

# Respecting Human Rights in Your Supply Chain



**Handbook for  
Purchasing Organizations  
with Supplier Handbook**

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econsense is an association of leading, globally active companies and organizations of German business specializing in the area of sustainable development and corporate social responsibility (CSR). Founded in 2000 on the initiative of the Federation of German Industries (BDI), the goal of econsense is to provide a dialogue platform and think tank, with the dual objectives of advancing sustainable development in business and assuming social responsibility.

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## Respecting human rights in your supply chain

In recent decades, dozens of companies have been subjected to lawsuits, consumer actions and investor pressure due to the social impacts of their operations. Nike, for example, has been the target of decades-long boycott campaigns due to allegations of poor working conditions in its supplier factories, Shell Oil has been sued in three different countries over allegations of land grabs in Nigeria and more recently, Amazon.com has been subject to consumer and regulator pressure over concerns related to working conditions in its German warehouses.

The mantle of responsibility placed on companies is widening in every industry and in every country. Thirty years ago, companies were not considered responsible for conditions in their supplier factories, while twenty years ago, they were not regarded as being responsible for the way their water and land use affected communities living nearby – and as recently as ten years ago, companies had no responsibility for data they handed over to governments. Today, however, the responsibility for these three instances lies squarely on the shoulders of the companies concerned.

The trend here is clear – companies that ignore their social impacts and those of their suppliers, partners and host governments are at an increasing disadvantage. True sustainability requires companies to know the scope of their impacts and show that they are deliberately ensuring that those impacts are positive.

The following handbook provides an overview of the human rights framework and what it means for your company. Human rights are systematic, comprehensive and backed by a well-established body of law. They are also supported by tools, guidance, standards and civil society organizations. Human rights are a very essential framework for companies that wish to address the full scope of their risks.

These guidance materials consist of two components: The first is a video and handbook for your suppliers. They present the human rights framework and its relevance to their operations as a supplier to purchasing organizations.

The second component consists of additional video and materials and is intended for purchasing organizations. It appears at the beginning and the end of the material developed for your suppliers.

## Human rights – an established obligation

Human rights constitute a basic value for business enterprises which operate with integrity. Hundreds of multinational companies have either an explicit human rights policy or they refer to human rights in their codes of conduct and compliance monitoring.

While protecting human rights remains the duty of countries that have ratified international conventions, the Universal Declaration of Human Rights declares that ‘every organ of society’ – including companies – must ‘promote respect for these rights.’

Companies can have an impact on human rights in a number of ways. Labor practices, host-government relations and community engagement all have the potential to enhance – or threaten – the freedoms and livelihoods of nearby communities. Incorporating human rights into all of these areas can provide a framework for cohesion and stability – and lasting relationships with the people you rely on to run your business successfully.

### 1. Regulation

Countries throughout the developed world are passing laws regulating conditions in international supply chains. The United States, for example, requires companies to disclose their efforts to avoid purchasing ‘conflict minerals’ from the Democratic Republic of Congo or avoid contributing to government rights violations in Myanmar. California requires companies to disclose their efforts to prevent human trafficking. In the United Kingdom, the UK Bribery Act criminalizes the failure to prevent bribery, even if it has not been explicitly commissioned. The UK Modern Slavery Act (2015) was designed to tackle slavery. It consolidates previous offences relating to trafficking and slavery and requires businesses to publish an annual statement if they have an annual turnover above a certain threshold (£36 million); and the European Union will require companies to disclose their policies and risks on human rights from 2017 onwards.

Governments are under pressure to regulate an increasing number of social issues both domestically and internationally, from human trafficking to environmental damage. Companies need to prepare themselves for these regulations and to experiment with monitoring and control systems before they become compulsory.

More and more attention has been paid to corporate human rights performance in recent years and this crystallized at the UN with the unanimous Human Rights Council endorsement of the ‘Protect, Respect and Remedy’ Framework in 2010 and its accompanying Guiding Principles for implementation in 2011. Since then, hundreds of business, civil society and government stakeholders have endorsed this framework and have begun promoting its implementation into company operations all over the world.

Above and beyond these international legal obligations, there are also a number of other reasons why your company should incorporate human rights into its policies and procedures.

## 2. Reputational risk

In April 2013, the Rana Plaza garment factory near Dhaka, Bangladesh, collapsed, killing more than 1,300 workers. This incident did not simply serve to demonstrate the extremely poor working conditions that persist around the world – many very well-known companies which used Rana Plaza as a garment production plant were also held directly responsible for the collapse and were regarded as being complicit in the lack of fire exits and manager abuse that had contributed to the death toll. The blame attached to the ordering companies was unprecedented and although many of the companies stated that they were not aware that their textile products were being produced in Rana Plaza – and that they had been deceived by their suppliers about conditions within the factory – these statements were not accepted as mitigating circumstances.

