



Strategic ESG Due Diligence for Sustainable Procurement

Agenda

- The Changing Role of Procurement
- What is Strategic ESG Due Diligence?
- A Framework for Strategic ESG Due Diligence
 1. Identify risk
 2. Assess and prioritise risk
 3. Engage suppliers
 4. Monitoring and improvement

Speaker



CEO & Co-Founder, Fair Supply

Kimberly Randle

Over 20 years experience working in law and human rights for top tier firms in Australia and the United States including International Justice Mission. Kimberly is a sought-after expert and speaker in the field of Modern Slavery and has been called upon to provide evidence for both state and Commonwealth parliamentary inquiries into Modern Slavery.

An aerial photograph of a large industrial warehouse. A white semi-truck with a green trailer is parked in the center-left. Several yellow forklifts are visible, some carrying white pallets. The floor is marked with yellow arrows and lines. Large stacks of white boxes are visible on the right side. The text "Every ESG issue is a supply chain issue." is overlaid in white.

Every ESG issue is a supply chain issue.

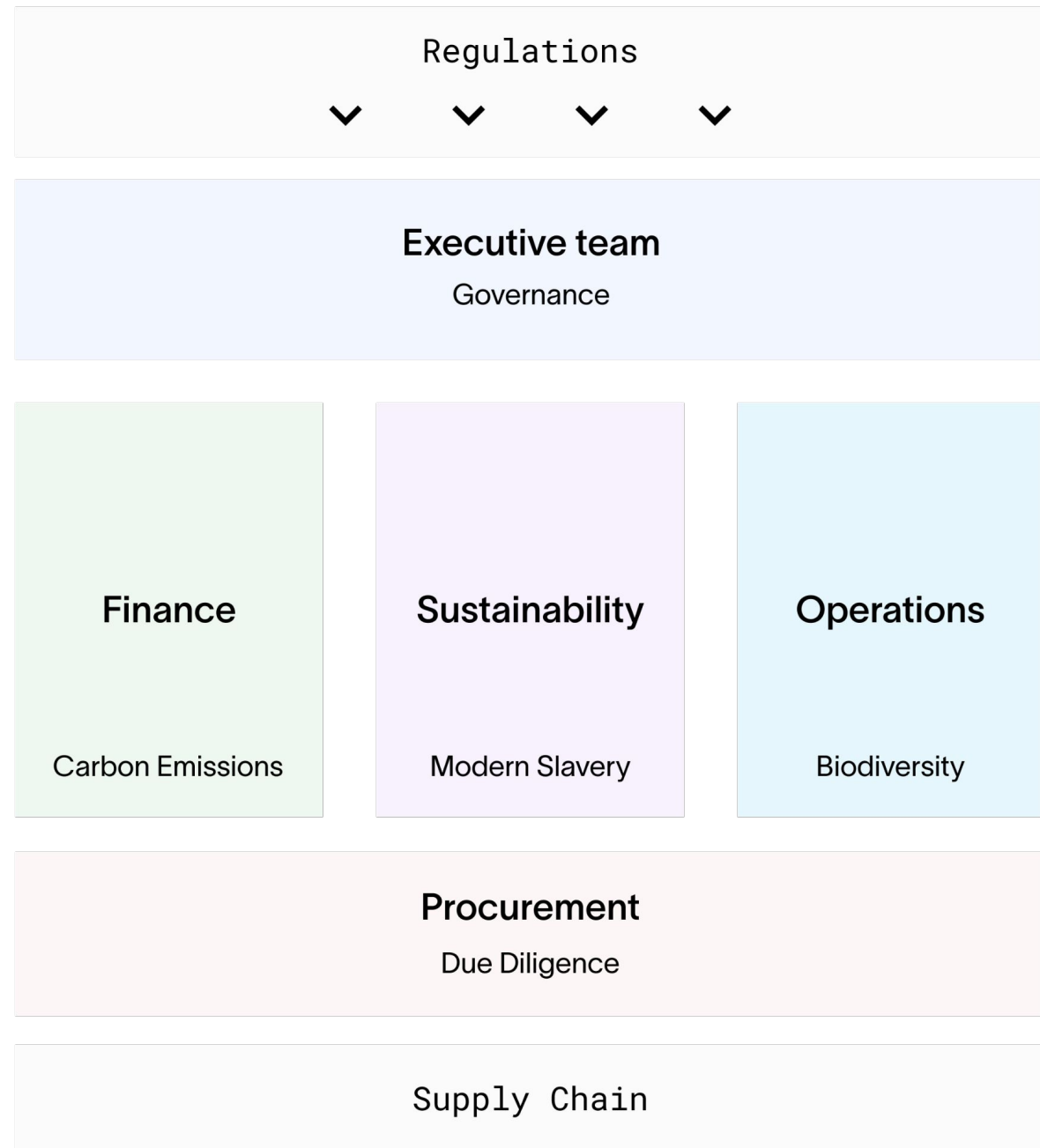
Managing supply chain risks is key to building business resilience.

