



Moving with responsibility towards success

# Practical implementation of human rights due diligence in 10 companies

On behalf of:

 **accenture**

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Bundesministerium für  
wirtschaftliche Zusammenarbeit  
und Entwicklung

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We would like to thank the following companies for their willingness to share their experiences with us. We are very grateful for their cooperation and openness, and for opening up about both their challenges and successes.



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German Federal Minister for Economic Cooperation and Development

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## **A big step forward – corporate responsibility is the ingredient for success.**

Germany is moving ahead. The German Bundestag has adopted the Act on Due Diligence in Supply Chains. This new piece of legislation is a key element for fair and inclusive globalisation and an important step towards enforcing fundamental human rights and environmental standards in global supply chains. It will create legal certainty and a level playing field.

We are showing: It can be done! We present to you ten companies from different industries and of different sizes which have been already successfully implementing human rights due diligence.

Minimum standards like the ILO core labour standards and the Guiding Principles on Business and Human Rights of the United Nations apply for all companies worldwide. Nevertheless, each year revenues of 40 billion US dollars are generated through forced labour in factories and mines. Around 160 million children worldwide have to work hard instead of going to school. Child labour, enforced labour and enslaved labour can no longer be allowed to form the foundation of our prosperity. We want to shape globalisation in a fair and inclusive way.

One crucial lever for doing this is creating fair global supply chains and setting the grounds with the necessary legislative framework.

The relevant UN Guiding Principles on Business and Human Rights were the basis for the Act on Corporate Due Diligence in Supply Chains. They show how every business can fulfil human rights in its supply chain in only five steps:

- + Adopt a human rights policy statement.
- + Carry out a risk analysis: implement procedures for identifying negative impacts on human rights.

- + Engage in risk management (incl. prevention and remedial measures) to avoid potential negative impacts on human rights.
- + Draft reports.
- + Establish a grievance mechanism.

The good news: Countries like Germany can make an essential contribution towards a more fair and inclusive economy from which people in developing, industrialised countries as well as businesses can benefit. This does not necessarily impose an unreasonable burden on businesses, quite the contrary.

Even though the COVID-19 pandemic has brought huge challenges upon numerous companies, it has also shown that businesses which have systematically implemented human rights due diligence in their supply chains are more resilient in the face of disruptions to deliveries due to stable, long-term partnerships and thus are in a better position during the crisis.

The EU Commission, too, has understood this correlation and has announced that it will present a corresponding legislative proposal for an EU-wide regulation in autumn 2021.

The present study was carried out in order to enrich the ongoing debate on corporate due diligence in Germany and Europe by providing important insights from business practices.

I would like to thank the ten companies involved most sincerely for sharing their lessons learned with us and I wish you an enlightening reading experience.

*Dr. Gerd Müller*



**Tanja Gönner**

Chair of the Management Board of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

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The protection of human rights requires the concerted efforts of many different actors. The United Nations Guiding Principles on Business and Human Rights seek to provide a global standard and define the responsibilities of both, states and businesses. States and their executive institutions have the responsibility to protect human rights, while businesses have the responsibility to respect human rights. With the introduction of the German Act on Due Diligence in Supply Chains and a possible EU-wide regulation, the requirements for companies in Germany and in the partner countries of German development cooperation are increasing.

This study takes an in-depth look at the human rights due diligence of companies and aims to support companies with practical examples of implementation. It is clear that only when states and companies assume their respective responsibilities and work together human rights can be comprehensively protected. Especially in the case of structural challenges, for example modern slavery or child labour in global supply and value chains, companies cannot be expected to solve these grievances on their own. Improvements can only be achieved if states and companies move in the same direction.

The German National Action Plan on Business and Human Rights (NAP) already highlighted the essential role of development cooperation in 2016. German development policy works at various levels to promote respect for human rights by supporting legal and institutional requirements as well as corporate due diligence.

As the implementing organisation of German development cooperation, GIZ has been implementing this agenda for years. Many measures from the NAP are already being supported and implemented by GIZ on behalf of the German Government, such as advisory and training services for companies on human rights due diligence through the German Global Compact Network (DGCN), support for multi-stakeholder initiative „Partnership for Sustainable Textiles“, project funding for the Business & Human Rights Resource Centre (BHRRC) or projects to support labour and social standards in the textile and clothing sector in Bangladesh, Cambodia, Myanmar and Pakistan.

GIZ is aware that its tasks in this field of action will continue to gain in importance in the future and that its role will continue to be to strengthen the protection of human rights in the world and to support companies in living up to their own responsibilities.

*Tanja Gönner*

A handwritten signature in black ink that reads "Tanja Gönner". The signature is written in a cursive style.





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This study examines the practical implementation of human rights due diligence within companies, and what leads to success. The study is timely, with policy makers preparing legislation to require due diligence in a number of European countries.

