

Request for Proposals Consultancy – Partner Due Diligence Roll out Mozambique

RFP n#: 2022-07-IM-
MOZDUEDILIGENCE

Location: Mozambique

Start date: 20/ 10 /2022

End date: 31/ 12 /2022

Better Cotton key contact:
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Global Programme Team
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All applications must be sent by email, to Better Cotton's key contact, with the subject header: "Application RFP Partner Due Diligence Roll out – RFP n# 2022-07-IM-MOZDUEDILIGENCE".

Questions, requests and applications sent after the deadline (30/09/2022) will only be considered in exceptional circumstances.

Description

Better Cotton is the world's largest cotton sustainability programme. Our mission: to help cotton communities survive and thrive, while protecting and restoring the environment. In challenging times, we are meeting the challenge head on. Through our network of field-level partners we have trained over 2.5 million farmers in 23 countries in more sustainable farming practices. A quarter of the world's cotton is now grown under the Better Cotton Standard. We have united the industry's stakeholders behind our efforts, and by 2030 our aim is to have trained 5 million farmers and doubled global production of Better Cotton.

Background

Better Cotton is focused on affecting change: reducing the environmental impact of cotton production and improving the livelihoods of cotton farmers through the production of Better Cotton. To achieve this change, Better Cotton coordinates a capacity building programme, delivered through experienced field-level partners, referred to as Better Cotton Programme



Partners (PPs). These IPs help farmers to adopt practices consistent with the Better Cotton Standard System (BCSS).

The credibility of the BCSS therefore relies, in part, on Better Cotton's ability to select and work with competent IPs. Better Cotton developed its current PP Endorsement process, and the corresponding PP Agreement in 2013, to support a phase of rapid growth. As Better Cotton has continued to expand and develop, the Endorsement Process and PP Agreement no longer meet Better Cotton's needs in terms of Due Diligence, governance and transparency of information.

Consequently, Better Cotton recognised the need to increase the rigour of the PP Endorsement process, introducing a new 'enhanced' Due Diligence framework and a more robust PP Agreement. In 2021, an initial pilot of the new Due Diligence process was completed. The new Due Diligence process aims to reduce partnership risks for Better Cotton and also supports PPs by implementing a remediation plan to enable them to comply with Better Cotton's requirements, strengthen their organisation and ensure a long-term partnership.

What is Due Diligence for Better Cotton

Due Diligence is an on-going, proactive, and reactive process through which PPs can identify, prevent, mitigate, and account for how they address actual and potential adverse impacts as an integral part of decision-making and risk management systems.

The purpose of the Due Diligence process is to help Better Cotton to ensure that the PPs we work with, or fund, have adequate governance structures, policies, and operational systems in place. It can also help organisations ensure they observe both international and domestic law and build towards the requirements of corporate Due Diligence.

Better Cotton's due diligence covers six/seven areas: ethics, governance, HR, environment and operations, financial stability and governance, and where applicable - downstream local partners.

The due diligence is structured around:

- Assessing the organisation and its undertakings to identify the factual circumstances (reality) under which the business is operating.
- **Identifying and assessing any actual or potential risks** by evaluating the factual circumstances against recognised standards.
- **Preventing or mitigating the identified risks** by adopting and implementing a corrective risk action plan.

Objective

The objective of the consultancy is to conduct the Due Diligence process in Mozambique with three (3) existing PPs, in accordance with Better Cotton's guidelines.

Through direct relationships with the PPs, the consultant will be responsible for undertaking the entire Due Diligence process with the support of Better Cotton's teams

Tasks & Methodology

A Better Cotton team member located in Mozambique will closely follow and support the consultant in the Due Diligence management and coordinate the PP relationship. Other team members will also support. The Better Cotton team will therefore include, but is not limited to:

- Senior Managers, Programmes, based in London
- Senior Programme Coordinator, based in Geneva
- Better Cotton country representative

Better Cotton will provide all Due Diligence materials to the consultant who will follow the procedure and guidelines and use the template:

- The Due Diligence Handbook (See Annex 1)
- The template for the kick-off session with PPs
- The Due Diligence questionnaire for PPs = 35 questions + sub-questions + attachments
- The Due Diligence analysis framework
- The template for the Final Report
- The template for the Financial Health Check

The consultant will be required to follow these main steps to conduct the Due Diligence:

1. In coordination with the Better Cotton team: prepare the mission, create a roadmap, identify Better Cotton and PP contacts and define roles, prepare the kick-off meeting, prepare the shared folders
2. Lead the kick-off meeting with PPs
3. Support the PP in completing the Due Diligence questionnaire: Hold bi-weekly meetings (x3), review answers and analyse submitted documents, provide feedback and requirements for more detail or accurate answers from IPs, prepare corrective risk action plan.
4. Lead the financial health check with the Better Cotton tool
5. In coordination with Better Cotton team, validate the PP's responses and provide a risk score with the Better Cotton tool
6. Complete the final Due Diligence report
7. Conduct a final meeting with the PP to review the Due Diligence results and agree to the corrective risk action plan

To proceed with these tasks, an estimated timeframe to conduct one Due Diligence is proposed:

	W1	W2	W3	W4	W5	W6	Working days	Comments
Due Diligence preparation: DD process understanding	1						1	1 WD in common for all IP
Questionnaire ongoing: - Bi-weekly meetings - Feedback to IP - Coordination with BCI Team - Validating IP responses - Fill BCI due diligence tool		3	2	2			7	12 WD for 1 IP
Developing the risk action plan: - Detail BCI expectation - Action plan assessment - Feedback to IP					2	1	3	
Financial Health Check: Gather financial datas, analysis, report					1		1	
Due Diligence final report + Final meeting						1	1	
					TOTAL:		13	

Due Diligence Deliverables

- Kick off meeting presentation for each PPs.
- The due diligence analysis framework reviewed and updated on an ongoing basis
- The Financial Health Check report
- The Final Report, including a risk action plan for each PP

High-level Timeline

30th September	Applications close. All proposals must be sent by email, to BCI's key contact, with the subject header: "Proposal in response to RFP on Partner Due Diligence Roll Out – RFP n°2022-07-IM-MOZAMBIQUEDUEDILIGENCE"
3rd October – 7th October	Applications review.
10th October – 14th October	Interviews
20th October	Contract signature

Required Skills & Knowledge

Experience
➤ Demonstrable experience writing, deploying, reviewing, or implementing Due Diligence frameworks in the development or corporate sector

- Demonstrable experience in analysing financial information
- Experience working with international organisations
- Field level experience in Mozambique

Skills and competencies

- Strong financial expertise
- Strong analytical and communication skills, especially in the following areas: ethics, governance, HR, environment and operations, financial stability and governance
- Excellent reporting and presentation skills
- Fluency in spoken and written Portuguese
- Good understanding and reading/writing in English

Application Requirements

Individual consultants and consulting companies can apply to this Call for proposal.

Interested applicants are asked to send, in English, the following:

- Relevant staff CVs
- A detailed financial offer
- A list of references
- A short narrative proposal composed of:
 - A timeline for delivery
 - A concise description of the approach that will be used including your Due Diligence understanding, approach to partner engagement, how you will convince PPs to share information and overcome partners who are reluctant to cooperate with the process. (NB. The consultant will implement Better Cotton methodology and use Better Cotton tools.) 1500 words max.

Please note that no travel is expected for this assignment. Proposals will be evaluated based on quality and clarity of the proposed approach, relevant expertise and experience of the team member(s), alignment with the criteria set out in the ToR and overall value for money.

We thank all applicants for their interest; however only shortlisted applicants will be contacted.

