



# Human Rights Due Diligence



# Introduction

Human rights are universal moral and legal precepts that consider the dignity and worth of all people. The UN Guiding Principles (UNGPs) on Business and Human Rights were developed in recognition that governments and companies have a tremendous effect on these rights and clarify that while states have a duty to protect them, businesses must respect these rights as well.

The Guidelines include three pillars: Protect, Respect and Remedy, that outline expectations for states and business actors to prevent human rights abuses from occurring and set out requirements for responding if they do. These principles clarify the responsibilities companies have with regards to human rights and set the global standard for how

they address the impacts of their activities on the people around them.

All businesses are responsible for respecting human rights as defined in the International Bill of Human Rights, which includes, the Universal Declaration on Human Rights and the International Covenants on Civil, Political, Economic, Social and Cultural Rights.

Companies can take steps to respect human rights by engaging in three key activities: First, by adopting a firm commitment at the corporate level to respect human rights. Second, companies should engage in an ongoing human rights due diligence process. Third, where human rights violations occur, they should be remediated.



## What is Human Rights Due Diligence?

The UNGP Reporting Framework defines human rights due diligence (HRDD) as an ongoing risk management process that identifies, mitigates and accounts for how an organization addresses adverse human rights concerns throughout its operations and value chain. Businesses of all sizes are expected to build the infrastructure necessary to conduct HRDD regularly throughout their operations. However, while respecting the rights of employees may seem straightforward, addressing or even knowing where human rights impacts might occur throughout your entire supply chain or as part of complex business relationships may prove more challenging.

Note that governments require HRDD as part of a company's corporate responsibility program if it plans to operate within its jurisdiction or participate in state contracts. Implementing human rights due diligence is your pledge to exercise adequate oversight, meet international human rights obligations and promote the rule of law. As a business decision, it demonstrates to potential investors and customers that your company is committed to ethical practices.

Regular risk assessments empower organizations to respond accordingly and track shifts in their operating environment. Formal processes for updating them should include routine stakeholder engagement and developing a culture of sharing and escalating internal concerns to the appropriate decision-makers inside the company. Effective grievance mechanisms allow businesses to identify potential risks and remediate harms, especially around stakeholders in the deeper supply chain.

## Who needs it?

HRDD has become synonymous with best practice globally and more and more countries are transposing the UNGP into legally binding requirements for HRDD. Although national legislation often primarily targets larger companies, smaller companies are also increasingly being required to perform HRDD. Even small companies can be held responsible for causing human rights abuses either through their own activities or linked by relationships with other parties. Violations can expose you to criminal liability and you must be able to prove that every reasonable step was taken to identify and mitigate the risks.

Even though small- and medium-sized enterprises may have less capacity and more informal processes than larger, more established companies, all human rights impacts require corresponding measures. Businesses should have policies and procedures in place to identify, prevent, mitigate and account for how they address their human rights concerns or risk reputational, financial, political and potential legal repercussions.

Conducting HRDD can be time-consuming and complicated, especially for an enterprise with numerous entities across vast value chains. However, the benefits of doing so are well worth the effort. To create a clear path forward, businesses of all sizes must work together to manage human rights challenges. By sharing information and promoting best practices, we can all play a vital role in this global effort.

## How to implement HRDD

Human rights laws vary from country to country, but most include nondiscrimination, environmental, property, privacy and antibribery protections, to name a few. When human rights impacts are linked to your operations, products or services, seek to mitigate them in a manner consistent with these responsibilities. An HRDD program plays an essential role in an enterprise's compliance with such legal requirements and helps prevent gross human rights abuses from occurring in the first place.



HRDD can be integrated within the organization's broader risk management systems and should be initiated as early as possible when developing new activities or relationships. Start by prioritizing the most severe impacts first and pay special attention to vulnerable, marginalized populations and specific challenges faced by indigenous people, women, children, migrant workers, people with disabilities and national, ethnic, religious and linguistic minorities. The severity of impacts is judged by scope, scale and irremediable character.

