



Engaging stakeholders in due diligence:

A beginner's roadmap for small and
medium sized companies (SME's)



Why engage stakeholders in due diligence?

Stakeholder engagement is at the core of due diligence for responsible business conduct. By consulting your key stakeholders, you will most likely get access to information no social audit or self-assessment questionnaire will provide. You will be able to make informed decisions and identify collaborative ways to address complex issues in your supply chain.

This roadmap is the result of consultation with SMEs, a number of stakeholders in India and China and with Norwegian civil society organisations. Two important learnings have emerged from this work:

- 1. More can be done!** We found few examples of SMEs engaging with affected stakeholders and/or relevant civil society organisations in production countries in their supply chain in a meaningful way. There is considerable potential for improvement and several companies expressed a wish to engage more and better.
- 2. Don't do it alone!** Civil society and companies alike stated that for SMEs to engage with affected stakeholders in a meaningful way, they need to join forces. Seek to collaborate with others, and where collaboration across stakeholder groups exists (such as multi-stakeholder platforms, roundtables, defined projects etc.) seek engagement.

Both learnings have shaped this roadmap. When we first set out to develop guidance, we were hoping to collect good practice examples from SMEs engaging affected stakeholders. Rather, we have realised that there is a need for a step-by-step approach for SMEs to engage with stakeholders as part of their due diligence. In addition, the strong recommendation from those consulted to find collaborative ways of working, means that the steps outlined in this roadmap cannot be implemented in full by individual SMEs or even perhaps by bigger companies. Effective and appropriate stakeholder engagement will require companies to join forces, such as through multi-stakeholder platforms in relevant regions and sectors.

Many ways of engaging

At the same time, it's important to stress that companies shouldn't be worried about trying out ways of engaging with civil society, even if they're not fully in line with approach we set out in this guide. While coordinated engagement, such as through platforms, is the "gold standard", we have come across several examples of other ways of engaging stakeholders in a way that strengthens companies' due diligence for responsible business conduct, both in regards of identifying and managing risk to people, society and the planet. An example of this is participatory auditing, where a

The importance of engaging

The importance of engaging with stakeholders in production countries is well illustrated by the experience of one of our member companies:

For years, they had received self-assessment questionnaires and third-party audits from a supplier in India. Based on the findings, this was a low-risk factory that didn't warrant any further action. At the same time, they kept coming across reports from civil society, academics and journalists describing cases of discrimination, sexual harassment, low pay and long working hours in the same industry and region. The discrepancy between these reports and the feedback from the supplier had the company explore further. They contacted a Norwegian NGO working on women's rights, and through them got in touch with one of their partner organisations in India. With the supplier's permission, a woman representative of this organisation visited the production facility and spoke to the women in their local language. To the surprise of the factory management, the women reported several instances of sexual harassment by middle management, and discrimination involving harsh treatment of pregnant women. It turned out that this, even more so than low pay and long working hours, caused a lot of frustration for the women in the workplace. Several women had considered changing jobs.

The information was new both to our company member and to the factory management. To tackle the issues, the company and factory management collaborated with the community organisation to set up a programme targeting middle management, as well as a complaint mechanism for staff to report any cases of harassment and discrimination. Engaging the right stakeholders, in the right way is key.

representative of a community organisation was invited by a brand to join a social audit, alongside a third-party auditor.

Finally, this roadmap is a contribution to what we hope will be an ongoing exploration of how smaller companies may conduct human rights and environmental due diligence. We welcome further work and discussion in this area.

The guide is accompanied by specific tools for stakeholder engagement in China and India. JETI members may access these online, through their respective organisation.





Abbreviations

Acronym	Term
CSO	Civil Society Organisation
JETI	Joint Ethical Trading Initiatives
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
RACI	Responsible, Accountable, Consulted, Informed
SMEs	Small and Medium Sized Enterprises
UNGPs	UN Guiding Principles on Business and Human Rights

Ergon

Norad

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Introduction and background

This guidance is aimed at small and medium sized companies (SMEs) with international supply chains. It is designed to improve companies' due diligence for responsible business conduct, by setting out how to identify key stakeholders and better engage with them. A beginner's roadmap!

This document builds on existing guidance and standards related to stakeholder engagement that are set out in the [UN Global Compact](#), [OECD Guidelines](#) and [UN Guiding Principles on Business and Human Rights \(UNGPs\)](#).