In 2010 another example for reputational risks are the 14 suicides at Foxconn in Shenzhen, China. Foxconn was the world's largest contract electronics manufacturer at the time. As was to be expected, the suicides drew media attention and employment practices at Foxconn were investigated by several of the company's customers, including IT A-brands like Apple and Hewlett-Packard (HP).

The implications of this incident are obvious: Violations that take place during the production of your products – no matter how deep in your supply chain – are increasingly seen as being part of your company's business – and therefore within your control. One incident with one supplier is all it takes to cause lasting damage to your reputation and image.

## 3. Consumer and investor pressure

It is not just governments that are expressing increasing concern over business-related human rights violations. Consumers increasingly expect transparency and ethics in supply chains, from organic food production and Fair Trade clothing to renewable energy. Recent consumer advocacy campaigns on tax avoidance, conflict minerals and the encryption of personal data indicate that these issues become salient for consumers as soon as they are made public.

Investors are also demanding that companies define the scope of their non-financial risks. Institutional investors are under more and more pressure to rid their portfolios of fossil fuels. The growth of 'socially responsible investment' in recent years has been explosive. Export credit agencies are also expanding their criteria for social risks.

Consumers and financiers are increasingly asking companies questions about their impacts on society – and companies which target sustainability should be prepared to answer them.

## 4. Long-term value creation

The previous points 1, 2 and 3 explain why human rights should be respected, but in a negative manner, since they detail why your failure to respect these rights will result in unfavorable consequences for your company. However, the strongest argument for human rights is the fact that many positive benefits will be created for your company – because when you establish constructive relationships with your workers, suppliers, customers and communities, that in itself will unlock the full potential of your sustainability, growth and productivity.

The increasing pressure on companies to manage their social impacts has yielded innovative approaches and programs. From suppliers' capacity-building to town hall meetings with communities, companies have found that respecting human rights is not simply a risk to be managed, but an untapped source of innovation.

Human rights may seem like a complicated, legal and technical field that will impose a new, unbearable formally state burden on your company. However, you are already performing a range of activities, such as occupational health and safety programs, anti-bribery rules and environmental standards – and all of these are directly associated with your human rights obligations.

Your fundamental responsibility under human rights is to consolidate these efforts and build relationships with your workers, suppliers and customers that facilitate the issues rather than complicate them. The relevant question here is not "Can I afford to respect human rights?" It should be "Can I afford not to?"

## Why should you care about human rights?

As a supplier to multinational companies, you have probably heard the term human rights, but it might not be clear to you what human rights mean for your operations, or you may not know how to start addressing the topic.

This handbook provides an overview of what you need to know to make sure human rights are respected in your operations. Human rights may sound like a complicated, technical and intimidating challenge, but it's actually only one component of many that you are already dealing with. Complying with the law, providing decent working conditions and protecting the environment are all different ways of respecting human rights. This handbook will help you to consolidate these approaches and turn them into systems to manage your risks systematically.

This handbook only illustrates your first steps – it is not intended to be a comprehensive training manual. The econsense publication 'Respecting Human Rights'<sup>1</sup> has much more relevant information for you.

## 1 What are human rights

Put simply, human rights are a set of rules that define how people should be treated. They include rights related to political participation and liberty (the right to equality, the right to participate in government, the right to free speech) and rights related to quality of life and well-being (the right to work, the right to food, the right to health). These principles are defined in the Universal Declaration of Human Rights and have been further elaborated in legally binding conventions, such as the Convention on the Rights of The Child and the Convention on the Elimination of All Forms of Racial Discrimination.

The **first** key aspect of these rules is that they are universal. Every person on the planet, simply by virtue of being human, is entitled to each and every right. The same rules apply for undocumented migrant workers, heads of state, young children and the elderly.

The **second** key aspect of human rights is that they are unanimously supported. No country has requested exemption or is entitled to it. Every government has agreed that protecting human rights is part of its obligation to every person within its borders.

The **third** key aspect of human rights – and the most important for this handbook – is that although this framework was originally created for states, it also imposes obligations on businesses. In 1948, when the human rights framework was created, the most profound violations of human rights in history had mainly been committed by governments. In the decades since, however, the international community has recognized that companies also have profound impacts on the locations where they operate and have continuously extended this framework to the private sector as a result.

At the same time, however, many companies have pointed out that businesses do not have the same obligations as states. As representative bodies reflecting the will of their people, governments are responsible for providing large-scale social services such as education and healthcare, but businesses have a primary obligation to their shareholders and therefore argue that they cannot be expected to be responsible for the welfare of every person in every country where they do business.