Better Cotton is committed to good practice and transparency in the management of natural, human and financial resources. All applications will be reviewed under the principles and subject to Better Cotton's policies on equal opportunity, non-discrimination, anti-bribery & corruption and conflict of interest.

Annex 1 : Due Diligence Handbook

HANDBOOK

HOW TO UNDERTAKE AN ENHANCED BCI IMPLEMENTING PARTNER DUE DILIGENCE

21 JUNE 2021



Source: Alliance For Science, Cornell University

BCI REF: 2020-11-IMP-DUE DILIGENCE

1. Enhanced PP DD Operational Handbook

1. Introduction

The enhanced Implementing Partner (IP) Due Diligence (DD) framework provides a system for BCI to enhance its existing processes to enable credible selection of Implementing Partners (PPs), and conduct retrospective DDs on existing PPs. The DD framework provides for a robust system for conducting a DD, analysing risk and developing related corrective risk action plans.

2. What is a due diligence process and its purpose?

Due diligence is an on-going, proactive, and reactive process through which companies/organisations can identify, prevent, mitigate, and account for how they address actual and potential adverse impacts as an integral part of business decision-making and risk management systems.

The purpose of the Due Diligence processes is to help Better Cotton to ensure that the PPs we work with, or fund, have adequate governance structures, policies, and operational systems in place. These processes can also help organisations ensure they observe both international and domestic law and build towards the requirements of corporate Due Diligence.

3. In practice, how is a due diligence process structured and accomplished?

The nature and extent of due diligence actions that are appropriate will depend on individual PP circumstances and can be affected by factors such as the size of the PP, the location of the activities, and the situation in a particular country such as political and socioeconomic environment, the sector and nature of the products or services involved, and in BCI's case an additional layer with regards to downstream local partners.

Due diligence is thus structured around the steps that companies/organisations should take to:

1. Assess the business and its undertakings to identify the factual circumstances (reality) under which the business is operating.
2. **Identify and assess any actual or potential risks** by evaluating the factual circumstances against recognised standards.
3. **Prevent or mitigate the identified risks** by adopting and implementing a corrective risk action plan.

4. Implementing a risk-based approach to conducting the DD

The BCI enhanced PP DD framework has been structured to enable BCI to implement a risk-based approach to performing an adequate due diligence. Activities associated with higher risks will require more intensive due-diligence and monitoring activities. The framework is designed to capture and understand these risks and rate them according to specific risk guidance (High risk; Medium risk; Low risk), detailed below.

Ongoing process: Importantly, DD is an ongoing process of gradual improvements. BCI should encourage change by constructively engaging PPs, and supporting them to build better organisations.

Encouraging good faith efforts: It is key for BCI to encourage PPs into making good faith efforts, that is that BCI should anticipate to take reasonable steps and make good faith efforts to carry out DD with its PPs - meaning that the PPs should be encouraged to participate actively, openly share all information (whether positive or negative) and communicate where clarity or additional support is required.

It is important for BCI to proactively engage with the PP and its management, provide transparent and clear guidance regarding the process and maintain open communication channels.

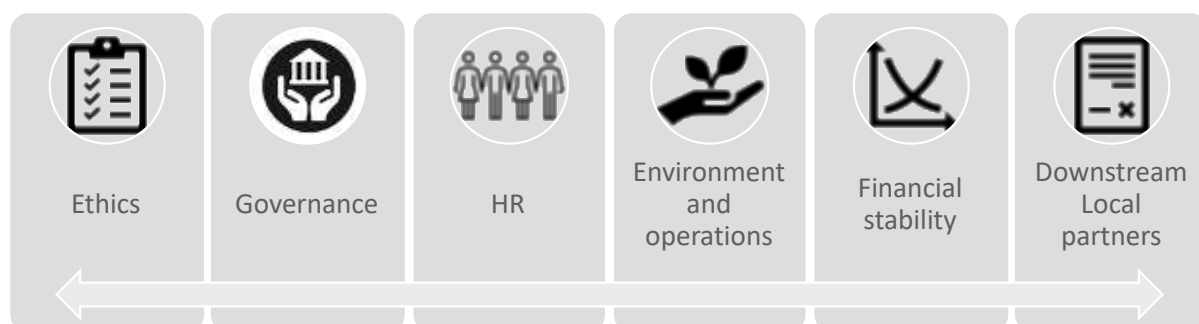
It's unrealistic to expect PPs to achieve full compliance with the guidance overnight.

Mitigate risks but don't embargo high-risk areas: The enhanced PP DD framework is designed to help BCI work with its PPs in a responsible way. Except in the most harmful and high risk circumstances, BCI should leverage its relationships with PPs to improve business conduct and conditions in respective PP countries and in the field.

5. Risks areas covered enhanced PP DD framework

The DD has been developed to help BCI identify whether their PPs pose any risks and prioritise the most severe risks associated with sourcing cotton from its PPs, ensuring that any risks are identified are mitigated. The key focus areas of the enhanced PP DD framework are detailed in figure 1 below.

Figure 1: DD areas covered in the framework

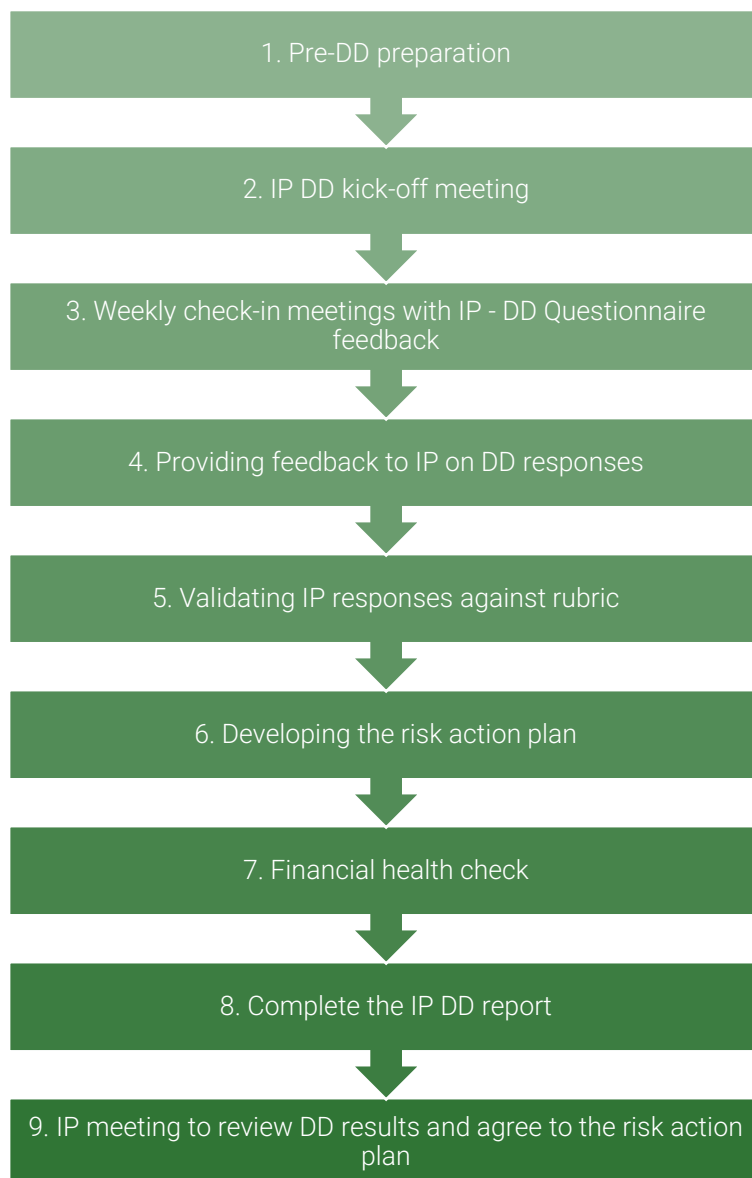




6. The BCI enhanced PP DD nine-step process

The nine-step, risk-based due diligence process is relevant to all BCI PPs operating in the cotton supply chain and applies globally. The nine step process can be found in figure 2 below.

