

BE HUMAN, BE KIND

A VARIETY OF GOOD HUMAN RIGHTS DUE DILIGENCE (HRDD)
PRACTICES WITHIN THE CONSUMER GOODS INDUSTRY



Young
Professionals
Program





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PREFACE

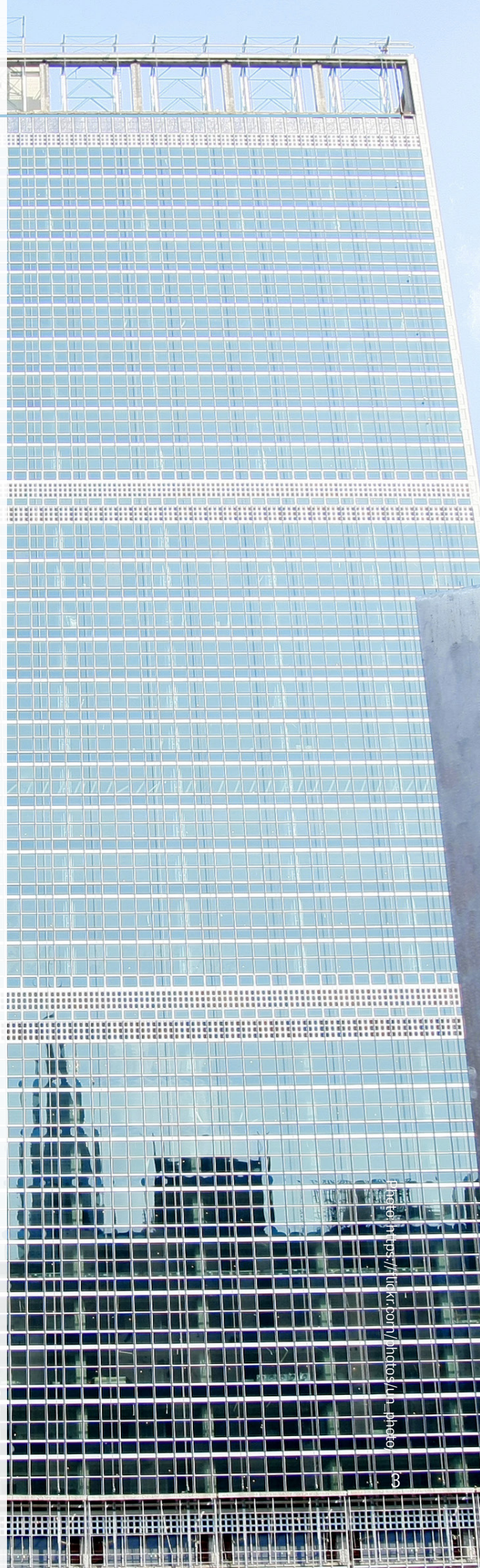
This project is undertaken by a team taking part in the UN Global Compact NL's Young Professional Program in the Netherlands, composed of eight individuals from diverse professional backgrounds, each bringing a unique perspective to the project.

This team is committed to advancing the understanding and implementation of Human Rights Due Diligence (HRDD) in the Consumer Goods industry, contributing to a more responsible and ethical business environment.

Many organizations, particularly those in the global Consumer Goods industry, have intricate and extensive value chains. Ensuring responsible business conduct throughout these chains can be challenging, as it requires monitoring and addressing potential human rights violations across multiple geographies and tiers of suppliers.

This report analyzes a number of approaches from the consumer goods industry to HRDD, shedding light on good practices adopted by various companies.

Guided by the United Nations Guiding Principles (UNGPs) on Business and Human Rights, this report aims to showcase approaches that go beyond compliance and contribute meaningfully to the advancement of this agenda globally. We express our appreciation to everyone who contributed to this project, including the UN Global Compact Network Netherlands, [Jan van den Herik](#) (executive team coach and program director for the Young Professionals Program), and industry and human rights experts who offered valuable feedback on our report.



DISCLAIMER

This report, authored by a team from the United Nations Global Compact Young Professional Program, focuses on a number of case studies in Human Rights Due Diligence (HRDD). It is important to clarify that our inclusion of businesses within this report does not constitute a judgment of their overall human rights performance, nor the effectiveness of their human rights processes in place. Our aim is to provide an objective overview, selectively highlighting elements from the HRDD reporting processes of various companies purely for illustrative purposes. These selections are therefore also not an exhaustive representation of the companies' HRDD efforts.

The analysis and examples cited in this report are derived solely from publicly available information, including company websites, annual reports, and sustainability reports. This approach ensures that our sources are transparent and accessible.

Furthermore, we have made an effort to reach out to companies featured in this report. The extent of their responses varied, while some companies provided their feedback and others did not offer a response. It is important to note that a response from certain companies, or absence hereof, has not influenced the considerations made in this report. Our goal is to contribute to the ongoing discourse on HRDD, highlighting practices that can inspire and guide improvements in human rights across various sectors.



METHODOLOGY

In this report on Human Rights Due Diligence (HRDD) within the consumer goods industry, the methodology is designed to provide a thorough understanding of the current landscape. The overarching framework guiding this analysis is the OECD framework¹, which is aligned to the UNGPs.

The phases of writing this report took place as follows:

- » The first phase involved extensive desktop research, encompassing a broad spectrum of literature, industry reports, and case studies to identify prevalent trends and challenges in HRDD.
- » The second phase employed a qualitative approach through interviews with industry experts, delving into first-hand insights and experiences to gather nuanced perspectives. This step not only enriched the report with real-world context but also ensured a holistic view of the subject matter.
- » The third phase involved identifying good practices in reporting. These efforts were focused by utilizing the knowledge gained in phase one and two.

Lastly, a review panel assessed the gathered information, validated the identified good practices and offered a collective and expert-driven evaluation. Furthermore, the companies selected were asked to provide feedback, and in the case of a response were as much as possible incorporated into the report. This methodology aims to provide a comprehensive, multifaceted analysis that goes beyond surface-level observations, contributing valuable insights to the advancement of human rights practices within the consumer goods industry.

¹ OECD (n.d.) OECD Guidelines. [Online]. OECD. Available at: <https://www.oecdguidelines.nl/oecd-guidelines/due-diligence>



INTRODUCTION

WHAT ARE HUMAN RIGHTS (IN A NUTSHELL)

Human rights are fundamental rights and freedoms that every individual is inherently entitled to, irrespective of their race, gender, nationality, religion, or any other distinguishing characteristic. These rights are the cornerstone of a just and equitable society, aiming to protect and uphold human dignity. In 1948, this was adopted by the UN General Assembly into the Universal Declaration of Human Rights. It set a common standard of human rights for all people and nations and laid the foundation for later specific and binding international human rights treaties.

In 2011, the United Nations Guiding Principles on Business and Human Rights (UNGPs) were adopted. These comprised a set of guidelines for states and businesses to prevent, address and remedy human rights abuses committed in business operations. They rest on three pillars: the state duty to **PROTECT**, the corporate responsibility to **RESPECT**, and access to **REMEDY** for victims of business-related abuses.

The 'Protect' pillar emphasizes the state's duty to safeguard human rights by enacting and enforcing laws to prevent abuse, while the 'Respect' pillar underlines the responsibility of businesses to avoid causing or contributing to human rights abuses. The 'Remedy' pillar underscores the necessity for victims of human rights abuses to have access to effective redress, whether through their employer's (e.g., HR) or external parties (e.g., ombudspersons), with both states and corporations playing a role in facilitating this access.

Importantly, there is a growing trend of transitioning from voluntary standards to legislation in the arena of business and human rights. The UNGPs acknowledged the need for a mix of measures, both mandatory and voluntary. This approach ensures that the responsibility of states to protect human rights and the corporate responsibility to respect

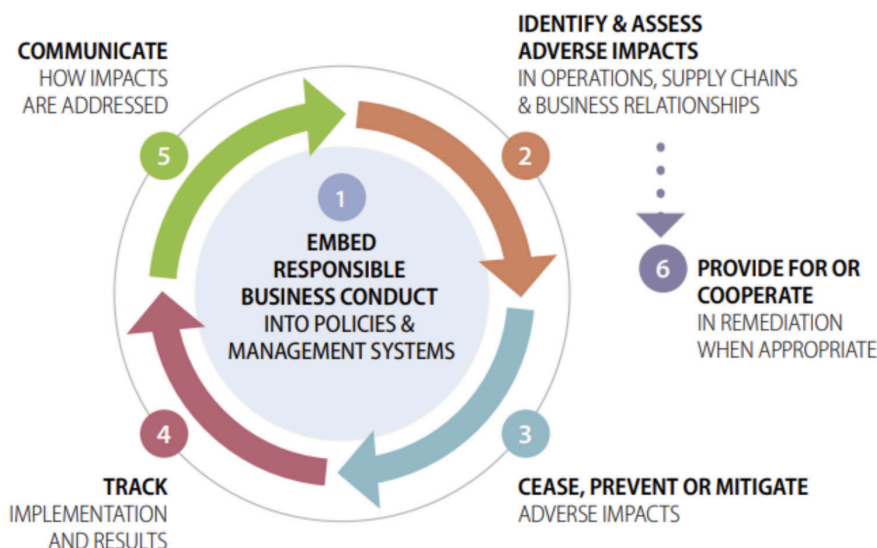
human rights are mutually reinforcing, thereby providing a comprehensive framework for the prevention of human rights violations and access to remedy when violations occur.

WHAT IS HUMAN RIGHTS DUE DILIGENCE (HRDD) AND HOW DOES IT EVOLVE?

The concept of Human Rights Due Diligence (HRDD) was formally introduced in 2011, when the UNGPs were adopted by the Human Rights Council. Its origin lies in the adoption of the Universal Declaration of Human Rights by the United Nations in 1948, which laid the foundation for the recognition of human rights as a global imperative. Subsequently, in the late 20th century, growing concerns about corporate activities and their human rights impacts led to the development of international guidelines and standards, such as the OECD Guidelines for Multinational Enterprises in 1976. These principles articulated the corporate responsibility to respect human rights and introduced the concept of HRDD as a key means to fulfill this obligation. Recognized globally, the OECD Guidelines emphasize the responsibility of businesses to respect human rights, exercise due diligence, and remediate any adverse impacts on human rights that may arise throughout their operations.