In 2011, the United Nations ended this debate by unanimously adopting the UN Guiding Principles on Business and Human Rights.

<sup>1</sup> [http://www.econsense.de/sites/all/files/Respecting\\_Human\\_Rights.pdf](http://www.econsense.de/sites/all/files/Respecting_Human_Rights.pdf)

## Human rights or corporate social responsibility?

Many companies refer to their social commitments under the umbrellas of corporate social responsibility (CSR), corporate responsibility (CR), sustainability or corporate citizenship. How do these frameworks differ from human rights?

The primary difference between human rights and other private-sector social frameworks is that human rights are established and supported by the international community and a wide range of legal instruments. While each company is free to define what ‘sustainability’ means to them on an individual basis,

human rights are comprehensively defined by international institutions and backed by extensive case law.

Not every company defines its commitments in the same terminology, of course. Some companies take on extensive human rights commitments under the umbrella of ‘sustainability’. Others commit to human rights but take little concrete action. Regardless of which term you use, the important thing is to identify the social impacts your company makes and engage with those whose lives you are affecting.

It is the principles behind the framework that are important, not the terminology itself.

Now for the first time, there was a framework in place that clearly defined the responsibility of states and companies for preventing business-related impacts on human rights. The Guiding Principles stipulate that governments are responsible for protecting human rights, ensuring that their citizens are not negatively affected by businesses. On the other hand, companies are also responsible for respecting human rights – they must refrain from human rights violations, no matter where or how they operate. In other words, governments are obliged to prohibit, investigate and punish any rights violations within their territories. By the same token, companies must ensure that they do not violate anyone’s human rights, even when they operate in countries in which the government does not accept its responsibility. Companies must follow the principle of ‘do no harm’.

Like the human rights framework itself, the Guiding Principles have been unanimously adopted by the international community, including businesses. Since 2011, organizations that represent business, like the International Chamber of Commerce and the International Organization of Employers have endorsed the Guiding Principles and instructed their members to follow the ‘do no harm’ principle. At the same time leading companies have adopted explicit commitments to respect human rights in their operations.

## UN „Protect, Respect and Remedy“ Framework:

### Protect

The state duty to protect against human rights abuses by third parties, including business, through appropriate policies, regulation, and adjudication.

### Respect

The corporate responsibility to respect human rights, which means to act with due diligence to avoid infringing the rights of others and to address adverse impacts that occur.

### Remedy

Both State and business responsibility to provide greater access by victims to effective remedy, both judicial and non-judicial.

**UN Guiding Principles on Business and Human Rights**  
for implementation of the Framework

## 2 How do companies impact human rights?

The human rights framework covers a wide range of topics, from food and health to citizenship and political participation. Yet despite the vast scope of these rights, almost all of them can be affected by companies. In the case of some rights, like

the right to work for example, the ability of a business to impact on the right is obvious, while for others, such as the right to family life or the right to freedom of expression, interaction with business is more obscure.

The following table describes how company policies or practices can affect a wide range of human rights, no matter how indirect the association may be.

Human Right	Violation Scenario
<b>The Right to Freedom from Discrimination</b> <i>UDHR<sup>2</sup>, art. 2</i>	Job advertisements specify that only candidates of a particular national origin will be considered. Employees are harassed by managers due to their ethnicity.
<b>The Right to Privacy</b> <i>UDHR, art. 12</i>	The company monitors employee Internet use in company housing. The company provides demographic information on its employees to government agents, who use the information to target individuals for harassment.
<b>The Right to Family Life</b> <i>UDHR, art. 16</i>	The company asks job applicants if they are planning to have a baby and does not consider those most likely to take maternity or paternity leave.
<b>The Right to Peaceful Assembly</b> <i>UDHR, art. 20</i>	The company bars trade union activists from entering company property or distributing information materials to employees. The company pursues punitive terminations of employees who participate in strike actions.
<b>The Right to Food</b> <i>UDHR, art. 25</i>	A large company and its employees move to an area with little farming infrastructure, increasing food and water prices for local residents.
<b>The Right to Intellectual Property</b> <i>UDHR, art. 27</i>	The company adapts medicines used by an indigenous tribe for a commercial product, and excludes the indigenous community from benefits gained.
<b>The Right to Adequate Housing</b> <i>UDHR, art. 25</i>	The company is associated with the forcible eviction of people from their homes or land and with other related violations. Land use by companies is one of the most hotly contested human rights issues – and especially in sectors such as mining and agribusiness that create large footprints on the land.
<b>The Right to Health</b> <i>UDHR, art. 25</i>	The company does not provide protective equipment for their employees, where its products involve the use of chemicals – this violates the right to health. It is detrimental to the communities living nearby, when companies discharge dyes, chemicals or other pollutants in amounts that are above the legal limit. A large company has an impact on community health if it produces air and noise emissions above the legal limit.
<b>The Right to Liberty and security of person</b> <i>UDHR, art. 3</i>	A company has not trained its private security staff adequately. These people carry weapons and may treat workers or communities abusively. The right to security of the person encompasses protection from physical attacks, threats of physical attack and other severe instances of harassment.

