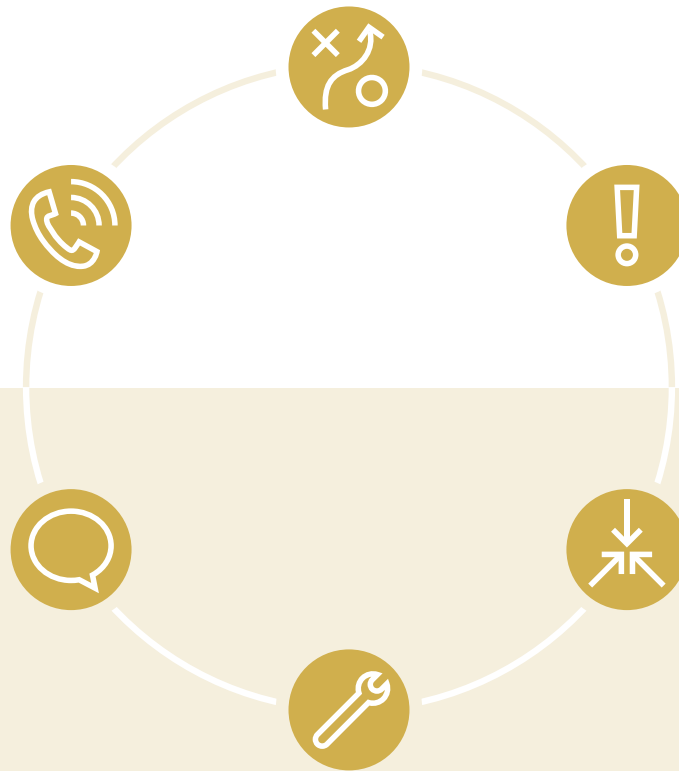


HUMAN RIGHTS DUE DILIGENCE

Step by step – Practical guide for companies



RISING EXPECTATIONS OF COMPANIES

How can a company embed human rights due diligence in its business processes and value chain?

Companies, especially those operating globally, are increasingly scrutinized for their impact on human rights and the environment. At the same time, governments, society, private and business customers, and investors have **rising expectations** of companies to respect human rights. In this context, more and more legal due diligence and transparency obligations are adopted, in Switzerland for example regarding **conflict minerals and child labour**.

In response to the demands for responsible business conduct, the United Nations adopted the **UN Guiding Principles on Business and Human Rights** in 2011. They describe companies' fundamental responsibility to respect human rights and avoid negative impacts on human rights through their own activities and business relationships. The same principles are contained in the **OECD Guidelines for Multinational Enterprises**, which cover a broader range of topics that are relevant for responsible business conduct. The Swiss Government

promotes responsible business conduct within the frame of the **National Action Plan (NAP) for Business and Human Rights**. The Federal Council expects companies to assume their responsibility to respect human rights. Responsible business conduct is an important driver for sustainable development and is of strategic importance for companies.

According to international standards, human rights due diligence encompasses six core elements (see graphic below). This practical guide helps both SMEs and large companies to develop and implement pragmatic and effective human rights due diligence processes in line with the UN Guiding Principles and the OECD Guidelines. In addition, it outlines the first steps companies can take when setting up a due diligence system.