In the context of current and future regulatory frameworks, HRDD is becoming increasingly central. The new Corporate Sustainability Reporting Directive (CSRD) and the proposed Corporate Sustainability Due Diligence Directive (CSDDD) in the European Union, for example, underscore the growing legal obligations for businesses to conduct HRDD. These regulations will require companies to integrate HRDD practices into their operations, making it imperative for businesses to not only understand HRDD but also to adapt to these evolving regulatory landscapes.

In light of this fast changing space, the OECD Guidelines provide a vital reference point for companies seeking to align their HRDD practices with emerging legal requirements.



The six steps in HRDD identified in the graph above will serve as the foundation for this report. For each of the steps, good practices were identified by consumer goods companies on how to implement this framework.

By adhering to these guidelines, businesses can proactively address human rights risks and ensure compliance with current and future regulations, thereby safeguarding both human rights and the sustainability of the company or the wider industry in an ever-changing business environment.

The risks of inadequate implementation with proper HRDD can impact multiple dimensions. For example, companies may face loss of capital as ethical investors increasingly prioritize socially responsible enterprises. Moreover, the failure to align with international human rights standards jeopardizes potential business opportunities. It can lead to reduced staff retention and productivity, motivated by a sense of purpose. The reputational harm can be irreversible, as negative publicity surrounding human rights abuses can erode brand trust and customer loyalty and may even lead to potential litigation.

On the other hand, embracing and diligently adhering to proper HRDD not only safeguards against risks but also positions companies as pioneers in a socially conscious landscape, presenting a myriad of opportunities. Proactive HRDD serves as a powerful mechanism to future-proof a company, enhancing its resilience in the face of evolving ethical expectations

and regulatory updates. This commitment becomes a magnet for ethical investors seeking sustainable ventures, establishing the company as the choice of those aligning investments with socially responsible practices. As a result, the company emerges as the partner of choice for a spectrum of stakeholders, from suppliers to consumers. Moreover, such practices contribute tangibly to the achievement of Sustainable Development Goals, aligning business objectives with broader societal aspirations and bolstering the company's positive impact on the world.

In the realm of corporate responsibility, there are no offsets when it comes to human rights impacts. Unlike other aspects of business, the consequences of human rights violations cannot be mitigated or compensated for through alternative measures. The enduring principles of dignity, equality, and fairness demand unwavering commitment, with no room for trade-offs. Any compromise on human rights leaves a lasting mark on the moral fabric of a company, transcending financial considerations. A commitment to ethical business practices is not a negotiable facet, it is the cornerstone upon which sustainable and responsible corporate success is built.

Image Source: OECD Due Diligence Guidance for Responsible Business Conduct



WHAT ARE THE COMMON CHALLENGES IN THE HRDD PROCESS?

HRDD encounters a multifaceted array of challenges that hinder its effectiveness and widespread adoption. For example:

- 1. The complexity of the value chain and cultural ambiguity of indicators used in HRDD:** extensive value chains in different geographies can lead to certain indicators in human rights to be ambiguous or to have different meanings depending on the region. For instance, excessive work hours may be perceived as an issue in Europe, but may not be interpreted that way in other parts of the world. These become barriers to stakeholder comprehension, with unclear scopes and inadequate representation of salient issues, resulting in limited added value for those seeking relevant information.
- 2. Resource constraints:** as companies grapple with the need for substantial investments in staff training, technology, and monitoring mechanisms essential for comprehensive HRDD practices.
- 3. Regulatory hurdles:** navigating a global business landscape requires companies to overcome diverse and evolving human rights regulations across different regions, which requires dedicated efforts to align policies and systems accordingly, adding another layer of complexity to HRDD implementation.
- 4. Change management challenge:** the integration of responsible business conduct faces resistance due to the necessity for transformative changes in corporate culture and mindset. Implementing HRDD can bring significant changes in the way a company operates, from choosing adequate suppliers to engaging with the

(potentially) affected communities. This often requires cultural shifts that need to be led by leadership and embraced by the whole organization.

- 5. Limited data availability:** collecting data from suppliers and ensuring the information is trustworthy can be challenging. Since consumer goods companies work with complex value chains, many of these suppliers may not be equipped to provide all the necessary data required for a proper HRDD process.
- 6. Information overflow:** while in some areas there are challenges of limited data availability, sometimes the industry also faces overflow of information, standards or regulations. There are different initiatives proposed by coalitions, most of the time, standards vary across countries, sub-sectors or even the industry itself.
- 7. Limited use of standardized indicators:** undermines comparability among companies, hindering stakeholders' ability to assess and compare human rights performance. This lack of uniformity is compounded by organizations' reluctance to embrace transparency, driven by the fear of vulnerability and potential negative financial consequences.







WHAT IS EXPECTED BY THE UNGPS OR PRESCRIBED BY THE OECD GUIDELINES?

- » **Strengthen the company's commitment to human rights:** ensure that Human Rights principles are integrated into the companies' policies and the core of its operations. By weaving responsible business conduct into the various processes, policies and procedures, a company can effectively identify, prevent, and mitigate human rights risks throughout their value chains.
- » **Establish the appropriate governance:** Determine accountability within the organization to uphold Human Rights in every decision process.

WHAT ARE THE INITIAL STEPS WE RECOMMEND EVERY COMPANY TO TAKE?

- » **Identify salient human rights issues² and integrate them into guidelines:** they may vary from one business to the other depending on their products and value chains. An important first step is to have clarity on which the Human Rights issues that have the most severe impact on people throughout the business operations. Then, integrate human rights guidelines to focus specifically on the identified salient issue.

WHAT ARE INSPIRATIONAL STEPS TO GO EVEN FURTHER?

- » **Setting the agenda from the top:** Ensure that human rights are present at the top of the corporate agenda, setting the tone at the top.
- » **Building the capacity at every level throughout the organization:** To build the capacity throughout the organization, from providing training to employees, updating the policies and procedures, to implementing appropriate control systems.

² Salient human rights issues are the human rights at risk of the most severe negative impact through the company's activities and business relationships

PEPSICO

TRANSFORMATION PROGRAM AND EXECUTIVE AGENDA

PepsiCo, Inc. is a U.S. based multinational corporation specializing in food, snacks, and beverages. It operates across the entire food and beverage market, managing the production, distribution, and marketing of its diverse range of products.

Given its complex value chain, a robust management approach is required to prevent, identify, and address potential human rights impacts. PepsiCo's approach is grounded in the UNGPs and includes the following pillars: embedding respect for Human Rights, conducting ongoing due diligence, engaging stakeholders and driving collaborative action, and providing effective grievance mechanisms and access to remedy. With this approach as the foundation, the salient issues³ are prioritized.

HUMAN RIGHTS AT THE TOP OF THE EXECUTIVE AGENDA

The global governance structure is responsible for overseeing and managing human rights at various levels throughout the business, starting with the Board of Directors and Executive Committee, then all the way to having a Chief Human Rights Officer who ensures central oversight. This person has a direct reporting line to the CEO and the Executive Committee, which ensures this topic receives significant attention and resources within the company.

In 2021, PepsiCo launched "pep+ (PepsiCo Positive)" - an end-to-end transformation program which focuses on building a more sustainable future for people, the planet and business. The program redesigns how ingredients are grown, how the portfolio of products are made, moved and sold and what choices are offered to consumers. PepsiCo Chairman and CEO Roman Laguarda once made a strong message that pep+ is the future of PepsiCo and is the fundamental transformation of what the company does and how it does it to create growth and shared value with sustainability and human capital at the center.

OUTCOME

Through pep+ and PepsiCo's Positive Agriculture agenda, it has made a commitment to helping farmers grow food in a way that revitalizes the earth and supports their livelihoods.

And, by prioritizing a sustainable food system, PepsiCo helped mitigate certain social risks. The progress of pep+ are reported publicly and monitored by top executives. In 2022, PepsiCo reported more than 90% of grower-sourced crops that were sustainably sourced through its Sustainable Farming Program (in which human rights are considered as critical practice under the SFP code, and has positively impacted the livelihoods of more than 11,000 people in its agricultural value chain and communities.

³PepsiCo. (n.d.). PepsiCo Salient Human rights issues update. [Online]. Available at: <https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/2022-pepsico-salient-human-rights-issues-update.pdf>

NESTLÉ

IDENTIFY ENABLERS (E.G. KPIS, POLICIES, CONTROLS AND REPORTING)

Nestlé is a Swiss global food and beverage company, with a value chain that extends across a variety of sectors. In 2010 Nestlé entered into a partnership with the Danish Institute for Human Rights (DIHR) to address the HRDD issues within its value chain. The outcome of this was the development of the Human Rights Impact Assessments (HRIAs), which provided valuable insights and best practices for identifying and evaluating potential human rights impacts within its value chain.

FIVE KEY ENABLERS AND EXTENSIVE TRAINING OFFERED

Nestlé's Human Rights Framework strives to elevate due diligence throughout its value chain, reinforcing the positive impact on the ground for a just transition toward a regenerative food system. The five key enablers are:

- 1. Governance and incentives:** integrate human rights at all levels of the governance. This is done through clear division of roles and responsibilities and action taken on this front at the Board of Directors and Executive board level, and creating targets and clear incentives around human rights KPIs.
- 2. Policies and controls systems:** leverage policies and control systems to ensure human rights are embedded throughout the organization. This is done by integrating risks into the Enterprise Risk Management (ERM system), utilizing tools to centralize reporting on compliance and audit results, and enhancing the grievance reporting mechanism.
- 3. Engagement and Advocacy:** engage with key stakeholders and advocate for smart due diligence legislation and collective actions on the ground.

- 4. Strategic Partnerships:** partner with thought-leading and boots-on-the-ground organizations.
- 5. Transparency and reporting:** provide a high level of transparency about the progress and the challenges faced.

Carrying out effective due diligence to assess, address and report transparently on actual and potential human rights risks is the best way to support the human rights agenda. Nestlé also supports the enablement of its business partners to respect and promote human rights. On top of that, extensive training programs for employees and suppliers, emphasizing the importance of human rights. Nestlé aims for all of its corporate employees receiving training on human rights topics, which equals more than 280.000 employees globally.

OUTCOME

Having a comprehensive approach to HRDD is essential to drive progress - from governance to controls to reporting. Nestlé accomplishes this through its internal framework and comprehensive training provided across the value chain, resulting in ten action plans, each addressing a specific salient issue⁴.

