include continuation of the relationship throughout the course of risk mitigation efforts, temporary suspension of the relationship while pursuing ongoing risk mitigation, or disengagement with the business relationship. A decision to disengage should consider potential social and economic adverse impacts. These plans should detail the actions the enterprise will take, as well as its expectations of its suppliers, buyers, and other business relationships.

STEP 4 Track implementation and results
What it entails: Keeping track of the implementation and effectiveness of due diligence activities. In this step an organization monitors the measures it took to identify, prevent, mitigate and (where appropriate) support remediation of impacts. Use the lessons learned to improve future processes.

STEP 5 Communicate how impacts are addressed
What it entails: Communicating externally relevant information on due diligence policies, processes, activities which an organization performed to identify and address actual or potential adverse impacts. This communication also includes the findings and outcomes of those activities.

STEP 6 Provide for or cooperate in remediation when appropriate
What it entails: When an organization identifies that it has caused or contributed to actual adverse impacts, it addresses such impacts by providing for or cooperating in their remediation.