The 6 core elements of human rights due diligence

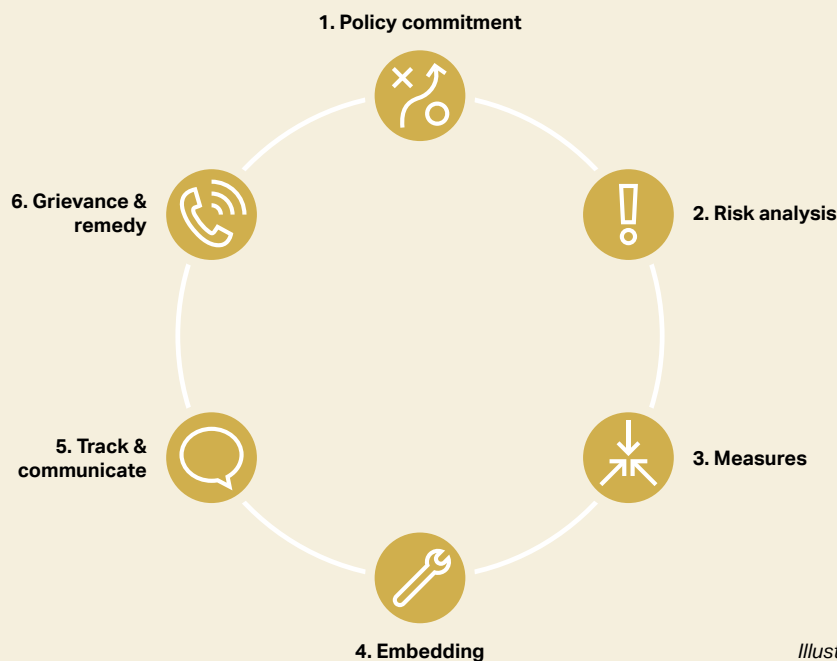


Illustration: focusright ltd.

FIRST STEPS TO GET STARTED

How can a company start implementing human rights due diligence?

What is it about?

Establishing processes for the implementation of human rights due diligence in a company corresponds to a medium to long-term strategy process, which is developed step by step. It makes sense to start small

and improve due diligence over time. In order to kick-off and sustain human rights due diligence in the company, the following first steps are recommended:

Recommended steps



Build professional competence

Different approaches can be followed or combined:

- **Build internal expertise**
Train and upskill staff whose responsibilities are extended accordingly or hire qualified human rights/sustainability professionals who can develop and advance due diligence from within.
- **Leverage external expertise**
Draw from the knowledge of external experts, e.g. in cooperation with business associations that provide expertise to support member companies and organise further training, or by involving specialised consultancy service providers.

Gap analysis & measures

Most companies have already established various measures and processes related to human rights due diligence, for example around occupational health and safety, non-discrimination, or child labour. Often, however, these have not been established in the context of human rights due diligence and are therefore not immediately recognised as part of it. A good starting point for due diligence is therefore to conduct a gap analysis to evaluate the extent to which a company already implements the six core elements of human rights due diligence and build on existing processes. Based on the gap analysis, measures for the further development of the due diligence processes can be identified and the first communication on the topic can be formulated.

Considerations for SMEs

The responsibility to respect human rights applies to all companies, regardless of their size. However, the implementation of due diligence may vary depending on the size and risk profile of the company, as due diligence should be appropriate for the company's specific circumstances and context. For example, special considerations for SMEs result from:

- The capacity and degree of formality of the company's processes and management structure, which will be reflected in the due diligence process.
- The type of supplier relationships and complexity of supply chain, as SMEs with closer supplier relationships and simpler supply chains can implement simpler due diligence processes.

In any case, the measures taken always need to consider the severity of human rights risks and impacts. Severe impacts require appropriate measures regardless of the size of a company. An SME with high human rights risks should therefore implement more thorough due diligence processes than an SME with low risks. Thus, the context and activities of a company are the primary determinants for the design of due diligence, and only secondarily its size.



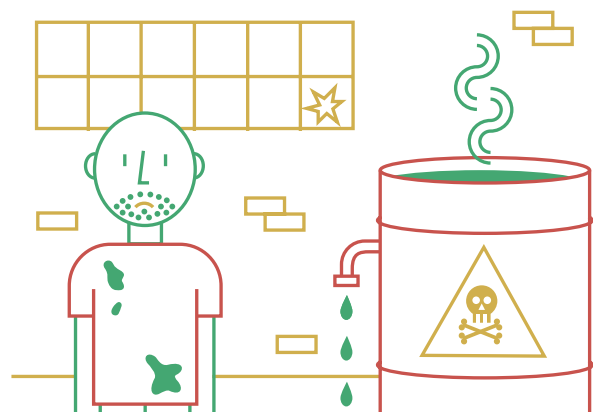
Important

The implementation of human rights due diligence is a cross-cutting task in which various operational functions of the company should be involved.

The creation of an interdisciplinary working or steering group can facilitate internal coordination.

Further information

- SECO, FDFA & GCNSL: [Human rights due diligence of Swiss SMEs](#)
- European Commission: [My Business and Human Rights – Guide for SMEs](#)
- German Global Compact Network: [5 Steps towards managing the human rights impacts of your business](#)
- Global Business Initiative on Human Rights: [Getting Started](#)



In case of severe human rights impacts, even a small company must take comprehensive measures.