Figure 2: Nine-step BCI enhanced PP DD process



Each of the nine steps is broken down in detail below.

Step 1: Pre-DD

The pre-DD process is critical for delineating roles and responsibilities within BCI and establishing the framework for conducting an effective DD with the PP. The BCI HQ PP DD coordinator must be proactive in engaging with the country team to ensure that an appropriate DD roadmap is prepared and that all BCI team members are aware of the implementation plan and fully invested in its successful delivery. Key steps are outlined below in figure 3.

Figure 3: Key steps to be taken pre-DD

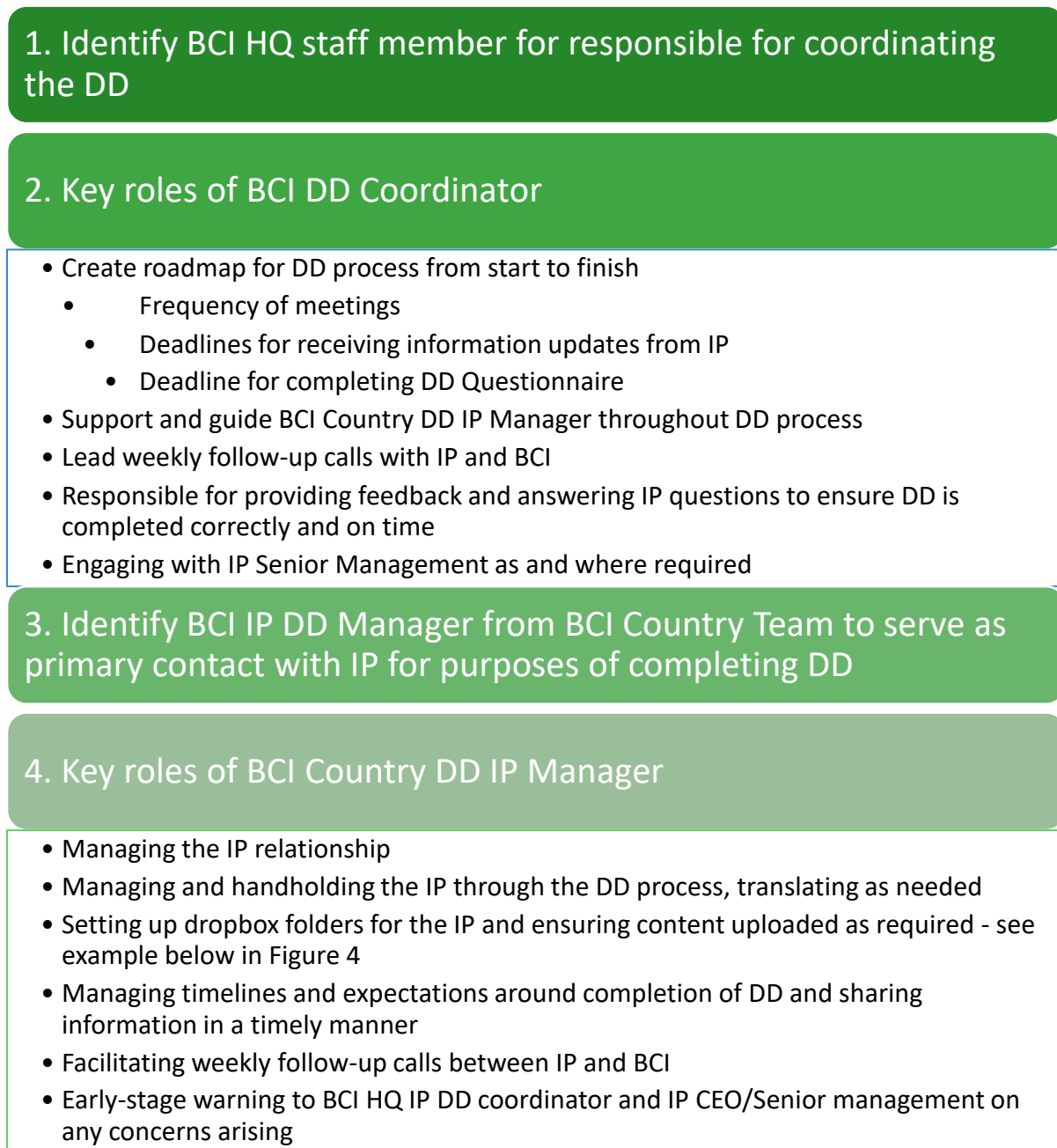


Figure 4: Example of dropbox structure

<p>Master schedule of key DD areas</p> <p>Dropbox > Cotton Connect Pakistan -DD</p> <p>Overview</p> <p>Click here to describe this folder and turn it into a Space Show examples</p> <table> <thead> <tr> <th>Name</th> <th>Modified</th> </tr> </thead> <tbody> <tr><td>1.Ethics</td><td>☆ --</td></tr> <tr><td>2.Governance</td><td>☆ --</td></tr> <tr><td>3.Financial Stability</td><td>☆ --</td></tr> <tr><td>4.Environment and Operations</td><td>☆ --</td></tr> <tr><td>5.Compliance</td><td>☆ --</td></tr> <tr><td>6.Downstream</td><td>☆ --</td></tr> <tr><td>Miscellaneous</td><td>☆ --</td></tr> <tr><td>Customs</td><td>☆ --</td></tr> </tbody> </table>	Name	Modified	1.Ethics	☆ --	2.Governance	☆ --	3.Financial Stability	☆ --	4.Environment and Operations	☆ --	5.Compliance	☆ --	6.Downstream	☆ --	Miscellaneous	☆ --	Customs	☆ --	<p>Schedule of questions in each DD area</p> <p>Dropbox > Cotton Connect Pakistan -DD > 1.Ethics</p> <table> <thead> <tr> <th>Name</th> <th>Modified</th> </tr> </thead> <tbody> <tr><td>Q1</td><td>☆ --</td></tr> <tr><td>Q2</td><td>☆ --</td></tr> <tr><td>Q3</td><td>☆ --</td></tr> <tr><td>Q4</td><td>☆ --</td></tr> <tr><td>Q5</td><td>☆ --</td></tr> <tr><td>Q6</td><td>☆ --</td></tr> <tr><td>Q7</td><td>☆ --</td></tr> <tr><td>Q8</td><td>☆ --</td></tr> <tr><td>Q9</td><td>☆ --</td></tr> <tr><td>Q10</td><td>☆ --</td></tr> <tr><td>Q11</td><td>☆ --</td></tr> <tr><td>Q12</td><td>☆ --</td></tr> <tr><td>Q13</td><td>☆ --</td></tr> </tbody> </table>	Name	Modified	Q1	☆ --	Q2	☆ --	Q3	☆ --	Q4	☆ --	Q5	☆ --	Q6	☆ --	Q7	☆ --	Q8	☆ --	Q9	☆ --	Q10	☆ --	Q11	☆ --	Q12	☆ --	Q13	☆ --
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Tip 1: Critical that BCI Country Team – Country Director and BCI PP DD Manager are engaged and fully understanding of their role within the DD process in advance of kick-off meeting.