It is recognised that few SMEs are likely to have dedicated staff resource focusing on environmental and human rights issues, or stakeholder engagement. Therefore, this document aims to provide clear, simple and practical guidance to all relevant staff members on how different groups of stakeholders can be involved in supporting a company improve management of environmental and human rights issues in supply chains.

Due diligence for responsible business conduct

The guide is divided into six sub-chapters, based on OECD's model for due diligence for responsible business conduct (2018)¹. The graphic below provides an overview of the six sub-chapters, the due diligence stages across which stakeholders should be involved.

Stakeholder engagement is a 'key component of the due diligence process', it is a cross-cutting action with relevance

to all stages of due diligence. Companies can and should engage with stakeholders throughout all stages of the due diligence process.

The successful management of human rights and environmental issues in company supply chains is achieved through the conduct of due diligence. Due diligence for responsible business conduct is clearly defined in the UNGPs and OECD Guidelines. Both essentially agree that due diligence is a process of ongoing management where risks are identified, assessed, mitigated and remediated in a transparent manner in engagement with stakeholders. This guidance document describes how stakeholder engagement could be carried out as part of company's due diligence.

SMEs and due diligence

Both the UNGPs and the OECD Guidelines explicitly include SMEs in their scope. To effectively conduct due diligence, SMEs should collaborate with other companies, given their limited resources to do due diligence alone. In this guide, we recommend SMEs to engage with stakeholders in collaboration with other companies.

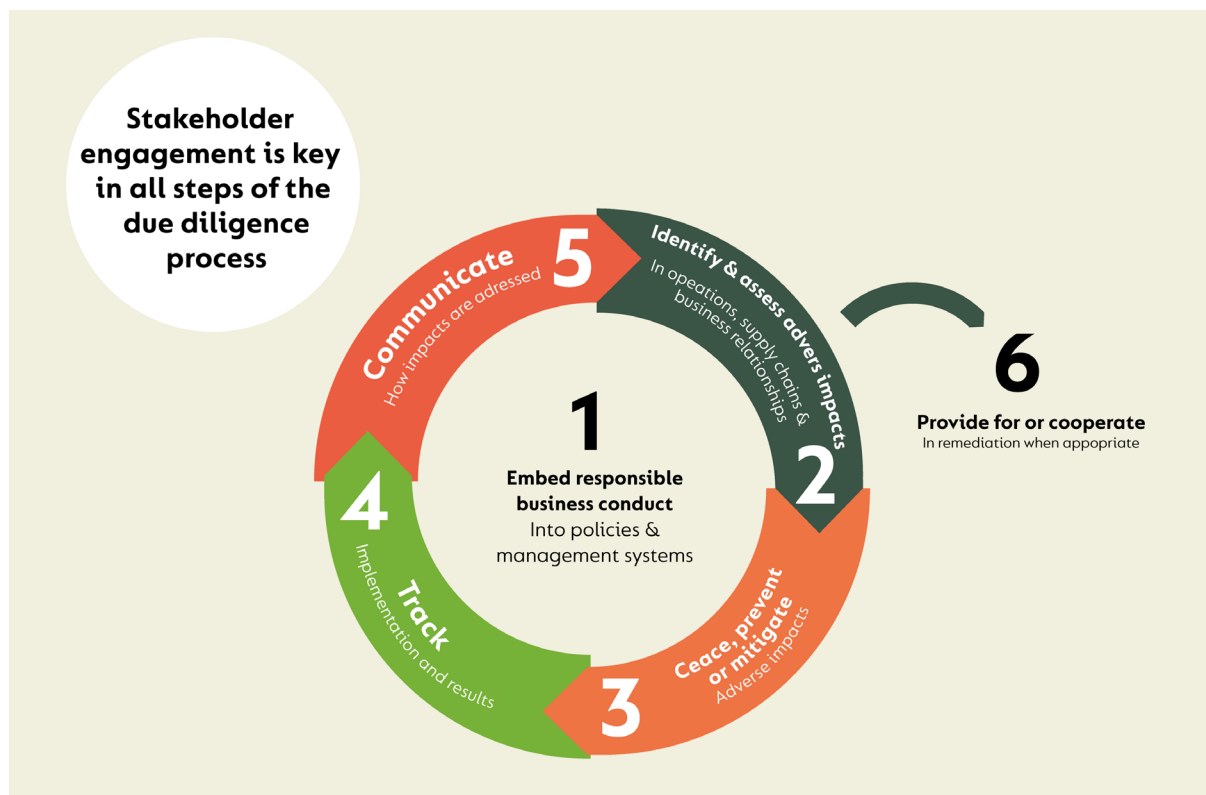


Figure 1: Stakeholder engagement in all steps of the due diligence process.