1. POLICY COMMITMENT

How does a company credibly express its commitment to respect human rights?

Why is it relevant?

A publicly available policy commitment is the starting point for human rights due diligence and the basis for embedding human rights in the company. The commitment raises awareness for human rights related challenges among internal and external stakeholders, defines key principles, and guides learning processes and measures. It strengthens external partners' trust in the company and contributes to meeting their expectations.

Recommended steps



Types of Policy Statements

Human rights policy statements may vary in form and level of detail, depending on the needs and preferences of the company. Different human rights-related statements and/or policies may complement each other:

- **Standalone Policy**
General policy statement on human rights and/or issue-specific policies, e.g. diversity or non-discrimination policy, policy on preventing and combating corruption, etc.
- **Integrated Policy**
e.g. in company, employee or supplier codes of conduct, etc.



The human rights policy should already make reference to the company's most important human rights issues.

**Important**

Drafting and further developing a policy commitment is a continuous process.

It is recommended to start with the adoption of a first version and - after gaining experience with human rights due diligence – revise it periodically.

Further information

- UN Global Compact: [How to develop a human rights policy](#)
- BSR: [Human Rights Policy Tool](#)
- German Agency for Business & Economic Development: [SME Compass: 1\) Develop a strategy](#)
- Doing Business with Respect for Human Rights: [Policy Commitment](#)

CHECKLIST Policy Commitment¹

<input type="checkbox"/>	Approved at the most senior level	The most senior level of the company is responsible for approving the policy commitment.
<input type="checkbox"/>	Covers the entire value chain	The policy applies to the company's entire upstream and downstream value chain as well as its own operations, and specifies its human rights-related expectations of staff, business partners and others.
<input type="checkbox"/>	Refers to international frameworks	Relevant international human rights standards are referred to, e. g. the Universal Declaration of Human Rights, the UN Covenant on Civil and Political Rights and the UN Covenant on Economic, Social and Cultural Rights and the International Labour Organisation (ILO) Conventions.
<input type="checkbox"/>	Based on relevant expertise	The policy is informed by relevant internal and external expertise for its development and periodic review.
<input type="checkbox"/>	Publicly available	The policy is publicly available and understandable for all interested parties, e. g. available on the company's website in the respective national languages.
<input type="checkbox"/>	Actively communicated	It is actively communicated to relevant stakeholders along the entire value chain, e. g. employees, suppliers, business partners and customers.

¹ Requirements according to the UN Guiding Principles on Business and Human Rights, including Principle No. 16.



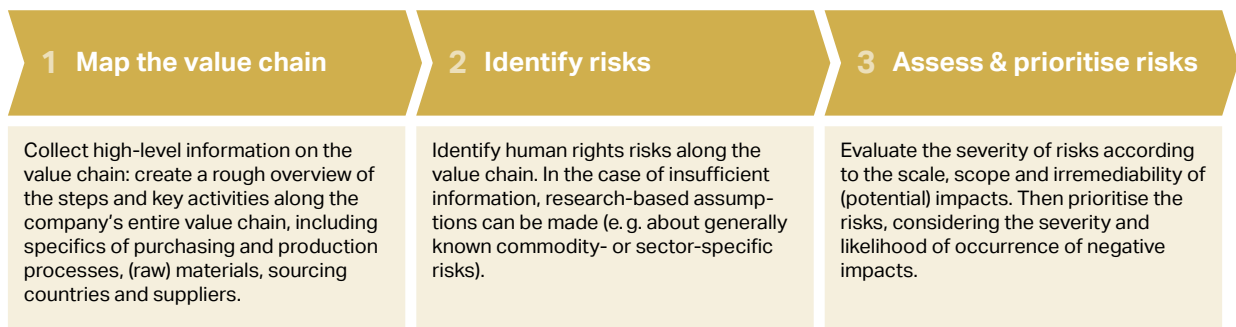
2. RISK ANALYSIS

How can a company identify its human rights risks and impacts?

Why is it relevant?

A proactive approach to risk management contributes to the success of a company. To take informed decisions and appropriate measures, however, human rights risks and impacts need to be sufficiently known. The systematic identification of risks can help avoid conflicts with stakeholders and prevent scandals. Thus, it protects a company's business activities and reputation at the same time.