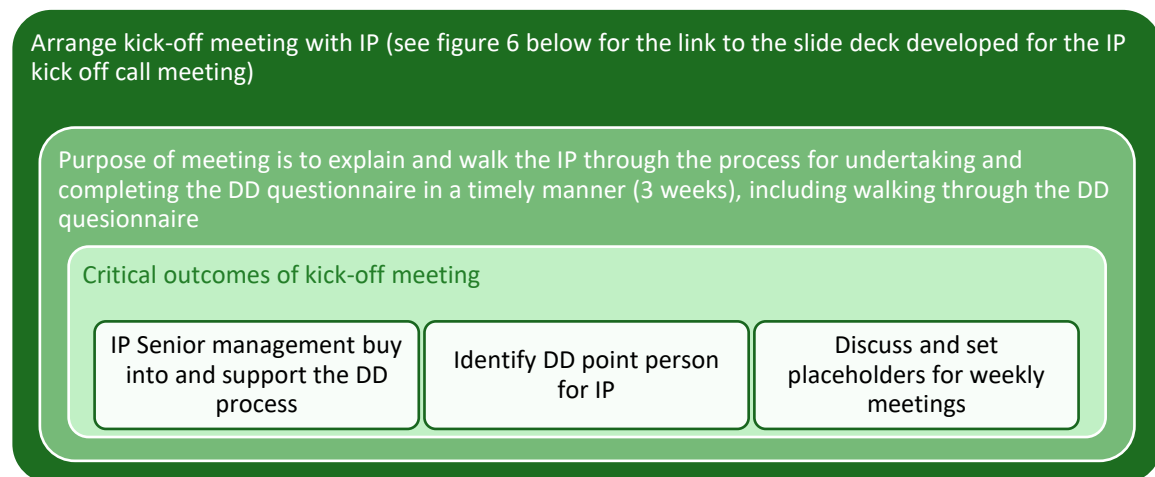
Training will be very important.

BCI HQ handholding during the first couple of DD's will be key.

Step 2: Enhanced PP DD kick-off meeting

The enhanced PP DD kick-off meeting is the most important step of the DD process as it sets the tone for the DD with the PP and should clearly outline to the PP the roadmap for conducting the DD, and BCI's expectations of the PP throughout this process to ensure that it runs smoothly. It is important that both BCI and the PP have appropriate management representation during the enhanced PP DD Kick-off meeting. See figure 5 below for overview, and figure 6 for snapshot of the enhanced PP DD kick-off meeting presentation.

Figure 5: Purpose and outcomes of kick-off meeting



Tip 2: It is important to ensure that senior management, CEO, Director is present at this meeting to ensure buy and support for the DD process

Figure 6: Slide deck for guiding PP kick of call meeting

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Enhanced Implementing Partner (IP) Due Diligence (DD) Process

Enhanced DD kick off session with [Name of IP]
[Country of IP]
[Day] [Month] [Year]

Enhanced IP DD kick off session with [name of IP]

08/06/2021

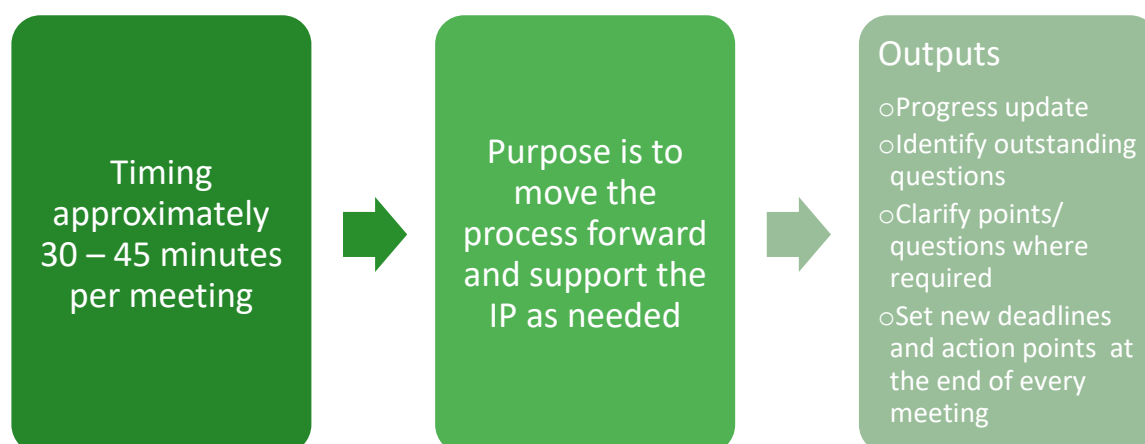
1

At the end of the kick off meeting, BCI country team will share the questionnaire with the PP's team. The excel file to be considered is : **PP DD Questionnaire - for sharing with PP**

Step 3: Weekly check in meetings – DD questionnaire feedback

Weekly check in meetings provide an opportunity to gauge the progress of the PP, provide feedback on the process and to support the PP with specific questions/issues that they are having. During these meetings the BCI Country PP DD Manager must remain focused on moving the process forward and holding the PP DD point person accountable to deliver in accordance with the agreed upon timelines, as well as being aware of any possible red flags that could inhibit the successful completion of the DD questionnaire. Details of timing, purpose and outputs is detailed below.

Figure 7: Timing, purpose, expected outputs of the weekly check in meetings



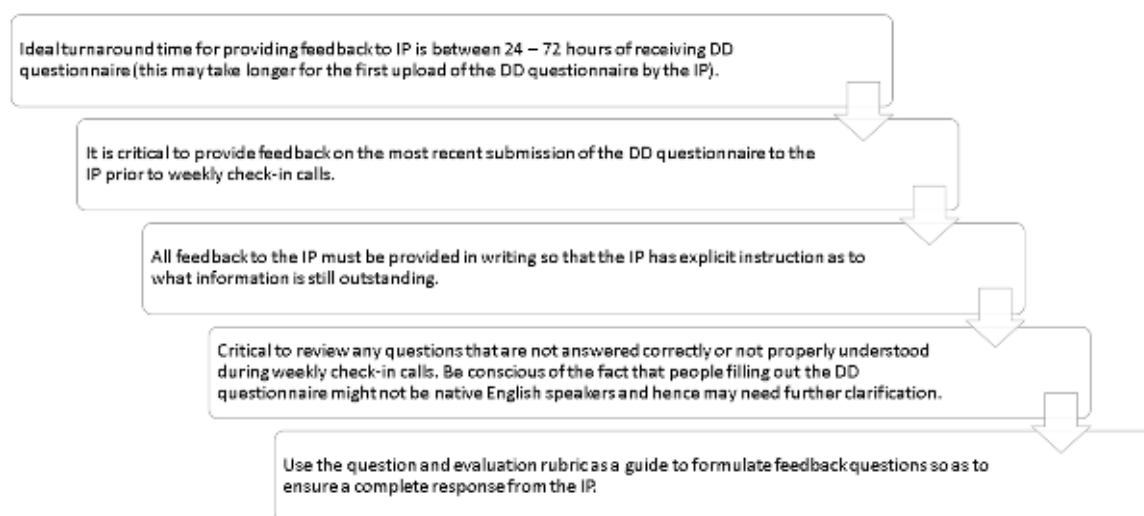
Tip 3: The DD process needs to continually be moving forward. The goal of the weekly check-in meetings is to discuss “new” information with the PP. Prior to each meeting the BCI Country PP DD Manager should review questions completed by the PP at that juncture and prepare feedback to share with the PP regarding the latest version of the DD questionnaire. The expectation should be that the DD questionnaire and dropbox folder is updated by the PP on an ongoing basis.