Accurately assessing human rights impacts means knowing the concerns of those who may be affected by consulting

them directly in a way that considers language and other potential barriers to effective communication. Understanding the consequences of an action typically requires assessing the situation thoroughly before and after the proposed activity.

Identify who may be affected, catalog the relevant standards and issues, and project how the proposed action and associated business relationships could affect the people involved. Human rights situations change quickly. Organizations should undertake assessments at regular intervals, such as before a major decision, merger, acquisition, market entry, product launch, new policy, contract or change in operations.

Even where there's a low chance of impact, a potential link could still exist.

HRDD should be reflected in organizational policy and embedded throughout every business level. Identify the risks and outline responsibilities, obligations and expectations through a Human Rights Statement of Commitment. The most senior leaders should approve this document and make it public to communicate expectations to customers, suppliers and other stakeholders. The procedures and systems for accountability should be clear and have the necessary training, budget and oversight to support them.

## HRDD in 5 steps:

### Step 1 – Identify

To gauge human rights risks effectively, identify and assess any actual or potential adverse impacts you may be involved in through your activities and business relationships. This process should be informed by internal and independent external human rights experts and contain meaningful consultations with potentially affected groups.

HRDD should be ongoing. Set up the process and select potential tools and resources before initiating your efforts. The more complex or severe implications are, the more important it will be to draw on independent expert advice to decide the best way to respond.

- Identify stakeholders in value and supply chains
- Determine potential human rights risks for each stakeholder
- Prioritize risks based on severity and leverage tools and resources accordingly.
- Even where there's a low chance of impact, take steps to prevent it from materializing and have a contingency plan in place

### Step 2 – Integrate

Prevent and mitigate adverse human rights impacts by integrating the latest findings from your impact assessments across relevant internal functions and processes. Assign responsibility for addressing these issues to a specific person or team. This creates an internal decision-making system that clearly identifies oversight mechanisms and details how budget allocations will be made.

- Determine whether policies, procedures and processes need to be updated. For example, new considerations and diligence when onboarding a new business relationship, expanding operations or product lines, etc.
- Assign clear responsibility for overseeing and addressing identified risks.
- Set up measures for situations where risks exist but have not yet materialized.
- When adverse impacts are identified, generate corrective actions and determine where business relationships can be leveraged.





### Step 3 – Track

To implement human rights policies effectively, it's essential to track corrective and mitigation efforts. This task should be based on a variety of indicators, including qualitative and quantitative measures, as well as feedback from stakeholders.

- Integrate the latest findings
- Identify areas for improvement
- Amend plans and actions accordingly
- Track the data

### Step 4 – Communicate

Traditional annual and corporate responsibility reports are giving way to more timely online updates with integrated financial and nonfinancial accounts. However, a formal report detailing identification and mitigation efforts is necessary when risks of severe human rights violations emerge. Independent verification of these reports helps increase their credibility.

Organizations should communicate how they have addressed their human rights impacts, especially when concerns are raised. Communication can take many forms, including:

- Face-to-face meetings
- Online consultations
- Formal public reports

### Step 5 – Remediate

Even with the best intentions, adverse human rights impacts may occur despite an organization's commitment to preventing them. Once an impact is identified, provide for or cooperate in remediation through legitimate processes.

- Cooperation with judicial mechanisms is usually necessary in cases where crimes are alleged.
- Have a grievance mechanism in place where affected stakeholders can report potential violations.

## Key definitions

### Stakeholders

Who are the people impacted by the business and its relationships?

Examples: community, consumers, investors, employees, business partners, etc.

### Human rights risk

What are the human rights risks in the supply and value chains?

Where are they located? Some may be low-priority, while others need attention immediately.

### Prevention

Although risks may be minimal, organizations should be proactive in ensuring they never materialize by providing adequate company policies and having appropriate monitoring protocols in place.