¹ OECD Responsible Business Conduct Due Diligence Guidance: <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>





Stakeholder engagement

Stakeholders are 'persons or groups who have interests that are, or could be, impacted by a company's business activities'² (e.g. workers, trade unions or community groups), as well as those who have an interest and/or the ability to influence the outcome of a business activity (e.g. civil society, company management, suppliers, local governments).

Stakeholder engagement is the process of consulting with stakeholders, through meetings, hearings, interviews, roundtable discussions etc. The purpose is usually threefold: to provide them with information about company activities, to hear and understand their thoughts and concerns in response and to receive their ideas for reducing or preventing negative impacts. This engagement should be conducted in an open, honest and collaborative manner. The overall aim is to make a company's human rights and environmental due diligence more effective and responsive.

For stakeholder engagement to be meaningful, it should be³:

TWO WAY: there should be free expression of opinions between companies and stakeholders, in order to reach a mutual understanding

ONGOING: company engagement doesn't just occur once, it continues throughout the lifecycle of an operation or activity.

RESPONSIVE: company decisions should be informed by the views of affected stakeholders. This means that they must allow stakeholders sufficient time to consider the impact company activities may have on them, and act on what has been agreed.

CONDUCTED IN GOOD FAITH: a company should engage with the intention of understanding how its activities affect stakeholder interests, and should be prepared to address any adverse issues it causes or contributes to.

Stakeholder engagement - key considerations:

When engaging with external stakeholders, companies should take into account the following key considerations:

- Seek to collaborate with others, and where collaboration across stakeholder groups exists (such as multi-stakeholder platforms, round tables, defined projects etc.) seek engagement
- Consider the best approach for making contact, and consider language barriers. Consider local facilitators or support if needed.
- Be clear with objectives and scope of proposed engagement to set realistic expectations
- Agree on how to engage and communicate on an ongoing basis
- Be careful not to put vulnerable groups at further risk through engagement with stakeholders

² Ibid p. 18

³ Ibid p. 49-50





Overview of stakeholders

It's important that a company identifies its stakeholders and revises its lists of stakeholders on an ongoing basis. As set out above, a stakeholder may be a person or group **affected** by company activities, with an important **expertise or insight**, or who can positively or negatively **influence** the activity. These stakeholders may be either internal or external to the company.

From a due diligence perspective priority should be given to those stakeholders for whom the risk of adverse impacts is greatest or the potential adverse impact is severe or could become irremediable.

The table below gives an overview of typical stakeholder groups which are of relevance to a company. Your own identified stakeholders and how they are relevant for you might be different from this table.

Stakeholder group	Affected	Expertise	Influence
Internal			
Board and Senior management		x	x
Cross departmental teams (procurement, buyers, technical etc.)		x	x
Workers and or their union representatives	x	x	x
External			
Workers in supply chains	x	x	x
Local communities around production	x	x	
Suppliers	x	x	x
Auditing companies / Consultancies / Academics		x	
Customers / Investors			x
Industry peer / Associations		x	x
International NGOs / International trade unions		x	x
Local trade unions / Workers' organisations	x	x	x
Local NGOs and civil society	x	x	x
Multi-stakeholder forums (e.g. JETI etc)		x	x
National government		x	x





Engaging stakeholders across due diligence stages

This section provides more detail on each due diligence stage, why it is important to engage stakeholders as part of a company's efforts to address human rights and environmental risks, along with an overview of those stakeholders that are typically useful to engage with during each stage. For each identified key stakeholder, there is also a brief explanation of why it is important to engage with them.

Happy Kitchen – a small company engaging stakeholders in due diligence

Throughout this section, we follow the fictive company Happy Kitchen – a small business selling kitchen utensils and home textiles, on their journey to engage with stakeholders across the due diligence process. Happy Kitchen is committed to improving their human rights and environmental due diligence through engaging their key stakeholders, but, as a small company, have limited resources.





