

Ministry of Economic Development

National Contact Point

Conciliation procedure in the Specific instance submitted to the Italian NCP on the 11th September 2018 by Ali Enterprises Factory Fire Affectedes Association (AEFFAA); National Trade Union Federation (NTUF); Pakistan Institute for Labour Education and Research (PILER); European Center for Constitutional and Human Rights (ECCHR); Stichting Schone Kleren Kampagne/Clean Clothes Campaign; Campagna Abiti Puliti and Movimento Consumatori (MC) versus RINA Services S.p.A.

Follow-up Report based on the information received by the Parties

Introduction

This document is a report of the steps taken to implement the recommendations that the NCP addressed to the Parties in the Final Statement issued on the 9th December 2020.

In the Final Statement, “[a]fter careful consideration of the positions of the Parties, of the progress of the conciliation procedure in all its phases and of all its outcomes, taking into consideration the recommendations of the Conciliator, the NCP recommend[ed] that:

- a. the Parties do not dissipate the commitment to dialogue and the goodwill shown in this procedure and continue to seek a shared solution of the case;
- b. the Company make a humanitarian gesture without any implication in terms of liability;
- c. the Company take action to show its sympathy for the tragic event;
- d. the Company when operating in countries and sectors at risk, such as in the case of the textile sector in Pakistan, carry out a risk-based due diligence effective and adequate to the risks registered, as recommended by the OECD Guidelines;
- e. the Company implement and enhance all the commitments announced in the abovementioned letter from RINA’s CEO, including through proactive initiatives within SAI and SAAS, with the aim of improving

the certification mechanism with particular attention to the criticalities of the textile sector and of high-risk countries;

f. the Complainants cooperate in good faith with the Company for the implementation of these recommendations;

g. the Complainants and the Company keep updated each other and the NCP on the implementation of the above recommendations.”

In the Final Statement, the NCP also undertook to verify the steps taken by the Parties to implement its recommendations and the results achieved after the conclusion of the procedure, by requesting the Parties to send a report after one year from the Final Statement and to publish this information on its website.

Within the established terms each of the Parties submitted a short report (see Annexes I and II) the contents of which are summarized below.

Company's Report

As far as the recommendations under letter (b) and (c) are concerned, the Company reports that, in agreement with its majority indirect shareholder, in 2021 it donated Eur 25,000 to the “Don Bosco Institute”, in favour of a professional school in Lahore aimed at covering the expenses for board and lodging of the school's 50 most deserving students and for the purchase of a minivan. Additional Eur 25,000 will be donated in 2022, for the purchase of tools, equipment and consumables for the laboratories of the same school.

Coming to the letter (c), RINA stated that it did not express any “apology” to the victims of the fire and their families since it considers not to have anyhow materially participated to or caused the accident.

With regards to the recommendation recalled in letter (d), the Company reports that, beyond its legal duties, it has adopted a corporate enterprise risk management approach in line with RINA Code of Ethics, RINA Organizational and control model, RINA risk management policy and guidelines, ISO 31000 Risk Management Principle and guidelines and OECD Guidelines on multinational enterprises RINA Group has developed an Enterprise Risk Management (ERM) Framework, based on the most updated international standards, to ensure the Group's continuous sustainable growth. Therefore, RINA pursues the following objectives: 1) to adopt a risk management policy intended to assess, in a consistent manner, the inherent risks - relating to its own activities - and the residual risks - resulting from the mitigating and control measures adopted by the company - aiming at reducing risk level; 2) to comply with any applicable regulation relating to risk assessment and response (for instance on occupational health and safety, personal and company data protection, administrative responsibility i.a.w. Italian Decree 231/01 and impartiality); 3) to promptly inform the company's CEO, the Chief Risk Officer and the Risk Management Committee of any extreme risk that could have serious implications on business continuity and the Group's reputation (such as serious Ethical Code's violations and loss of accreditation or recognition); 4) to support the activities carried out by the Corporate Internal Audit function, that provides an independent evaluation of the internal control and risk assessment system; 5) to identify suitable methodologies

and indicators for monitoring, controlling and periodically providing the Board of Directors with a report on the most significant risks and any new emerging risk, based on the risk categories (e.g. strategic, financial, operative and compliance risk) 6) to continuously enhance the enterprise risk management aware culture within the Group.

Within this framework, it implemented a third-party due diligence process, defining the procedures relating to the compliance control measures to be implemented to ensure that checks are carried out on selected counterparties considering both the territorial and legal context.

RINA Group has in place a Third-Party Due Diligence policy, with the aim to support the decision- making process and to protect all RINA companies from any possible legal, financial, operational and reputational damages potentially deriving from transactions with third parties. The due diligence process ensures that checks are carried out on selected third parties (new personnel, partners, customers and suppliers) related to defined at-risk countries, to verify that they are exempt from sanctions, criminal records, etc. Such activity is performed using a specialized security and reputational database service and any online available open source. The approach adopted is risk based, so checks on third parties are based on key risk indicators, including sanctions, corruption, security, credit risks as well as strategic position of the Country for RINA business. The consolidated country list is annually reviewed or when there are sudden changes in the external environment. The due diligence activity is carried out both periodically, through monthly batches from third parties registered in the countries considered higher risk for RINA and sporadically, following specific requests received by any RINA organizational units. Such checks shall be activated when there is a positive match at least for one of the following criteria:

- territorial context (if the activity is carried out within a Country included in the consolidated country list);
- legal context (if the third party and/or its controller is incorporated in a Country included in the consolidated Country list or resides in and/or is a citizen of a Country included in such consolidated Country list).

