ISEAL Code of Good Practice Consultation webinar

Corporate due diligence and sustainability systems
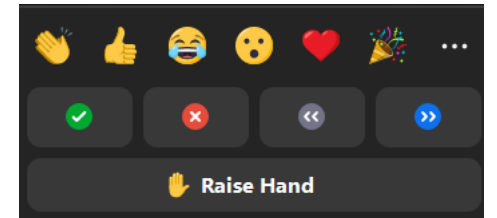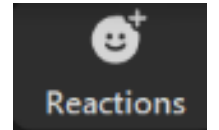
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Housekeeping

Recording
- The session is being recorded and will be made publicly available

Asking a question
- Use the chat box to ask questions
- Raise your virtual hand (click at the "Reactions button" at the bottom of the control panel) and organisers will call on you and you can unmute yourself
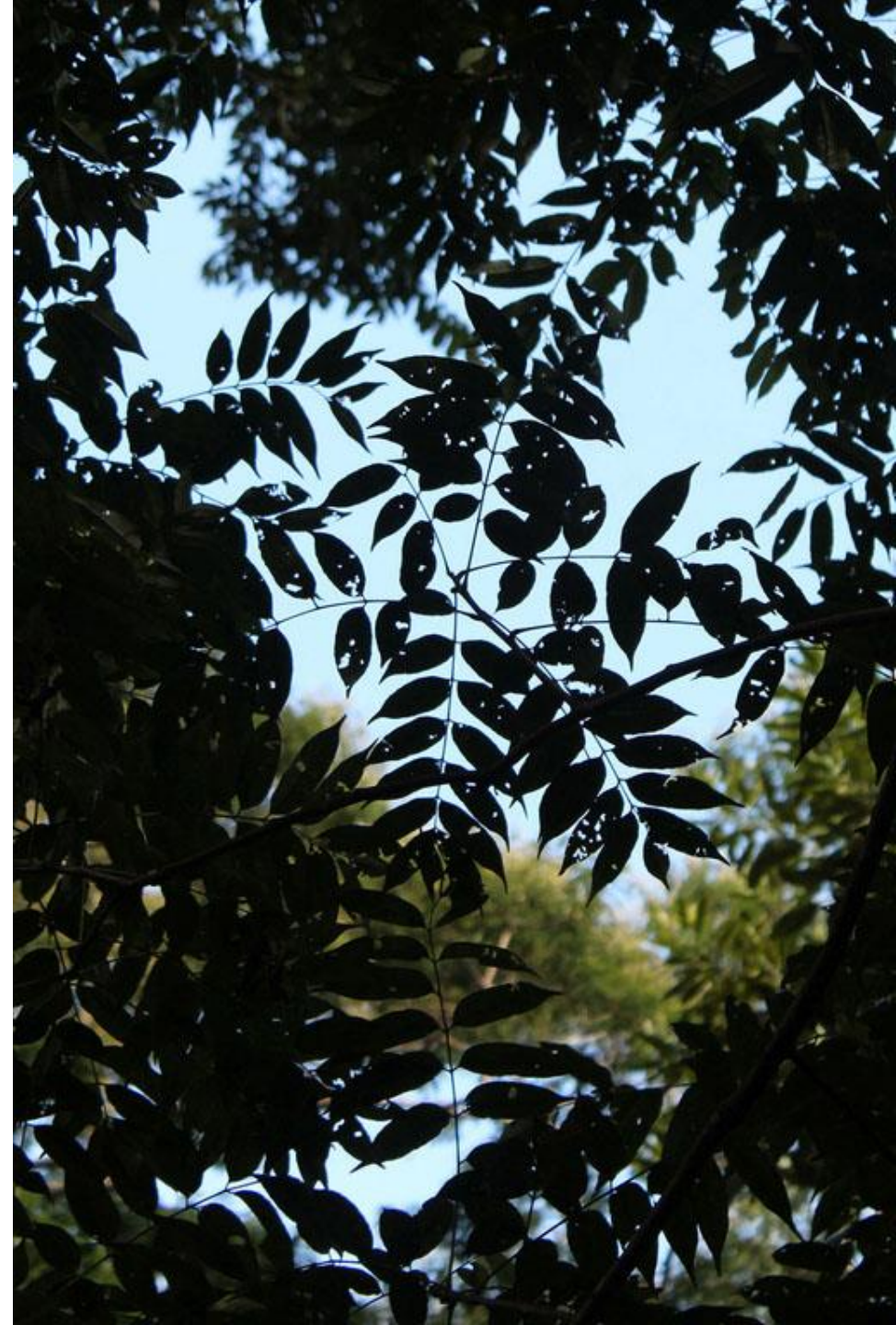- Please keep yourself muted when not speaking

