



# DUE DILIGENCE IN THE TEXTILE SECTOR

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Vilnius 6 September 2018

## Due diligence I - Definitions

Due diligence is the process that a company is expected to have in place in order to:

- Identify
- Prevent
- Mitigate actual and potential adverse impact and to
- Account for how these impacts are addressed.



## Due diligence II – Implementation

- Due diligence is a process and not a specific standard
- It requires companies to know and describe the risk of adverse impacts covered by the OECD Guidelines
- Management and risk assessment systems must be in place
- Based on risk assessments the company must address the identified risks and thereby conduct due diligence
- Differences in how to implement due diligence processes in own company and relation to suppliers

## Due diligence III

### Relationship & Appropriate Action

Relationship	Appropriate Action
Enterprise <b>caused</b> the harm	<ul style="list-style-type: none"> <li>• Stop action causing or contributing to the harm and mitigate remaining harm. See section 3</li> <li>• Remedy the harm. See section 6</li> <li>• Prevent or mitigate future harm. See section 3</li> </ul>
Enterprise <b>contributed</b> to the harm (relevant for the enterprise's own operations and its supply chain)	<ul style="list-style-type: none"> <li>• Stop action contributing to the harm. See section 3</li> <li>• Remedy the harm. See section 6</li> <li>• Prevent or mitigate the risk of contributing to the harm in the future. See section 3</li> <li>• Use leverage to influence the entity causing the impact to prevent or mitigate harm. See section 3.</li> </ul>
Enterprise is <b>linked</b> to the harm (i.e. harm is in the enterprise's supply chain)	Prevent or mitigate harm in the enterprise's supply chain, for example, through internal measures and the use of leverage to influence suppliers. See section 3.

## Due diligence IV - Communication

### Show and tell

- Content
  - Identify stakeholders & Target content
  - Identify key focus areas
  - Be open about dilemmas and challenges
- Methods
  - Use existing communication channels
  - Write clearly and concisely
  - Engage in direct dialogue with stakeholders

# OECD Guidance on Due Diligence in the Textile Sector (2017)



## **Specific Instance at the Danish NCP - The complaint in brief**

- Complaint submitted by a Danish NGO regarding the Danish company PWT Group
- Alleging that PWT Group had not acted in accordance with the OECD Guidelines for Multinational Enterprises by failing to carry out due diligence in relation to its supplier, the textile manufacturer New Wave Style
- New Wave Style was located in the Rana Plaza building in Dhaka, Bangladesh, which collapsed on 24 April 2013

## Directly linked

- The NCP found that New Wave Style had been a supplier for the respondent since 2010 and thus PWT Group was directly linked with its supplier
- According to the OECD Guidelines, companies must seek to prevent or mitigate an adverse impact where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship



## **Due diligence when a company is directly linked?**

PWT's decision-making and risk management systems as well as the measures taken in relation to New Wave Style at the time of the accident, did not meet the expectations laid down in the OECD Guidelines on Multinational Enterprises

Due diligence in relation to suppliers shall include:

- Contractual obligations concerning CSR policies
- Conducting risk analysis and self-assessments
- Determine what to inspect based on the importance of the supplier and industry/country risks),
- Communication and reporting

## **Final Statement – Conclusions (2016)**

- PWT did not apply processes for DD the met the OECD Guidelines
- PWT failed to make demands to ensure New Wave Style's employee' basic human rights and labour rights
- The Danish company PWT was not responsible for Rana Plaza's collapse

## **Final Statement – Recommendations (2016)**

- Revision of management and risk assessment system in order to implement DD-processes
- Ensuring PWT's CSR policy to comply with the OECD guidelines
- Review of supplier's self-assessments
- CSR-reporting and communication on efforts and initiatives
- Systematically incorporation of the company's Code of Conduct into management and risk systems
- To remain up to date of new guides on DD
- The NCP will follow-up after one year

## **Final Statement – Follow-up one year after (2017)**

The NCP attached importance to:

- PWT had made significant changes to management and risk systems to implement DD in the companys own activities and to suppliers including management oversight.
- PWT revised its CSR Policy
- Engaged insystematically implementing the Code of Conduct among suppliers and follow-up

The NCP stresses that the company should communicate CSR-policies and efforts made



**Thank you**

For more information see:

[www.businessconduct.dk](http://www.businessconduct.dk)