

The Evolving Global Due Diligence Landscape



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Overview of WRAP

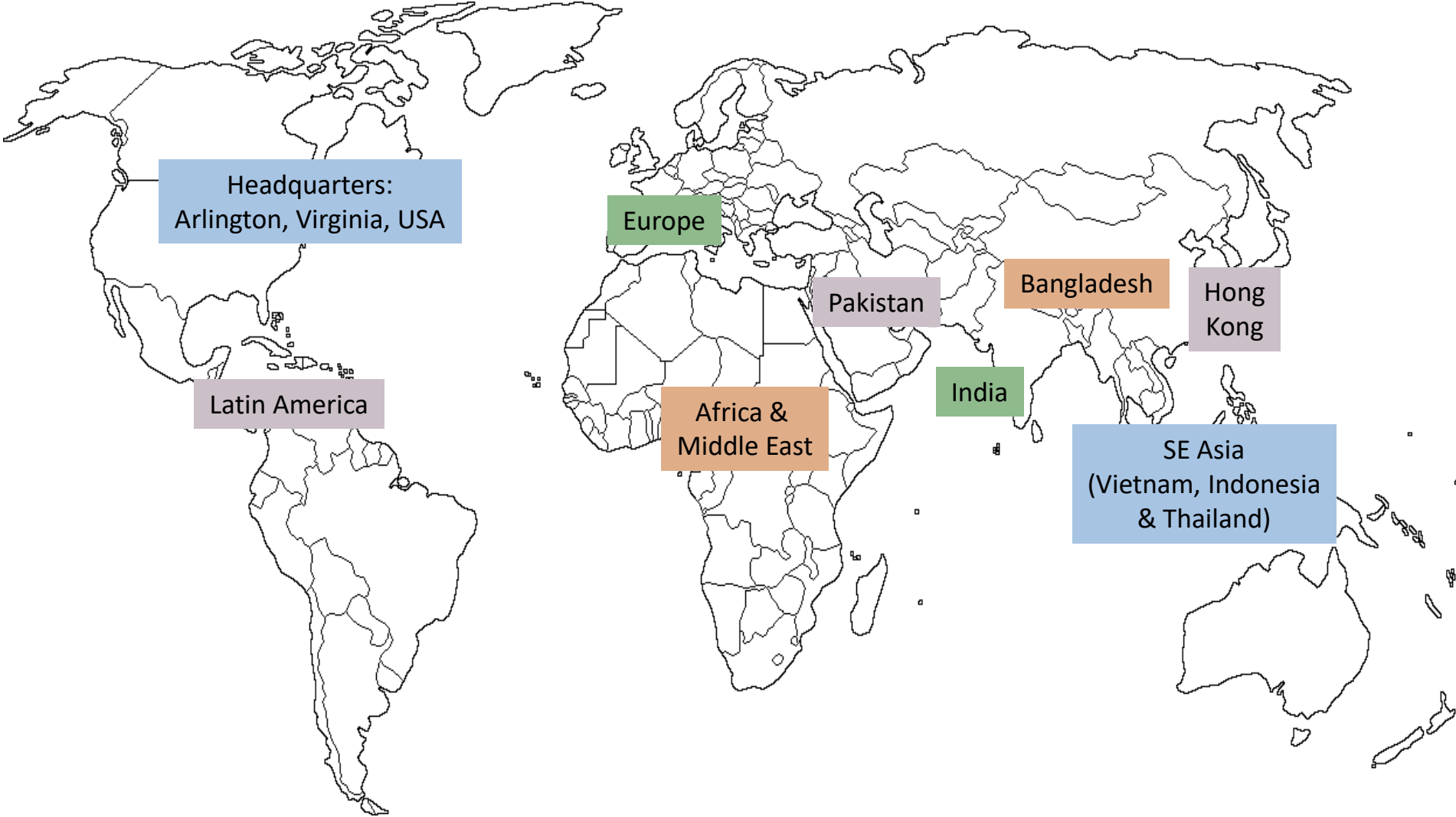
World's largest independent factory-based certification program, focused on the apparel, footwear, sewn products and related industries

We inspect and certify factories all over the world

Objective, non-profit team of global experts dedicated to promoting safe, lawful, humane, and ethical manufacturing around the world through certification and education

