

ANNEX 10 International Social Conditions

Due Diligence

A company implements compliance with the International Social Conditions, further ISC, by conducting a due diligence investigation. This is an ongoing process that helps businesses to identify the risks of labour and human rights violations within their own organisation and the associated production chain and to subsequently prevent, reduce and/or remedy them and/or compensate for them. Elements of this process are first of all the preparation of a risk analysis, second the drafting of an action plan, and third an annual reporting obligation. With this process, the central government aims to achieve a reduction of (the risks of) labour and human rights violations within the international supply chains.

Unlike the common term used in accountancy, due diligence in this case does not mean an audit of the books, but a process to diligently offer insight into the possible risks of labour and human rights violations that occur in the international supply chain.

When conducting the due diligence investigation regarding the present Contract, the contractor must focus on the first link of the production process.

What does the due diligence investigation entail?

1. Production chain risk analysis – the contractor will submit no later than **3 months** after the final award of the Contract a risk analysis for the first link of the production process, which must include:

- a description of the **first link** of the production process;
- an analysis of the risks of labour and human rights violations in the **first link** of the production process.

The [CSR Risk Check for economic operators](#) is a useful tool for conducting and preparing a risk analysis.

2. Action plan for mitigating risks – the contractor will submit no later than **6 months** after the final award of the Contract an action plan for mitigating the risks identified in the risk analysis. The action plan must include:

- an overview and description of the efforts to be made by the contractor to mitigate the risks;
- a schedule for the efforts to be made by the Contractor;
- (optionally) a clarification about the development of the action plan, for example information about the involvement of stakeholders.

If the contractor is affiliated with an [IRBC sector agreement](#), this can be regarded as an action to reduce the risks in its supply chain. The contractor can mention this in the action plan. The contractor's affiliation with a supply chain initiative can also be mentioned in the action plan. However, this does not mean that the contractor has thus fulfilled all its due diligence obligations. The contractor must check whether the supply chain initiative covers all risks. If this is not the case, the contractor must give details in its action plan as to what efforts it intends to make in order to mitigate the (remaining) risks.

3. Annual report – during the contract period, the contractor will submit an **annual** report on the anniversary of the effective date of the agreement (or in the case of a shorter-term agreement: upon completion thereof) about the actions it has taken regarding ISC compliance.

The report must at least include:

- a risk analysis as described at 1;
- the measures taken in the reporting year to reduce risks and to remedy any ISC violations in the supply chain;
- the approach to and results of monitoring ISC compliance;
- information about how any signals received regarding ISC violations were addressed (internally and externally).

The report has no prescribed form but must be written in Dutch or English for practical purposes.

See www.pianoo.nl for more information on due diligence in the context of ISC. Should you have any further questions about due diligence, please visit the [National Contact Point on OECD Guidelines](#).