<sup>2</sup> Universal Declaration of Human Rights (UDHR)

As these scenarios demonstrate, business-related impacts on human rights can be complex and some companies either ignore many of the rights abuses associated with their operations, or are not even aware of them. Suppliers, for example, may assure customers that their employees earn the minimum wage, even if the wages they pay fall far below the minimum limits. Local government may tell investors that the land they are purchasing is unoccupied, when in fact it has been forcibly cleared of its former residents.

Taking action to address your impact on various human rights does not require you to check every single company or individual that acts on your behalf, or to solve every social and political problem in the places where you operate. Such action does, however, require you to systematically examine your impacts. Many companies in the developing world choose a few topics (often education, health or the environment) on which to focus their social efforts. While this is understandable given the economic and political realities in which they operate, it may ignore the more significant impacts the company creates through its suppliers, partners or relationship with the host government.

The human rights framework challenges companies to identify the essential impacts that they create and work on the areas in which they have the greatest influence in order to improve their performance. It may be that your opinion on how your company is affecting people is more wrong than right; and it could be that your greatest potential for causing harm – but also for creating a positive impact – is in a location where you least expect it to be.

### 3 Why should my company respect human rights?

It may seem like a daunting task to adopt the human rights approach to managing social risks, especially given the vast range of impacts on human rights with which your company may be associated and the large number of stakeholders involved; but this approach will provide significant benefits for your business – and it may just be the key to your long-term sustainability.

#### 3.1 Legal compliance

Consumers and investors expect companies to be aware of the impacts they are creating and to take steps to address these; but governments around the world are also passing laws requiring them to do so.

Companies based in the United States, for example, are required to disclose their investment in the Democratic Republic of Congo<sup>3</sup> and Myanmar<sup>4</sup>. Companies headquartered in California must demonstrate that their products have no association with human slavery<sup>5</sup>. The Foreign Corrupt Practices Act<sup>6</sup> passed in 1977 is currently being applied to prosecute alleged corruption at FIFA – and nowadays it is being applied more broadly and more frequently to U.S. companies operating

abroad. The United Kingdom recently launched its own legislation, the UK Bribery Act<sup>7</sup> and the UK Modern Slavery Act<sup>8</sup> to regulate its companies operating abroad. India recently passed a law requiring all companies to donate 2 percent of their profits to corporate social responsibility<sup>9</sup>. China also requires its companies to disclose the locations where they are operating and the steps they are taking to address their impacts<sup>10</sup>. At the international level, the United Nations is also considering a legally binding treaty to require companies to prevent human rights violations<sup>11</sup>.

While these laws may not apply to you directly, your customers will be increasing their compliance efforts – and they will be expecting your operations to facilitate them in these efforts.

#### 3.2 Improved productivity

Ignoring the social impacts of your business can not only negatively affect your external business relationships – it can materially harm your operations. Employees who are paid well and work under decent conditions are less likely to leave their jobs, reducing hiring and training costs. Communities that are consulted before a business begins operations are less likely to protest or sabotage its operations, resulting in fewer costly shutdowns. Companies that monitor their environmental impacts also become more energy-efficient.

These are all very important reasons why companies should respect human rights. From a holistic point of view, however, the business case goes beyond specific initiatives and cost-benefit calculations. The company that truly respects human rights must define itself as a sustainable and accepted member of the community and incorporate respect for human rights at the center of its strategy for long-term value creation. In other words, comprehensive human rights protections yield comprehensive benefits.

This is especially important when we consider the association between human rights and legal compliance. Following the law is enough to avoid punishment, but it is not enough to unlock the true value of your company. Genuine sustainability and innovation comes from building relationships with your workers, customers and communities. Companies whose sustainability strategy consists only of following the law may be successful at avoiding punishment, but they will not reach their full potential in the long run.

