

Member Due Diligence process

V1 – October 2022

1. Objective

This document provides an overview and description of the due diligence process that Bonsucro carries out on applicant members and on current members, to assess their compliance with Bonsucro's Code of Conduct and identify and manage identified risks.

This document integrates the publicly available [Membership Application Procedure](#).

2. Bonsucro and Member's commitment to respect Human Rights

Bonsucro's [Code of Conduct](#) (April 2020) seeks to support convergence with key international standards including the United Nations' Guiding Principles on Business and Human Rights ("UNGP") and The Organization for Economic Cooperation and Development (OECD) Guidelines on Multinational Enterprises to support Members to meet their responsibility to respect human rights (Code of Conduct, 1.3).

Bonsucro expects its members, and is itself committed, to respect human rights as referred to internationally recognized human rights – understood, at a minimum, as those expressed in the International Bill of Human Rights ([Universal Declaration of Human Rights](#), the [International Covenant on Civil and Political Rights](#) and the [International Covenant on Economic, Social and Cultural Rights](#)) and the principles concerning fundamental rights set out in the [International Labour Organization's Declaration on Fundamental Principles and Rights at Work](#).

From [Bonsucro Code of Conduct Implementation Guidelines](#) (sections 3H to J), also:

3H. *Members can demonstrate respect for human rights and support for the protection of forests and other natural ecosystems by addressing salient environmental and social impacts in sugarcane production, processing and sourcing in line with the OECD-FAO Guidance for Responsible Agricultural Supply Chains, the UN Guiding Principles on Business and Human Rights, and the Bonsucro Production Standards.*

3I. *Members' efforts to demonstrate respect for human rights and support for the protection of forests and other natural ecosystems will vary in complexity with the size of the Member, the risk of involvement in adverse environmental and social impacts, and the nature and context of its*

operations and/or supply chain as they relate to sugarcane production, processing and/or sourcing. This means Members' responses will be appropriate to the size, sector, operational context, ownership and structure of the Member.

3J. *Members should provide for or cooperate in remediation of adverse human rights impacts through legitimate processes in line with the UNGP. This might include having in place or participating in effective operational-level grievance mechanisms or remediation processes formulated with reference to the Effectiveness Criteria in the UN Guiding Principles on Business and Human Rights to enable affected individuals and other stakeholders to raise concerns of non-compliance with their policy commitments.*

3. Bonsucro's Due Diligence process

To assess compliance with Bonsucro's Code of Conduct, Bonsucro has implemented a Human Rights Due Diligence process, which applies to:

- All applicant members (at time of application to become a Bonsucro member)
- All current Bonsucro members (annually through the submission of the Member's Annual Report)

The key steps in the process are:

- Completion of a Code of Conduct self-assessment form by a member/applicant member:
 - For applicant members this is incorporated in the [Membership application form](#);
 - For current members, the self-assessment is a specific section of the [Member's Annual Report \(delivered through Bonsucro Connect\)](#)
- Review by Bonsucro of the information and documentation submitted by the applicant/member, initial screening and request for any additional information needed
- Risk assessment by Bonsucro (see risk assessment details in section 3.1 below)
- Communication to the applicant/member of the findings of the risk assessment, specifically on:
 - non-compliance with any minimum requirements that need to be met for admission to membership (applicant members) or to continue in membership (current members);
 - any areas flagged for continuous improvement.
- The applicant/member may be required to develop and submit an action plan to improve alignment with Bonsucro Code of Conduct minimum requirements as a condition of membership/continuation of membership that needs to be met in a time limited period (maximum within 12 months) to be able to be admitted into membership (applicant members) or for continuation of membership (current members)
- Risk-based decision by Bonsucro on membership, as set out further in section 3.3 below.

3.1 Risk assessment

A risk assessment is carried out on all applicant members during their candidacy period (see Membership Application Procedure). At present, risk assessments are also carried out at least once every three years on all current members, unless they are identified as medium or high risk, in which case a risk assessment is carried out at least on an annual basis.