The Changing Role of Procurement

Due Diligence has become a **whole** organisation imperative.

Procurement is no longer just about securing the best price and meeting timelines.

Procurement are required to support the whole organisation's needs from a compliance and due diligence perspective, due to their accountability for supply chain management.



ESG Drivers Shaping Procurement

Each of these drivers make it risky to rely on a ‘tick-the-box’ compliance approach.



Regulatory compliance

Modern slavery laws, climate disclosure and global shift toward mandatory human rights due diligence (e.g. EU CSDDD).



Reputational risk

One supplier issue that makes the headlines can significantly damage brand trust and lead to significant financial impact.



Investor and stakeholder expectations

Investors and boards demand transparency on supply chain risks, avoiding poorly governed or high-risk companies.



Global supply chain volatility

Climate events, political instability, and labour rights breaches disrupt operations and increase costs.

What is Due Diligence?

“

The process (and obligation) of companies to **identify** and **address** potential and actual adverse human rights and environmental impacts in the company's own operations, their subsidiaries and, where related to their value chain(s), those of their business partners. ”

Corporate Sustainability
Due Diligence Directive (CSDDD), EU

What is Strategic ESG Due Diligence?

Strategic ESG due diligence is the **continuous integration** of environmental, social and governance risk management into procurement decisions to identify and address adverse impacts.

This safeguards business resilience and unlocks long-term value.



What is Strategic ESG Due Diligence?

Strategic ESG due diligence shifts procurement from a one-off compliance exercise to a continuous, value-driven process.

Transactional/one-off

- **One-time** check during supplier onboarding
- **Reactive** (issues identified only after they occur)
- Limited to **compliance** checklist
- **Siloed** in procurement or legal