Recommended steps



Impact assessments and consultations

Following the high-level risk analysis, prioritised risks should, where appropriate, be examined in greater depth through an impact assessment. Impact assessments include direct and meaningful consultation with potentially affected groups of people.

Example: Typical human rights risks along a textile value chain





Important

Traditional business risk analyses usually focus on risks for the company.

Human rights risk analyses, in contrast, focus on the risks for potentially affected individuals or groups of people (rights-holders).

Further information

- MVO Nederland: [CSR Risk Check](#)
- UNGP Reporting Framework: [Salient human rights issues](#)
- German Agency for Business & Economic Development: [SME Compass: 2\) Perform a risk analysis](#)
- Doing Business with Respect for Human Rights: [Assessing impacts](#)

CHECKLIST Risk analysis²

<input type="checkbox"/> Consider all human rights	The risk analysis takes into account all human rights contained in the relevant international human rights standards.
<input type="checkbox"/> Cover the entire value chain	Impacts along the entire upstream and downstream value chain are considered , as well as risks and impacts caused by the company's own business activities.
<input type="checkbox"/> Consider all potentially affected people	All potentially affected people along the value chain are taken into account. In the case of an in-depth impact assessment, potentially affected people are directly consulted .
<input type="checkbox"/> Based on human rights expertise	The analysis is based on internal and/or external human rights expertise .
<input type="checkbox"/> Prioritise risks	The most severe (potential and actual) human rights impacts are prioritised .
<input type="checkbox"/> Repeat at regular intervals	The risk analysis is carried out regularly as well as when conditions change, as both the value chain and specific risks and contexts can change over time.



² Requirements according to the UN Guiding Principles on Business and Human Rights, including Principles No. 17 and 18.

A systematic risk analysis allows companies to identify risks and negative impacts at an early stage.



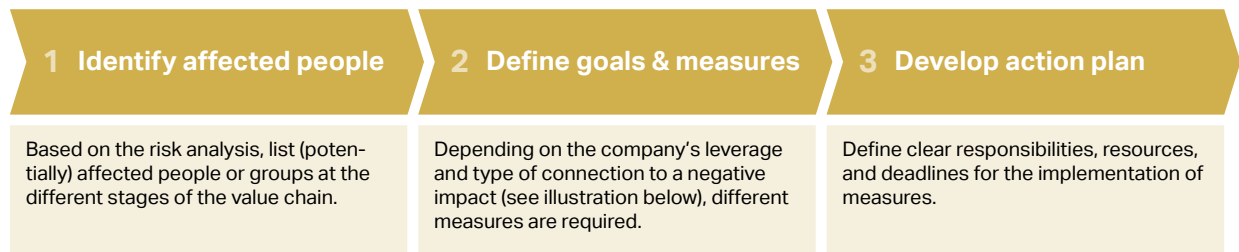
3. MEASURES

How does a company implement effective, risk-based measures to cease, prevent or mitigate negative impacts?

Why is it relevant?

A systematic risk analysis and the subsequent identification and implementation of effective measures are required to ensure that potential risks or actual negative impacts on affected stakeholders are prevented, mitigated and/or eliminated.

