



What is Due Diligence

The concept of Due Diligence describes the process by which businesses are expected to identify, prevent, mitigate, and account for adverse business impacts on human rights and the environment.

Due Diligence is now also finding its way into national legislation as states look to increase corporate accountability and transparency in global supply chains, including in NZ with the proposed Modern Slavery legislation, the EU with its Due Diligence directive.

In the garment industry, an effective Due Diligence process involves conducting thorough evaluations of your supply chains, to detect and prevent adverse human rights impacts and ensure compliance with relevant laws and standards.

While the core responsibility for Due Diligence lies with brands, successful implementation requires close collaboration with both suppliers and their employees and workers, so as to enhance working conditions sustainably and develop effective monitoring and grievance handling systems (to provide 'remedy' for problems that do arise).

Environmental Due Diligence is also important. For example, brands should work with their suppliers to identify and mitigate environmental risks in their supply chains, such as pollution, deforestation, and greenhouse gas emissions. By involving suppliers and workers in the process, brands can gain a better understanding of the environmental impacts of their supply chains, and work with suppliers to develop and implement solutions that reduce those impacts.

Due Diligence step by step

1. Map your supply chain - this includes all businesses, contractors and suppliers across your entire supply chain.
2. Assess the risk - understand the risks to workers and the environment, both within each region and for each product/service category that you are procuring. You can use public databases, contact local NGOs, and connect with others who use suppliers in the same region to share knowledge to help build a risk profile for each supplier. See tools below.
3. Prioritise - determine how much leverage you have with each supplier and start to prioritise where to focus your attention based on risk, and your ability to influence and create impact.
4. Engage - communicate with your suppliers, build up a strong relationship and establish trust. Seek to understand what systems and processes they have in place. What certifications and initiatives they're part of. Ask questions, rather than tick boxes. A simple questionnaire can be a useful tool here. Ask for evidence that shows how suppliers are meeting employment and environmental standards. Check as far down your supply chain as possible. This step may involve education programmes to address any misconceptions.
5. Visit - your suppliers to build the relationship and have eyes and ears on the ground. Anyone that goes into a factory has a responsibility to see what's going on in the factory where your products are produced. A simple Health and Safety checklist is a good starting point for things to look for, such as unobstructed exits, fire extinguishers, fire or chemical hazards. This can be an easy starting point to illustrate your intentions when building trust with suppliers and workers.



6. Learn - survey your suppliers, both management and workers, about your purchasing practices as a business. Are your timelines too tight, are you putting undue pressure on suppliers to meet deadlines or price that might be leading to issues? Give suppliers the opportunity to be open with you, but ensure you follow through on any feedback.

Beyond Compliance

Rather than having a compliance based approach that centres on auditing, leading businesses we've spoken to are working in an holistic way with their suppliers, in three main areas:

1. Building relationships;
2. Developing trust and transparency;
3. Focussing on worker wellbeing, through understanding then supporting on the ground programs.

Guides

[Identifying and minimising labour rights issues in your supply chains: A Step by Step Guide.](#)

An overview of how to get started managing human and labour rights in your supply chain.

- Step 1: Create, communicate and seek commitment to a supplier code of conduct or ethical sourcing policy. Map your supply chain.
- Step 2: Conduct a risk assessment.
- Step 3: Ongoing engagement with suppliers.

[SBN Docket - Eliminating Modern Slavery checklist](#)

A more comprehensive toolkit looking at mitigating and eliminating risks, and modern slavery policies.

Tools & Resources

- [Open Supply Hub](#) - a free online tool that allows you to map your supply chain publicly for transparency, and understand who you might share suppliers with for collaboration.
- [Overview of Risk Factors to manage](#)
- [Asia Garment Hub](#) - risk profile & overview of key sourcing countries in the apparel sector.
- [Modern Slavery Toolkits](#) including free risk databases to assess risk by country and sector.
- [Responsible Sourcing Tool](#) - overview of risk by commodity and by region.
- [Better Buying](#) - improving purchasing practices
- [SBN Docket - Checklist of questions to assess overall Supplier Sustainability](#)
- [And Wider](#) - anonymous worker survey tool.

Further Reading

- [EU Directive and Framework](#)
- [OECD Due Diligence Framework](#)
- [OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector;](#)

Code of Conduct

The [MFNZ Code of Conduct](#) is our foundational document that lays out expectations for responsible business standards including worker and human rights. Our members adopt this when they join, and it is also a tool for businesses to use to establish responsible sourcing and due diligence programs in their own supply chains.