

# Human rights due diligence Module 2

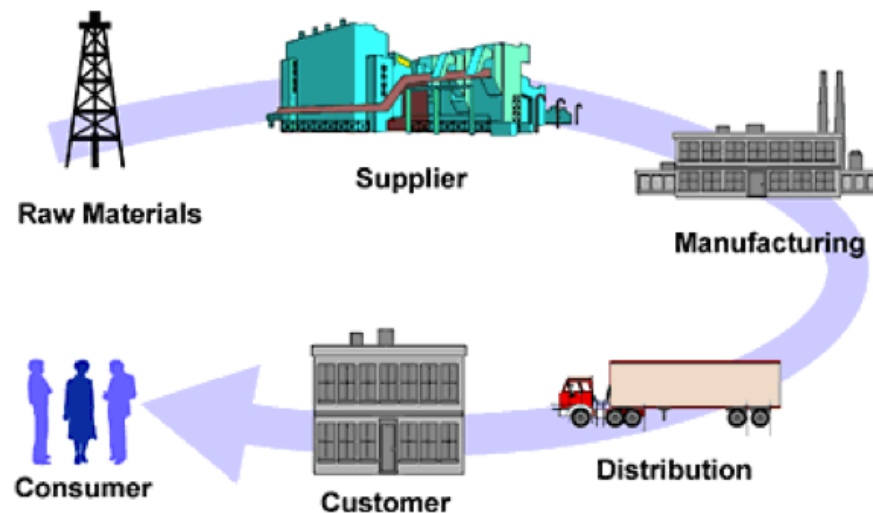
CEE+CA Summer Academy, September 26, 2022. Ron Popper





# Global supply chain: definition 2

➤ The cross-border organization of the activities required to produce goods or services and bring them to consumers through inputs and various phases of development, production and delivery.



# Cobalt supply chain: Risks at every stage



## The Cobalt Value Chain

**PHASE 2**  
**TRADING,**  
**TRANSPORTATION**  
**AND WAREHOUSING**

**PHASE 4**  
**COMPONENT**  
**MANUFACTURERS**  
**AND END**  
**PRODUCERS**

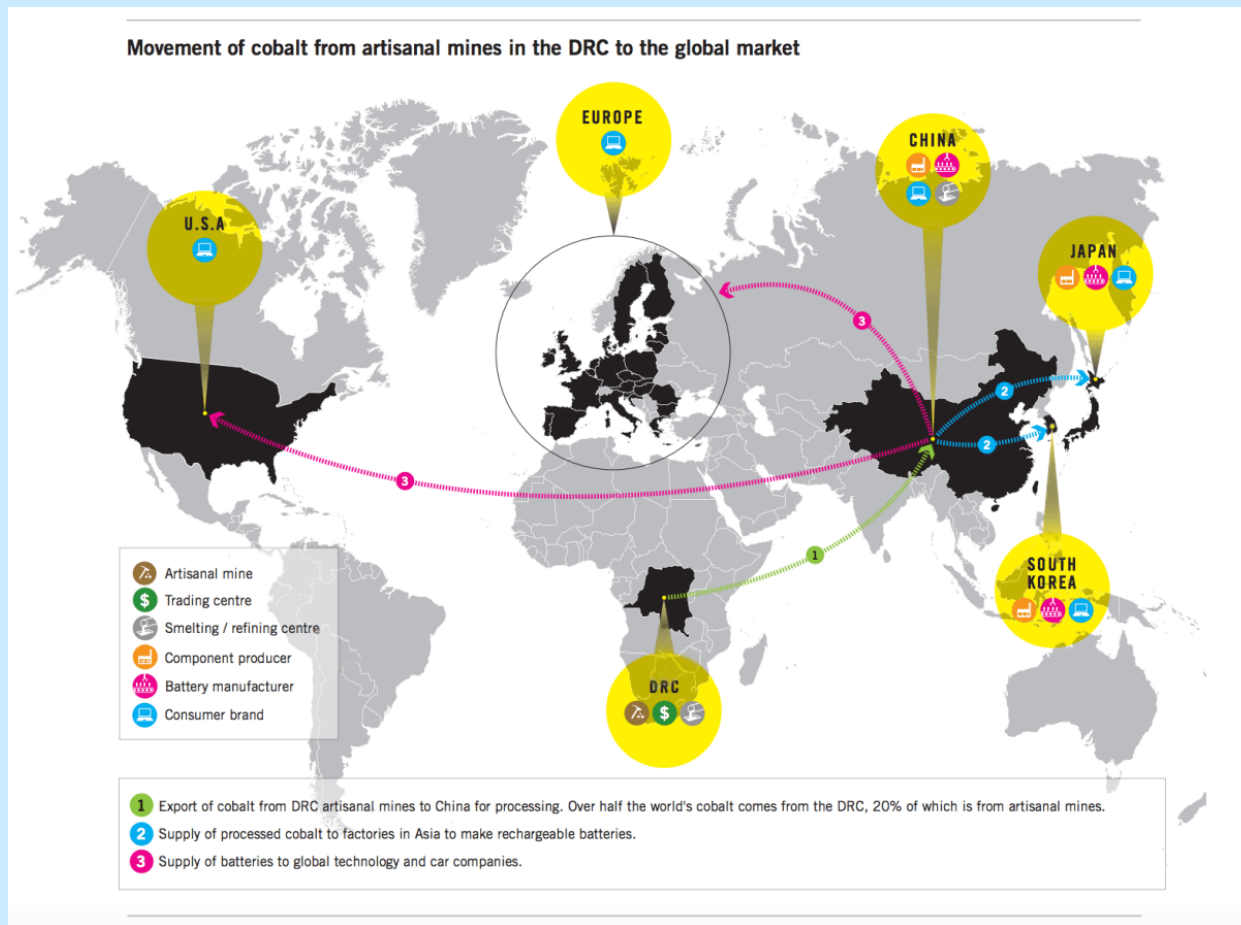
**PHASE 1**  
**EXTRACTION**  
**AND PROCESSING**