<sup>3</sup> <https://www.sec.gov/about/laws/wallstreetreform-cpa.pdf>

<sup>4</sup> <http://www.humanrights.gov/u.s.-government-approach-on-business-and-human-rights>

<sup>5</sup> <http://www.state.gov/documents/organization/164934.pdf>

<sup>6</sup> <https://www.sec.gov/spotlight/fcpa.shtml>

<sup>7</sup> <http://www.legislation.gov.uk/ukpga/2010/23/contents>

<sup>8</sup> <http://www.legislation.gov.uk/ukpga/2015/30/contents/enacted>

<sup>9</sup> <http://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf>

<sup>10</sup> Company Law of the People's Republic of China: [http://www.saic.gov.cn/zcfcg/fl/xxb/201206/t20120612\\_126990.html](http://www.saic.gov.cn/zcfcg/fl/xxb/201206/t20120612_126990.html), Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities: <http://en.sasac.gov.cn/n1408035/c1477196/content.html>

<sup>11</sup> <https://business-humanrights.org/en/binding-treaty>



### 3.3 Competitive advantage

Companies around the world are responding to pressure from investors and consumers to address their social impacts. While this response may take many forms and differ significantly from company to company, the trend is undeniable: Businesses are expected to address working conditions in their supply chains and their environmental impacts.

As a supplier to international companies, the implications of this trend for you are equally clear: You must participate in these efforts, thereby demonstrating that you are taking steps to address the broader impacts your company may be making. As awareness of human rights – and the emphasis placed on these rights – grows among your customers, your ability to demonstrate the positive impacts you have made will be a significant competitive advantage. On the other hand, if you fail to match the expectations of your customers, your competitors may leave you behind.

## 4 I want to incorporate human rights into my operations – what are my first steps?

The process of identifying and mitigating your risks and impacts is known as human rights due diligence. For companies with thousands of employees, dozens of products and operations in several countries, implementing human rights due diligence will take more than a year and involve multiple consultations, but for companies operating one factory with just a few products and less than 50 employees, it may take much less time.

As is the case with the other due diligence processes your company undertakes, human rights due diligence does not require you to have a perfect record overnight. It should, however, be an ongoing process. Regardless of your com-

pany's size or complexity, the important element here is to establish communication channels with the people who are affected by your operations and to leave those channels open for an ongoing dialogue.

The second key principle is your degree of responsibility for the impacts your company has on human rights. Some human rights issues, such as those related to working conditions in your own factories are within your own control and consequently you are responsible for correcting them. Other impacts, however, like working conditions in your suppliers' factories or the actions of the government in the country in which you operate are not so easily remedied, requiring collaboration and further action on your part to rectify the situation.

Reducing workplace accidents or achieving legal compliance requires dedicated staff, adequate resources and careful prioritization and strategy. Human rights due diligence is not a one-off activity – it is a permanent and continuously-active component of your business.

The following section will show you the first steps towards establishing this process.

### 4.1 Know your workers

The most direct impacts your company has on human rights – and the cases which you must primarily address because they are your responsibility – are usually found within your own company. You yourself determine the conditions (hours, salaries, hiring practices) under which your employees work – and your company will reap the greatest benefits if you initiate discussions on how these human rights conditions can be improved.

The dialogue should be structured and systematic, like the other steps in the human rights due diligence process. The following table provides topic areas and sample questions to identify workers' concerns.

Topic area	Sample questions
<b>Wages</b>	Does your company comply with the minimum wage for all employees, including contractors' and subcontractors' staff, e.g. security and cleaning staff?
<b>Working Hours</b>	Do you ask your employees to perform overtime work without additional pay, as defined in national law?  What are the procedures for assigning overtime? Are your employees generally satisfied with these procedures?
<b>Leave</b>	Are your employees aware of the company's policy on maternity leave and sick leave?  Are your employees aware that they are free to take the leave to which they are entitled without being harassed?
<b>Rest Breaks</b>	Does your company monitor whether or not your employees can take their weekly rest day and rest period between shifts?

**Occupational Health and Safety**

Does your company provide safety training for your new employees?  
Are your employees expected to pay for their own personal protective equipment, or is it provided for them?

**Unionization**

Are your employees represented by a union? If not, are union representatives allowed to visit company premises in accordance with national law?  
If your employees are not members of any union, is there another body available to represent employees' concerns?

**Discrimination**

Have incidents of harassment been reported? If so, how have they been dealt with?

As you can see from the topics above, respecting human rights in the workplace does not require you to expand into new areas, nor do you have to design systems from scratch. Most of these topics are associated with areas in which you are already active and where you already have systems and lines of responsibility in place. The primary requirement of the human rights framework is to systematize these commitments and to engage directly with your employees in order to listen to their concerns.

The other key element of this process is that it should not simply focus on improving the rules for your workers, it should also improve the way those rules are applied. This requires meetings with line managers and the monitoring of the results

of these meetings. The gains you achieve in productivity and morale through respecting human rights will result from genuine improvements in conditions, not simply from declarations and improvements to rules that are not actually applied.