Recommended steps



Measures to deal with different types of negative impacts

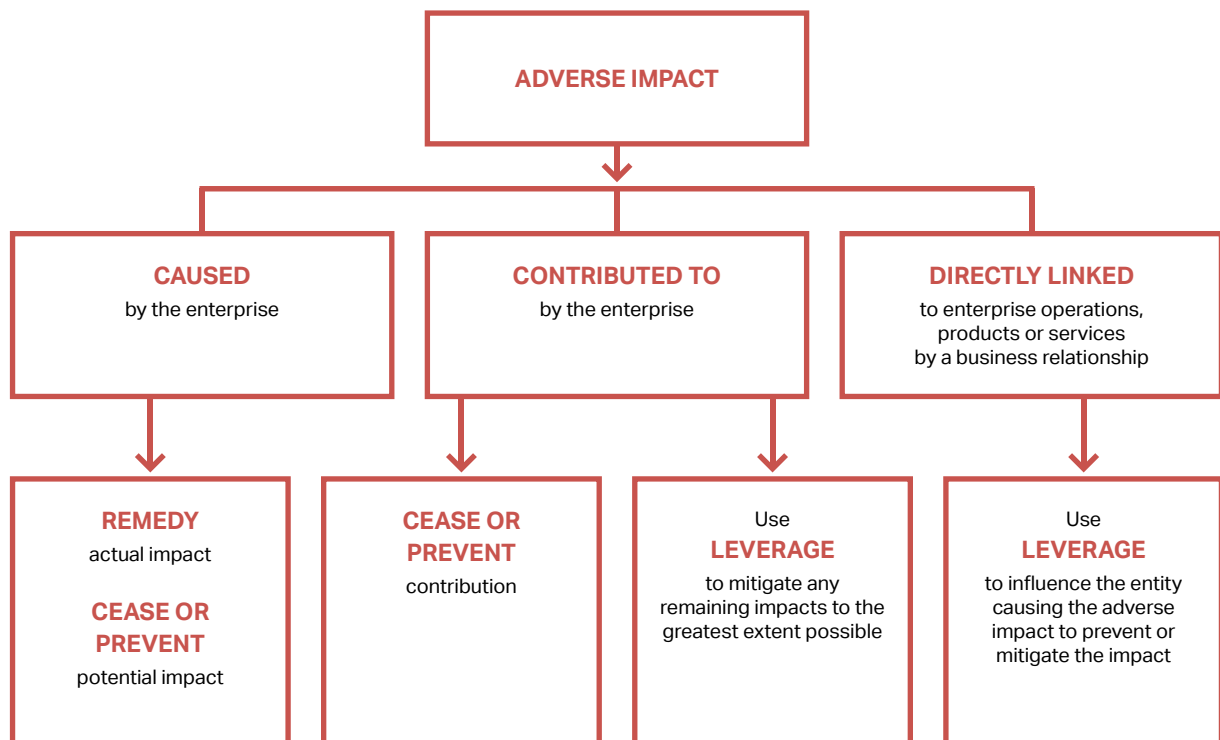


Illustration: OECD Due Diligence Guidance for Responsible Business Conduct, Figure 2, p.72



Important

The action plan must prioritize the risks with the most serious potential or actual negative impacts on people, even if the company has only limited leverage (influence) to cease, prevent or mitigate the impacts.

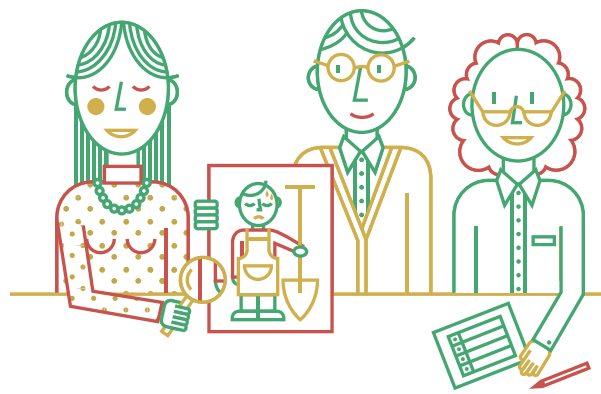
The prioritisation of risks based on severity is part of the risk analysis.

Further information

- German Global Compact Network: [5 Steps towards managing the human rights impacts of your business – Step 04](#)
- OECD: [OECD Due Diligence Guidance for Responsible Business Conduct](#)
- German Agency for Business & Economic Development: [SME Compass: 3\) Take action](#)
- Doing Business with Respect for Human Rights: [Integrating and acting](#)

CHECKLIST Measures³

<input type="checkbox"/> Consider the nature of the impact	Potential negative impacts on affected people must be prevented and/or mitigated, while actual impacts must be ceased and remedied.
<input type="checkbox"/> Consider the full value chain	Measures are defined for the company's own activities as well as for the upstream and downstream value chain .
<input type="checkbox"/> Consider the leverage & degree of involvement	Consideration is given to how closely the company is linked to an (potential or actual) impact (degree of involvement) and how much leverage (influence) it has to prevent or cease it.
<input type="checkbox"/> Based on human rights expertise	The more complex or severe a negative impact is, the more internal and/or external human rights expertise is required.



