

# Due Diligence in the supply chain

Toolbox of Agoria



# Due diligence at JSR Micro NV: Why?

- Upcoming Directive on Corporate Sustainability Due Diligence (CSDD)
- Unclear if JSR Micro NV falls under scope
  - ± 250 employees
  - Chemical sector
  - JSR Corp. in Japan as third country
- Nevertheless: our motivation to incorporate the CSDD
- Where and how to start?
  - Learning network 'Due Diligence in the supply chain'
  - Pilot project



# Due diligence at JSR Micro NV: What?

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- Taking corporate social responsibility one step further
  - Redefine our sustainability strategy and materiality topics
  - Pass our values in our chain of activities
  - Cooperate with our suppliers and customers

## ***Incorporate CSDD***

- Pilot project
- Develop method to identify, prevent and mitigate risks in our chain of activities
- Analyze Tier 1 suppliers: determine factors that influence risks

# Practical approach: Identify risks

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Start = analysis of Tier 1 suppliers

- 1) Listing JSR Micro NV's Tier 1 suppliers
- 2) Assign **country risks** based on Global Rights Index
- 3) Determine **product categories** and assign risk score
- 4) Did they sign our **Supplier Code of Conduct**?
- 5) Include **SAQs** obtained in 2021
  - Based on Responsible Business Alliance
  - Environment, Health&Safety, Labor, Ethics
  - Assign score based on answers in different categories
- 6) General score of combination of factors and ranked from highest to lowest

# Practical approach: Identify risks

1	Country	Country Risk	RBA SAQ RECEIVED?	RBA SAQ SCORE	CoC signed?	Product/service	Product/service risk	PRIORITISATION (via calculation)
2	Belgium	3	X	62%	x	Transport	4	11,29032258
3	US	4	X	78%	x	Packaging	4	10,31884058
4	Luxembourg	?	Reminder se	0%	weigert te tekene	Packaging	4	10
5	worldwide	5	Supplier ref	0%	eigen CoC	Chemicals	2	10
6	Belgium	3	Reminder se	0%	eigen CoC	Chemicals	2	10
7	Belgium	3	X	71%	x	Transport	4	9,888888889
8	Belgium	3	X	71%	x	Labor/cleaning	4	9,8
9	Belgium	3	X	73%	x	Warehousing	4	9,589041096
10	Belgium	3	X	75%	x	Labor/cleaning	4	9,298507463
11	Belgium	3	X	76%	x	Labor/cleaning	4	9,210526316
12	Belgium	3	X	78%	x	Labor/cleaning	4	9

= List of suppliers ranked from high to low score determined by a calculation based on several factors

## *Advantages*

- Uniform approach
- Cost and time investment

## *Disadvantages*

- Scoring system developed in house
  - Product risk
  - SAQ score
  - General calculation
- In certain cases, low risk on paper can differ from reality (audit experience)

# Mitigate and prevent risks

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- Start with 10 'highest risks' suppliers based on calculations
- Include high risks suppliers based on audit experience
- Scan SAQs of remaining suppliers on severe risks
  
- Next: *Risks and opportunities mapping*
  - What are risks that can happen?
  - What is the cause?
  - Probability of risks happening?
  - Severeness if risk occurs?
- Risk level and action: no action, consider action, action required
- Opportunities/actions for improvement

# Mitigate and prevent risks

	Risico	Oorzaak	Waarschijnlijkheid van risico (1 laag-4 hoog)	Ernst als het gebeurt (1 laag-4 hoog)	RPN	Risico niveau	Reactie	Mogelijkheden / Verbetervoorstel / Opportuniteit
1	Risks coupled to transport sector (environmental, human rights)	Low SAQ, zich niet bewust van de ernst	1	4	5	Gemiddeld risico	Actie te overwegen	In gesprek gaan met om te ernst aan te tonen, aantonen dat ze eigenlijk wel policy moeten hebben van alles.
2	Geen grote risico's uit SAQ, packaging sector heeft milieu risico	Packaging sector	1	3	4	Gemiddeld risico	Actie te overwegen	
3	Their suppliers are not committed to RBA	CoC not signed. Audit of JSR shows positive supplier, happy employees, good safety, low risk. New CEO maybe wants to sign?	1	2	3	Laag risico	Geen actie vereist	
4	EHS risk	Hun EHS policy covered RBA EHS deel niet.	1	4	5	Gemiddeld risico	Actie te overwegen	Ze tekenen CoC niet maar hun eigen CoC zegt wel dat zij hetzelfde van hun suppliers verwachten dan wat zij in hun CoC zetten. Human right charter en CoC en Social en eth charter gecombineerd coveren RBA deel van Labor en ethics. EHS ontbreekt...
5					0			
6	Risks coupled to transport sector (environmental, human rights)	Transport sector	2	3	5	Gemiddeld risico	Actie te overwegen	
7	Violation of HR/safety	labor sector	2	4	6	Hoog risico	Actie vereist	personeel bevragen naar hun tevredenheid. Worden ze correct betaald, worden ze betaald wat wij met bedrijf overeen komen, zijn overuren vergoed/vrijwillig, is er geen gedwongen arbeid, is er geen discriminatie
8					0			
9	Violation of HR/safety	labor sector	2	4	6	Hoog risico	Actie vereist	personeel bevragen naar hun tevredenheid. Worden ze correct betaald, worden ze betaald wat wij met bedrijf overeen komen, zijn overuren vergoed/vrijwillig, is er geen gedwongen arbeid, is er geen discriminatie
10	Violation of HR/safety	cleaning sector	2	4	6	Hoog risico	Actie vereist	personeel bevragen naar hun tevredenheid. Worden ze correct betaald, worden ze betaald wat wij met bedrijf overeen komen, zijn overuren vergoed/vrijwillig, is er geen



# What is next: Actions

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- Action depends on sector
- Labor sector: HR department questions employees on site
- Other sectors:
  - Send email with additional questions
  - Set up meeting
  - Set up audit (if not yet happening)

# What is next: Challenges

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- Integrate method into processes/policies
- Include JSR Group
- Applicability of this method on extensive list of Tier 1 suppliers
- Suppliers unwilling to cooperate / to adapt

- Start with general risk factors
- Production of specialized chemicals: need for a more customized method
  - Fine-tuning of method via Learning network
- Important but still time consuming to assign scores
- Method finalized; high risk suppliers identified → strongly facilitates next steps to prevent risks
- Still unsolved: what with critical suppliers who do not cooperate

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Thank you for you attention

Questions?



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