**PHASE 3**  
**REFINING AND**  
**CHEMICAL**  
**MANUFACTURE**

**PHASE 5**  
**RECYCLING**  
**AND DISPOSAL**



# Cobalt supply chain: from mine to electric battery



# Cobalt supply chain: At what cost?



# Coronavirus and the supply chain: Impact as brands cancel orders

- Use of legal clauses to cancel contracts
- Orders/payment on hold
- Impacts on suppliers
- Impacts on workers
- Impacts on children



# Expected human rights behaviour of companies towards suppliers

- Know business model
- Make your policies clear and binding
- Carry out effective site due diligence
- Regular audits, unannounced visits
- Ensure corrective action plans
- Work with supplier on next tiers
- Track and report performance
- Use external verification
- Collaborate with other sector leaders
  - To raise suppliers' performance
  - To raise industry standards



# Due diligence: Example in the supply chain

## Due diligence focus

- Labour conditions
- Human rights
- Environmental conditions
- Health and safety

## Company approach

- Detailed, regular checks
- Contractual clauses
- Policies
- Corrective actions
- External verification



# Due diligence Exercise 2: Group 1

## Business opportunity in potentially high-risk country

### Opportunity:

- Bidding to sell mine hoist to a mine
- Customer in neighbouring country
- Buyer in country deemed high risk
- Buyer seems trustworthy
- Strong competition for contract

### Company questions

- What human rights risks?
- What human rights due diligence?
- Who are the stakeholders?
- Where do you get advice?



# Due diligence Exercise 2: Group 2

## Business opportunity: Importing of vital health supplies

### Opportunity

- Need for rubber gloves during pandemic
- Government wants you to arrange supply
- You find cheap supplier (Malaysia)
- Recommended by industry association
- Supplier can arrange quick delivery

### Company questions

- What human rights risks?
- What human rights due diligence?
- Who are the stakeholders?
- Where do you get advice?



# Due diligence Exercise 2 Group 3

## Business opportunity: Transporting goods from eastern to western Europe

### Opportunity

- Contract to supply small machines
- Delivery to southern Spain
- Partly by road/partly sea
- Lorry drivers are subcontractors
- No dangerous items involved

### Company questions

- What human rights risks?
- What human rights due diligence?
- Who are the stakeholders?
- Where do you get advice?



# Due diligence Exercise 2 Group 4

## Business opportunity: To buy a small agriculture company

### Opportunity

- To buy rival agricultural company
- Producing fruit and grain
- Employs 400 seasonal workers
- Mostly immigrant labour
- Deal strengthens your market position

### Company questions

- What human rights risks?
- What human rights due diligence?
- Who are the stakeholders?
- Where do you get advice?



# For reference (1): Due diligence checklists

## Due diligence approaches

- Supply chain (Myriad of approaches)

<https://www.google.ch/search?q=supply+chain+due+diligence+checklist&source=lnms&tbm=isch&sa=X&ved=2ahUKEwjIwdX70qrwAhWR2qQKHADAPAQAUoAXoECAEQAw&biw=1039&bih=671#imgrc=6k5mcjST7g5XoM>

- Checklists for staff for individual situations: Coca Cola Company

<https://www.coca-colacompany.com/policies-and-practices/human-rights-self-assessment-checklists>

<https://www.coca-colacompany.com/content/dam/journey/us/en/policies/pdf/human-workplace-rights/supplier-guiding-principles/migrant-worker-human-rights-checklist-8-13.pdf>

# For reference (2): Due diligence guidelines

## ➤ There is no shortage of advice

### ➤ OHCHR and UN Guiding Principles

<https://www.ohchr.org/EN/Issues/Business/Pages/CorporateHRDueDiligence.aspx>

### ➤ OECD Due Diligence Guidance for Responsible Business Conduct

<https://www.oecd.org/corporate/mne/ue-diligence-guidance-for-responsible-business-conduct.htm>

### ➤ Responsible Business Alliance Guide to DD in supply chains

<http://www.responsiblebusiness.org/publications/rba-practical-guide-2018/>

### ➤ ICMM guidance on due diligence

<http://www.icmm.com/en-gb/guidance/social-performance/human-rights-due-diligenc>

### ➤ IPIECA Human Rights Due Diligence guidance (being updated)

<https://www.ipieca.org/resources/good-practice/human-rights-due-diligence-process-a-practical-guide-to-implementation-for-oil-and-gas-companies/>