⁴ Nestlé (2021). Nestlé's human right framework and roadmap. [Online]. Nestlé. Available at: <https://www.nestle.com/sites/default/files/2021-12/nestle-human-rights-framework-roadmap.pdf>

UNILEVER

PUTTING THIS ALL TOGETHER VIA A HOLISTIC APPROACH

Unilever is a Dutch-British global Fast Moving Consumer Goods (FMCG) company which engages in five core businesses: Beauty and well-being, personal care, home care, nutrition and ice-cream, with more than 50,000 suppliers in 155 countries. Unilever implemented a comprehensive approach to embed responsible business conduct into its policies and procedures to drive HRDD in its operations and value chains.

RESPECT HUMAN RIGHTS THROUGH A HOLISTIC APPROACH

- » **Identifying and introduce framework for salient human rights issues:** Unilever partnered with human rights management consultancy Twentyfifty and identified its eight salient issues: bullying and harassment, discrimination, fair wages and income, forced labor, freedom of association and collective bargaining, health, land rights, and working hours⁵. It introduced its Salient Human Rights Issues Framework to establish a consistent, global approach for addressing each salient issue.
- » **Allocation of responsibilities and accountability:** Unilever publishes details of their governance⁶ on its website, outlining roles and responsibilities for addressing salient human rights issues.
- » **Ongoing due diligence process to ensure compliance:** Unilever's Responsible Partner Policy (RPP) outlines expectations for its partners via 17 Fundamental Principles across three pillars: Human Rights, Business Integrity & Ethics, and Planet. The RPP specifies the requirements that partners must meet or exceed.

- » **Training and capacity building:** Alongside Unilever's regular Code of Business Principles training, it also invests in training on a range of human rights topics such as women's safety and ethical recruitment in particular countries, to enhance awareness and understanding of human rights issues among its employees and partners.
- » **Multiple grievance mechanisms:** Unilever has established multiple grievance mechanisms to allow voices of workers and partners, including the Code Support Line, Speak up Platforms⁷, Investigating Code Breaches, and specific policies such as the Responsible Sourcing Policy and Sustainable Palm Oil procedure.

OUTCOME

A robust approach starts with a framework to effectively address these concerns, then a clearly allocated roles and responsibilities is paramount in initiating this process. Furthermore, continuous monitoring and ongoing capacity building are essential elements to ensure the sustained success of the human rights initiatives.

⁵ Unilever PLC (2021). Our salient human rights issues. [online] Unilever. Available at: <https://www.unilever.com/planet-and-society/respect-human-rights/our-salient-human-rights-issues/#:-:text=Our%20updated%20salient%20human%20rights>

⁶ Unilever PLC (n.d.). Sustainability Governance. [online] Unilever. Available at: <https://www.unilever.com/planet-and-society/sustainability-reporting-centre/our-sustainability-governance/>

⁷ Unilever PLC (n.d.) Business Integrity [online]. Unilever. Available at: <https://www.hul.co.in/planet-and-society/responsible-business/business-integrity/>





**IDENTIFY AND ASSESS
ADVERSE IMPACTS**





WHAT IS EXPECTED BY THE UNGPS OR PRESCRIBED BY THE OECD GUIDELINES?

The UNGPs state that in order to gauge human rights risks, business enterprises should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships. This process should include the following requirements:

- » **Expertise:** Draw on internal and/or independent external human rights expertise.
- » **Stakeholders:** Involve meaningful consultation with potentially affected groups and other relevant stakeholders, as appropriate to the size of the business enterprise and the nature and context of the operation.

WHAT ARE THE INITIAL STEPS WE RECOMMEND EVERY COMPANY TO TAKE?

- » **Improve the transparency to ensure effective identification:** The key to ensuring effective identification and assessment of human rights impacts is transparency. When companies do not have a clear picture of what's going on in their value chain they cannot remedy human rights issues. This process starts with human rights impact assessments.
- » **Identify impact area and influence area:** While it is critical to identify the potential human right impacts, companies should also identify the area of influence and possible intervention level.

WHAT ARE INSPIRATIONAL STEPS TO GO EVEN FURTHER?

- » **'Public' transparency:** The effectiveness of HRIAs can be enhanced if the impact can be made externally transparent to allow partnership with non-governmental organizations (NGOs). Being publicly transparent, if possible, keeps a company accountable, enabling continuous improvement in its assessment capacity.

- » **Tools (e.g. Wage management system) to ensure ongoing monitoring:** After identifying where companies can influence and create an impact, they should ensure proper tools are in place for ongoing monitoring.
- » **Community empowerment:** Programs that empower communities and tackle the root causes of human rights violations can facilitate both the identification and remediation of such impacts.
- » **Open value chains:** Partnering with the industry to establish clear and accessible value chains can significantly improve the identification and assessment of human rights impacts⁸. By becoming actively involved in these supply chains, companies can set up transparent systems that trace the production origins of their products. They can ensure fair wages for workers and producers by paying extra premiums. Additionally, direct interaction with producers at the source, where human rights violations are most likely, can be beneficial. Moreover, investing in knowledge and skills can further enhance this process.
- » **Third party monitoring:** Third-party monitoring, such as audits, can be more effective than internal monitoring due to it being more objective and free from perverse incentives, which facilitates more effective identification of human rights issues and greater accountability for companies and their suppliers.

⁸ Example of Open Supply Hub - Available at: <https://opensupplyhub.org/>

NESTLÉ

CREATING A TRANSPARENCY CULTURE INTERNALLY AND EXTERNALLY

Nestlé is Swiss a global food and beverage company, with a value chain that extends across a variety of sectors. In 2010 Nestlé entered into a partnership with the Danish Institute for Human Rights (DIHR) to address the HRDD issues within its value chain. The outcome of this was the development of the Human Rights Impact Assessments (HRIAs), which provided valuable insights and best practices for identifying and evaluating potential human rights impacts within its value chain. (See Step 1 for another case)

BE TRANSPARENT ON HUMAN RIGHTS IMPACT ASSESSMENT (HRIA) - INTERNALLY AND EXTERNALLY

Nestlé's HRIA covered 13 country operations in various regions of the world. This included engaging with a multitude of employees, contractors, suppliers, farmers, local community members and external stakeholders to better understand the scope and magnitude of the human rights impacts resulting from its business activities. Nestlé's process took place as follows⁹:

- » Strong dissemination of the Nestlé Supplier Code among suppliers of raw materials and other goods and services to help ensure that suppliers were aware of Nestlé's expectations and requirements
- » System monitoring: Implementation of systematic monitoring of human rights and labor standards of suppliers to help identify and address any violations or risks of violations of human rights and labor standards in the value chain
- » Nestlé then entered into a partnership with the Fair Labor Association to address any identified labor issues in its hazelnut and cocoa value chain
- » Cocoa and hazelnut farmers were provided materials and training to ensure awareness of their own human rights and the grievance channels.

Nestlé has also been **using technology to assess potential human rights impacts**. With the help of AI, and in partnership with IBM, Nestlé developed a central system that provided a Diversity and Inclusion dashboard, offering continuous monitoring of the salary pay gap. This tool empowers hiring managers to uphold accountability and track their progress¹⁰.

OUTCOME

The steps above helped to create a culture of transparency internally and ensure easy identification of human rights impacts when they did occur, being transparent externally also enriches the identification process which could entail further partnership, in Nestle case we see partnership with IBM, DIHR, the Fair Labor Association, and the public dissemination of impact assessment results, along with AI monitoring of pay gaps. This commitment to transparency within its value chain, partnerships, and external communications has fostered a culture of accountability, and enables effective identification of human rights impacts.

⁹ Talking the Human Rights Walk Nestlé's Experience Assessing Human Rights Impacts in its Business Activities. (n.d.). Available at: https://www.nestle.com/sites/default/files/asset-library/documents/library/documents/corporate_social_responsibility/nestle-hria-white-paper.pdf
¹⁰ Mixson, E. (2021). Enterprise Data & Business Analytics: How Nestlé Optimized the Data to AI Pipeline. [online] AI, Data & Analytics Network. Available at: <https://www.aidataanalytics.network/business-analytics/articles/how-nestle-optimized-the-data-to-ai-pipeline>

H&M

IDENTIFY INFLUENCE AREA AND IMPLEMENT MONITORING SYSTEM

H&M is a Swedish multinational clothing company that focuses on fast fashion clothing. H&M is one of the largest international clothing retailers, with 4801 stores spread across 75 geographical markets. H&M, like the rest of the fast-fashion industry, is plagued with the same issue of having a complex value chain which has led to garment workers not being paid a livable wage (wage theft), hazardous working conditions and harassment of women workers.

WAGE MANAGEMENT SYSTEM TO ENSURE PROPER MONITORING OF RESPONSIBLE PURCHASE PRACTICE

When identifying and assessing human rights issues, H&M also covers where it can impact the most - such as purchasing practice. With that in mind, it has set up a wage management system to empower workers and ensure proper ongoing monitoring.

- » **Intervention level:** Assess which level H&M can intervene. At the country level, H&M works with governments to advocate change. At factory level, it works with management to change systems or structure
- » **Influence:** H&M has identified that it has major influence in purchasing practices, but relatively small influence on social protection.
- » **Impact:** Indicates how each area impacts wages. It can either directly contribute to increasing wages or it can indirectly enable wage increase.

H&M has set clear standards and expectations for its suppliers and takes action if these standards are not met. Its purchasing practices enable the **payment of fair wages**, and it assists suppliers in implementing effective wage management systems to ensure that this is the case. The company also empowers workers to negotiate their own wages and supports suppliers in improving working

conditions. Additionally, H&M collaborates with its partners, peers, experts, and governments to improve wages at both the industry and country levels¹¹.

The wage strategy includes setting up wage management systems, strengthening industrial relations, following responsible purchasing practices, and addressing systemic issues such as collective bargaining and minimum wage policies^{12 13}.

OUTCOME

Suppliers enrolled in factory-level wage management systems increased real-wages by an average of 2.8% compared to those not enrolled. When these programmes are accompanied by a wage grid, which classifies jobs according to skill level, the total increase in real wages was on average 5% higher than suppliers not enrolled in these programmes¹⁴. That being said, despite these efforts, abuses such as wage reduction, wage theft, unfair dismissal, inhumane work rates, and forced overtime still persist within the value chain (such as those uncovered in Myanmar) and remain difficult to eliminate. The abuses uncovered in Myanmar prompted H&M to increase its local team on the ground and remediate issues with relevant stakeholders¹⁵.