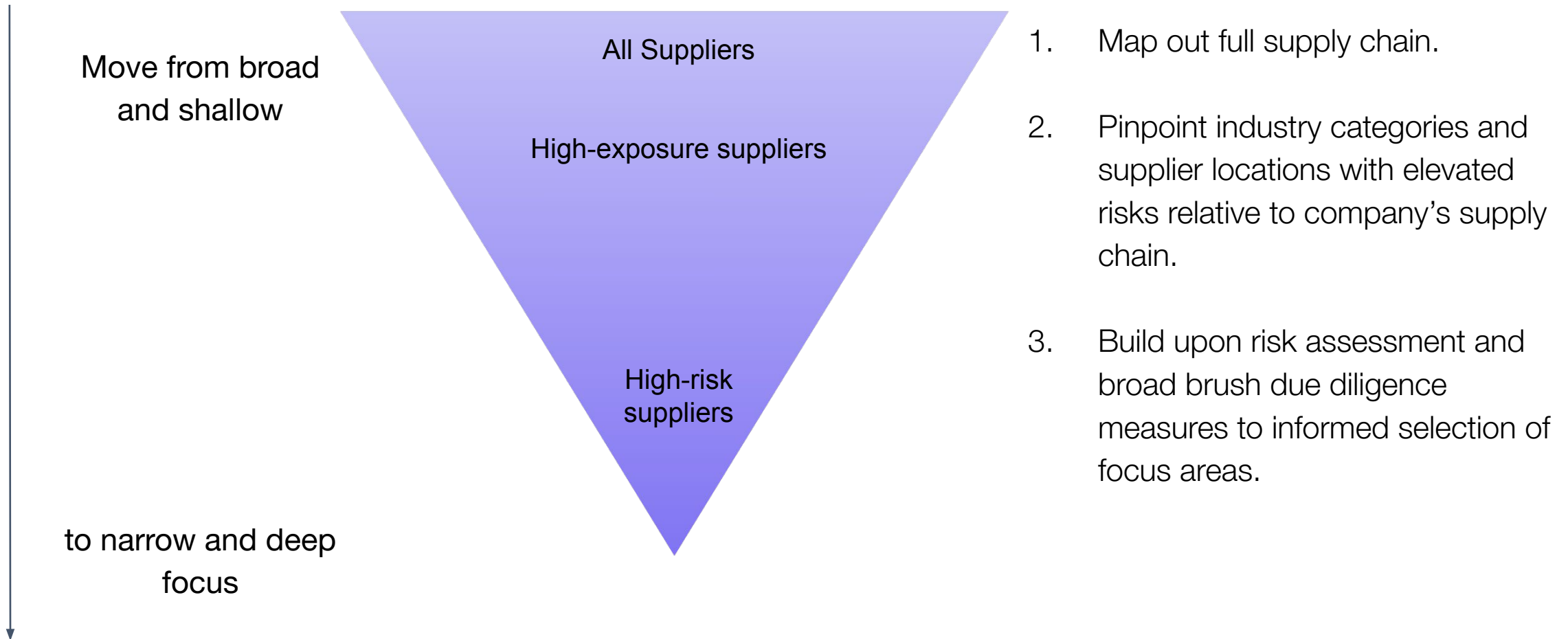
Strategic and continuous

- **Ongoing monitoring** across supplier lifecycle
- **Embedded** in procurement decision-making
- **Anticipates** risks before they materialise
- **Integrates** performance improvement and innovation

