

A large, stylized graphic of two hands in shades of blue, one above and one below, cupping a globe. The hands are rendered with simple outlines and solid blue fills. The globe is a solid blue circle positioned in the center of the hands.

Template Corporate Engagement Letter

Template corporate engagement letter

Company Info

Dear X,

We write to share our perspectives on the use of human rights and environmental due diligence (HREDD) as an element of Company X's responsible business conduct and, specifically, how responsible contracting practices can support Company X's approach to managing HRE risks across the supply chain. [ADD OTHER RELEVANT BESPOKE LANGUAGE].

As the framework for responsible business conduct continues to evolve, HREDD has taken center stage as a tool that allows companies to assess HRE-related risks in their supply chains, to think systematically about how to effectively prevent those risks from graduating into harm, and to provide remediation for adversely affected stakeholders, including workers and their communities. Additionally, expectations of corporate responsibility and transparency are increasing. There is significant movement in the current legal and regulatory landscape to codify the principles of the 2011 [United Nations Guiding Principles for Business and Human Rights](#) (UNGPs), the 2023 Organisation for Economic Cooperation and Development's (OECD) [Guidelines for Multinational Enterprises on Responsible Business Conduct](#), the 2018 [Due Diligence Guidance for Responsible Business Conduct](#), and other sector-specific OECD guidance (together, the OECD Guidance), and the UN Sustainable Development Goals into law, including via the French [Duty of Vigilance law](#), the German [Supply Chain Due Diligence Act](#) (LkSG), the [Norwegian Transparency Act](#), and the proposed [European Union \(EU\) Corporate Sustainability Due Diligence Directive](#) (CS3D). Companies will soon be required to demonstrate how they effectively implement HREDD to address salient HRE risks across their operations and supply chains, and these regulatory schemes will hold parent companies accountable for certain violations in their supply chains.

Responsible contracting is one essential aspect of corporate responsibility and the HREDD framework. To contract responsibly throughout supply chains, most buyers and suppliers will have to change their approach from the traditional contract model that typically places the responsibility for upholding HRE standards wholly on suppliers, to a model that creates shared responsibility and accountability. Buyers generally hold the power in traditional contracts and the instability and lack of transparency that results from this one-sided relationship exacerbates HRE risks, which then create material risks to companies and their suppliers. The effects of these one-sided relationships were particularly evident during the height of the COVID-19 pandemic when millions of dollars of wages were stolen from garment workers who were not paid for the work they had done and whose livelihoods were threatened by layoffs and reduced working hours and pay due to factory closures and the cancelation of purchase orders through force majeure clauses.¹⁰

¹⁰ ILO Brief, The supply chain ripple effect: How COVID-19 is affecting garment workers and factories in Asia and the Pacific (October 2020), https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefingnote/wcms_758626.pdf

Template corporate engagement letter, continued

To align with international business and HRE standards and to comply with current and forthcoming mandatory HREDD and trade sanctions legislation, including the US Tariff Act of 1930, the UFLPA, and the proposed EU Import Ban, traditional contracts must evolve to reflect both parties' commitments to upholding HRE standards and provide a clear process for upholding such standards in cooperation.

If buyers and suppliers see their contractual process as one that can and should address HRE risks, they can better prevent HRE-related harms and generate better HRE outcomes for stakeholders and rights-holders throughout the supply chain. The Responsible Contracting Project (RCP) [Toolkit](#),¹¹ which contains open-access contractual tools, including model clauses (the Clauses) and codes of conduct, provides immediately usable, practical tools designed to give all contracting parties a starting point to codify mutual responsibility for human and environmental rights protections in their contracts.

The Toolkit takes the UNGPs and the OECD Guidance as its starting points and provides a roadmap for due diligence-aligned contracting. Rather than copying and pasting the Clauses, X Company should carefully select and strategically edit and adapt the Clauses (with help from external counsel, as needed) to effectively support the Company's HREDD process and meet the specific needs of the contracting parties.

Given X Company's stated commitments to respect human rights and uphold HRE standards, we would like to better understand how implementation of those commitments and HREDD is incorporated into your current supplier contract model. We would appreciate the opportunity to engage with you to better understand:

- Do you have a HREDD regime in place in your supply chain and is that reflected in your supply contracts? If so, how?
- What role do your contracts play in implementing your HRE policies?
- How do you address HRE-related breaches of contract?
- What evidence do you request of your supplier(s) to ensure HREDD is being implemented?

We welcome a dialogue with you to discuss your approach to embedding HREDD within your contracts and how tools like the Clauses could help Company X and its suppliers implement an effective HREDD process that can prevent adverse impacts and improve HRE outcomes across Company X's supply chain.

¹¹ RCP continues to expand its open-access Toolkit in response to demands from different stakeholders and legislative developments.