Technical difficulties
Reach out to Carla in the chat box

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Agenda

› Due diligence background

› Panel discussion

› ISEAL Code of Good Practice

› Panel discussion

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ISEAL Code of Good Practice

The ISEAL Code of Good Practice is a normative reference that operationalises the ISEAL Credibility Principles.

The Code defines **credible management** of the components **of a sustainability system**, including standard-setting, assurance, claims, and impacts (monitoring, evaluation, and learning).

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Sustainability Systems

Assess
implementation of these practices or performance against these levels

Communicate
and ensure integrity of claims and communications

Define
responsible practices or sustainability performance levels

Measure
performance improvements and impacts over time

Learn
from results to improve the system and its impacts

Consultation

› Consultation closes 16 Dec 2022

› All stakeholders are encouraged to review the draft Code and provide feedback

› Your feedback on the consultation draft will allow us to assess whether

- the desired outcomes are clear and relevant

- the requirements are likely to achieve the desired outcomes

- the structure of the Code is likely to support adoption of the requirements

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Definition and key questions

"Due diligence is the process enterprises should carry out to **identify, prevent, mitigate and account for how they address the actual and potential adverse impacts of their activities on people and the environment**. These impacts can be in their own operations, their supply chain or as part of other business relationships."

- OECD Due Diligence Guidance for Responsible Business Conduct, 2018

How can sustainability systems support, facilitate and strengthen corporate due diligence processes?

What organizational policies and processes do sustainability systems need to put into place?

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Due diligence legislation and frameworks: A quick overview

	Produce regular reporting	Conduct risk assessment	DD beyond Tier 1	Mitigation Plans	Penalties - fin +criminal
California Transparency Act (2010)	✗	✓	✗	✗	✗
EU Timber Regulation (2013)	✗	✓	✓	✓	✓
UK Modern Slavery Act (2015)	✗	✓	✓	✗	✗
French Duty of Vigilance (2018)	✓	✓	✓	✓	✓
Dutch Child Labour Bill (2020)	✗	✓	✓	✓	✓
EU Conflict Minerals (2020)	✓	✓	✓	✓	MS
German Act on Corporate DD (2021)	✓	✓	✗	✓	✓
Canadian Modern Slavery Bill	✓	✓	✓	✓	✓
EU Battery Regulation DD Rules	✗	✓	✓	✓	✓
EU CSDD	✓	✓	✓	✓	MS
EU Deforestation Regulation	✓	✓	✓	✓	✓

Due diligence as an evolving concept

- **Due diligence laws establish a legal floor requiring companies to address risks and negative impacts**

- All due diligence frameworks require some type of **process for** identifying and managing risks in operation and supply chains

- Due diligence as a process of **continuous improvement VS a market obligation**

- From mandatory disclosure and reporting to **'full responsibility' across supply chains**

Increasing **role for voluntary systems/standards**, certification, industry initiatives

But these cannot 'remove' the responsibilities of companies

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Driving effective and impactful corporate due diligence

We want companies to use sustainability systems as tools to implement **effective, fair and impactful due diligence** processes.