## 4.2 Know your suppliers

While your impacts on the human rights of your own workers will be direct and relatively easy to identify, the most significant impacts will be in the workplaces of your suppliers, partners and contractors, so the next step of the human rights due diligence process is to begin a dialogue regarding the practices in those locations and the impacts that the practices have on human rights.

The **first** question to answer here is, **“Who are my suppliers?”** Your company purchases a wide range of goods and services from companies large and small. All of these providers are your suppliers and these include the utility that provides your electricity, the hotel where you hold conferences and the manufacturer that provides raw material for your products. Any business relationship could potentially be relevant for the impacts on human rights which you may cause, whether you are purchasing products or are simply a partner in a business partnership.

It is of course not feasible to investigate every single one of your suppliers for human rights violations, or to start improving the working conditions in the national electricity utility or the restaurant where you buy lunch. This is where the **second** question comes in: **“What leverage do I have?”** Your electricity provider, for example, may have millions of customers and hundreds of factors that determine its working practices – and that puts it in a different league from your company. Even if you were concerned about their working conditions, you probably could not change them in a one-man, human rights cleanup operation. Nevertheless, you should at least consider stop to work with a provider who has questionable working conditions.

You can, however, directly or indirectly influence the working practices of some of your suppliers. When a supplier provides material or services according to your specifications (a manufacturer making textiles to order for a garment company, for example, or a steel smelter producing custom materials for an automobile company), you are already engaged in a dialogue about the conditions under which those products are produced, even if that dialogue does not address human rights at that point in time. To answer this question, you must identify the supplier who is dependent on you for a large proportion of his business, or the supplier whose working methods are likely to be affected by your actions.

The **third** question is **“How do my actions affect human rights at my suppliers?”** If you change or increase orders at the last minute, your suppliers impose overtime on their workers to meet the demand. If your orders include products that contain hazardous chemicals, your suppliers may not provide adequate ventilation or protective equipment for their employees, or they may dump residue chemicals into the local environment.

No matter how big or how small your company is, your supply chain involves complexities that will prevent you from ensuring perfect conditions for every product or service you purchase. Neither the kiosk at the corner nor the multinational conglomerate can achieve perfect conditions. In some cases, however, your actions do affect human rights conditions at your suppliers, whether you realize it or not. The key issue here is to identify those suppliers and the actions which have the potential to create changes.

When you have identified a supplier at whose premises you may be partially responsible for working conditions, initiate discussions regarding your concerns. This will be easiest to do at the suppliers where other related discussions and action plans are already in place. If you are carrying out quality checks at your suppliers, for instance, include child labor, forced labor and informal work criteria on your agenda. Address working hours, protective equipment, freedom of association and acceptable wages for the employees. Check whether your purchasing practices (such as deadlines, fix margins, cost calculations and instable supplier relationships) impact negatively on employees' rights. If you have an existing Memorandum of Understanding with a supplier that includes prices and ordering conditions, include environmental impacts or hazardous materials management in the Memorandum.

Be aware that you are already carrying out processes that affect the working practices of your suppliers; but what the human rights framework requires of you is that you identify and understand these processes and use them to ensure that your actions do not harm the wellbeing of the labor force or communities.

**4.3 Take action to address your impacts**

When you have begun discussions with your employees and suppliers and identified the areas where you are having an impact on human rights, the next step is to take systematic action that will improve your performance.

The scale and duration of your efforts in this respect will depend on the nature of your business. However, the following list provides an outline of the major steps in this process and the principles you should consider as you design your human rights program.

**1. Policy commitment**

The first step is to send a clear signal to all concerned that you support human rights in both your own business operations and those of your suppliers. The purpose of this step is to communicate that this is a priority for your company, both internally and externally. This communication should be approved at senior level and should be shared with employees, community members and civil society organizations.

**2. Assess your impact on human rights, integrate and take action**

The discussions with your employees and suppliers to identify the impact of your business on human rights should not simply be a listening exercise for you. When the dialogue has begun, you should integrate their concerns into your internal systems and assign personnel and resources to address them.

In cases where your company bears the responsibility for direct impacts on human rights, such as working conditions in your own operations, you will need to change your policy and procedures. Where indirect impacts on human rights are involved, however, you may have to work closely with your suppliers or with other companies in your sector to improve conditions.

**3. Track and evaluate results**

Acting on the results of the assessment your business creates should result in meaningful improvements in your performance. If, for example, it turns out during discussions with your employees that unpaid overtime is an issue, find out the extent to which this is prevalent and whether your efforts to mitigate the situation (digitized timesheets, management approval for overtime) are actually improving conditions. Choose indicators for every impact on human rights that you prioritize for improvement – these indicators will show you whether or not progress is being made. Combine this with more discussions with your employees and suppliers to obtain qualitative assessments of the success of your integration efforts.