An effective action plan also takes into account the root causes of human rights risks and impacts.

³ Requirements according to the UN Guiding Principles on Business and Human Rights, including Principles No. 19, 22 and 24.



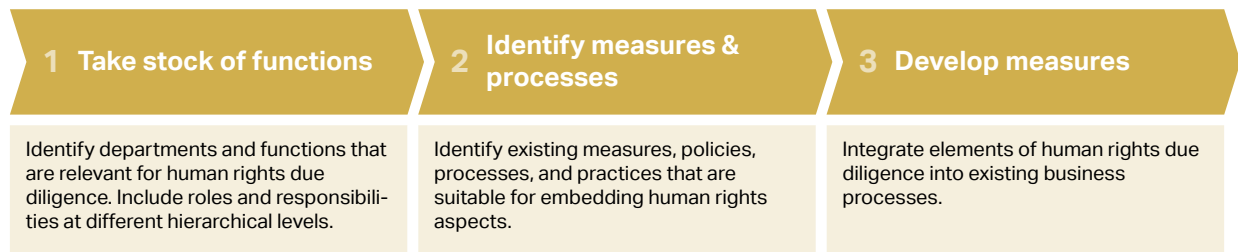
4. EMBEDDING IN THE COMPANY

How does a company integrate human rights due diligence into existing business processes?

Why is it relevant?

Embedding human rights due diligence in the company strengthens the coherence and credibility of the company. It helps avoiding "silo thinking" and contradictions in corporate action and promotes continuous improvement.

Recommended steps



Typical areas of application of process-oriented measures

- Complaints mechanism
- Supplier management
- Policy commitment & governance structure
- Performance incentives & remuneration
- Internal & external trainings
- Internal audit & quality management
- Purchasing & procurement practice
- Customer management & marketing
- Budget allocation
- Product development



Embedding human rights due diligence in the company encourages employees from all functions to contribute their part.

**Important**

Including relevant human rights topics in the existing target setting processes helps embedding human rights effectively in the company.

Employees in all types of functions can integrate human rights-related topics and objectives into their work.

Further information

- Shift: [Embedding Respect for Human Rights](#)
- German Global Compact Network: [5 Steps towards managing the human rights impacts of your business](#) – Step 05
- German Agency for Business & Economic Development: [SME Compass: 3\) Take action](#)
- Doing Business with Respect for Human Rights: [Embedding](#)

✓ CHECKLIST Embedding⁴

<input type="checkbox"/>	Define adequate structure & responsibility	A clear internal governance structure for human rights due diligence is established with responsibilities at different hierarchical levels (can be integrated into existing structures, e. g. sustainability).
<input type="checkbox"/>	Embed in processes & departments	Human rights are embedded in relevant business processes and departments . Depending on the type of company, this may concern e. g. purchasing/procurement, human resources, product development, etc.
<input type="checkbox"/>	Establish coherent incentives & performance management	Coherence is sought between the company's responsibility to respect human rights and the policies and procedures that govern business operations. This includes the design of financial and other performance incentives for employees, e. g. in connection with promotion, remuneration or other incentive schemes.
<input type="checkbox"/>	Conduct tailored trainings	Individuals who influence the success of human rights due diligence through their daily work , understand its relevance and how they can concretely contribute to its success.
<input type="checkbox"/>	Cooperate with third parties	There is constructive cooperation and dialogue with competitors and actors in the upstream and downstream value chain in order to mitigate risks (e. g. with (sub)suppliers or service partners) - especially where the company's leverage is low.

⁴ Requirements according to the UN Guiding Principles on Business and Human Rights, including Principle No. 19.



