

Web Event

Implementing human rights due diligence in global supply chainsDecember 10th 2020, 2pm-3:30pm CETSummary Paper

Scope and objective

On December 10th 2020, the [Geneva Centre for Business and Human Rights \(GCBHR\)](#), the [International Chamber of Commerce \(ICC\)](#) and the [World Business Council for Sustainable Development \(WBCSD\)](#) commemorated Human Rights Day by hosting a webinar on “Implementing human rights due diligence in global supply chains”.

The Universal Declaration of Human Rights – adopted on 10 December 1948 – stipulates that “every organ of society” shall strive to promote respect for fundamental rights and freedoms. While this formulation already includes the private sector, the corporate responsibility to respect human rights was clearly established with the adoption of the UN Guiding Principles for Business and Human Rights in 2011. Today, this responsibility is undisputable, yet numerous implementation challenges remain.

The purpose of this event was to discuss the challenges related to implementing human rights due diligence in business operations, and to promote concrete actions to address these challenges.

The session was opened by a video-recorded keynote speech from **Prof. Anita Ramasastry** (Chair, UN Working Group Business Human Rights), and followed by a discussion with **Dante Pesce** (Vice-Chair, UN Working Group Business Human Rights), **Richa Mittal** (Senior Director Supply Chain Innovation & Partnership, Fair Labour Association - FLA), **Vera Galarza** (Senior Director Social Impact, ALDO Group), **André Podleisek** (Head of Corporate Sustainability, Schindler Group) and **Peter Nestor** (Head of Human Rights, Novartis).

Alongside this impressive lineup of experts and practitioners, the event had more than 160 participants engaged over the entire length of the event and over 360 registrations in total.

Main outcomes

Human rights due diligence is an important means by which companies can develop and implement strategies to address human rights issues. Indeed, making human rights due diligence part of standard business practice will be key to making meaningful progress on corporate respect for human rights and sustainable development globally – especially as we move forward into the second decade of the implementation of the UN Guiding Principles on Business and Human Rights (UNGPs). And ensuring that human rights are integrated into business planning will be critical to the success of building forward better from the COVID-19 pandemic.

Yet, while some leading companies have been taking steps to translate human rights commitments into actions, only a few are effectively implementing human rights due diligence, particularly in their global supply chains.

In her keynote intervention, the Chair of the UN Working Group on Business and Human Rights emphasized the Working Group’s support for efforts aimed at addressing this gap, including by promoting mandatory human rights due diligence, such as the proposals being developed at the EU level, and by leveraging the role of the financial sector in shaping responsible business conduct.

Company representatives on the panel confirmed their commitment to managing human rights risks in their operations, including risks in their supply chains. They identified a number of challenges in implementation, including low supply chain transparency, lacking leverage at the supplier and country level, and a misalignment of incentives between different organizational units. Panelists also outlined possible strategies to overcome these challenges, including mapping methodologies to increase transparency, collective approaches to increase leverage at the supplier and country level, and company internal alignment efforts.

All panelists supported the need for a more proactive role by business associations, and agreed that collaborative initiatives can play an important role in helping to define and enforce a level playing field of human rights expectations for companies.

Main outcomes from the roundtable:

Identifying and evaluating human rights risks and impacts

The companies participating in the panel currently follow their own approach, yet some common denominators can be found. All of them have very large and complex supply chains, and recognize that the most serious human rights risks often lie deeper in the supply chain. Therefore, assessing where the risks are requires having a full and transparent understanding of their supply chains, which in return requires to break internal silos across divisions and departments so as to access the information. The panelists highlighted that while they do have Codes of Conduct and specific policies in place, going into the field to understand where risks are, and what they look like in reality, is key to addressing the risks more effectively.

The need for audits and human rights impact assessments was discussed, the latter being considered as a way to address more systemic issues that may not be found in a typical audit. The panelists pointed to weaknesses in the audit methodology and highlighted the need to move beyond audits so as to identify the root causes for systemic human rights issues. The weakness of pilot programs was also commented on – as these programs often do not lead to ongoing systemic change, or to collaboration beyond the specific company/country/location.

Finally, the panelists pointed out that the UNGPs do not require a risk assessment according to supply chain tiers. Instead, assessment should focus on the severity of human rights risks irrespective of where they are in the supply chain.

Supplier engagement

Effective human rights due diligence requires a more meaningful engagement with suppliers. Most importantly, lead companies also need to assess their own purchasing practices and processes so as to understand how these are affecting systemic non-compliances at the supplier level. For example, if the company incorrectly forecasts their orders, production pressures force suppliers into over-time. Thus, engaging in dialogue with suppliers is central for implementing human rights standards, and – importantly – listening to their concerns.