Tip 4: Engage the PP’s senior management team if limited progress is being made on the DD questionnaire and uploading of documents to dropbox. This can be initiated after a two-weeks from kick off.

Step 4: Providing feedback to PP on DD responses

Providing clear and consistent feedback to the PP is critical to the successful completion of the DD questionnaire and it is the responsibility of the BCI Country PP DD Manager to ensure that BCI receives DD responses that comprehensively address the questions being asked. See figure 8 below for the feedback process on the DD questionnaire, and figure 9 for guidance on providing feedback to the PP on question responses. See Annex 1 for detailed process examples of how to manage ensuring the PP responds comprehensively to a DD question.

Figure 8: Process for providing feedback to the PP on the DD questionnaire



BCI feedback will be clearly formulated in the dedicated column of the excel file: **PP DD Questionnaire - for sharing with PP (Here – to link)**

Figure 9: Guidance on providing feedback to the PP on question responses

Providing feedback on question responses	Specific IP responses to questions
<ul style="list-style-type: none"> • Assess whether question has been answered completely <ul style="list-style-type: none"> ○ All information requested in the question provided ○ All required attachments requested have been provided • Request clarity where <ul style="list-style-type: none"> ○ Response is unclear ○ Require additional information/details 	<ul style="list-style-type: none"> • Always best to get IP to identify the specific piece of information that is being referenced • For example – if given an HR Manual, but are looking for code of conduct have the IP identify the section, page, article that they are referring to otherwise spend a lot of time trying to guess what is being referred to

Tip 5: Clear feedback must be provided by the BCI Country DD PP Manager in order to receive complete DD responses from the PP.

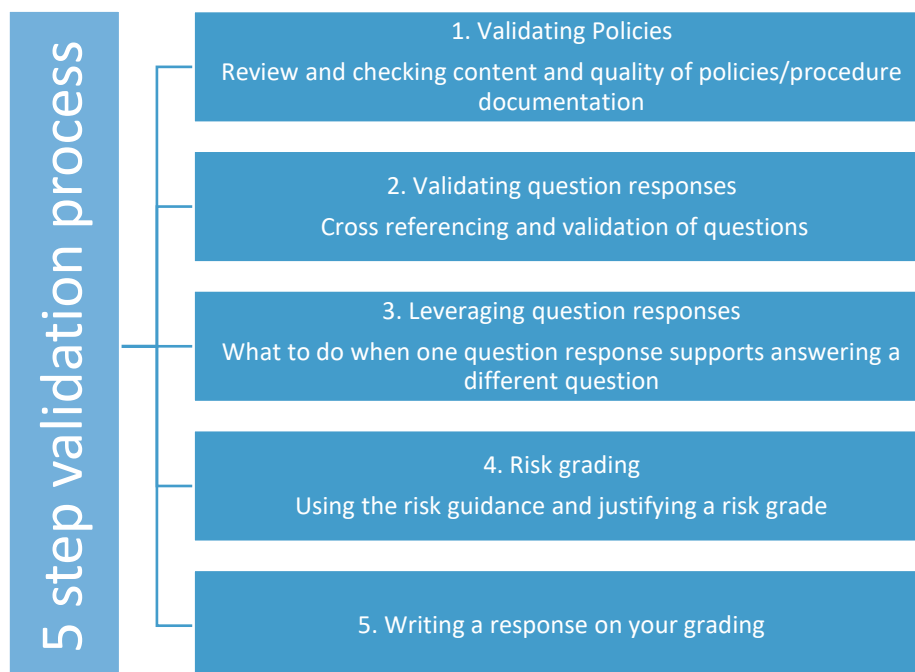
Tip 6: Questions that are clearly not understood or that are being answered incorrectly need to be escalated to senior management.

Step 5: Validating PP responses against rubric

Please refer to excel file : **Final Validation and Reporting Rubric - Internal Use**, Tab: **Validation & Risk Rubric (Here – to link)**

Validating PP responses against the evaluation rubric is an objective process that measures the risk level of the PP as per DD questionnaire. Prior to validating any question, the BCI DD Coordinator should assess the quality of the question and determine that the information provided by the PP is sufficient to consider the question complete. Below is an outline of the five step validation process to be followed, see figure 10 below. See Annex 1 for detailed examples of how to validate an enhanced PP DD question response.

Figure 10: Five step validation process



Tip 7: Be objective and fact-based when validating a response.

Tip 8: It's important to check the quality and content of the policies and documents uploaded by the PP to dropbox to ensure that they cover the adequately address the question to which they relate.

Five step validation process

1. Validating Policies Review and checking content and quality of policies/procedure documentation		
Scope of policy is defined oWhat does the policy cover? oMake sure specific terms are defined (example – child labour, bribery, etc.) oExamples	Clear actions to operationalise the policy are in place oProcesses and procedures are outlined oReporting mechanisms in place	Accountability oReporting mechanisms oDisciplinary actions for breach oPerson(s) responsible

2. Validating question responses Cross referencing and validation of questions		
When validating you can use information/documentation that has been provided to answer other questions	If information is available to support the justification for the grade provided for a particular answer then it is best to use it and make reference to it	Remember that BCI is only asking the IP for a specific type of information to answer a question, but if more information can be used from other DD responses to demonstrate commitment/reduction in risk level, etc. then supportive

3. Leveraging question responses - What to do when one question response supports answering a different question		
Not every organisation will have every policy as per the DD. However they may have another policy document that covers the subject matter of the requested policy.	For example, an organisation may have another document that covers the subject matter, e.g. child labour policy, but instead has a safeguarding policy, which accounts for child labour issues. It is important to note that not having a child labour policy does not automatically mean that the IP poses any actual risk.	Using the previous example, based on the quality of the safeguarding policy it might be sufficient to state that the risk level is negligible

4. Risk grading - using the risk guidance and justifying a risk grade	
Review response and associated attachments	Review risk guidance notes for high, medium, low risk grade allocation Apply score 1,2,3 accordingly

5. Writing a response on your grading	
Use of language very important Needs to be objective, fact-based	Not definitive per se – for example, don't say no risk, it's important to preface by saying based on the information provided, or there is sufficient evidence to suggest. It's key to provide written justification for the risk score.



Figure 11: Risk guidance for providing a risk score: [update once finalised by BCI]

BCI Implementing Partner - Scoring Rubric			GUIDANCE TO BCI STAFF FOR REVIEWING THE QUESTIONNAIRE FOR RISK EVALUATION		
			Non-negotiable, DD is passed	NEW RISK CATEGORY Combined amber/yellows Moderate Risk - Requires Action, Monitoring	Not applicable, Lowest Risk, No Further Actions
Question Number	Focus Area	Question (TO BE REVIEWED WITH BCI HQ AND FURTHER EDITED)	RED RISKS = APPLY SCORE OF 3	AMBER RISKS = APPLY SCORE OF 2	GREEN RISKS = APPLY SCORE OF 1
1	Ethics	1. Corruption risk issues and compliance 1a. How are corruption risk issues and compliance managed by the Company/Organisation? (Provide detail). 1b. Who in the Company/Organisation is responsible for corruption risk issues and compliance? Please share the name(s), position, seniority, and training in risk management, compliance, and anti-bribery matters? (Provide Details) <u>Required attachments:</u> oRisk manager CV oAnti-bribery and corruption policy oWhistle-blower policy oConflicts of interest policy oAnti-money laundering policy oKnow Your Customer policy	Risk level: Tolerant internal culture of corruption, coming from board and/or senior executives. Look for: Lack of senior leader designated to deal with corruption issues; signs the organisation does not take corruption seriously; structural weaknesses to manage corruption risk. None of the listed policy documents are available.	Risk level: Corruption taken seriously, but gaps in systems, capacity or implementation Look for: Individual(s) responsible for corruption issues have capacity issues, such as inadequate training or sufficient professional experience One or more of the listed policy documents are not available. Gaps in detail within listed policy documentation - i.e. documents do not comprehensively cover risk area.	Risk level: Corruption taken seriously, no gaps in systems, capacity or implementation Look for: Highly competent and high capacity anti-corruption management. Look for: Policy documents fully available, and comprehensively cover risk areas.