Program of choice for industry associations

WRAP is Worldwide



Leading Independent Certification Program

WRAP Top 10 for 2023

Rank	Country	Registrations
1	China	907
2	Vietnam	752
3	Bangladesh	451
4	India	328
5	Pakistan	230
6	Cambodia	206
7	Indonesia	133
8	Egypt	98
9	Sri Lanka	90
10	Mexico	53

Received more than **3,850** applications in 2023

As of **Q4 2024**, there are over **3,600 facilities** with around **3.5 million workers** in more than **45 countries** currently certified

The Evolving Due Diligence Landscape

- **The Era of Enhanced Scrutiny**
 - Moving away from what we got used to over the previous decade (voluntary programs / reporting requirements)
- **Legislative/Regulatory Measures in North America**
 - **US – UFLPA**
 - **Canada – S.211**
- **Legislation Mandating Human Rights Due Diligence**
 - **German Supply Chain Due Diligence Act**
 - **EU – CSDDD**

EU's Corporate Sustainability Due Diligence Directive (CSDDD)

Timeline

- **2022** – The EU Commission proposes a “Directive” – A duty for certain companies to undertake human rights and environmental due diligence in their supply chains
- **2023** – Provisional agreement from the EU Parliament and EU Council
- **March 2024** – Compromise text reached with all three institutions to accommodate concerns of several member states
- **April 24, 2024** – CSDDD Adopted by the EU Parliament
- **2024 - 2026** – EU Member states will adopt the CSDDD into law
- **2027** – CSDDD takes effect for large companies (5,000 employees + turnover of 1.5B)
- **2027 - 2029** – CSDDD expands to cover smaller companies
 - From companies with more than 3,000 employees and €900M turnover (2028) to companies with more than 2,000 employees and €450M turnover (2029)

What Will CSDDD Require?

- **Integrate due diligence into risk management**
- **Identify actual or potential adverse impacts**
- **Prevent and mitigate potential adverse impacts**
- **Establish and maintain a complaints procedure**
- **Monitor the effectiveness of the due diligence policy and measures**
- **Publicly communicate on due diligence**

What Will CSDDD Require?

- Companies will be required to undertake risk-based human rights and environmental due diligence
- Companies need to adopt, implement and update annually a **climate transition plan** to address global warming
- Regulatory liability – EU member states will designate **supervisory authorities who can fine** a company up to 5% of global turnover
- Civil liability – Companies that fail to address adverse impacts may be liable for civil damages

What is Due Diligence?

- Reasonable steps taken by enterprises to proactively manage potential and actual adverse human rights impacts with which they are involved
- *Duty of Effort, not a strict liability standard*

What Does All This Means for Practitioners?

- Multinational corporations are **mapping their supply chains** and asking for detailed information on their suppliers
- Buyers are increasingly reviewing supplier operations with **questionnaires and audits** to assess the risk of human rights and environmental issues
- **Major area of focus:**
 - Forced Labor

Forced Labor – ILO Definition & Indicators



“All work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily.”

11 Forced Labor Indicators:

- 1) Abuse of vulnerability
- 2) Deception
- 3) Restriction of movement
- 4) Isolation
- 5) Physical and sexual violence
- 6) Intimidation and threats
- 7) Retention of identity documents
- 8) Withholding of wages
- 9) Debt bondage
- 10) Abusive working and living conditions
- 11) Excessive overtime

WRAP's Alignment with Buyer Expectations on Human Rights Due Diligence

WRAP:

- Offers independence, transparency, and credibility, all required by human rights due diligence
 - Audits conducted by an independent third party, not company's own audit programs
 - The audit process and results are shared with facilities and buyers
 - Audits are carried out by qualified professional social compliance auditors
- Identifies actual and potential adverse impacts in global value chains
 - Oversees remediation and corrective action process
 - Ensures adverse impacts have been addressed to prevent further harms

Conclusion

- **We are living in the era of enhanced scrutiny**
 - Regulations now mandating specific behavior (particularly, human rights due diligence & requiring transparency) in global supply chains
- **Multinational corporations are aligning their supplier codes with international standards on human rights**
 - Conducting audits beyond Tier 1
- **Cost effective approaches more critical than ever**
 - Buyers increasingly relying on independent programs
 - WRAP is preferred choice for many – a recognized and effective social compliance certification program aligned with regulatory expectations, accepted by brands and retailers around the world



Thank You!