¹¹ H&M GROUP (2023). Wages. [online] H&M Group. Available at: <https://hmgroup.com/sustainability/fair-and-equal/wages/>

¹² H&M Group (2022). Sustainability Disclosure 2022. [online] H&M Group. Available at: <https://hmgroup.com/wp-content/uploads/2023/03/HM-Group-Sustainability-Disclosure-2022.pdf>

¹³ A Guideline to Factory Wage Management System CONTENTS. (n.d.). Available at: <https://hmgroup.com/wp-content/uploads/2020/10/Wage-Management-System-Guideline.pdf>

¹⁴ H&M GROUP (2023). Wages. [online] H&M Group. Available at: <https://hmgroup.com/sustainability/fair-and-equal/wages/>

¹⁵ Reid, H. (2023). H&M probes Myanmar factory abuses as pressure intensifies. [online] Irish Examiner. Available at: <https://www.irishexaminer.com/business/companies/arid-41206360.html#:~:text=%22All%20the%20cases%20raised%20in>



SHISEIDO COMMUNITY EMPOWERMENT

Shiseido is a cosmetic multinational company founded in Tokyo, Japan in 1872 making the company one of the oldest cosmetic companies in the world. Like all other cosmetic companies, Shiseido uses Mica, a mineral for the pearlescent effect in eyeshadows, lipsticks, toothpaste and so on. For the past decades, mining Mica has been inextricably linked with child labor and forced labor.

INVESTMENT IN COMMUNITY EMPOWERMENT PROJECTS

Mica is used in a variety of industries due to its reflective and heat-resistance properties. India and Madagascar are the two largest exporters of mica. Three-quarters of mica mining takes place in Jharkhand and Bihar states and 90% of the mining is illegal. In the aforementioned states children are involved mainly in the mining and cobbing; this is due to widespread poverty and lack of access to education. Shiseido joined the Responsible Mica Initiative (RMI) as a partner in 2017 which **aims to eliminate child labor** and forced labor at Indian mica mining sites through the implementation of **community empowerment programs**.

The Community Empowerment program is the RMI's collaboration with NGOs and the Indian government to provide expertise in disciplines that promote social and economic development in underserved communities. Village populations are often economically dependent on mica collection for subsistence income. Shiseido in partnership with the RMI provides families with **training and resources** to learn and improve skills for additional means of livelihood such as farming and animal husbandry. The RMI initiatives work to strengthen curricula and improve school management and classroom environments. The program also engages parents to reinforce the role they play in children's education. RMI also has a scholarship program which targets children who have dropped out or are at risk of dropping out due to poverty¹⁶.

OUTCOME

Shiseido's Community Empowerment Program has expanded to 50 new villages in the mica-belt of Jharkhand and Bihar, India, extending its overall support to 180 villages and more than 16,000 households¹⁷.

¹⁶ Toward a Fair, Responsible and Sustainable Indian Mica value chain. (n.d.). Available at: <https://responsible-mica-initiative.com/wp-content/uploads/2019/11/RMI-2018-Annual-Report-reader-version.pdf>

¹⁷ RESPONSIBLE MICA INITIATIVE. (n.d.). PROGRAMS, COMMUNITY EMPOWERMENT | Responsible Mica Initiative. [online] Available at: <https://responsible-mica-initiative.com/programs-rmi/programs-community-empowerment/>

TONY'S CHOCOLONELY

OPEN SUPPLY CHAINS

Tony's Chocolonely is a Dutch chocolaterie that was founded in 2005. It is one of the Netherlands' largest chocolate manufacturers surpassing multinationals such as Mars, Nestlé and Verkade with a market share of 19%. The company's mission is to deliver slave-free chocolate, as more than 60% of cocoa produced comes from two countries Cote d'Ivoire and Ghana but 73% -90% of cocoa farmers do not earn a Living Income with 30 to 58% earning below the World Bank's extreme poverty line¹⁸.

CREATING AN OPEN (SUPPLY) CHAIN

The cocoa industry is dominated by Cargill, OFI and Barry Callebaut who buy and process 60% of the world's cocoa and sell to Mars, Ferrero, Mondelez, Nestle and Hershey, who in turn sell over 50% of the world's chocolate. Due to the low number of cocoa buyers, and the complexity of supply chains, there are cacao farmers that are exploited through underpayment, permitting slave labor and child labor. See also how Barry Callebaut is dealing with this on page 32. Tony's Chocolonely mission is to end illegal forms of labor through an industry-led collaborative initiative that helps chocolate brands transform their cocoa value chains and become sustainability frontrunners, helping the industry change as a whole.

The open chain consists of 5 principles:

1. Traceable beans,
2. Paying an additional premium to farmers,
3. Buy from and co-develop professional cooperatives,
4. Engaging in 5-year commitments with cooperatives to facilitate investments
5. Increasing productivity and quality through investing in agricultural knowledge and skills related to growing cocoa and other crops to improve yield.¹⁹

OUTCOME

In book year 2021-2022 Tony's OpenChain has 8 Mission Allies, including retailers and supermarkets like ALDI, Albert Heijn and Ben & Jerry's. The initiative allows it to trace human rights impacts from bean to bar. It has made great strides toward ending child labor and illegal labor in cocoa by setting a new industry standard. While there is still a long way to go, this relatively small company is pushing the chocolate industry to drive structural change towards a more equally divided cocoa chain.

¹⁸ van Vliet, J.A., Slingerland, M.A., Waarts, Y.R. and Giller, K.E. (2021). A Living Income for Cocoa Producers in Côte d'Ivoire and Ghana? *Frontiers in Sustainable Food Systems*, 5. doi:<https://doi.org/10.3389/fsufs.2021.732831>

¹⁹ Tony's Open Chain. (n.d.). Tony's Open Chain. [online] Available at: <https://www.tonysoopenchain.com/>

DR. MARTENS TRANSPARENCY

Dr. Martens is a British footwear brand. The company continues manufacturing in the UK and has expanded its manufacturing process to Vietnam, China, Laos and Thailand.

USING THIRD-PARTY CSR AUDITS FOR FACTORY APPROVAL

Dr. Martens has a comprehensive factory approval process that **requires third-party CSR audits** before engaging with new suppliers. It also has an ongoing monitoring program to ensure compliance with labor and environmental regulations, industry standards, and the company's policies. This program is managed by experienced CSR professionals based in Hong Kong and the UK. It partners with Intertek, an independent third-party company, to conduct social compliance monitoring through the Workplace Conditions Assessment (WCA). The WCA assesses various aspects, such as modern slavery, child labor, wages, health and safety, environment, and management systems. Severity ratings are assigned to identify the level of non-compliance, and corrective actions are taken in collaboration with suppliers. If a supplier fails to address identified issues within the agreed timeframe, the partnership may be terminated. By using third party monitoring, Dr. Martens is able to keep both itself and its suppliers accountable without creating any perverse incentives.

Zooming out to the industry as a whole, some companies perform their audit via their internal audit functions, which may not be effective enough as irregularities or blindspots might be overlooked. Some, despite appointing an external auditor, these auditors might lack human rights expertise. Using an experienced third party Corporate Social Responsibility (CSR) audits, like what Dr. Martens does, could circumvent this issue.

OUTCOME

In the most recent audit during FY23, 100% of the audited Tier 1 (a supplier of finished Dr. Martens products) and Key Tier 2 suppliers (a supplier of strategic components) met Dr. Martens' high standards.

¹⁴ Toward a Fair, Responsible and Sustainable Indian Mica Supply Chain. (n.d.). Available at: <https://responsible-mica-initiative.com/wp-content/uploads/2019/11/RMI-2018-Annual-Report-reader-version.pdf>

¹⁵ RESPONSIBLE MICA INITIATIVE. (n.d.). PROGRAMS, COMMUNITY EMPOWERMENT | Responsible Mica Initiative. [online] Available at: <https://responsible-mica-initiative.com/programs-rmi/programs-community-empowerment/>





**CEASE, PREVENT OR
MITIGATE ADVERSE
IMPACT**



WHAT IS EXPECTED BY THE UNGPS OR PRESCRIBED BY THE OECD GUIDELINES?

- » **An effective integration:** Companies should arrange an appropriate level of personnel or function to address the impact, have corresponding internal decision-making, budget allocations and oversight processes to enable an effective response.
- » **An appropriate action:** The appropriateness depends on whether the company causes or contributes to the adverse impact, or whether it is directly linked to its operations or the service from its business partner. The extent of its leverage in addressing the adverse impact should be considered.

WHAT ARE THE INITIAL STEPS WE RECOMMEND EVERY COMPANY TO TAKE?

- » **Enforce the business partner code of conduct:** When a business partner violates the code of conduct, companies should take appropriate actions to rectify the situation and maintain the integrity of its value chain. Enforcing the actions necessary to address these violations is important to demonstrate a genuine commitment to human rights.
- » **Distinction between actions for expected risks and confirmed risks:** Companies might have to take action differently depending on whether the risks are expected or confirmed. If the risks are expected, preventive measures should be taken. If the risk is confirmed, mitigating actions should be taken. If impact has been made, companies should take action to cease the impact.
- » **Develop fit-for-purpose plan:** Request and collaborate with business partners to develop a fit-for-purpose plan to prevent and mitigate potential (future) adverse impacts, which includes assigning relevant senior responsibility and creating a roadmap.

WHAT ARE INSPIRATIONAL STEPS TO GO EVEN FURTHER?

Ceasing, preventing and mitigating adverse impact requires a company to analyze the cause of risk – was it specific to the company, sector or region? When coming up with an action plan, companies should engage with their stakeholders, including subject matter experts and business partners, and reach an agreement on a remediation plan.

The “**C+CIRCLE**” approach might be an appropriate toolkit, which generally works for different actions. Everything starts with a Conversation, then companies can work on different combinations of measures to improve human rights performance along the value chain.