1. Embed responsible business conduct into policies and management systems

Overview of due diligence activities

All companies should make a clear public commitment to international human rights and environmental standards. Policies can be a simple statement referencing the company's respect for international norms, such as relevant international conventions or standards. For example, these should include the [Universal Declaration of Human Rights](#) and [ILO Declaration on Fundamental Principles and Rights at Work](#). JETI members have access to templates that serve as a useful starting point for this.

Where there are more defined issues in a company's supply chains, they can talk to their key stakeholders as part of the process of developing their human rights and environmental policies. This will help ensure that the company policy and supplier code of conduct cover the relevant issues across a company's supply chain, that these are in line with international standards, and that they are legitimate externally along with being practically enforceable by the company and colleagues.

STEP 1 Embed: stakeholder checklist

Stakeholder	How and why engage?	
Internal		
Board and Senior management	<ul style="list-style-type: none"> Raise awareness of key issues at a senior level. Gain their buy-in, support and ownership. Agree on policy review procedures and timelines Add weight to communications with suppliers on these issues. 	
Cross departmental teams (procurement, buyers, technical etc.)	<ul style="list-style-type: none"> Ensure company commitments in policies reflect colleagues' expertise and practice Agree on responsibilities for implementation Ensure consistent messaging on these issues when engaging with suppliers e.g. When discussing pricing, quality, deadlines vs. criteria for human and environmental issues. Embeds policy commitments in wider company process and practices, such as contracts and procurement 	
External		
JETI contact	<ul style="list-style-type: none"> Ask for template examples of policies and codes of conduct which can be used and amended for a company's supply chains and specific topic. 	
Customers / Investors	<ul style="list-style-type: none"> Understand what their requirements are to ensure commitments are as aligned as possible. 	
Suppliers	<ul style="list-style-type: none"> Clearly articulate company commitments and expectations. Listen and try to understand their challenges in meeting requirements. Ensure Input on challenges they face that you haven't considered? Ensure Input on gaps, commitments/requirements you should have 	
Trade unions and NGOs	<ul style="list-style-type: none"> Get an expert view on any gaps in existing policies related to specific issues such as homeworking, subcontracting, and migrant workers Understand their expectations of what a commitment should cover and how it should be embedded Articulate the company's constraints and challenges. Increases the credibility and legitimacy of a company's approach to addressing human rights and environmental issues. 	

Happy Kitchen: step 1 - embed

Happy Kitchen uses existing templates as a starting point for their general policy on responsible business conduct and to develop guidelines for suppliers (Code of conduct). Anne, the Quality and Sustainability Manager, agrees on the policy with senior management and it is approved by the board.

Through meetings with Happy Kitchen's buyers, Anne learns that one issue requires specific attention:

- Some of their embroidered kitchen towels are likely produced by homeworkers. Anne speaks to other brands with homeworkers in the supply chain and decides that a separate policy on homeworkers is required. She joins a presentation by an international NGO that supports homeworkers and gets their input on drafting the policy. She's also put in touch with a local NGO supporting women homeworkers and speaks to them about key risks and what should be covered in the policy.





2. Identify and assess human rights and environmental risks

Overview of due diligence activities

Identifying and assessing human rights and environmental risks is critical to ensure that negative impacts are spotted, and that company responses are proportionate, targeted and make best use of resources.

There are resources and tools that can help a company carry out a desk-based review of potential risks, for example, through online media searches and reports. This is a good initial starting point for all companies.

It is important to note that companies most likely have to prioritize. By prioritizing a company should address the most salient issues first. To determine the saliency of a risk, companies should consider the:

- **Scale of an impact:** How severe is it?
- **Scope of an impact:** What's the reach of the impact, e.g. how many will be affected?
- **Irremediable character:** Is it possible to restore the persons or environment affected back to how they were before the damage happened?

Where potential impacts are more severe and likelihood is higher, a risk is more salient.

Where potential salient risks have been identified, companies should engage with defined stakeholders that often have important information about risks as well as how these should be prioritised. Engagement with relevant stakeholders will provide information about potential risks, as well as verifying (or not) the company's own view of its most significant risks.