Based on the results of the checks. RINA requires additional information and/or evidence from the third party involved, to determine the actual relevance of the findings obtained and to define the consequent actions.

RINA does not perform any certification activity in Pakistan. However, specifically for social accountability activities, the Company recalls that it performs both an Initial Country based risk analysis before starting any Social and Accountability activity in any new country and an annual Country Based Risk Assessment for all the countries in which it operates. It points out that both analyses are based on the consultation of local stakeholders, and take into consideration different factors as, for example, Child Labour, Forced Labour, Health and Safety, Freedom of association, Discrimination, Disciplinary practices and Wages.

Through a specific document prepared in accordance with Guidance issued by SAAS, and drafted with contribution of local stakeholders, RINA determines the level of risk in each Country of activity and acquires SA8000 information from

interested parties. A Country risk assessment must be conducted at least once a year in each Country where the SA8000 service is delivered. For Countries where RINA is starting SA8000 activities, the risk assessment must be done during the accreditation extension phase and completed and sent for approval to the Accreditation Body before starting any onsite activity. As per RINA requirements, rankings need to be systematic and consistent and based upon risk factors that have a basis in objective evidence. In addition to this, the results of the activity is compared with the Country risk categorization defined by SAAS using the Worldwide Governance Indicators (WGI), produced by the World Bank. This analysis includes indicators such as: Voice and Accountability; Political Stability and Absence of Violence. Government Effectiveness; Regulatory Quality; Rule of Law; Control of Corruption. As per RINA requirements, in no case the results of the Country risk assessment performed annually will be lower than the one provided by SAAS which is set as the reference point.

With regards to letter (e), the Company declares its proactive commitment to improve SA8000 scheme and that it contributed to the consultation process for the revision of SAAS accreditation procedure dated March 2020. In addition, it has confirmed its full support to the adoption, starting from April 1st 2021, of a specific web platform developed by SAI International for the management of all SA8000 audit reports. Through a specific document prepared in accordance with Guidance issued by SAAS, and drafted with contribution of local stakeholders, RINA determines the level of risk in each Country of activity and acquires SA8000 information from interested parties. A Country risk assessment must be conducted at least once a year in each Country where the SA8000 service is delivered. For Countries where RINA is starting SA8000 activities, the risk assessment must be done during the accreditation extension phase and completed and sent for approval to the Accreditation Body before starting any onsite activity. As per RINA requirements, rankings need to be systematic and consistent and based upon risk factors that have a basis in objective evidence. In addition to this, the results of the activity is compared with the Country risk categorization defined by SAAS using the Worldwide Governance Indicators (WGI), produced by the World Bank. This analysis includes indicators such as: Voice and Accountability; Political Stability and Absence of Violence. Government Effectiveness; Regulatory Quality; Rule of Law; Control of Corruption.

Complainants' report

According to the Complainants, the Company did not follow up any of the NCP's recommendations contained in the Final Statement and Ali Enterprises Factory Fire Affectedes Association members have still not received any direct attention and care from RINA.

They report that, despite their attempts to pursue point 49 letters (a), (f) and (g) and point 51¹ of the Final Statement and to positively engage RINA, they only elicited a response when they sent a letter to the Business and Human Rights

¹ . "The NCP will verify the steps taken by the Parties to implement its recommendations and the results achieved after the conclusion of the procedure, by requesting the Parties to send a report to the NCP after one year from the publication of this Final Statement. The NCP will publish this information on its website."

Resource Centre which then contacted RINA through their Company Response Mechanism.²

They complain that the position expressed by RINA in that circumstance remained unresponsive and void of concrete measures to the recommendations.

Finally, the Complainants inform that, on December 21st 2021, four Senators filed a set of parliamentary questions (Inspective Act no. 4-06394) to the Ministry of Infrastructure and Sustainable Mobility³ about RINA's behaviour in this case, asking whether the Ministry intended to ensure that Rina followed up to the NCP Recommendations (especially on the humanitarian gesture) and whether the Ministry intends to further make sure that Rina acts ethically in the future. The Complainants finally confirmed their main commitment to holding RINA accountable.

Closing remarks

The NCP thanks the Parties for punctually submitting their reports on the steps taken after the publication of the Final Statement to implement the recommendations contained therein.

While noting that the positions of the Parties are distant, the NCP still hopes that every effort will be made to fully implement its recommendations.

The Director General
THE CHAIR OF THE ITALIAN NATIONAL CONTACT POINT
for the OECD Guidelines
Dott. Maurizio Montemagno

² Process through which the Business & Human Rights Resource Centre invites companies to respond to allegations of misconduct raised by civil society, when it finds no evidence that they have otherwise responded to the concern.

³ Holding, , among other things, that RINA is a joint-stock company 70% owned by the Italian Naval Registry, in which two members of the Ministry sit on the Board of Directors.