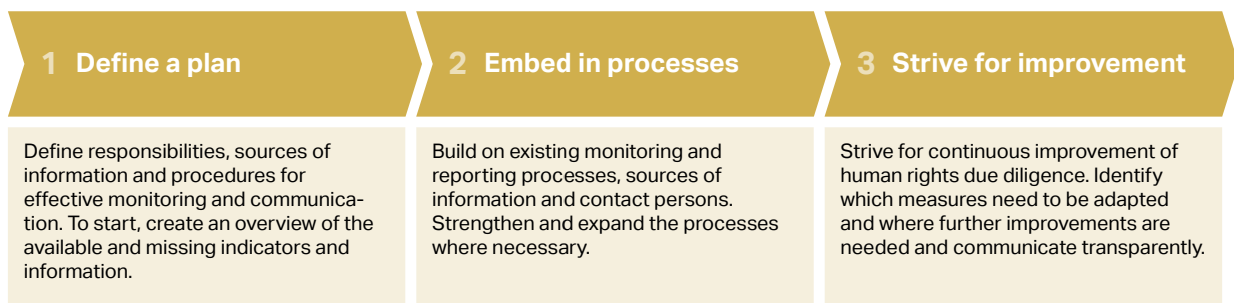
5. MONITORING & COMMUNICATION

How does a company monitor the effectiveness of its measures? How does it communicate transparently about its impacts and how it deals with them?

Why is it relevant?

Regular monitoring of the effectiveness of the measures taken helps to invest resources in a targeted manner and to achieve the desired impact for the benefit of affected people. Transparent communication strengthens stakeholders' trust, promotes the company's reputation, and can lead to a better rating of the company in investor rankings and indices. In addition, the legal due diligence requirements regarding conflict minerals and child labour in Switzerland also include certain transparency and reporting obligations.

Recommended steps



Examples of recognised standards and frameworks to guide communication:

- GRI Standards 2021
- UNGP Reporting Framework
- Corporate Human Rights Benchmark



Transparent communication about human rights due diligence strengthens customers' trust in the company.

**Important**

Communication about human rights issues raises awareness and creates transparency about possible risks, challenges and (yet unresolved) problems.

Continuous improvement and step-by-step problem solving, as well as transparency about them, are key elements of due diligence.

Further information

- Shift: [Communicate](#)
- Shift: [Human Rights Reporting](#)
- German Agency for Business & Economic Development: [SME Compass: 4\) Measure and report](#)
- Doing Business with Respect for Human Rights: [Tracking performance](#)

 CHECKLIST Monitoring⁵

<input type="checkbox"/>	Define appropriate indicators	The effectiveness of the measures taken is regularly reviewed using appropriate qualitative and quantitative indicators , and their implementation progress is evaluated.
<input type="checkbox"/>	Include relevant sources	Internal and external sources are used for the evaluation of progress, including consultation with affected people/groups.
<input type="checkbox"/>	Focus on affected people	The impact of measures is evaluated with a focus on the situation of the people (potentially or actually) affected , especially people in conditions of vulnerability or marginalization.
<input type="checkbox"/>	Integrate into existing processes	The monitoring is integrated into existing internal and external review processes , e. g. employee surveys and audits.

 CHECKLIST Communication⁶

<input type="checkbox"/>	Define an appropriate form and frequency	The prioritised risks and the measures taken are regularly communicated in a comprehensible manner . Serious risks are formally reported.
<input type="checkbox"/>	Ensure accessibility	The information is made accessible to the target group(s) and, if necessary, additional communication channels are set up for this purpose (e. g. translation into other languages, use of social media).
<input type="checkbox"/>	Strive for appropriate transparency	Stakeholders can use the information provided to evaluate whether the measures taken adequately address the identified risks and impacts.
<input type="checkbox"/>	Protect sources of information	To protect sources of information (e. g. from retaliation), ensure confidentiality of the communication where needed.

⁵ Requirements according to the UN Guiding Principles on Business and Human Rights, including Principle No. 20.

⁶ Ibid, Principle No. 21.



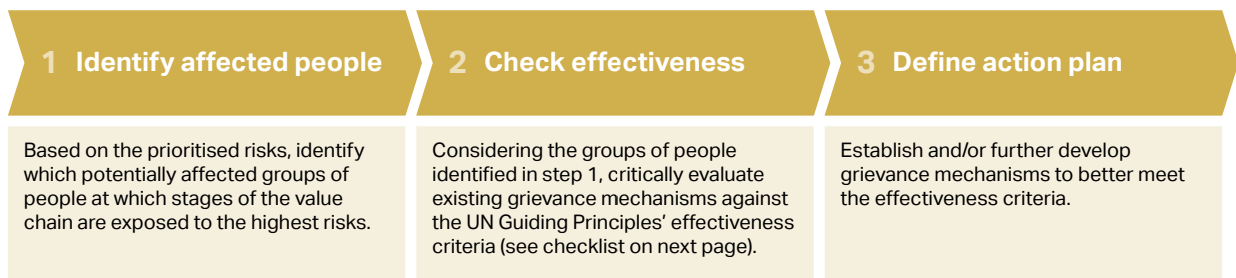
6. GRIEVANCE & REMEDY

What is an effective grievance mechanism and how can a company use it for the early identification and the remediation of impacts?