STEP 2 Identify & assess: stakeholder checklist

Stakeholder	How and why engage?	
Internal		
Board and Senior Management	<ul style="list-style-type: none"> • Keep updated on the risk assessment process and outcomes before agreeing on responses 	
Cross departmental teams	<ul style="list-style-type: none"> • Build picture of supply chain, including countries sourced from and sectors involved in • Get information about specific risks and issues concerning products or production, or at suppliers from people that have visited sites and from audits 	
External		
Peer group companies	<ul style="list-style-type: none"> • Understand what issues they face in the same sourcing countries / common supplier sites, or similar production to feed into the risk assessment • Can increase efficiency by sharing resource and costs 	
Trade unions and NGOs	<ul style="list-style-type: none"> • Get an expert view on key issues in the company's supply chains • Provide insight on root causes and drivers of the risks • Use as opportunity to share company constraints, try to understand their expectations and reach common understanding on next steps and priorities 	
Affected groups (e.g. workers, communities, suppliers)	<ul style="list-style-type: none"> • Better quality information on the risks in supply chains and at specific workplaces, along with practical and sustainable responses. • Gain an understanding of the key impacts arising as a result of a company's business relationships from those most affected • Helps validate findings in wider risk assessment 	





Happy Kitchen: step 2 – identify & assess

Happy Kitchen starts off doing a desktop assessment of the risks in its supply chain. They base their initial assessment on existing resources, such as online reports and indexes. In addition, Quality and Sustainability Manager Anne's buyer colleagues provide useful information on production processes and suppliers. Based on the results of this initial mapping, they identify potential negative impact.

The risk of poor working conditions and low salaries for homeworkers in India is one of the salient issues identified by Happy Kitchen. As a small company, it's important for Happy Kitchen to collaborate with other brands. Through JETI, they participate in a meeting for companies sourcing from India with representatives from Indian civil society attending virtually. They learn that the risk assessment they have carried out for their supply chain in India, matches that of other companies and the views of civil society representatives.

However, through a separate meeting with expert speakers from China, they learn that there is a high risk of unauthorized subcontracting in the production of some of their kitchen utensils. The risk of poor working conditions is higher when goods are subcontracted without authorization. Based on this information, Happy Kitchen revises its risk assessment.

Happy Kitchen also attends a JETI workshop about freedom of association. Through discussion with trade unions, they realize that the risks related to freedom of association are higher than they thought in both India and China. Dialogue and engagement between management and workers seem to be rather low. It's unlikely that the workers have an environment where they can express their concerns regarding any rights. Happy Kitchen update their risk assessment based on this information.

Based on their risk assessment, Happy Kitchen have identified four key salient issues:

- Poor working conditions and low salaries for homeworkers in India
- Poor working conditions, excessive overtime and low salaries at unauthorized subcontractors in China
- Barriers to freedom of association in China
- Barriers to freedom of association in India

3. Cease, prevent or mitigate potential impacts

Overview of due diligence activities

In response to identified risks, companies should put in place measures either to prevent them from arising or to reduce their severity (mitigation).

Prequalification of suppliers is essential to ensure that they meet criteria on responsible business conduct when engaged, especially for SME's. The aim should be to ensure that only ethical and competent suppliers are contracted. This will reduce 'the extent of resources necessary in identifying, monitoring or preventing impacts once a supplier has been engaged'. All companies should consider alternative products, raw material or production methods if that can reduce risk for negative impact.

In addition to ethical prequalification criteria, the size of the supplier in relation to the buying company is often an important factor. While a small buyer will usually have limited leverage over a large supplier, they may well have considerable leverage over a smaller supplier.

However, regardless of how robust a procurement and contracting procedure is, risks will always remain in a company supply chain. To prevent and address human rights and environmental risks, companies should seek to increase their leverage by collaborating with other companies and with sectorial initiatives or multi-stakeholder platforms.

When risks or actual issues are identified, those affected must be consulted to find out how best to address these. SME actors should seek to consult these stakeholders through collaborative platforms. For affected stakeholders, collaborative efforts by brands can facilitate communication and increase accountability.

Based on the input from stakeholders, follow-up actions should be identified. These could include: training and capacity-building of suppliers and workers in the supply chain, joint projects to pilot different approaches, adapting purchasing practices to reduce negative impact, working with industry groups or governments to tackle endemic or regulatory issues. Through joint action and collaboration, companies increase their leverage and may use resources more efficiently.