**4. Be willing to communicate**

Conduct discussions about your business's impacts on human rights, but do not limit participation at these meetings to your employees and suppliers. Your efforts to report the human rights results found in your organization are highly



significant. The form and nature of this reporting will vary according to your operations. Some companies hold 'town hall'-style meetings with civil society organizations to discuss their sustainability efforts. Others produce a sustainability report for international distribution. The important thing is that these reports are made available to the stakeholders who will feel the impact and consequently promote further dialogue.

## 5. Establish and participate in remedial mechanisms

Under normal circumstances, your workplace safety programs cannot eradicate all accidents in your plant – and by the same token, your human rights programs will not completely allay the concerns of your employees and eradicate human rights abuses at your suppliers' factories. When human rights impacts do occur, it is important to have systems in place that can identify them before they become severe, to participate in processes to remedy these impacts and – crucially – to prevent these impacts from occurring in the future.

Most companies address this by setting up 'operational-level grievance mechanisms'. These are simply a means of enabling employees, suppliers and community members to voice their concerns directly to the company. The mechanism may take the form of a complaints box in the workplace or a hotline available to workers, both of which allow complaints to be submitted anonymously. No matter what kind of mechanism is used, it is always made clear that the person who submits grievances will not be punished. These mechanisms can provide a stimulus for further discussions and can be very useful in their additional role as a permanently active means of identifying human rights impacts.

It is clear that these steps do not impose an undue burden on your operations; you only have to identify your business's impacts on human rights and purposefully address them. You do not have to achieve a perfect record overnight, but the steps above – underpinned through genuine efforts on your part – will put you on the road to successful improvement.

## 4.4 Working with partners, customers and civil society organizations

One of the major benefits of the human rights framework is the huge number of documents, standards, networks and organizations to help you take the first steps.

The following is a list of resources that provide support to companies on how to carry out human rights due diligence.

### 1. Speak with other companies in your sector

Yours is not the first company which has had to face this challenge. Combining forces with other businesses which have similar issues may be a simple first step towards identifying your impacts and to improving conditions at

### Human rights and development projects

Nowadays many companies carry out development projects in the communities where they operate. These projects often consist of community investments and include providing scholarships, supporting local arts organisations and building hospitals and schools.

These activities are laudable in their own right, but they do not replace the fundamental obligation to respect human rights.

The core of the human rights framework is the concept of 'do no harm', where companies should identify their negative impacts on human rights and mitigate them. A company that pays its employees wages below the minimum level and pollutes the nearby river is not an ideal candidate for the "Human Rights Company of the Year", just because it also offers scholarships to its employees' children.

A company should first and foremost provide decent working conditions and protect the environment. If it wishes to establish development programs, it is free to do so, but such programs are no substitute for meeting human rights obligations.

your suppliers. This can be done on a bilateral basis or under the umbrella of an industry confederation or trade group. Please remember: always be aware of the anti-trust limitations in your country.

### 2. Reach out to a business network dedicated to addressing the impacts your business has

Chambers of commerce, employer federations, UN Global Compact and industry confederations may have meetings or local networks dedicated to social impacts. You can also reach out to business-driven sector initiatives, such as:

- Chemicals: Responsible Care & Together for Sustainability (TfS)
- Pharmaceutical: Pharmaceutical Supply Chain Initiative (PSCI)
- Electronics: Electronic Industry Citizenship Coalition (EICC), Global e-sustainability Initiative (GeSi) & Joint Audit Cooperation (JAC)
- Automotive: European Automotive Working Group on Supply Chain Sustainability
- Railway: Railsponsible
- Retailer: Business Social Compliance Initiative (BSCI) & Ethical Trade Initiative (ETI)
- Textiles: Global Organic Textile Standard, Fair Wear Foundation

### **3. Ask your customers for help**

If you are manufacturing products for multinational companies, it is likely that these companies have made public commitments to human rights. If they have a Human Rights Policy or Ethical Code of Conduct included in your supply contracts, initiate a dialogue on how they can help build your capacity or share lessons. The multinational is interested in conditions in your workplace – just as you are interested in conditions in your own supply chain – and the staff there will be able to suggest further steps and provide guidance for you.

### **4. Engage with civil society**

Dozens of local and international NGOs are dedicated to improving the human rights performance of companies. Many of these NGOs are willing and indeed eager to engage with businesses in an open, constructive dialogue about how to improve their working conditions and environmental impacts. Opening a dialogue with independent groups will provide you with valuable insights on the concerns of the surrounding communities and it will give you suggestions for first steps and best practices.