Why is it relevant?

As an early warning system, grievance mechanisms help companies to identify conflicts at an early stage and eliminate their root causes. This builds trust, improves relations with stakeholders and prevents expensive and lengthy disputes. Through direct dialogue with affected parties, grievance mechanisms also facilitate the identification of meaningful remediation measures.

Recommended steps



Remedy

In case of justified complaints or actual negative impacts along the value chain, companies should provide access to remedy to affected people. If companies have caused damage themselves, it is their responsibility to recover it.

Examples of remedial measures

- Apologies
- Remediation
- Rehabilitation
- Financial or non-financial compensation
- Criminal or administrative sanctions
- Prevention of further damage (e. g. guarantee of non-repetition)
- Education and training programs for staff
- Agreements resulting from mediation processes



An accessible grievance mechanism helps to prevent conflicts with key stakeholders.

**Important**

Grievance mechanisms can be established at local or factory level, at company level, or at sector/industry level – by the company itself or in cooperation with partner organisations (e.g. multi-stakeholder/sector initiatives or business associations).

Parallel mechanisms at different levels complement each other and serve as a safeguard.

Further information

- Global Compact Network Germany: [Worth listening: Understanding and implementing human rights grievance management](#)
- CSR Europe: [Assessing the effectiveness of grievance mechanisms](#)
- German Agency for Business & Economic Development: [SME Compass: 5\) Manage complaints](#)
- Doing Business with Respect for Human Rights: [Remediation and grievance mechanisms](#)

CHECKLIST Grievance & Remedy⁷

<input type="checkbox"/>	Legitimate	The process for handling complaints as well as responsibilities are clearly defined, and the responsible staff is trained .
<input type="checkbox"/>	Predictable	Process , timing, and possible solutions are developed in advance and communicated to potential users of the grievance mechanism.
<input type="checkbox"/>	Transparent	Users are informed about the progress of their complaint on an ongoing basis. The effectiveness of the mechanism is communicated internally and externally .
<input type="checkbox"/>	Dialogue-based	Dialogue is used as a means to address and resolve grievances , e.g., when dealing with complaints or defining and monitoring measures.
<input type="checkbox"/>	Accessible	Potential users are made aware of the process and are able to use it (e.g. in a language they are familiar with).
<input type="checkbox"/>	Equitable	The necessary practical support is provided (e.g. access to information, advice and expertise) so that potentially affected people can actually use the mechanism .
<input type="checkbox"/>	Rights-compatible	Particularly severe complaints are prioritised and assigned to the relevant functions/levels of hierarchy. Solutions are developed in line with the needs of those affected .
<input type="checkbox"/>	Source of continuous learning	The process is continuously improved based on the experience from its use and findings are integrated into the company's business processes.

⁷ Requirements according to the UN Guiding Principles on Business and Human Rights, including Principle No. 31.

Imprint

This practical guide was created within the frame of the Swiss [National Action Plan for Business and Human Rights \(NAP\)](#) on behalf of the State Secretariat for Economic Affairs SECO and the Federal Department of Foreign Affairs FDFA. The UN Global Compact Network Switzerland & Liechtenstein is strategic partner.

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focusright makes human rights tangible for business. We work with companies and organizations from different sectors to strengthen their management systems, identify human rights risks and define effective measures – both in their own operations and extended value chains. focusright advises organizations on embedding relevant policies, designing human rights due diligence processes, managing supply chain risks and structuring remediation measures in accordance

with the UN-Guiding Principles on Business and Human Rights (UNGPs). focusright supports companies in the implementation of human rights-related regulations such as the counter-proposal to the Responsible Business Initiative in Switzerland or the Supply Chain Due Diligence Act in Germany. We recommend measures to address systemic human rights issues and conduct human rights impact assessments in high-risk contexts.

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