STEP 3 Prevent and mitigate: stakeholder checklist

Stakeholder	Why engage	x
Internal		
Board and Senior management	<ul style="list-style-type: none"> Consider need for adjustments in business model, sourcing strategy or company policies. Bring in to communicate to suppliers the importance of taking action and addressing issues the company has identified Aligns company messaging on human rights and environment to suppliers 	
Cross departmental teams	<ul style="list-style-type: none"> Embed human rights and environment into procurement and contracting procedures Link performance on human rights and environment to financial arrangements with suppliers 	
External		
Peer group companies	<ul style="list-style-type: none"> Collaborate to increase leverage in relation to common suppliers or specific sectoral challenges Can lead to an improved understanding of issues and make better use of resources 	
Multi-stakeholder forums	<ul style="list-style-type: none"> Where issues are beyond an individual supplier's control, work with multi-stakeholder initiatives to understand how to advocate for wider change Work together to understand how costs, activities and outcomes of due diligence can be shared Working with a wide group of stakeholders can provide innovations in approaches to dealing with problems in supply chains Can provide a platform for workers' views and opinions to be raised via legitimate representatives without direct engagement from the company 	
International and local NGOs	<ul style="list-style-type: none"> Get inputs on appropriate responses to identified risks and to validate or test proposed actions They are likely to have a view on local expectations They are better placed to speak to vulnerable workers in workplaces on behalf of the buying company 	
Local trade unions	<ul style="list-style-type: none"> Where deemed appropriate, local trade unions can support the implementation of any mitigation measures Legitimate and representative unions on the site will also be important in preventing and mitigating risks proactively. 	
Suppliers	<ul style="list-style-type: none"> Collaborate on measures Provide training and capacity support Work together to understand how costs can be shared 	
Affected groups (e.g. workers, communities)	<ul style="list-style-type: none"> Dialogue on measures More effective measures and impact 	





Happy Kitchen – step 3 – prevent & mitigate

To prevent and mitigate the four key salient issues identified Happy Kitchen uses ethical prequalification criteria to assess new suppliers. They realize they should use the criteria on all of their suppliers. They exclude suppliers that lack a system for managing human rights and environmental risks. Due to this, Happy Kitchen reduces risk in their supply chain than most comparable companies.

Happy Kitchen participates in two JETI working groups for SMEs, one focused on China and the other on textiles from India. Through discussion with brands and experts that are part of the group, Happy Kitchen decides that in China the key focus should be on improvements at supplier level and increased transparency of subcontractors. They collaborate with a small group of SMEs to organize a joint workshop for suppliers with a labour rights consultancy in China, and work with them to put in place relevant measures at supplier level. They want to set up a social dialogue program for workers and management, the local

experts agree, but they learn they should use the term “harmonious workplace” in China.

The India group links up with regional multi-stakeholder platforms in India. These platforms host regular dialogue meetings with trade union and civil society representatives and several larger brands with representatives in India attend these. The SME group agrees that one representative from the group will attend each meeting, and feed back to the group. Quality and Sustainability Manager Anne combines a meeting of the South India platform with a supplier visit. In the meeting she learns about an ongoing civil society initiative to support homeworkers. Happy Kitchen and other brands later join this initiative. In the meeting they also agree several action points related to freedom of association. Anne feeds back to the SME group, which meets again to look at how they can collaborate on these. The next meeting is attended by a representative of a different SME, which report back to the SME group.

4. Track implementation and results

Overview of due diligence activities

It is important for companies to monitor the impact of their business and due diligence activities on improving environment and human rights issues. To monitor performance effectively means drawing on the inputs and feedback from internal and external stakeholders.

When companies engage with stakeholders through collaborative platforms, they should agree a way of tracking the implementation and results of the agreed action. By providing this information at regular intervals companies strengthen accountability and can engage with stakeholders on progress and results.





STEP 4 Track: stakeholder checklist

Stakeholder	Why engage	x
Internal		
Board and Senior management	<ul style="list-style-type: none"> Consider need for adjustments in business model, sourcing strategy or company policies. Bring in to communicate to suppliers the importance of taking action and addressing issues the company has identified Aligns company messaging on human rights and environment to suppliers 	
Cross departmental teams	<ul style="list-style-type: none"> Embed human rights and environment into procurement and contracting procedures Link performance on human rights and environment to financial arrangements with suppliers 	
External		
Social auditors	<ul style="list-style-type: none"> Social auditors may provide useful support in tracking implementation of environmental and human rights commitments at supplier level on some topics. Be aware if what social auditors can support and what they often fail to identify and address. 	
Affected groups	<ul style="list-style-type: none"> By consulting affected groups, the company ensures that the actions taken are actually improving the situation of those affected. 	
Trade unions and NGOs (local and international)	<ul style="list-style-type: none"> Local unions and community groups can provide useful information about the implementation and effectiveness of actions agreed between companies and stakeholders. They may act as representatives of affected groups. 	
Customers / Investors	<ul style="list-style-type: none"> To demonstrate how the company is meeting customer and investor commitments and requirements on the environment and human rights, careful consideration should be taken to collect data and track performance, along with the appropriate means of reporting. 	