- » **Conversation:** Effective conversations with suppliers and partners in the industry
- +
- » **Certification:** Third party certification for a more ethical supply chain
- » **Incentivization:** Incentivize your suppliers to improve their human right practices
- » **Recognition:** Recognise the suppliers who have excelled in human right practices
- » **Collaboration:** Collaborate within the value chain to enhance synergies
- » **Leverage:** Use all leverages to address risks (instead of just terminating the relationship)
- » **Education:** Educate your workers, partners and beyond through human rights trainings

KAO CONVERSATION

KAO is a Japanese group with its consumer brands in four key segments: Hygiene and living care, health and beauty care, life care, and cosmetics. KAO has identified its key human rights challenges of unfair labor and child labor practices and assign different preventive and mitigating measures according to the business relationship: Tier 1, non-Tier 1 and high risk value chain. For example, for Tier 1 suppliers, its action focuses on supplier engagement including SEDEX audit. For high risk value chains, it rolls out initiatives to solve the fundamental issues in collaboration with these suppliers.

CONSTRUCTIVE, TARGETED AND ENGAGING TWO WAY DIALOGUES WITH BOTH SUPPLIERS AND EXPERTS

- » **Two way feedback:** KAO evaluates its supplier through supplier assessment, and it also provides feedback after the assessments. Next to that, KAO sends out supplier satisfaction and human rights risk surveys to evaluate its fairness of the procurement activities, and improve its procurement practices based on the feedback.
- » **On-site and off-site dialogue:** For high risk value chains, KAO conducts routine visits to its supplier sites to engage with its suppliers through a two way dialogue. Annually, KAO also conducts vendor summits to gather its suppliers in order to exchange opinions, discuss thematic topics and communicate its procurement policy.
- » **Early and clear communication of expectation:** KAO requested its supplier to perform self-assessments of their conformity with the Partnership Requirements for Suppliers since 2008. In 2014, KAO joined the SEDEX, and started holding explanation / recommendations sessions to suppliers from 2016 onwards.

- » **Dialogues outside the supply chain:** KAO also engages in dialogues with stakeholders and NGOs. For example, it participates in dialogues with experts from The Caux Round Table Japan (CRT Japan), and has CRT Japan conducted face-to-face field interviews with the foreign workers employed by on-site subcontractors²⁰.

To effectively engage with suppliers, it is important to ensure that such communication is collaborative, with two way conversation instead of setting standards from the ivory tower. Considering the value chain in the consumer goods industry is generally complex and diverse, conversations should also be targeted and prioritized based on the risks identified from the impact assessment. .

OUTCOME

Constructive, engaging and targeted conversation allows companies to understand their suppliers, collaborate with them to identify and mitigate key human rights issues.

²⁰KAO. (2023). KAO Sustainability Report 2023. [Online]. KAO. Available at <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sustainability2023-e-all.pdf>



NATURA & CO CERTIFICATION

Natura & Co is a Brazilian multinational beauty and personal care group that operates a portfolio of well-known brands, including Natura, The Body Shop, Avon, and Aesop. Natura & Co is known for its commitment to sustainability, ethical practices, and social responsibility.

GETTING INDEPENDENT THIRD PARTY CERTIFICATION FOR ETHICAL VALUE CHAIN

In line with Natura & Co's goal to enforce full traceability and/ or certification by 2025, it launched six publicly available critical materials policies, laying out its position and plans for value chains of palm, soya, ethanol, mica, cotton, and paper. One of the crucial steps for achieving its target involves delivering suppliers with **independent third-party certification**²¹. For example, one of Natura's product line "Ekos" has been certified by the Union for Ethical BioTrade since 2018. There are two certification processes:

- » The first authenticates the effectiveness of its due diligence system, called the **Social Biodiversity Chain Verification System**, through which Natura conducts field audits of the supplier chains. These audits assess the organizational management of the communities involved, the implementation of good production and biodiversity conservation practices, as well as questions related to labor, occupational health and safety and the non-employment of child, forced or slave labor.
- » The second authenticates the value chain (supplier communities and other commercial partners) for all the natural biodiversity ingredients and derivatives used in the Ekos line to ensure that they are managed with a due diligence system that complies with the principles of ethical sourcing.

OUTCOME

Independent third-party certification can help companies to gain further transparency and traceability within value chain operations, identify risks and initiate corrective action plans. It also motivates companies to cooperate and act when they are under certain certification schemes.

²¹ 2022 Annual Report. (n.d.). Available at: <https://api.mziq.com/mz-filemanager/v2/d/67c3b7d4-64ea-4c2f-b380-6596a2ac2fbf/f23f-dc83-caac-c047-6074-595a69d5549a?origin=1>



PVH INCENTIVIZATION

PVH is a American global lifestyle company which holds a number of fashion brands including Calvin Klein and Tommy Hilfiger. It has identified a list of 12 high risk jurisdictions for migrant labor issues. And subsequently it has conducted training for its suppliers and set a number of targets for advancing human rights within its value chain. For example, PVH has set a target to ensure 100% of migrant workers at its Level 1 and key Level 2 suppliers will not have to pay recruitment fees by 2025.

INCENTIVIZE SUPPLIERS WITH SUSTAINABLE VALUE CHAIN FINANCE PROGRAM

PVH works together with a few leading banks on a value chain financing program, which ties to both environmental and social goals, and ESG rating. Supplier progress will be measured against PVH's Human Rights and Environmental value chain standards and performance assessment standards will be measured²².

In fostering enhanced HRDD, integrating innovative incentivization, such as sustainable value chain finance programs or preferred suppliers list, is important. These programs provide crucial financial support and promote adherence to ethical practices by tying incentives to compliance with human rights and sustainability norms. By rewarding suppliers who demonstrate their commitments, companies can foster alignment of interests and motivate continuous improvements in human rights practices within the value chain, making strides towards establishing a resilient, ethical, and responsible value chain.

OUTCOME

The incentivization rewards high-performing suppliers with better financing rates based on their sustainability performance, thus giving the supplier an extra incentive to comply with other HRDD.

²² PVH (2023). Corporate Responsibility Report 2022. [Online]. PVH. Available at <https://pvh.com/-/media/Files/pvh/responsibility/PVH-CR-Report-2022.pdf>



L'ORÉAL GROUP RECOGNITION

L'Oréal is a French global consumer goods company which has a dedicated focus on beauty. It has a human rights policy and also embedded ethical standards into its purchasing terms and conditions. It has made a public commitment to seek out and favor suppliers who share their ethical standards on human rights.

LAUNCHING AN INCLUSIVE SUPPLIER PROGRAM TO RECOGNIZE FAIR TRADE SUPPLIERS

L'Oréal has identified **human rights of its suppliers' employees** as one of the key main risks, which includes child labor, forced labor, discrimination because of gender, age, disability, gender identity and sexual orientation, and lack of a living wage. It dedicates a significant amount of its budget to socially responsible and inclusive procurement practices for all the locations it operates in: **L'Oréal's Solidarity Sourcing program**²³, initiated in 2010.

The program spans across all purchasing categories, such as raw materials, packaging and marketing, and is implemented across all its locations.

The initiatives prioritize tenders from businesses employing individuals from disadvantaged communities, ensuring they have sustainable employment and income opportunities. This approach also extends to enterprises typically overlooked by multinational corporations in large tender processes. The program encompasses a diverse range of suppliers, including fair trade producers, enterprises employing disabled individuals, social insertion businesses, and

minority-owned companies.

OUTCOME

The recognition program has promoted access to employment and social inclusion for the communities that the group operates in and promotes inclusive and ethical sourcing practice along its value chain.

²³ Loreal. (n.d.). L'Oréal Solidarity Sourcing Program. [Online]. Loreal. Available at: <https://www.loreal.com/en/articles/commitments/about-solidarity-sourcing/>.

HENKEL COLLABORATION

Henkel is a multinational company headquartered in Germany. It owns a number of consumer brands focusing on two categories: laundry, home care and hair products. Henkel has a five step approach to HRDD: Principles and Policies, Risk Analysis, Risk Management Measures, Complaints Mechanisms and Access to Remedy and Reporting.

JOINING INDUSTRY FORCES TO CREATE SYNERGY

Henkel and five other companies within the industry joined forces and introduced an industry initiative “Together for Sustainability – Chemical value chains for a Better World (TfS)²⁴”. The initiatives allow the industry to harmonize the complex value chain management process, and leverage resources more efficiently. For example, through this platform, **suppliers only have to complete one assessment or one audit, and the results are made available for all members in TfS²⁵**. It covers relevant sustainability information provided to all partners who would otherwise need separate sustainability assessments or audits from these suppliers.

Beyond the value chain, Henkel also partners with the NGO Solidaridad to boost the on-site engagement with the palm oil suppliers, and aims to improve their livelihoods and promote sustainable farming practices.

OUTCOME

The collaboration enables **One Audit for All** - which largely helps suppliers in their resource allocation.

²⁴ Henkel. (2023). Creating change at the source: how one global company aims to ensure its supply chain is sustainable. [Online]. Henkel. Available at: <https://www.henkel.com/spotlight/2023-02-02-creating-change-at-the-source-how-one-global-company-aims-to-ensure-its-supply-chain-is-sustainable-1797854>

²⁵ Henkel. (n.d.). Joint audits to improve sustainability standards [Online]. Henkel. Available at: <https://www.henkel.com/joint-audits-to-improve-sustainability-standards-22678>



BENETTON GROUP

LEVERAGE

Benetton Group is a global fashion group headquartered in Italy, with about 4,000 stores around the world. It is a member of Sustainable Apparel Coalition (SAC) and has a clear human rights policy. It requires all its suppliers to adhere to its code of conduct at the start of the business relationship. To assist its suppliers to understand the expectations, the group also published a detailed guidance on the application of the International Labor Standard. Moreover, it requires all its suppliers to complete the Higg Facility Social and Labor Module (FSLM), an industry assessment tool for measuring the social performance of suppliers.

APPLY LEVERAGE WITH AN EXIT STRATEGY WHILE MINIMIZING NEGATIVE IMPACTS TO AFFECTED WORKERS

Benetton Group leverages its business relationships with the suppliers in a strategic manner. If its suppliers fail the FSLM, it would work with its suppliers through actions of help and support them in the remediation process. If its suppliers refuse to complete the assessment on time, fail to correct their high risk non-conformities or breach its zero-tolerance policy, it would trigger a termination of the business relationship. When determining the exit strategy, it takes appropriate steps such as analyzing its leverage and dependencies, communicating and agreeing the termination exit time frame, adopting monitoring measures to minimize the negative impacts to the workers due to the interruption of commercial relationships²⁶.