### Cause vs link

An organization may cause the impact directly or be linked indirectly through its operations or business relationships.

### Mitigate

Corrective action will vary depending on the specific circumstances and the amount of leverage an organization has to remedy a supply chain problem. The expectation is to track any progress in the mitigation and corrective action measures to keep an accurate account.

### Communicate

Review the lessons learned to ensure they're incorporated into policies and procedures; actively share them with stakeholders.

## Conclusion

Human rights are standards that societies set for themselves to protect the dignity and well-being of all people. HRDD integration across your corporation is most effective when everyone fully embraces the commitment and embeds it into the fabric of your business. This ensures that any findings are adequately understood and acted on.

Due to growing pressure from governments and communities around the world, corporations are increasingly expected to map out and implement HRDD across their supply chains. To stay competitive in a global marketplace, organizations must remain vigilant. While the endeavor can seem complicated and abstract, getting started doesn't have to be a time-consuming or resource-heavy process.



## How UL Solutions helps implement standards and assess, develop and improve effective HRDD policies and procedures

For over 20 years, UL Solutions has helped organizations from various sectors around the world implement international standards and assess, develop and improve effective HRDD policies and procedures. Our services are customized to meet your unique needs and provide a clear path to compliance.

### Code of Conduct, Policies and Program Development

UL Solutions can help organizations establish and communicate human rights due diligence expectations to their suppliers and stakeholders and create a shared understanding from which informed decisions can be made. UL Solutions can develop new Codes of Conduct and policies or enhance existing ones. UL Solutions can help organizations develop program manuals, which govern program and due diligence execution and allow suppliers, vendors, and staff to better understand and prepare for program execution and development.

### Supply Chain Risk, Research and Due Diligence Systems

UL Solutions can support organizations human rights risk identification and risk analysis via the deployment and development of supplier self-assessment questionnaires, as well as risk analysis tools which allow for the segmentation of low and high-risk suppliers, allowing clients to tailor their due diligence approach appropriately. Customized Risk Research Reports can be provided as desktop and/or field research services and can cover areas such as human rights risks tied to country, specific products, or commodities, and/or industry. UL Solutions can support with review and verification that management systems are in place to identify and to react to human rights risks in a supply chain.

### Audit Programs

Where organizations intend to deploy supply chain audits to assess human rights practices in their supply chain, UL Solutions can develop, customize, and benchmark Audit Tools, Report Templates, Grading Matrix, and Summary of Findings to fit the organization's needs. UL Solutions is also able

to carry out social labor audits, as well as audits focusing on specific risk areas (e.g., environmental, recruitment, foreign worker employment, forced labor and trafficking, and prison labor or industry such as agriculture). Traceability and Chain of Custody audits investigate the source of raw materials used in a product.

### Audit Programs

UL Solutions can help organizations establish programs aimed at reviewing and leveraging existing peer human rights due diligence programs as well as supplier reports.

### Improving Supplier Performance

UL Solutions offers a spectrum of Education Services addressing human rights. Trainings educate organizations and suppliers on topics critical to supply chain responsibility, helping key stakeholders to learn about risks, understand definitions and key issues, identify risk indicators, address, and remediate issues and implement long-term management solutions. UL Solutions remediation and capacity building services can help organizations improve human rights performance by engaging with organizations, suppliers, and vendor management teams through onsite consultations and remote assistance to enhance knowledge and understanding of management systems. Where non-conformances in the supply chain are identified, UL Solutions can support the review of corrective actions, validation of evidence provided by suppliers, as well as review of root cause analysis carried out by suppliers.

## **Implement Human Rights Due Diligence with UL Solutions/RS**

<sup>1</sup> United Nations, "Guiding Principles on Business and Human Rights," November 4, 2011.

<sup>2</sup> United Nations, "The Corporate Responsibility to Respect Human Rights," December 02, 2012.



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