## The next steps

You have dozens, perhaps even thousands of suppliers around the world. Given the complexity of your supply chain, and the broad scope of human rights, how can you begin to manage your risks?

The following checklists provide some basic first steps.

### 1. Identify red flags at your suppliers

You do not have to know every risk that exists at all levels of your supply chain to apply the principles of the human rights framework. You should, however, know some of the red flags which indicate where extra investigation is required. Sectors and countries with particular characteristics indicate that you should begin a dialogue about human rights.

#### Red Flags: Sector

(individual examples, not a comprehensive summary)

- **Sectors that use large numbers of low-skilled or temporary workers**

These are the sectors in which workers are most commonly exploited. The agriculture and garment sectors tend to be particularly dependent on this type of workforce.

- **Sectors that rely on recruitment agencies**

Your suppliers may not be aware of the wages or terms of employment of their workers who are recruited through agencies.

- **Sectors that use large tracts of land**

Land use is one of the most hotly-contested human rights issues. Sectors such as mining and agribusiness that have large footprints on the land may be linked to forced relocation actions and other land-related violations.

- **Sectors that use or discharge hazardous materials**

Where products involve the use of chemicals that damage human health, companies may fail to provide protective equipment for their employees. Suppliers that discharge dyes, chemicals or other pollutants into the sea or rivers, etc. may discharge more than the legal limit and this has a very negative impact on communities living nearby. Air and noise emissions may also have a negative impact on community health.

- **Sectors responsible for providing security or guarding property**

Private security staff may not be adequately trained, but they often carry weapons and may treat workers and communities abusively.

## Red Flags: Countries

- **Countries where independent unions are illegal or restricted**

You should ensure that workers have another, equivalent form of collective representation in these countries.

- **Countries where minorities are systematically marginalized**

This unfortunately applies to most countries in the developing world. In the case of major suppliers, use online tools to identify the major vulnerable groups in the population (ethnic or religious minorities, women, persons infected with HIV/AIDS) and include principles of non-discrimination and non-harassment in your supplier agreements.

- **Countries with large populations of migrant workers**

In almost every country where they are employed, migrant workers can have their passports taken away by their employers and are subjected to exploitative working conditions. Countries where large proportions of the working population are migrants will have a high risk factor for trafficking and forced labor.

- **Countries with autocratic regimes**

Your company cannot be responsible for tackling the challenges of every country where your suppliers are based, but this does not mean that those challenges are irrelevant when it comes to your business on social impacts. Autocratic regimes can be a hotbed of corruption. In extreme cases, they can even perpetrate gross violations of human rights. You must ensure that violations like this are not carried out on your behalf.

It should be clear from this checklist that your risks of violating human rights are not only found at your suppliers who are based in developing countries. Countries throughout the developed world have marginalized populations, migrant workers and legal restrictions on union rights. Violations at your European or American suppliers pose just as great a risk to your business as your suppliers' possible malpractices in developing countries.

**This list is not comprehensive** and your own red flags will depend on your particular sector and the mix of your suppliers. Dozens of resources and civil society organizations provide information on the social aspects of human rights violations. They can create detailed checklists of red flags and matrices to help you assess the risks that are inherent in your supply chain.

## 2. Identify existing systems in which human rights can be strengthened

Your company already performs dozens of processes to assess your suppliers' quality, price and flexibility. Mapping these processes and expanding them to include human rights criteria and social risks is the first stage in tackling an approach to human rights.

Consider including human rights criteria in the following systems:

- **Supplier contracts**

If your company includes an Ethical Code of Conduct or a Human Rights Policy in your supplier contracts, make sure that your suppliers understand its contents. Initiate discussions about the areas they find difficult or those in which they need your support.

- **Supplier audits**

If you visit suppliers to check their operations for quality, efficiency and compliance with your specifications, consider including issues related to working conditions and environmental impacts.

- **Supplier assessments**

You carry out detailed evaluations to determine which suppliers are delivering value to your company. When considering whether to renew a contract, include criteria and indicators related to wages, health and safety and formalized working contracts.

- **Manager assessments**

"What gets measured gets managed," as the old saying goes – and you should consider including human rights criteria in the assessment of your operations and the performance of your staff within your own company.

Your company has a set of values that extend above and beyond simple legal compliance and profitability and you apply these values to your operations. Cascading those values into your suppliers' systems, however, requires collaboration and a constructive approach. The information in this handbook simply gives you the "bare bones" – you will have to fill it out with the specific details of your company and your suppliers.

The human rights framework is an established and growing methodology. It has the potential to improve relations with your employees, increase productivity and systematically manage your risks.

Why not start now?