Bonsucro uses an internal risk assessment matrix that provides a scoring based on compliance with Bonsucro’s Code of Conduct and other areas of potential risk. The risk assessment is based on the following areas:

- Any previous records and/or complaints made to Bonsucro (if a re-joining organisation)
- Any Comments received during the application process (for applicant organisations)
- Presence, size and distribution of a Membership Cohort (*see Appendix 1 for more details*)
- Legal compliance (allegations and/or findings under judicial or non-judicial mechanisms)
- Human Rights policy/statement and its alignment with the UNGPs
- Risk identification and assessment measures
- Risk management measures
- Operational level grievance or remediation mechanism or participation in one, in alignment with the UNGPs
- World Bank Listing of Ineligible Firms
- Country of operations Corruption Perception Index
- Media monitoring checks (Meltwater search – news classified as ‘negative’ will be prioritised when reviewing a large number of overall results)
- Any other information gathered through further on-line searches, social media, networks
- Any other relevant information already within the knowledge of our local account manager.

The assessment is done by two reviewers, generally from different departments, in three stages:

- **Stage 1:** initial review and risk scoring of the information submitted by the applicant/member. This is based on the applicant/member self-assessment information and public information available through the sources identified below (which is subjected to a reasonable level of review, based on Bonsucro’s resources and capacity)
- **Stage 2:** follow up on:
 - any missing information
 - any clarifications or further information needed
 - any areas that are initially identified as medium or high risk.

Once this has been submitted, reviewed and discussed, the risk scoring is revised and finalised by the two reviewers.

- **Stage 3:** final overall risk scoring is assigned and results are communicated back to applicants/ members as set out above.

If the risk level is medium or high, the reviewers will discuss the results of the risk assessment and agree next steps with Bonsucro's internal Membership Committee (see section 3.3 below for more information), including the need for the development of an action plan by the member.

3.2 Action Plans

Where an applicant/ member has been assessed as high risk and specific actions are required to bring a candidate member or member's sugarcane production, processing and sourcing in line with Bonsucro's Code of Conduct, the applicant/member will be asked to develop a time limited action plan to address the areas of non-compliance identified during the risk assessment.

This is in line with the Code Implementation Guide, sections 2E to 2H:

2E. *Any specific actions referred to at paragraph 2D above should include time-limited commitments which will ensure that they reach compliance with the Code within a reasonable period. Members will report to Bonsucro the status of any material changes to their actions or their compliance with the Code of Conduct by confirming that they have updated the Self-Assessment yearly. What is reasonable and material will depend on the individual circumstances of the Member.*

2F. *Members may update their actions at any time to account for relevant circumstances and should review them at reasonable intervals, and otherwise, as relevant circumstances require. Relevant circumstances might include, for example, if a complaint is made or other issue is identified.*

2G. *Where any genuine complaint or issues are raised in good faith in relation to a Candidate Member during the 30-day membership candidacy period and which are not submitted as complaints to Bonsucro's Grievance Mechanism, Members must commit to addressing these issues.*

2H. *Notwithstanding the period to work towards compliance contained within the Implementation Guidelines, should any existing non-compliance (or other issue which may bring the reputation of Bonsucro into disrepute) mean that Bonsucro considers (in its sole discretion) that the Member's conduct is incompatible with continued membership, Bonsucro reserves the right to suspend or cancel membership of any Member (or place conditions on that membership) whilst the Member implements corrective or remedial actions or for such other period as specified by Bonsucro (acting in its sole discretion).*

The proposed action plan will be reviewed by the internal Membership Committee, and discussed further with the member as necessary, and will be taken into account in determining whether the applicant will be permitted to join Bonsucro/ any restrictions on a member's continued membership.

3.3 Governance and decision-making

Bonsucro has defined an internal responsibility matrix according to which decisions are made, based on the level of risk of applicant/members resulting from the steps above.

Applicants/ members who are assessed as low-risk require no further action.

Applicants/members that are assessed as medium or high-risk are referred to an internal Membership Committee for consideration. The Membership Committee is composed of the Chief Executive Officer (CEO), Director of Engagement & Markets, Director of Corporate Services, Senior Assurance Manager and the relevant account manager for the applicant/member. Subject to consultation with the Board as required (via delegated authority to the Finance & Risk Committee), the CEO has delegated authority to make a decision on the applicant/member, taking into account the applicant/member's action plan, and the views of the internal Membership Committee.