Framework for Strategic Due Diligence

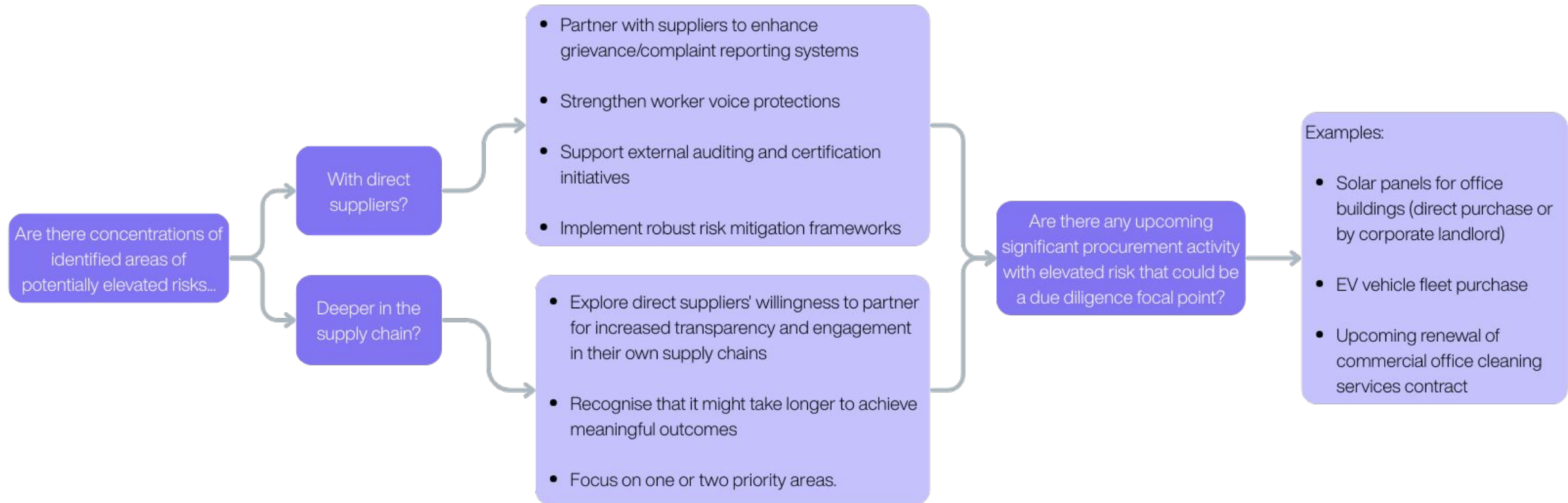


Step 1: Identify Risk



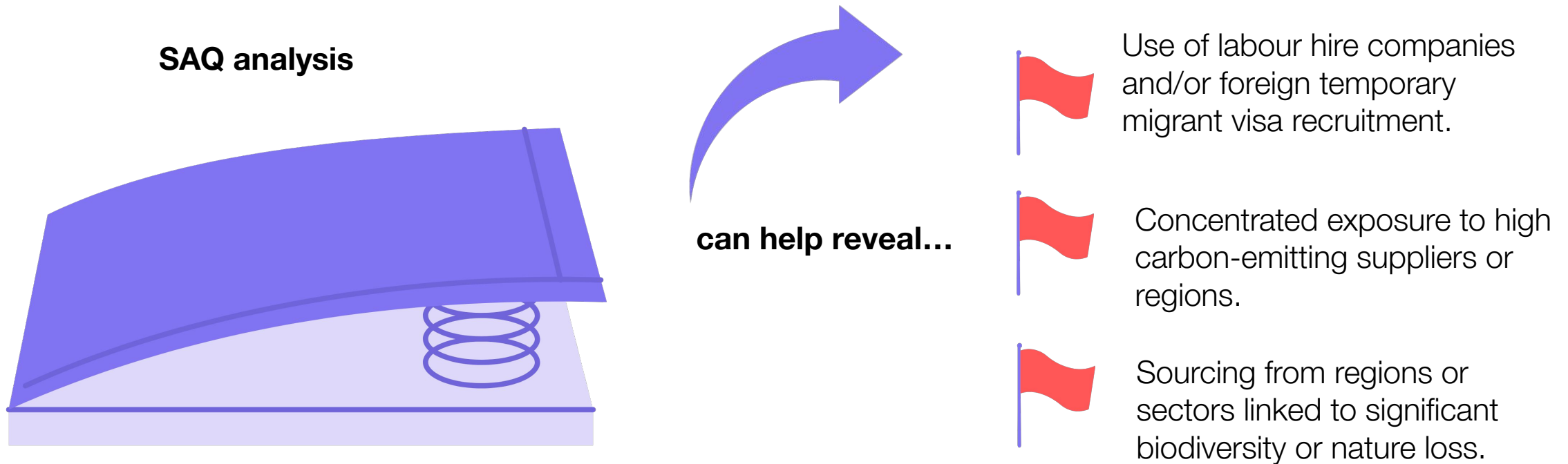
Step 2: Assess and prioritise risk

A practical example of how to move from risk assessment from shallow and wide to focused (narrow) and deep (long-term) due diligence by triaging the nature and extent of due diligence to reflect the assessed risk.



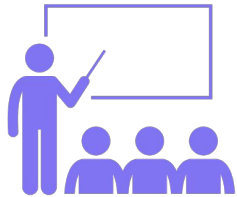
Step 3: Engage with Suppliers

Despite their 'bad rep', strategically deployed SAQs and careful analysis of their responses can provide a useful springboard to more targeted due diligence activities with individual suppliers or across multiple suppliers.

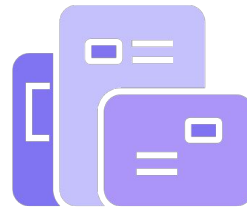


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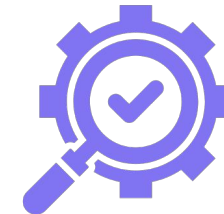
Suppliers, particularly, smaller and less sophisticated companies in high-risk industries might be more responsive to providing key due diligence data and access if they are assisted with capacity building programs such as:



Education and
training



Policy and governance
precedents/framework
documents



Assistance with supply
chain risk assessment
and supplier-specific due
diligence

Step 3: Engage with Suppliers

The following are example due diligence actions that can be used in a multi-year **modern slavery** response program, classified by supplier risk level.

Elevated risk suppliers	Moderate risk suppliers	Low risk suppliers
Onsite auditing / worker interviews	Supplier-specific desktop auditing	Supplier self-assessment questionnaires
Supplier third-party certification	Targeted supplier disclosure requests	Periodic supplier monitoring
Long-term anti-slavery supplier partnership	Collaborative supplier engagement	Collaborative training and awareness raising
	Periodic individual supplier monitoring	

Step 4: Monitoring and continuous improvement

- Use technology and data to detect changes in supplier ESG risk profiles in real time.
- Schedule ESG checkpoints at key procurement milestones (onboarding, contract renewal, mid-contract reviews).
- Track supplier performance against agreed ESG KPIs and targets.
- Feed learnings back into sourcing criteria to drive continuous improvement.