Sometimes, companies can also apply leverage in collaboration with their peers and empower the public to monitor the industry as a whole. Benetton joined a good practice from the apparel industry by publishing its supplier list on its website, mapping out these suppliers key sustainability metrics such as percentage of gender diversification, percentage of migrant workers and whether trade union and collective

labor agreements are available for these suppliers. The level of transparency allows the company to extend its leverage by enabling public and industry monitoring.

OUTCOME

The leverage raises suppliers' awareness of human rights, prompting them to undertake corrective actions and further improve their disclosure practices. When the company's leverage itself is not sufficient, joining industry forces could empower both consumers and peers to apply their joint leverage.

²⁶ Benetton Group. Supply Chain Social Impact. [Online]. Benetton Group. Available at: <https://www.benettongroup.com/en/sustainability/supply-chain/social-impacts/>



BARRY CALLEBAUT

EDUCATION

Barry Callebaut Group is a global manufacturer of chocolate and cocoa products headquartered in Switzerland. It sources its raw material - cocoa bean, directly through its presence in cocoa origin countries from cooperatives, intermediaries and government bodies. Child labor is a common and serious issue within the cocoa industry, and Barry Callebaut has set a target to have its entire value chain covered by HRDD and remediate all child labor cases identified by 2025.

TRAINING AND EDUCATION FROM DIFFERENT DIMENSIONS

- » **Training to internal employees:** Barry Callebaut rolled out mandatory human rights training for all sourcing and sustainability employees - an action point from its internal Human Rights Committee. Training to key personnel internally is as important as training to the suppliers. This could reinforce the company culture, reducing internal frictions when the procurement teams are rolling out the company human rights policy. This also ensures that internal teams are well equipped with the knowledge to identify human rights issues and engage with its suppliers.
- » **Training to on-site local sustainability coaches and local communities:** Barry Callebaut created and conducted detailed training on forced labor to its sustainability coaches in key locations such as Côte d'Ivoire, Ghana, Cameroon and Nigeria. It also strikes a public-private partnership in community education as a whole. Both measures are important when suppliers are located in different countries with different languages and different cultures. This enables the coaches or ambassadors to carry out its training program tailored to the

local needs, and improve the public awareness within the community. Well-designed training programs never adopt a one-size-fit-all approach.

- » **Education on topics beyond human rights:** Barry Callebaut rolled out an education program to the farmers on agroforestry to help them in diversifying their income²⁷. It also partners with its industry peers to train local community members and cocoa farmers to form labor teams, providing them with the necessary equipment and giving them access to an additional source of income. In major undeveloped countries, child labor or forced labor take place because of poverty. Income from a child's work could be crucial to their survival. Education beyond human rights, empowering underprivileged suppliers is sometimes more important than the issue itself.

OUTCOME

Education improves human rights awareness internally and externally, but more importantly, it helps to reduce poverty, which is in many situations the key reason for human rights violations.

²⁷ Barry Callebaut. Forever Chocolate Progress Report. [Online]. Barry Callebaut. Available at: https://www.barry-callebaut.com/system/files/2023-11/Forever%20Chocolate%20Progress%20Report%202022-23%20Barry%20Callebaut_2.pdf





**TRACK IMPLEMENTATION
AND RESULTS**



WHAT IS EXPECTED BY THE UNGPS OR PRESCRIBED BY THE OECD GUIDELINES?

- » **Effective monitoring and tracking:** Companies should arrange an appropriate level of personnel or function to monitor and track implementation and effectiveness of the companies' due diligence and to communicate the results at relevant company levels.
- » **Use the lessons learned:** Companies should use the lessons learned from tracking results to improve the company's due diligence activities in the future. During implementation of these results it is crucial to get all your stakeholders on the same line.

WHAT ARE THE INITIAL STEPS WE RECOMMEND EVERY COMPANY TO TAKE?

- » **Develop a tracking model:** Effective monitoring and tracking measures require determining what needs to be tracked and how often. This can be achieved by assessing the risks that an organization faces through its own activities and business relationships. A range of inputs should be used by the organization, including stakeholder feedback, assessment data and audit data. Monitoring and tracking results can be integrated into existing reporting processes.
- » **Seeking collaboration and engagement:** On top of audit and compliance measures, collaborate with value chain partners on HRDD, engage with your value chain individually and search for the collaboration that fits your needs. Using regulation as a tool to engage with your value chain. It builds trust and transparency, fostering a proactive, mutually beneficial approach to identifying and mitigating human rights risks. Knowledge-sharing and continuous improvement become possible, aligning with responsible business conduct. This collaborative approach demonstrates a collective

commitment to ethics, ensuring more effective and enduring human rights protections across the value chain.

WHAT ARE INSPIRATIONAL STEPS TO GO EVEN FURTHER?

Where to start? For companies with large or complex businesses, it is advisable to start in a targeted way, prioritizing particular countries or parts of the business to build learning about how to assess and evaluate human rights risks. Over time, the effort will need to expand to cover the company's entire operations, but if a company tries to do it all at once, it can lead to 'paralysis by analysis' and prevent meaningful steps from being taken.

Establish measurable and relevant KPIs, but avoid the tendency to focus on what it is possible to track rather than what is important to track and report on. If quantitative data is not available, anecdotal evidence and case studies may be more important than tracking 'hard' data on an irrelevant issue or on processes (such as the number of audits or training sessions conducted) that do not provide any insight into the effectiveness of those approaches.



NISOLO DATA-DRIVEN

Nisolo is a socially-conscious fashion company that focuses on producing ethically-made footwear, accessories, and apparel, with a commitment to fair labor practices and sustainability. Nisolo is a mid-sized company with a growing presence in the ethical fashion industry, serving a global customer base. Nisolo is headquartered in Nashville, Tennessee.

THERE IS A DIFFERENCE BETWEEN LEGAL MINIMUM WAGE AND AN ACTUAL LIVING WAGE. MONITOR AND PAY THE DIFFERENCE.

Nisolo tracks the living wage by conducting regular assessments of the local cost of living in the regions where its value chain partners operate. It works with external organizations to determine fair wage benchmarks that consider the essential needs of workers and ensure they are paid a wage that meets those requirements. This data-driven approach helps Nisolo ensure fair compensation for workers throughout its value chain. Such data can be found from research organizations such as WageIndicator.

One notable example for its consistent efforts towards bridging the wage gap is in Peru. Nisolo collaborated with ACCOUNTABLE - a platform assessing social impact - to scrutinize wages, equality, and safety. The assessment gives the most weight to a manufacturer's ability to pay a living wage. This is determined by considering a mix of prominent industry standards, namely WageIndicator and Trading Economics.

Similar approaches are also currently undertaken in its other operation locations such as the U.S., Mexico, and Kenya. For example, in the U.S. it adjusts its wages based on the sound living wage data per county published by Massachusetts Institute of Technology (MIT).

OUTCOME

By actively monitoring the living wage and adjusting compensation accordingly across their value chain, Nisolo has created a working environment that not only meets but exceeds legal requirements to ensure worker's essential needs are met. This approach has led to wage increases in several operations locations, including Peru, the U.S., Mexico, and Kenya, demonstrating the company's unwavering commitment to fair labor practices and the welfare of its workers. Workers tend to be more satisfied and motivated when they receive fair compensation, which can lead to increased productivity and reduced turnover of employees. Furthermore, it will secure the basic living standards of the employees and their families.

ARMED ANGELS

BLOCKCHAIN

Armed Angels is a German sustainable fashion company known for its ethical and environmentally conscious clothing. It is a mid-sized company with a growing presence in the sustainable fashion industry, offering a range of eco-friendly and fair-trade clothing options.

It has identified living wages as its human right priorities and it has acted on that. Since Armed Angels do not directly own any factories, it only partners with transparent suppliers and negotiates fair and equitable prices to promote living wages. It relies on traceability to track the price it pays and wages received by factory workers to ensure its efforts are having an impact. With this, it has implemented the True Cost methodology - a system where all costs (inc. labor) are transparent in its prices. Further than that, it uses blockchain to track its product impact within the value chain.

TRACK AND MONITOR YOUR PRODUCTS WITH THE BLOCKCHAIN

In 2021, Armed Angels collaborated with TextileGenesis™ to successfully execute two real-time, blockchain-based traceability projects. The platform serves as a universal language for tracking value chains. Within this Blockchain model, its specific Fibre Coin is linked to textile assets, facilitating digital transactions between various value chain partners on the TextileGenesis™ platform. The blockchain technology is utilized for traceability and authentication purposes. The Fibre Coin, acting as a “digital inventory” where each coin equals 1kg of fiber, is sent to the fiber supplier. This is done alongside the submission of a purchase order listing the garments intended for tracking in subsequent collections. Presently, Armed Angels has an effective system to track its denim products using unique QR codes attached to each item. These QR codes, when scanned, provide detailed information about the production process of the garment, including the materials utilized and

the individuals involved. This system promotes transparency and traceability along the entire value chain. The process is supported by a public blockchain where every supplier adds its block of data by documenting its specific metrics and specifications - a process verified through the use of digital tokens.

OUTCOME

Its partnership with TextileGenesis™ has allowed them to conduct real-time blockchain-based traceability projects, ensuring every transaction between value chain partners is digitally recorded, providing an unparalleled level of traceability and authentication. Further, its unique QR code system for denim products offers customers detailed insight into the production process, ensuring clarity on ethical sourcing and production, thus solidifying its position as a leading company in the sustainable fashion industry.

Want to learn more about this, watch the following TEDtalk on how supply chain transparency can help the planet from Markus Mutz [here](#).



INDITEX FOCUS-AREAS

Inditex is a Spanish multinational clothing company owning brands such as Zara, Stradivarius, and Massimo Dutti. Inditex is the biggest fast fashion group in the world.

TRACK AND MONITOR IN DIFFERENT FOCUS AREAS

Inditex has developed a 'worker at the center' programme²⁸ that is based on respect of Human Rights for workers in the value chain. The program comprises seven priority impact areas identified through a due diligence process, namely worker participation, living wages, gender, diversity and inclusion, occupational health and safety, protection of migrants and refugees; social protection, and protection of labor rights in the production of raw materials. Each focus area has a set of key indicators to measure the performance of the initiatives such as benefited workers and number of suppliers and factories involved, the strategy pursued, alliances and partnerships and detailed information on actions taken.