Figure 12: Written justification for risk score

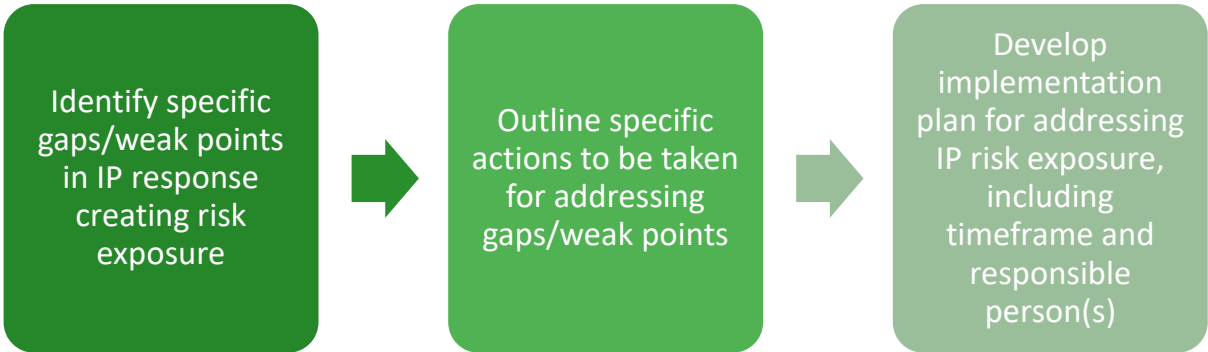
BCI Implementing Partner - Scoring Rubric			RISK MANAGEMENT						
			RESPONSE EVALUATION	Mandatory actions that are conditions for endorsement	Expand on selection in Column 2 if "Other" is selected	Select timeline for completion of corrective action	BCI process of verifying the corrective action	BCI person(s) responsible for managing the action is completed. May require managing external experts.	IP person(s) responsible for managing the action is completed. May require managing external experts.
Question Number	Focus Area	RISK SCORE	JUSTIFICATION FOR SCORE AND EVIDENCE (INTERVIEWS / DOCUMENTS)	CORRECTIVE ACTIONS	OTHER - DETAILS	CORRECTIVE ACTION TIMELINE	BCI MONITORING OF CORRECTIVE ACTION	IP PERSON RESPONSIBLE	IP PERSON RESPONSIBLE
1	Ethics	Score dropdown	[Insert text]	Use dropdown menu	[Insert Text]	Use dropdown menu	[Insert Text]	[Insert name]	[Insert name]
2	Ethics		[Insert text]	Use dropdown menu	[Insert Text]	Use dropdown menu	[Insert Text]		[Insert name]

Step 6: Developing the corrective risk action plan

Please refer to excel file : **Final Validation and Reporting Rubric - Internal Use** , Tab: **Corrective risk action plan (Here – To link)**

To support the PP in addressing any potential areas of risk exposure identified because of the DD process it is crucial that the BCI Country DD PP manager develops a corrective risk action plan that provides effective guidance on how to address any gaps or weak points within the PP’s organisational structures, operational systems and policies. See below for steps to developing the corrective risk action plan.

Figure 13: Steps to developing the corrective risk action plan



Tip 9: The corrective risk action plan should be realistic and practical to implement for the PP based on the type of organisation, activities they carry out and environment in which they operate.

See figure 11 and 12 above for snapshot of the risk guidance and corrective risk action plan as per the DD framework – Validation and Corrective Action Plan Rubric Tab 3.



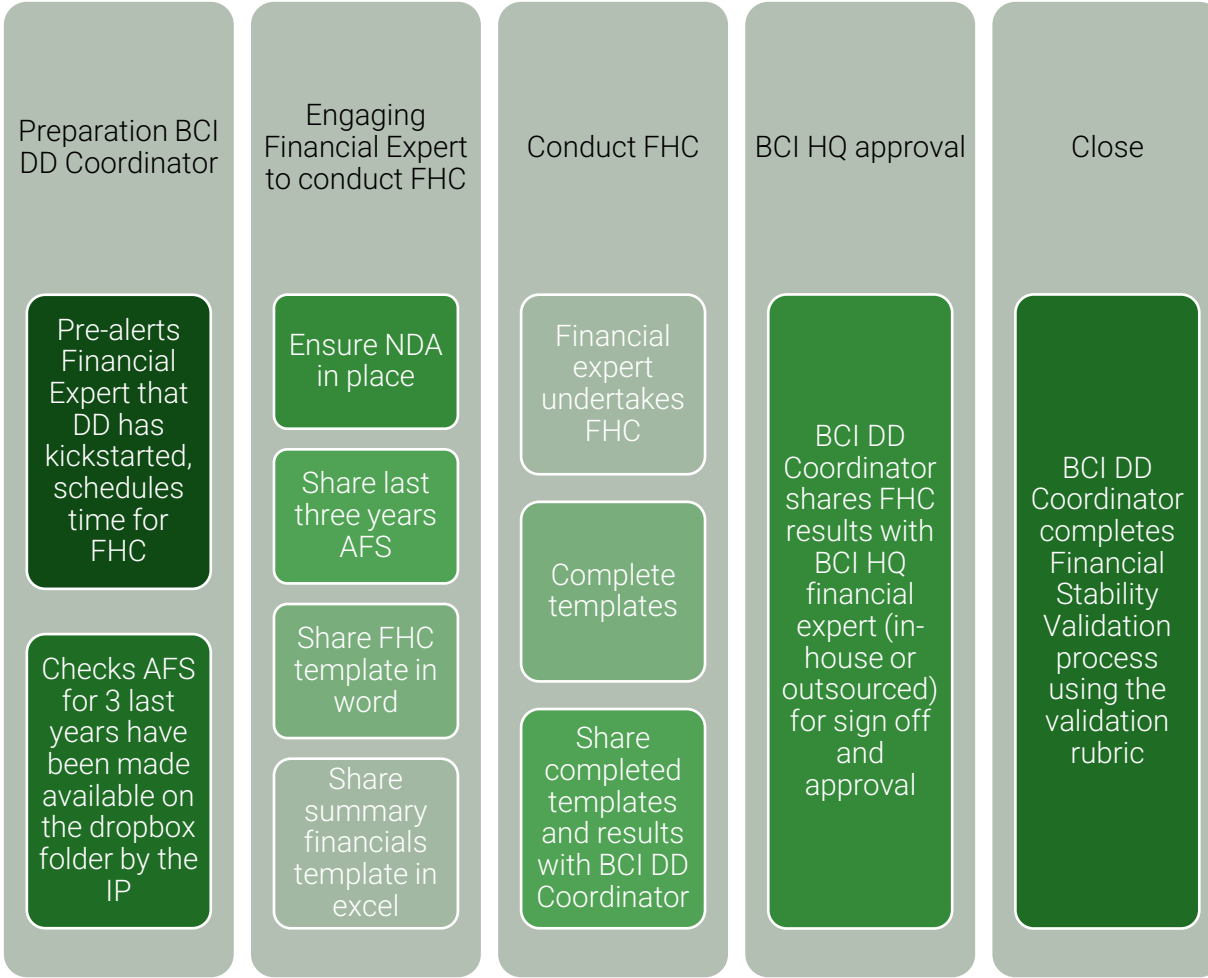
Step 7: Financial health check on PPs Audited Financial Statements

The aim of undertaking a financial health check (FHC) on the PPs audited financial statements (AFS) for the last three years is to conduct a review of the AFS in the three areas outlined in figure 14 below. The FHC should be undertaken by a qualified financial expert engaged either centrally by BCI HQ (allows for consistency) or by the BCI Country Office (de-centralised approach) through the BCI Country PP DD Manager. The process for undertaking the financial health check is outlined in figure 15 below; and a link to and overview of the financial health check template can be found in figure 16 below.