This means;

(i) working towards **better alignment** and **interoperability** between due diligence regulations and sustainability systems

(ii) **Strengthening organisational policies** of sustainability systems in line with emerging due diligence expectations and regulations

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Sustainability systems and standards as due diligence tools – existing and potential roles

- **Provide reliable and actionable data and information** about risks, mitigation, and remediation to supply chain actors

- **Go above and beyond mandatory minimum** to drive more ambitious and holistic impacts

- **Creating sector-wide consistency and transparency** in applying and assessing sustainability risks and impacts

- **Enable collective action** and drive implementation partnerships

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Panel

Emily Norton, Policy Analyst, OECD Centre for RBC

Prof. Dorothée Baumann-Pauly, Director of the Geneva Center for Business and Human Rights and Research Director NYU Stern Center for Business and Human Rights

Archana Kotecha, Founder and CEO, The Remedy Project

Questions

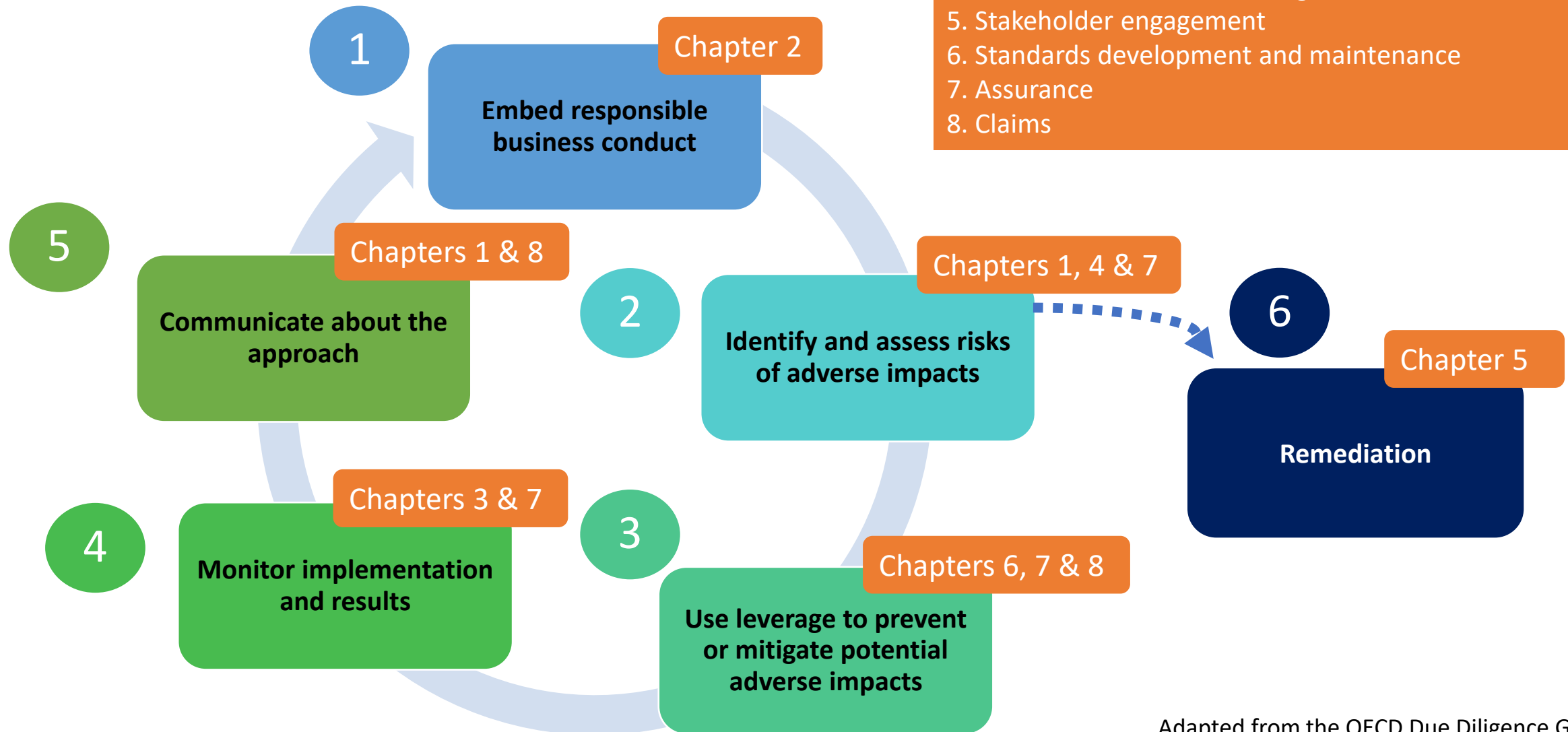iseal

Due diligence in the draft Code

The Code aims to:

› address the scheme's own responsibilities

› enable the scheme in defining the role it intends to play in corporate due diligence efforts.

› provide a framework to include due diligence in the scheme's operations

The strategy to achieve this is:

› a more holistic approach to the responsibilities of a sustainability system

› introducing clauses with direct reference to due diligence or due diligence related activities

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Chapters in the draft ISEAL Code
1. Strategy for impact
2. Scheme governance, operations and integrity
3. Scheme performance and continual improvement (MEL)
4. Data and information management
5. Stakeholder engagement
6. Standards development and maintenance
7. Assurance
8. Claims

1

Chapter 2

Embed responsible business conduct

5

Chapters 1 & 8

Communicate about the approach

2

Chapters 1, 4 & 7

Identify and assess risks of adverse impacts

6

Chapter 5

Remediation

4

Chapters 3 & 7

Monitor implementation and results

3

Chapters 6, 7 & 8

Use leverage to prevent or mitigate potential adverse impacts

Adapted from the OECD Due Diligence Guidance for Responsible Business Conduct

Code requirements

› Requirements focused on strengthening the ability of systems to support effective due diligence are within chapters 1, 2, 5 & 8

No.	Chapter	Topic	Desired Outcome