Reported Issues

REPORTS FOUND

2

Operational Risks

REPORTS FOUND

2

Summary of reports

BBB Company Limited is facing significant labor-related issues primarily in Brazil and China. In Brazil, multiple allegations have surfaced regarding human trafficking and 'slavery-like' conditions at a factory construction site, involving forced labor, degrading work conditions, long hours, debt bondage, passport confiscation, and wage withholding. These issues have led to investigations by Brazilian authorities and the suspension of construction activities. In China, BBB is implicated in using aluminum produced by Uyghur forced labor, raising concerns about its supply chain practices. The timeframe for these issues is not consistently specified, but the Uyghur forced labor allegations are noted in the context of 2024. A pattern of serious labor violations and non-compliance with labor standards is evident across these regions.

High-risk transition metal suppliers

China May 2024

In May 2024, The Verge (Vox Media) reported that BBB sources batteries from Hunan Changyuan Lico, a subsidiary of China Minmetals. While China Minmetals has faced multiple allegations of environmental and labor rights abuses, these accusations did not specifically implicate Hunan Changyuan. BBB did not respond to The Verge's request for comment.

BBB Response

No Public Commentary to The Verge: According to the article itself, BBB did not respond to The Verge's request for comment. Broader Context: In previous instances where forced labor or supply chain allegations have surfaced, BBB has occasionally issued broad denials or stated compliance with local labor laws. However, there is no specific or detailed statement from BBB (as of now) directly addressing these claims.

Short

BBBglobal

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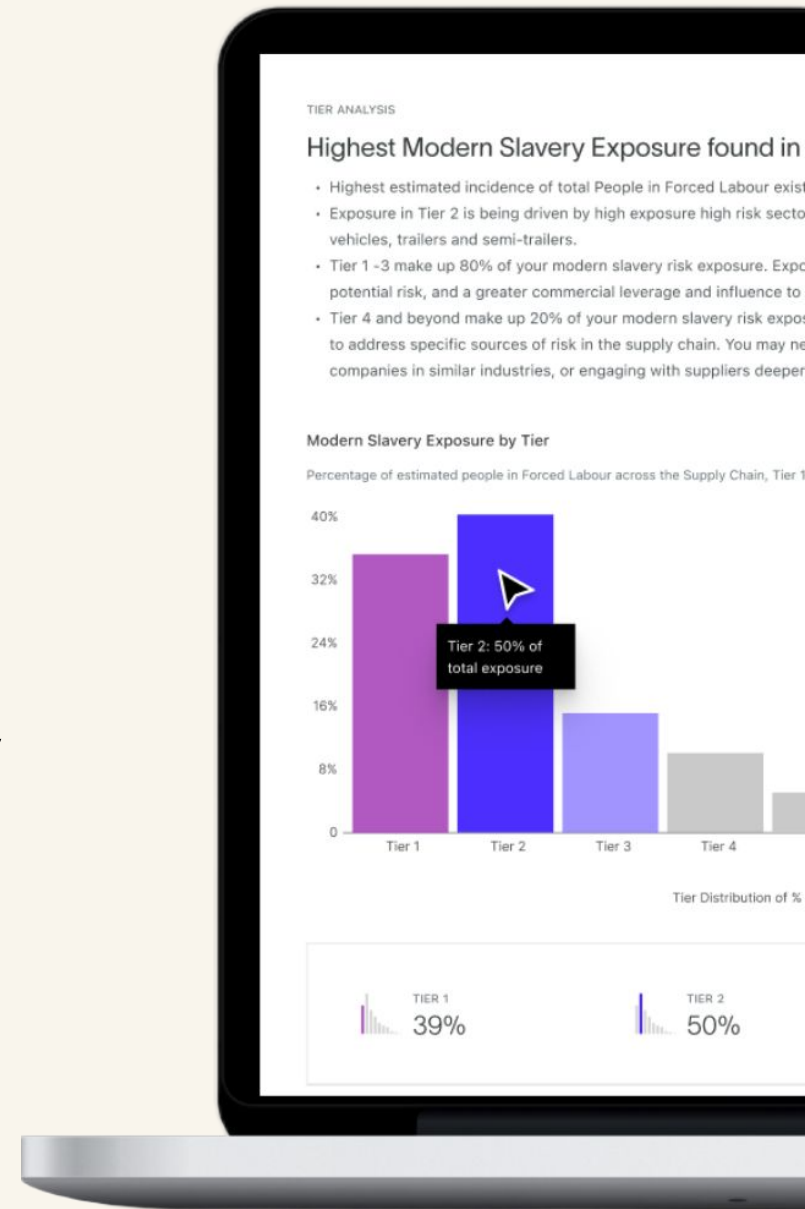
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