COLLABORATION

Inditex works closely with stakeholders to address the shared challenges throughout the value chain and Inditex stands close to workers to understand their needs and provide them with the necessary tools for their empowerment, participation and wellbeing. During the implementation of the strategy for each of the priority impact areas, Inditex has sought to deepen the impacts, understand the context and weave a network of partnerships, projects and interventions aimed at promoting systemic changes in the industry and across communities.

OUTCOME

Established upon a detailed due diligence process, the program addresses seven key impact areas - worker participation, living wages, gender, diversity and inclusion, occupational health and safety, protection of migrants and refugees, social protection, and labor rights. By closely collaborating with stakeholders, regularly tracking key indicators, and fostering a network of partnerships, Inditex is driving systemic changes within its value chain to elevate workers' empowerment and wellbeing, thus reshaping the landscape of labor practices in the fast fashion industry.

²⁸ Inditex (n.d.). Human Rights. [online]. Inditex. Available at: https://static.inditex.com/annual_report_2022/pdf/Human-Rights-2022-ENG.pdf.



HERSHEY COMPANY

KPI-LINKED REMUNERATION

Hershey is an American multinational confectionery. It is one of the largest chocolate manufacturers in the world, and also manufactures backed products and sells beverages. Hershey employs approximately 20,000 people worldwide with operations and manufacturing in six countries: Brazil, Canada, India, Malaysia, Mexico, and the United States.


SENIOR EXECUTIVES THEIR REMUNERATION IS TIED TO SUSTAINABILITY CRITERIA

Hershey also makes the distinction between living wage and minimum wage, and commits to a living wage for its full-time employees. It is part of the living income community. Furthermore, Hershey bases its senior executive remuneration on sustainability criteria. This shift in the approach of global businesses towards sustainability, emphasizing the need for a closer alignment between executive compensation and ESG goals.

OUTCOME

By linking compensation with long-term incentive schemes, organizations may foster more forward-thinking and sustainable behaviors among executives, encouraging strategic decision-making and innovation. The importance of clearly defining compensation goals in line with the organization's purpose and strategy is underscored, emphasizing the need for a measurable and impactful approach to ESG metrics. The proactive adoption of such practices not only prepares organizations for impending ESG regulations but also enhances corporate reputation, stakeholder trust, and transparency. Ultimately, as the Harvard Business Review posits, aligning executive compensation with sustainability goals serves as a strategic move, positioning businesses to thrive in an evolving economic landscape while making meaningful contributions to societal and environmental well-being²⁹.

²⁹ Cook, M., Savage, K. and Barge, F. (2023). Linking Executive Pay to Sustainability Goals. [online] Harvard Business Review. Available at: <https://hbr.org/2023/02/linking-executive-pay-to-sustainability-goals>.



**COMMUNICATING HOW
RISKS AND ADVERSE
IMPACTS ARE BEING
ADDRESSED THROUGH
POLICIES AND PROCESSES**



WHAT IS EXPECTED BY THE UNGPS OR PRESCRIBED BY THE OECD GUIDELINES?

Communicate externally relevant information: company should report externally on HRDD:

- » Policies;
- » Processes;
- » Activities conducted to identify and address actual or potential adverse impacts;
- » Identified actual and potential adverse impacts; and
- » (Planned) remediation activities

WHAT ARE THE INITIAL STEPS WE RECOMMEND EVERY COMPANY TO TAKE?

External reporting: Companies should transparently disclose their strategy, governance and KPIs regarding human rights within their value chain in a way that is accessible to stakeholders.

Alignment with existing reporting

framework: Reporting should be done using an existing framework such as GRI 2021 or SASB to allow for consistent reporting and comparability, both internally and externally. The upcoming ESRS also provides a framework against which the company can report, given that this topic is material.

Alignment with existing HRDD framework:

Companies should disclose whether their HRDD policies and procedures align with or comply with international and European human rights instruments and conventions, such as (but not limited to):

- » The UNGPs
- » OECD Guidelines for Multinational Enterprises
- » International Labour Organization (ILO) Core Conventions

WHAT ARE INSPIRATIONAL STEPS TO GO EVEN FURTHER?

After meeting the minimum requirements listed above, organizations need to consider ways in which information can be shared with stakeholders to create the biggest impact. This can be done through showing vulnerability on problem areas within the value chain and taking readers along in which actions have been taken to address these impacts. Furthermore, it is important to make the information available through reports and disclosures, but also to provide stakeholders with statistics and KPIs to avoid getting lost.



MARKS & SPENCER (M&S) INFOGRAPHICS

M&S is a British multinational retailer known for its clothing, home products, and luxury food. Founded in 1884, M&S is one of the UK's leading retailers, with a focus on sustainability. As it operates in diverse geographies, consumer cultures and regulatory environments, it takes steps to understand where its operations have adverse impacts on individuals and take actions to address these. Its human rights reporting is disclosed through this lens.

TRANSPARENCY ON (POTENTIAL) PROBLEM AREAS AND ACTIONS TAKEN TO ADDRESS THESE PER REGION

Disclosing salient and watching issues:

Its 2023 sustainability report³⁰, M&S includes a clear depiction of the salient issues identified (e.g. discrimination, working hours, labor exploitation). Additionally, M&S takes this a step further and depicts its watching issues, which are matters where the firm needs to remain vigilant (e.g. child labor, loss of livelihood). This is done in the form of an **infographic**, making it visually stand out and grab the attention of the reader.

Disclosing challenges and actions taken:

M&S includes a lengthy description of the efforts it is making to address local issues by working with its supplier partners, as well as what it is doing on a broader level to tackle industry-wide issues. In the chapter focused on HRDD, it highlights the individual **challenges** per region on the front of HRDD, **action** taken by M&S, and in some cases, what the **impact** of this action has been. It does this for two of its main product groups: Food and Clothing and Home. This approach ties together with M&S's global operations and diverse product offerings.

OUTCOME

Transparency on problem areas as well as potential problem areas shows vulnerability and awareness of sensitive areas within the value chain. M&S takes readers along in its challenges as an organization with global operations and sheds light on how its actions taken to address these challenges have led to impact.



Image Source: M&S Sustainability Report 2023
 30 M&S. (n.d.). Sustainability Report 2023. [Online]. M&S.
 Available at: <https://corporate.marksandspencer.com/investors/our-performance-updates/2023-annual-report>.

ADIDAS PLATFORMS

Adidas, a well-known German sportswear brand, is a major player in the global sportswear industry. It specializes in designing, manufacturing, and distributing products related to sports and athletics. Adidas sources its goods globally, from over 40 countries, some of which may have less stringent labor laws and regulations.

TRANSPARENCY ON HUMAN RIGHTS THROUGH ACCESSIBLE PLATFORMS

Adidas has dedicated a specific section on their **website**³¹ to discuss Human Rights. This section comprehensively outlines Adidas's commitments and policies, measures taken to prevent and mitigate negative impacts, and yearly reports on how these issues have been addressed. These reports include **summaries of human rights complaints** handled by Adidas each year and their respective outcomes, offering a thorough understanding of the actions Adidas takes to tackle any human rights violations.

Additionally, Adidas provides in-depth guidelines on how external parties can raise a human rights complaint, ensuring that their channels for complaints are easily accessible. While providing such comprehensive information is excellent in terms of transparency, organizations must maintain a balance to avoid confusing readers with an overload of information.

OUTCOME

Making the information available is the cornerstone of transparency, which Adidas excels at. It is essential that this information doesn't overload and distract readers from the organization's fundamental messages on human rights.

³¹ Adidas (2022). Adidas - Human Rights. [online] Adidas-group.com. Available at: <https://www.adidas-group.com/en/sustainability/social-impacts/human-rights/>.

AEON STATISTICS

AEON is a multinational retail company based in Japan. As one of the largest retail conglomerates in Asia, AEON offers a variety of products, including clothing, electronics, household goods, and groceries. Operating in areas with less stringent labor laws and regulations, AEON has had its share of human rights challenges in the past and has been taking steps to address these.

SHARING HUMAN RIGHTS STATISTICS USING EASY TO INTERPRET GRAPHS

In its 2022 annual report³², AEON shows in a pie chart the types of human rights issues identified (categories: general complaint, sexual harassment, attitude, misconduct) based on its grievance mechanism in place. Furthermore, another pie chart illustrates the corrective action taken to address these issues, consisting of the following categories:

- » Counseling
- » IR case (suspension, demotion, dismissal),
- » Department action
- » No case/no further action

These types of statistics are intuitive and straight-forward in interpretation, making it easy for the reader to understand. These can form the basis of textual disclosures, allowing readers to understand the main messages without getting lost.

OUTCOME

Statistics and easy to interpret data should go hand in hand with textual disclosures to create the biggest impact in terms of transparency. AEON shows how this can be done with simple, yet very clarifying visuals.

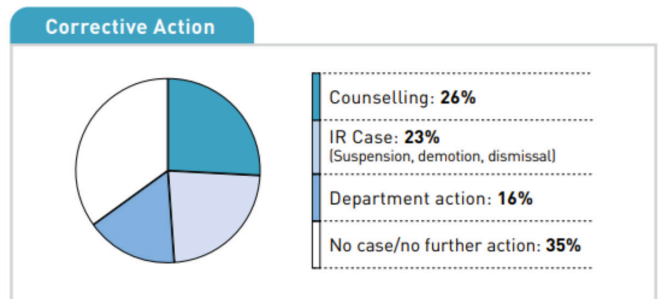
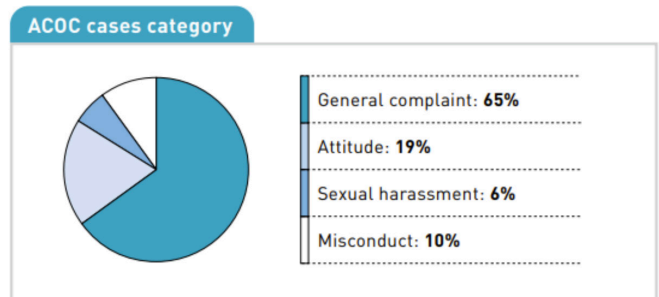



Image Source: Annual Report 2022
 30 AEON. (2023). Annual Report 2022. [Online]. Available at: https://annualreport2022.myaeon.com.my/downloads/AEON_AR2022.pdf





**PROVIDE FOR OR
COOPERATE IN
REMEDICATION WHEN
NECESSARY**



WHAT IS EXPECTED BY THE UNGPS OR PRESCRIBED BY THE OECD GUIDELINES?