Figure 14: Three areas of review of the financial health check of the PPs Audited Financial Statements

THE QUALITY OF THE FINANCIALS	THE FINANCIAL PERFORMANCE OF THE ENTITY	THE ABILITY OF THE ENTITY TO CONTINUE AS A GOING CONCERN
<ul style="list-style-type: none">- Type of financials reviewed: The reviewer must consider the types of financials reviewed- The standard of financials reviewed: The reviewer must consider the quality of the statements i.e., are they up to standard or can be linked to an adequately mapped accounting system.- Quality of the notes and the support information provided: The reviewer must consider if the notes provide sufficient support information.	<ul style="list-style-type: none">- Income generation: The reviewer must consider the businesses income generating ability over the period.- Cost Controls: The reviewer must consider the businesses cost controlling ability over the period - can provide insights into effective cost allocation.- Appropriateness of expenditure: The reviewer must consider if the businesses expenditure on assets or remuneration is appropriate.	<ul style="list-style-type: none">- Ability to meet short-term commitments i.e., over the next 12 months- Reserves and access to funding

Figure 15: Process for undertaking a financial health check (FHC) on an PPs Audited Financial Statements (AFS)



Tip 11: Request for AFS to be uploaded to the dropbox as a priority at the kick off call and first weekly check in meeting, and share with financial expert soon as they are available.

Figure 16: Financial Health Check Template ([see here](#)) [BCI to link]

Template in Excel: Two tabs – FHC report; Summary AFS

[illegible][illegible]



Step 8: Complete the enhanced PP DD report

Upon completion of the DD validation process (Step 5), developing the corrective risk action plan (step 6) and the Financial Health Check (Step 7) the BCI DD Coordinator will be in a position to complete the enhanced PP DD report. This report provides a summary of the key DD results and outcomes. These are as per figure 17 below which also outlines the process for completing the enhanced PP DD report, and figure 18 for a snapshot of the template, including a link to the template.

Figure 17: Process for completing the enhanced PP DD report

1. IP DD Details	2. Record of meetings	3. DD results	4. Corrective risk action plan	5. FHC of IPs AFS	6. BCI HQ for approval
<ul style="list-style-type: none">Input details of the IP DD as per template requirements (name of IP, start date, end date, IP DD team, BCI HQ team, BCI Country team etc)	<ul style="list-style-type: none">Complete the schedule of meetings and key activities undertaken during the DD process.	<ul style="list-style-type: none">3.1 Summary of DD results<ul style="list-style-type: none">-Copy and paste from DD framework Tab 13.2 Key points to note on key areas of review<ul style="list-style-type: none">-Complete sections accordingly	<ul style="list-style-type: none">Complete the corrective action plan template by dropping in the detail from Tab 2 in the DD framework	<ul style="list-style-type: none">Copy and paste the FHC template results for the IP into this section	<ul style="list-style-type: none">Share with the BCI HQ lead for approval and sign off

Tip 12: Start completing and uploading information to the enhanced PP DD report at kick off of the DD and thereafter on a weekly basis (e.g., Record of meeting/ key activities) and as information is complete and ready for input.

Figure 18: Enhanced PP DD Report Template Error! Hyperlink reference not valid. [BCI to link]

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Step 9: PP meeting to review DD results and agree to the corrective risk action plan

The DD process will culminate with BCI reviewing the results of the DD with the PP and agreeing the corrective risk action plan. See figure 19 below for guidance for the meeting to review the DD results and agree the action plan meeting with the PP.

Figure 19: Steps for the enhanced PP DD results and action plan meeting



Tip 13: It is important to ensure that senior management, CEO, Director is present at this meeting to ensure buy-in and support for agreeing the corrective risk action plan.

Tip 14: PP feedback on the corrective risk action plan is critical to ensure that it is fit for purpose and achievable.

Tip 15: Do not rush/force the PP into providing feedback on the corrective risk action plan or agreeing its contents immediately. If required, agree a timeline for the PP to provide feedback on the corrective risk action plan and arrange a follow-up meeting to formally agree its contents.

Tip 16: The PP may require BCI to share standard policy content and or additional support.



7. Key takeaways and learnings

The below are key takeaways and learnings from the pilot to keep in mind as the BCI PP DD manager starts the enhanced DD process with an PP.

Overall, it is important for the BCI HQ team to check in regularly with the BCI PP DD manager to ensure they are on track if they are coming up against unforeseen challenges so to be able to ensure the DD stays on track and that the DD PP Manager has the support required to ensure the process is completed. This may mean that the BCI HQ team need to arrange a meeting with the PP’s CEO and senior management.

1. Not a One-Size Fits All Process

- BCI works with a diverse network of IPs whose structure, size, geography, operations, mission/purpose, etc. will influence their willingness and ability to undertake the DD process
- As a result, some IPs will be better positioned to address the questions contained in the DD questionnaire due their level of formalisation, as well as governance, legal, financial, compliance and reporting requirements

3. Managing IPs with Complex Structure or International Presence

Critical to identify, engage and work with the correct decision maker(s), departments and offices from day 1 of the DD otherwise it can be difficult to gather information and access necessary personnel later on in the process

Where an organisation has representation in multiple countries it is best to direct the DD process through the office with which BCI maintains its primary relationship (e.g. CCUK vs. PCC)

Should an organisation be operational in a certain country (e.g. Pakistan), but have no registered entity the DD process should be directed through the organisation’s Head Office

meetings are key

ANNEX 1: Examples of how to go through validating a question response (PP X example)

Q13. Is there a grievance mechanism in place and is it known by staff? [Yes/No; please attach]		
Step 1 – understand the question	1. What information is being requested in the question?	<ul style="list-style-type: none"> Does PP X have a grievance policy in place? Is the grievance mechanism that is in place known by PP X staff?
	2. What needs to be determined about the grievance process?	<ul style="list-style-type: none"> Are PP X's grievance mechanisms appropriate? <ul style="list-style-type: none"> Note this is the difference between receiving a 2 (amber) and a 4 (green)
Step 2 - Response 1 provided by PP	<ul style="list-style-type: none"> The response indicates that PP X has a grievance mechanism in place The policy document has been provided by PP X To determine if the response is sufficient as is it is necessary to review the policy document Attachments can be found in the Dropbox folder for the PP (sub-folder "Ethics", sub-sub folder "Q15") 	
Step 2.a - Document Review	<ul style="list-style-type: none"> The grievance policy is not very detailed; only provides information for the contact person in the event that an employee would like to raise a grievance 	
Step 2.b - Is the response complete at this stage?	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> What information is missing? <ul style="list-style-type: none"> Is the grievance mechanism known by staff? Is the grievance mechanism in place appropriate? <ul style="list-style-type: none"> We know that there is a procedure, but that has not been outlined in the policy or the written response
Step 3 – Response 2 provided by PP	<ul style="list-style-type: none"> The response gives a basic outline of the grievance procedure The PP has introduced a new policy that they are attributing to be part of the grievance policy The PP has identified that training is provided on an annual basis 	
Step 3.a - Document Review	<ul style="list-style-type: none"> Policy provided is PP X's sexual harassment policy Does not encompass general grievances, so while it is helpful, it does not really relate to answering the question 	
Step 3.b - Is the response complete at this stage?	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> What information is missing? <ul style="list-style-type: none"> It is still unclear whether the grievance mechanisms in place are acceptable More detail is required In this instance need to understand very clearly the sequence of events from time grievance raised and final decision communicated by management