1.2	Strategy for impact	Analysis informing focus	The scheme makes informed decisions about how to focus its work.
2.6	Scheme governance, operations, and integrity	Contractual measures	The scheme owner uses contractual measures to manage risks to the integrity of its scheme.
5.6	Stakeholder Engagement	Remediation	Stakeholders can rely on the scheme to act in line with its defined role in remediation.
5.7		Scope and design of dispute resolution system	The scheme has impartial and accessible mechanisms in place for resolving complaints and conflicts.
5.8		Operations of dispute resolution system	The dispute resolution system is robust and transparent.
8.4	Claims	Substantiation of claims	Allowed claims are substantiated.

The Code as a starting point..

The ISEAL Code requirements underpin a wider range of guidance and support on due diligence adaptation and innovation

› Improving risk identification and monitoring data

› Mitigation and improvement pathways

› Innovating and adopting grievance and remediation processes

› Ensuring SME / smallholder inclusion

Supporting corporate due diligence through chain of custody systems

Project title: Control mechanisms for blended materials

Project lead: Better Cotton

Project partners: Responsible Sourcing Network

Accessing learning in due diligence and grievance mechanisms

Title: Good practice & learning in Due Diligence & Grievance Mechanisms

Project lead: Bonsucro

Project partners: Responsible Jewellery Council

Panel

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Questions

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Get involved

› Review the consultation draft

› Provide your feedback on the draft by completing the survey

› Or you can provide comments on individual requirements in the excel document

› Attend Code consultation workshops and webinars

› Share the consultation with others in your networks #ISEALCode

Consultation closes 16 Dec 2022

Find out more here: iseal.org/iseal-code-consultation

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Join us: upcoming workshops and webinars

› Policymakers' perspectives on the ISEAL Code of Good Practice | 27 October

› Innovation and credibility across a range of sustainability systems | 3 November

Find out more here: iseal.org/iseal-code-consultation

Find recordings of previous events here: isealalliance.org/code-consultation-events

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Ensure sustainability systems deliver the most effective solutions

Take part in ISEAL's Code of Good Practice consultation:

www.iseal.org/iseal-code-consultation

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