- » **Active engagement or cooperation with other actors:** Where a business enterprise identifies such a situation, whether through its HRDD process or other means, its responsibility to respect human rights requires active engagement in remediation, by itself or in cooperation with other actors.
- » **Seek to take a role if it is contributed by a business relationship:** Where adverse impacts have occurred that the business enterprise has not caused or contributed to, but which are directly linked to its operations, products or services by a business relationship, companies are expected to use their leverage to ensure the business relationship which caused the adverse impact is providing the remedy.
- » **An effective non-judicial grievance mechanism:** An effective grievance mechanism should be: legitimate, accessible, predictable, transparent, rights compatible and a source of continuous learning.

WHAT ARE INSPIRATIONAL STEPS TO GO EVEN FURTHER?

- » **An explicit statement of grievance availability:**
Set up a clear, accessible system for stakeholders to report human rights violations, ensure it is transparent, allows for anonymity, and provides timely responses and resolutions.
- » **Engage with Communities and Stakeholders:**
Actively collaborate with local communities and stakeholders to understand and address the impacts of business operations. This includes regular consultations and partnerships with local groups or human rights experts.

INSPIRATION OF NEXT STEP

Grievance mechanism needs to be accessible and trustworthy. A robust grievance mechanism should take into account the characteristics of the supplier landscape. Depending on their role in the business relationship and position in the value chain, companies may consider extending their scope beyond just their tier-1 suppliers. If suppliers are located in different parts of the world, the grievance channel should overcome language and cultural barriers. A transparent procedure and public grievance monitoring can enhance the system's credibility, enabling those who raise issues to set their expectations accordingly. Finally, providing training and multiple grievance channels also give workers more understanding about their rights and the possible ways of escalation.



THE COCA-COLA COMPANY

ACCESSIBILITY

The Coca-Cola company is an American global beverage company with more than 200 bottling partners worldwide and sources its agricultural ingredients (e.g. cane sugar, mango, orange, soybean, coffee) from different suppliers around the globe. It tracks 12 global priority ingredients, which represent about 80% of its total annual agricultural ingredient purchases.

PARTNER WITH THIRD PARTY IN SETTING UP ETHICLINE AND PROVIDE TOOLKITS TO ITS SUPPLIERS

The Coca-Cola Company has a variety of sources of access to grievances. To ensure the grievances are accessible, Coca-Cola partners with a third party, NAVEX Global, to set up a global online and telephone information and reporting service. The hotline is toll free and available 24/7. In addition to the translator service, it also caters more than 20 international languages in its online platform. Complaints can be anonymised, and will be followed up in the timely manner. This online/offline third party reporting channel could potentially make complaints filing more accessible, especially surpassing the language barrier and the fear of retaliation.

In addition to the EthicLine, Coca-Cola's Supplier Guiding Principles also requires its suppliers to provide their employees with a mechanism to express grievances. It also designs a toolkit to help its business partners, and the toolkit includes examples and suggestions for small business or large sites on grievance procedures.

OUTCOME

A third party like EthicLine which supports different languages, can make grievances more accessible for suppliers who are located in different parts of the world. Integrating grievance requirements in supplier policy also ensures suppliers take up their own responsibility.

FAIR WEAR FOUNDATION

COLLABORATION

Fair Wear is headquartered in Amsterdam, the Netherlands and was founded in 1999 with the ambitious mission to improve labor conditions in the garment industry. The foundation is a non-profit and independent entity, maintained by a balanced multi-stakeholder board. This board equally represents industry associations, trade unions, and NGOs, ensuring the foundation’s autonomy. As of today, it has more than 100 member brands which include Acne Studios, Ganni, and Jack Wolfskin.

JOINING INDUSTRY FORCE AND PROMOTING ADDITIONAL GRIEVANCE CHANNELS TO SUPPLIERS AND WORKERS

Fair Wear accepts complaints from workers and their legitimate representatives, trade unions, employers’ organizations, NGOs and others (including media) who are concerned about the implementation of labor standards at suppliers of Fair Wear members.

The grievance mechanism serves as an additional layer beyond the factory’s internal system, functioning as a safety net when other options are either exhausted or not trusted by the worker. Fair Wear Foundation has established public grievance procedures³⁴. Upon deeming a complaint admissible, it initiates a series of communication steps with the individuals and organizations in the complaint.

For instance, Acne Studios, a member of the organization, includes the contact information for the Fair Wear “Complaints Hotline” on the information sheet given to workers. Additionally, they educate their workers about the complaint procedures during audits and training sessions. This hotline provides workers with a platform to anonymously report any unresolved labor issues, without having to go through factory management or local authorities. If a complaint is received, Fair Wear Foundation (FWF), the supplier, and Acne Studios work together to start an investigation and remediation process to find a resolution.

OUTCOME

Having various grievance channels, particularly those established by independent and industry entities, helps workers overcome issues of trust.

³⁴ Fair Wear Foundation. (2020). Fair Wear Complaint Procedure. [Online]. Fair Wage Foundation. Available at: <https://api.fairwear.org/wp-content/uploads/2020/09/Fair-Wear-Complaints-procedure-V2.0.pdf>

UNILEVER

PUBLIC GRIEVANCE PROCEDURE FOR SUSTAINABLE PALM OIL

Unilever is a Dutch-British global Fast Moving Consumer Goods (FMCG) company which engages in five core businesses: Beauty and well-being, personal care, home care, nutrition and ice-cream, with more than 50,000 suppliers in 155 countries. Unilever implemented a comprehensive approach to embed responsible business conduct into its policies and procedures to drive HRDD in its operations and value chains. (See Step 1 for another case)

GRIEVANCE PROCEDURE FOR SUSTAINABLE PALM OIL AND THE GRIEVANCE TRACKER

Unilever has a clear grievance procedure for palm oil, it has **a dedicated email address for any grievance and complaints**³⁵. After receiving a grievance request, it triggers three core steps in the procedures:

- » An acknowledgement of the grievance and a preliminary review
- » An in-depth review of the grievance, working with the supplier and an independent organisation on action plans
- » Time-bound actions implemented by the supplier to resolve the issue, with the outcomes monitored.

It has a commitment to accept or reject the grievance within five days of receipt and investigate the grievance within a maximum eight weeks. When the grievance is related to the most serious issues in its responsible sourcing policy, it will prioritize the case and escalate internally. It also has an independent verifier who will recommend action plans to the supplier and monitor the progress of the time-bound implementation.

Furthermore, Unilever also has a **public palm oil grievance tracker** which shows the grievance type, location, business relationship. For each case, it also transparently discloses the progress and the status of the resolution³⁶.

OUTCOME

Clear procedure with time commitment and progress tracking make its grievance mechanism more transparent, legitimate and predictable.

³⁵ Unilever. (n.d.) PALM OIL Grievance Procedure Acknowledgement of grievance & preliminary review. [Online]. Unilever. Available at: <https://www.unilever.com/files/origin/564966a883e6160aeee155d8b6a47b-3562c78bfc.pdf/palm-oil-grievance-procedure.pdf>.

³⁶ Unilever. (n.d.). Unilever Palm Oil Grievance Tracker. [Online]. Unilever. Available at: <https://www.unilever.com/files/73ee99fa-70a6-49e2-a253-75f55438a5ff/unilever-palm-oil-grievance-tracker.pdf>




UNITED NATIONS
HUMAN RIGHTS
OFFICE OF THE HIGH COMMISSIONER



KEY TAKEAWAYS

This report was written with the purpose of shedding light on good practices of HRDD within the consumer goods industry. The six steps of the OECD Due Diligence Guidance has formed the basis of this report. The steps below have been summarized.

STEP 1:
Embed responsible business conduct into policies and management systems

Capacity should be built at every level throughout the organization, and can be achieved by providing training and updating policies and procedures accordingly. It is a continuous process that requires a strong commitment from the top and the involvement of all levels of the organization.

STEP 2:
Identify and assess adverse impacts in operations, value chains and business relationships

There should be proactive, continuous engagement in identifying and assessing adverse impacts on human rights. An organization should integrate respect for human rights into all levels of the operations and make its progress transparent to external stakeholders. This progress can be monitored and evaluated by engaging with communities, and working collaboratively with external partners to address human rights issues throughout the value chains.

STEP 3:
Cease, prevent or mitigate adverse impacts

Effective internal decision-making, budget allocations, and oversight processes regarding HRDD should be integrated into the organization. This also involves reinforcing the code of conduct with business partners.

STEP 4:
Track implementation and results

An organization can leverage data and

technology to track and implement its efforts with respect to HRDD. There should be a focus on key impact areas, and alignment with executive compensation.

STEP 5:
Communicate how impacts are addressed

Honest disclosure of problem areas, taking stakeholders along in the journey of addressing these impacts, making information easily accessible and utilizing existing reporting frameworks for consistency and comparability.

STEP 6:
Provide for or cooperate in remediation when appropriate

Clear and accessible systems such as grievance mechanisms should be provided for stakeholders to report and follow up on human rights violations, ensuring transparency, anonymity, and timely response. Engaging with local communities and stakeholders can further help understand and address the impacts of business operations.

All in all,

Collaboration is key to success

Collaboration is mentioned almost throughout the entire report. Be collaborative, work with industry experts, governments, suppliers, customers, and even competitors. Internally, foster collaborations. Human rights are not solely part of the sustainability team or compliance office, but woven throughout the organization.

Set the tone at the top and support bottom-up engagement

Your strategy should be driven by values that incorporate the humans you are working with and for. Setting the tone at the top is crucial and throughout the organization it should be at the center of every endeavor.

Due diligence but with human decency

Ultimately, you are working with humans during HRDD processes. Interaction is two ways, therefore you should not look at this process from an ivory tower. Be transparent, be open to communicate and establish mutual understanding.

**IT'S NOT THAT HARD,
BE HUMAN, BE KIND.**





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Felipe Watanabe
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