Happy Kitchen: step 4 - track

Happy Kitchen and the other SMEs develop an action plan based on the stakeholder meeting Anne attended in South India. The stakeholder platform has agreed that all brands will update the group on what steps they are taking, with deadlines. Anne submits the action plan on behalf of the group of SMEs.

The SME group agrees a way to track the results of the work they will be doing in their supply chains in South India. Each brand adds their results in a spreadsheet. When the South India platform next meets six months later, the companies present these results to the other brands and stakeholders for discussion. Based on the results, they jointly agree next steps.

Regarding China, Happy Kitchen discusses the results from the training on harmonious workplace, dialogue between workers and management with the other SMEs. They conclude the trainings has been successful in most cases, but in some cases there seem to be a lack of commitment from management at the suppliers. They agree to jointly address the issues with the supplier.





5. Communicate

Overview of due diligence activities

It is important for companies to communicate to stakeholders how due diligence is being carried out, and on the impact this is having for them. This should not be considered as a completely separate stage of due diligence, as this communication is central to ensuring that stakeholder engagement throughout all due diligence stages is meaningful. First and foremost you should communicate with affected stakeholders on the issues identified, the measures taken, and the results of the actions.

However, it is important to think about the audience for any communication and the most appropriate means through which information is communicated. Therefore, thinking about language, length, terms, format of delivery, written or oral etc. are all important considerations when communicating what a company is doing and what it has done.

STEP 5 Communication: stakeholder checklist

Stakeholder	Why engage	x
Internal		
Board and Senior management	<ul style="list-style-type: none"> Consider need for adjustments in business model, sourcing strategy or company policies. Bring in to communicate to suppliers the importance of taking action and addressing issues the company has identified Aligns company messaging on human rights and environment to suppliers 	
Cross departmental teams	<ul style="list-style-type: none"> Embed human rights and environment into procurement and contracting procedures Link performance on human rights and environment to financial arrangements with suppliers 	
External		
Social auditors	<ul style="list-style-type: none"> Social auditors may provide useful support in tracking implementation of environmental and human rights commitments at supplier level on some topics. Be aware if what social auditors can support and what they often fail to identify and address. 	
Affected groups	<ul style="list-style-type: none"> By consulting affected groups, the company ensures that the actions taken are actually improving the situation of those affected. 	
Trade unions and NGOs (local and international)	<ul style="list-style-type: none"> Local unions and community groups can provide useful information about the implementation and effectiveness of actions agreed between companies and stakeholders. They may act as representatives of affected groups. 	
Customers / Investors	<ul style="list-style-type: none"> To demonstrate how the company is meeting customer and investor commitments and requirements on the environment and human rights, careful consideration should be taken to collect data and track performance, along with the appropriate means of reporting. 	

Happy Kitchen: step 5 - communicate

Through the South India platform, the actions that Happy Kitchen and the other SMEs have taken to address their salient issues are communicated to stakeholders. In some cases, home workers in India could be difficult to reach out to. The South India Platform reach out to an Indian organization with expertise with homeworkers, which makes the communication easier, and more meaningful.

In addition, Happy Kitchen adds information about their salient issues, their dialogue with stakeholders, the actions they have taken and results in their annual sustainability report.

The community organisation running the project Happy Kitchen are part of to support homeworkers in their supply chain also communicates about its activities and results in regular community meetings, and get feedback from those involved.





6. Remediate actual negative impacts

Overview of due diligence activities

Prevention and mitigation, step 3, focuses on risks that are likely to occur, but where actual negative environmental or human rights impacts occur in a company's supply chain, it is important for a company to cooperate in a process to remediate (i.e. put right or reverse) the negative impacts or use leverage to influence the entity causing the adverse impact to prevent or mitigate the impact.

The aim of remedy is to counteract, or make good, the negative impact that has occurred. Remedy may include apology, restitution, rehabilitation, financial or nonfinancial compensation, satisfaction and guarantees of non-repetition, modification in procedure, structure or communication.