Step 4 - Response 3 provided by PP	<ul style="list-style-type: none"> Sequence of events more clearly explained 	
Step 4.a - Is the response complete at this stage?	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> The procedure that has been outlined is not codified Further confirmation is required from Senior Management in order to validate that the process as outlined in the response is accurate
Step 5 - Engage Senior Management [note that this step may not be necessary for all questions].	<ul style="list-style-type: none"> Engage Senior Management - <i>if the process still remains unclear having engaged with the PP DD Point Person three times.</i> The process as outlined by in the response is not codified in the attached policy document Since the process is not codified further confirmation from a Senior Manager is required because at this time it still cannot be determined as to whether the grievance policy in place is acceptable 	
Step 5.a - Response provided by the PP	<ul style="list-style-type: none"> Senior Manager provides confirmation and clarification related to the process provided in the written response 	
Step 6 - Validating the Response	<ul style="list-style-type: none"> What can be concluded? <ul style="list-style-type: none"> There is a grievance mechanism in place at PP X The grievance mechanism is known by staff – induction and refresher training provided Grievance mechanisms in place are acceptable; however, the grievance process is not codified in the HR Handbook for Consultants. This does not pose any significant risk to BCI as the mechanisms are in place and known by staff, but should be addressed by the management team at PP X 	

Q22.Are all statutory deductions (e.g. payroll deductions) paid and paid on time? [Yes/No]		
Step 1 – understand the question	1. What information is being requested in the question?	<ul style="list-style-type: none"> Confirmation that statutory deductions are paid in full and in a timely manner.
	2. What needs to be determined?	<ul style="list-style-type: none"> Does PP X make its statutory deductions in line with the requirements of the countries that it operates in?
Step 2 - Response 1 provided by PP	<ul style="list-style-type: none"> Stated that the question is not applicable since PP X does not have an established entity in India 	
Step 2.b - Is the response complete at this stage?	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> What information is missing? <ul style="list-style-type: none"> Confirmation that statutory deductions are paid in full and in a timely manner. Confirmation that PP X makes statutory deductions in line with the requirements of the countries that it operates in.
Step 3 – Response 2 provided by PP	<ul style="list-style-type: none"> Additional information provided does not adequately address the question 	
Step 3.b - Is the response complete at this stage?	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> What information is missing? <ul style="list-style-type: none"> Confirmation that statutory deductions are paid in full and in a timely manner. Confirmation that PP X makes statutory deductions in line with the requirements of the countries that it operates in
Step 4 - Response 3 provided by PP	<ul style="list-style-type: none"> Provides some information as to how statutory deductions are paid by Consultants from PP X India However, no further indication as to whether the organisation makes its statutory deductions and how it does so. 	
Step 4.a - Is the response complete at this stage?	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> What information is missing? <ul style="list-style-type: none"> Confirmation that statutory deductions are paid in full and in a timely manner. Confirmation that PP X makes statutory deductions in line with the requirements of the countries that it operates in
Step 5 - Engage Senior Management	<ul style="list-style-type: none"> After 3 attempts by the PP DD Point Person the question has still not been adequately responded to and it appears that the PP DD Point Person might not be best suited to answering the question 	

	<ul style="list-style-type: none"> Insight from a Senior Manager is required because at this time it still cannot be determined as to whether PP X makes its statutory deductions and how it does so.
Step 5.a - Response provided by the PP	<ul style="list-style-type: none"> Information has been provided as to how PP X UK makes its statutory deduction at the global level and in country.
Step 6 - Validating the Response	<ul style="list-style-type: none"> What can be concluded? <ul style="list-style-type: none"> It can be confirmed based on the information provided that PP X makes all statutory deductions and pays them in full as the requirements of the countries that it operates in?

Q33. With regards to data protection please describe how the Company/Organisation undertakes and records data, and how data gathered is managed and protected (in terms of, for example, managing/hosting/disclosing farmer and beneficiary data) [Please detail]

Step 1 - understand the question	1. What information is being requested in the question?	<ul style="list-style-type: none"> Does PP X have a Data Management and Security Policy? If no, does PP X have suitable processes and procedures for managing beneficiary data?
	2. What needs to be determined about the grievance process?	<ul style="list-style-type: none"> Is the policy fit for purpose?
Step 2 - Response 1 provided by PP	<ul style="list-style-type: none"> The response indicates that PP X has Security and Data Management Policy in place The policy document has been provided by PP X To determine if the response is sufficient as it is necessary to review the policy document Attachments can be found in the DropBox folder for the PP (sub-folder "Governance", sub-sub folder "Q28") 	
Step 2.a - Document Review	<ul style="list-style-type: none"> The Data and Security Management Policy appears to be applicable to use of PP X's website. It appear that the question has not been properly understood 	
Step 2.b - Is the response complete at this stage?	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> What information is missing? <ul style="list-style-type: none"> Does PP X have a Data Management and Security Policy? If no, does PP X have suitable processes and procedures for managing beneficiary data? Is the policy fit for purpose
Step 3 - Response 2 provided by PP	<ul style="list-style-type: none"> The response appears to indicate that PP X's contract agreements with third parties such as BCI contains IT and confidentiality clauses, but is unclear what that means. No further clarification has been provided regarding the Data Management and Security Policy that was provided 	

Step 3.a - Document Review	<ul style="list-style-type: none"> No additional documentation provided 	
Step 3.b - Is the response complete at this stage?	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> What information is missing? <ul style="list-style-type: none"> Does PP X have a Data Management and Security Policy? If no, does PP X have suitable processes and procedures for managing beneficiary data? Is the policy fit for purpose
Step 4 - Response 3 provided by PP	<ul style="list-style-type: none"> No additional information provided 	
Step 4.a - Is the response complete at this stage?	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> What information is missing? <ul style="list-style-type: none"> Does PP X have a Data Management and Security Policy? If no, does PP X have suitable processes and procedures for managing beneficiary data? Is the policy fit for purpose
Step 5 - Engage Senior Management	<ul style="list-style-type: none"> Engage Senior Management - <i>if the process still remains unclear having engaged with the PP DD Point Person three times.</i> Insight from a Senior Manager is required because at this time it still cannot be determined as to whether PP X has either a policy or processes in procedures for managing beneficiary data 	
Step 5.a - Response provided by the PP	<ul style="list-style-type: none"> Feedback from Senior Management indicates that PP X does not have a Data Management and Security Policy in place for managing beneficiary data; rather the company implements data management and security protocols for specific projects as per the requirements of the donor partner There is no written policy and/or processes or procedures, but it was stated that PP X employs a sensible approach to managing and disclosing data Response is complete 	
Step 6 - Validating the Response	<ul style="list-style-type: none"> What can be concluded? <ul style="list-style-type: none"> There is no Data Management and Security Policy in place at PP X There is a need for PP X to draft and implement a Data Management and Security Policy The risk posed to BCI is limited as the contract agreement between PP X and BCI will include provisions for managing beneficiary data 	