Decisions on suspension or termination of membership will need to be approved by Bonsucro's Board (via delegated authority to the Finance & Risk Committee), as per Bonsucro's Policy on membership suspension, termination and changes to membership.

3.4 Annual Member's Report submissions

The submission of Members Annual Reports, which include an annual update on the Code of Conduct self-assessment information, is a requirement under Bonsucro Code of Conduct (clause 4.1). Bonsucro will do as much as possible to understand and work together with the member in addressing any barriers that might exist for the annual submissions. However, submission remains a Code requirement for continued membership and therefore, should a member miss two years of reporting without reasonable justification, Bonsucro reserves the right to suspend their membership until a report is submitted or next steps agreed with Bonsucro. Should the member also miss the third year of reporting, Bonsucro will keep engaging with the member and, depending on the specific issues a member might face and/or their engagement in addressing those, Bonsucro reserves the right to warn the member that termination of membership might be considered, should that be deemed an appropriate measure. This is in line with [Bonsucro Policy on Suspension and termination of membership](#).

3.5 Confidentiality

All information gathered during the internal due diligence processes are treated confidentially and will be treated by Bonsucro in accordance to its policies.

3.6 Disclaimers

The risk assessment and due diligence process here described is for Bonsucro's internal purposes only and only applies in relation to Bonsucro's Code of Conduct and membership decisions.

Bonsucro's due diligence process is not in any way intended to replace other companies' responsibility to carry out their own due diligence processes based on their own policies and systems and risks.

Bonsucro's due diligence process is based on self-declarations from applicant/members and is not externally verified by a third party. Members are not entitled to make any claims in association with such process. Companies that are Bonsucro members and/or produce or buy Bonsucro certified products remain solely and exclusively responsible for compliance with all applicable laws and regulations and assume liability for all and any consequences resulting from non-conformities in their operations and supply chains.

Bonsucro's feedback on compliance with Bonsucro's Code of Conduct and guidance provided on alignment with the UNGPs in the Guidance to the Code of Conduct should never be taken as legal advice or specialist knowledge or expertise. Bonsucro cannot provide specific guidance or advice on individual members' policies or procedures. The members have the deepest knowledge of how to manage their specific risks and have a responsibility and commitment to manage them appropriately to their operations and risks. Members retain the responsibility to take specific advice as necessary.

4. Resources

Whilst Bonsucro cannot provide specific guidance to individual members on what is appropriate to their size, operations and context, it updates a page on the website where applicant/members can find key internationally recognised sources of information on good practice in relation to human rights due diligence and its implementation.

The resource page is accessible here: <https://bonsucro.com/code-of-conduct-resources/>

For any questions or clarifications on this process please contact info@bonsucro.com

Bonsucro aims to continuously improve its processes and practice in the above areas, acknowledging that this document may need updating accordingly from time to time based on improvements and the system evolving over time.

Appendix 1

Member Cohort

Where a number of related entities have chosen to take membership as a group or cohort of members ("Member Cohort"), the name of each entity forming part of that Member Cohort (together with other identifying information, for example, a company number) must be specified on application for membership (candidate members) and updated annually for current members through the Member's Annual Report.

Where one entity in a Member Cohort is found to be in breach of the Code, any consequences apply to the membership of the entire Member Cohort.

For the avoidance of doubt, "group" or "cohort" in this context does not refer to a corporate group (not every entity in a corporate group will necessarily be included in a Member Cohort). However, there is a requirement for it to be a "related entity", so members cannot add a completely independent company to their cohort. "Related entity" refers to an affiliate, for example a subsidiary, parent, part-owned JV/ partnership and it can't be completely outside the corporate group.

All of the entities specified within the Member Cohort must have given the individual who commits them to their obligations as a Bonsucro Member (including abiding by the Code of Conduct) permission to do so. Although that permission will be most readily obtained in relation to a subsidiary, it could also be given by another related entity.