Using ethical prequalification criteria when choosing suppliers and engaging with stakeholders throughout the due diligence process are important steps for SMEs to avoid causing negative impact. Remediation can be a complex and lengthy process. Furthermore, some harm is so severe that no form of remediation can put it right. A fatal workplace accident is an example of this – while an official apology, financial compensation and a guarantee of non-repetition are all examples of remedy that would likely be required in this situation, neither of these measures can compensate for a loss of life.

In situations where remedy is required, SMEs should usually seek to collaborate with other brands and/or suppliers. The extent of collaboration required will depend on the type of harm:

- Forced labour in Malaysia's rubber glove industry has been found to be a systemic issue, affecting large parts of the sector. The victims of forced labour have the right to remedy, meaning eg. Economical compensation and assurance of freedom to leave the workplace. In this case, remedy is likely best provided through a broad coalition of companies (buyers and suppliers) that can engage with affected stakeholders and their representatives, as well as with the Government.
- A case of a child labour at a supplier site in China would require remediation. In this case, it would likely be sufficient for an SME to engage the supplier and other brands sourcing from the same supplier to ensure that the child received remedy, for example in collaboration with a children's rights NGO/consultancy to ensure the child's right to go to school.

In either case, engaging with stakeholders is essential to understand what forms of remedy would be acceptable and how these may best be provided.





Remediate: stakeholder checklist

Stakeholder	Why engage	x
Internal		
Board and Senior management	<ul style="list-style-type: none"> Decisions on serious or complex issues should be escalated to and involve senior management input Reports on general issues identified and actions taken should be reported to senior management 	
Cross departmental teams	<ul style="list-style-type: none"> Colleagues should be involved in receiving complaints from affected groups in the supply chain and for investigating issues that arise 	
External		
Suppliers	<ul style="list-style-type: none"> Where suppliers are responsible for the negative impact and hence the remediation, seek collaboration and dialogue Use your influence to ensure remediation for the affected groups 	
Affected groups	<ul style="list-style-type: none"> They must be consulted on any remedy being proposed as this must be legitimate and acceptable 	
Local NGOs and CSOs	<ul style="list-style-type: none"> Where deemed appropriate, engagement with local NGOs can support in the design and administration of a complaints process and provide supporting in investigating issues that arise They can provide advice on the sorts of remedy 	
Local trade unions	<ul style="list-style-type: none"> Where there is a functioning union in a workplace, map the existing mechanism through which they receive and handle grievances to understand whether workers are able to access remedy through it. 	
Industry peers	<ul style="list-style-type: none"> By collaborating with other companies sourcing from a supplier, increased leverage may be applied to ensure that action is taken in response to the identified issue and that affected groups are effectively remediated. 	
National government	<ul style="list-style-type: none"> Where negative impacts are identified, it may be that local authorities have the capacity to handle the issue appropriately. However, before referring issues to authorities, consult with stakeholders to ensure this is not likely to lead to further harms. 	

Happy Kitchen: step 6 - remediate

After a while, Happy Kitchen and the SME group is alerted to an issue through the South India platform: a number of textile workers have been paid below the legal minimum wage over several months, after a change of the local labour law. Trade unions and labour NGOs that are part of the platform ask brands to ensure that suppliers pay workers the salary they are owed. Happy Kitchen and the other companies that are part of the South India platform reach out to their suppliers with a joint request to pay workers within a fixed date and to provide documentation. The payments are verified by trade unions.

At the request of unions and labour NGOs, the companies agree to put in place a system to better monitor wage payments going forward.



Further reading

Human rights and environmental due diligence

- [OECD – Due diligence guidance for responsible business guidance](#)
- [UN Guiding Principles on Business and Human Rights \(UNGPs\)](#)

Stakeholder engagement

- [Global Compact Network Germany – Stakeholder engagement in human rights due diligence: A business guide](#)
- [OECD – Due diligence guidance for meaningful stakeholder engagement in the extractive sector](#)
- [Shift – Bringing a human rights lens to stakeholder engagement](#)





Ethical Trade Norway is a multi-stakeholder initiative and a resource centre and an advocate for ethical trade practices. Our objective is cooperation on trade which promotes human rights, workers' rights, anti-corruption and responsible environmental management.

Our aim is to strengthen members' efforts to promote decent working and environmental conditions in their supply chains. Our members range from some of Norway's largest companies to sole proprietorships, public bodies and organizations. A large part is small and medium-sized companies.

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