Supplier engagement is all the more important as the companies' leverage decreases as one moves deeper into the supply chain. For companies that share the same suppliers, collective dialogue can increase leverage, both with suppliers and with governments. Panelists pointed out that real and genuine engagement requires trust-building, which is different from a top-down auditing approach. Responding to a question from the audience, panelists emphasized that anti-trust issues are not seen as a concern when collaborating to ensure respect for human rights, provided that the context of such collaborative discussions is made clear.

Panelists also mentioned that threatening to end the business relationship with suppliers that do not comply with human rights standards, or to pull out of countries with weak laws, is not constructive for advancing human rights. Instead, an effective de-risking approach should focus on capacity building of local stakeholders.

In addition, suppliers often deal with different expectations. On the one hand, for example, different clients may have different Codes of Conduct, and sometimes a single client may have different expectations to that same supplier because internal objectives are not aligned. For example, the procurement division of a company may require cost cutting, while the sustainability team of that same company might ask to improve social compliance. Therefore, aligning incentives and engagement are the foundation for meaningful sourcing approaches.

Finally, panelists emphasized that most suppliers adapt pragmatically to new requirements and typically follow the lead of their clients. Panelists were optimistic that change at scale is possible if the relationships with suppliers are based on principles of a true partnership among equals.

Breaking internal silos and changing procurement practices

Panelists indicated that to start the process of aligning core business processes with human rights requires a clear signal from top management. Panelists discussed that corporate boards should be equipped with expertise to “know and show” their company’s human rights risks, as well as the tools to set robust policies and processes to address them.

Fundamental to implementing human rights in supply chains is also the full alignment between different business units, such as procurement and sustainability departments. One panelist reported how an internal portal has been created with the objective to align sustainability expectations and procurement practices, thus increasing transparency for all departments over purchasing value, costs, contracts, as well as their sustainability profile and audit results.

Grievance mechanisms

Panelists agreed that the grievance mechanisms currently in place are mostly reactive rather than proactive. Panelists acknowledged that grievance mechanisms can, however, give a voice to individuals and can serve as early warning systems - and therefore also become tools for preventing negative human rights impacts. To establish such proactive grievance mechanisms more work is required, and companies are just beginning to invest in this aspect of human rights due diligence.

It was also highlighted that having multiple parallel grievance mechanisms in place does not represent a problem for workers. Instead, multiple options for filing a complaint gives workers a choice over which mechanisms they trust the most.

Collective action and meaningful engagement

Human rights issues appearing more up-stream in the supply chain require both individual and collective actions, including with civil society organizations and governments. In addition, collaborating with peers - especially within sectoral and multi-stakeholder initiatives – is key to defining the common standards and “rules”, and to aligning on best practices, as well as to building leverage for change within certain country settings.

Finally, it was stressed that making respect for human rights a reality across global supply chains is not wishful thinking. It requires a race to the top in the competitive space, and collaboration/collective

learning in the pre-competitive space, while regulation can create a level-playing field in between where standards already exist.

Role of governments

The UNGPs outline the State's duty to protect human rights. Considering that in most countries the public sector has the largest supply chain, it was highlighted that governments have an obligation to lead by example in their own activities, not only a role in regulating business activities and setting the legislative framework.

Questions from the audience

Question: How do you engage the second or third tier of the supply chains?

Answer: See the Resource Document on Supply Chain Mapping:
https://www.fairlabor.org/sites/default/files/traceability_guidance_paper.pdf

Question: We have heard from large enterprises how they work with these issues, which is indeed very interesting and informative. But as they have noted, risk assessment and management are time and resource intensive even for them. If large enterprises are straining their resources, how would you suggest that SMEs, whose supply chains are also many times global, can implement effective HRDD while limiting the administrative burden?

Answer: For Small companies think about:

1. Collective mapping with peers who are sourcing the same projects and have shared suppliers (increase leverage).
2. At a minimum conduct the mapping of the risks in a generic supply chain and be aware of the issues. Work through industry platforms or MSI that the small suppliers are a part of (e.g. how Consumer Good Forum workers with the FLA to map the forced labor risks in the palm supply chain. https://www.fairlabor.org/sites/default/files/documents/palm_oil_report_fla-cgf_final.pdf)
3. Select the most important product category, not everything.
4. Select the most important geography.
5. Consider consolidating the business with strategic suppliers and working closely with them.

Question: One of the problems raised by manufacturers is that fashion is moving too quickly and this speed and management expectations makes it difficult for manufacturers to keep up while implementing good practices. Do you think that fashion needs to slow down to respect human rights or do you think that fast fashion is not the problem but something else?

Answer: Fast fashion is a challenge. However, with transparency and partnership from both sides, solutions can be found. The participation of all actors is essential - including civil society, unions, brands and manufacturer – in to ensure good practices are maintained.

Question: What kind of collaboration do you see happening among fashion brands when it comes to human rights?

Answer: Brands collaborate a lot, even without any advertising or without making it public, for example through Better Work or the Accord in Bangladesh.

For more information

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