The experience of the ten companies featured shows it is possible to develop systems of human rights due diligence whatever the size and shape of the company; from the Atelier Thomas Becker with five employees to Daimler, Deutsche Telekom and Siemens with over 250,000 employees each. They all have structured thorough human rights due diligence processes integrated into their daily business. At the same time, they are all modest about their achievements to date: none of the featured companies claims to have completely solved all the challenges. Rather, they all emphasize the need to continuously improve their practices.

As we have gathered these case studies together, one consistent message has been the importance of finding ways to integrate measures to respect human rights into existing corporate processes. Governance of the human rights topic needs to be organised with this integration in mind and involve the many functions across the business which need to take their part in implementing the company's human rights commitment in a structured way. The role of the central team leading human rights increasingly resembles that of an orchestral conductor concerned for the coherence and consistency across the company, and constantly working with multiple teams to deepen and refine their practice. At the same time, the companies featured emphasize that to promote the desired attitudes and changes, in addition to processes and systems, a clear commitment on the part of the management as well as corporate values and culture that are oriented towards respecting human rights are important.

One aspect of human rights due diligence that still needs more attention is the engagement with rightsholders – those people throughout the value chain such as workers in supplier companies or communities living downstream of a mine who may be particularly affected by environmental effects but have no opportunities for direct influence. The proactive exchange with such particularly vulnerable groups is a key point in which human rights due diligence differs from the “traditional” CSR commitment.

A great example of this can be found in the case study from adidas – leader in the Corporate Human Rights Benchmark. adidas emphasizes how important it is for the company to embed social impact managers in local operations and, that having worked for adidas for many years, these managers have built up experience of the topics involved and established trust with local rightsholders. It is these contacts with those affected and the knowledge of local conditions that make it possible to address human rights issues that are beyond the company's direct control and require cooperation with other stakeholders. You will find more detailed examples of inspiring practices from the company discussions in Chapter 3.

What can policy makers take from this report? It seems that in these companies human rights due diligence is happening because it is generally accepted to be good business, and there is no need for a cost benefit analysis to do the right thing. Therefore should policies nudge more companies towards doing the right thing or is more effective to penalise bad practice? Probably both, albeit the emergence of one's own motivation is likely to be more sustainable: For the companies featured, human rights due diligence isn't something to be complied with, it is a process of learning and continuous improvement that needs to sit deeply within the corporate culture today.

Can legislation motivate executives to set the right tone and to enable a culture in which processes and systems are implemented with integrity and continuously improved? Can more attention be brought to the critical activity of engaging with rightsholders in identifying and addressing human rights impacts? Questions for which we are still looking for answers.

We would like to thank the companies featured in this report for being willing to share their experiences with us.

We are very grateful for their cooperation and their openness, and for sharing their challenges as well as their successes.

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## List of abbreviations

<b>AI</b>	Artificial intelligence	<b>HR</b>	Human Resources
<b>BCG</b>	Business Conduct Guidelines [Siemens]	<b>HRAC</b>	Human Rights Advisory Council [BASF]
<b>BGR</b>	Bundesanstalt für Geowissenschaften und Rohstoffe (Institute for Geosciences and Natural Resources)	<b>HRDD</b>	Human Rights Due Diligence
<b>BHRRC</b>	Business and Human Rights Resource Centre	<b>HRIA</b>	Human Rights Impact Assessment [Merck]
<b>BMAS</b>	Bundesministerium für Arbeit und Soziales (Federal Ministry of Labour and Social Affairs)	<b>HRRS</b>	Human Rights Respect System [Daimler]
<b>BPO</b>	Business Practices Office [Daimler]	<b>HRW</b>	Human Rights Watch
<b>CEO</b>	Chief Executive Officer	<b>HSE</b>	Health, Safety & Environment
<b>CHRO</b>	Chief Human Resources Officer	<b>ILO</b>	International Labour Organization
<b>CR</b>	Corporate Responsibility	<b>IOM</b>	International Organization for Migration
<b>DGCN</b>	Deutsche Global Compact Netzwerk (German Global Compact Network)	<b>KPI</b>	Key Performance Indicator
<b>DRK</b>	Democratic Republic of the Congo	<b>NAP</b>	National Action Plan for Business and Human Rights
<b>DT</b>	Deutsche Telekom	<b>NCP</b>	National Contact Point
<b>EU</b>	European Union	<b>NGO</b>	Non-governmental organisation
<b>FLA</b>	Fair Labor Association	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>FWF</b>	Fair Wear Foundation	<b>RMI</b>	Responsible Minerals Initiative [BASF]
<b>GBA</b>	Global Battery Alliance [BASF]	<b>SDG</b>	Sustainable Development Goals
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit	<b>SEA</b>	Social and Environmental Affairs [adidas]
<b>GPSNR</b>	Global Platform for Sustainable Natural Rubber	<b>SME</b>	Small and medium-sized enterprise
		<b>UK</b>	United Kingdom
		<b>UN</b>	United Nations
		<b>UNGP</b>	United Nations Guiding Principles on Business and Human Rights

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Pioneers describe their implementation on 5-6 pages

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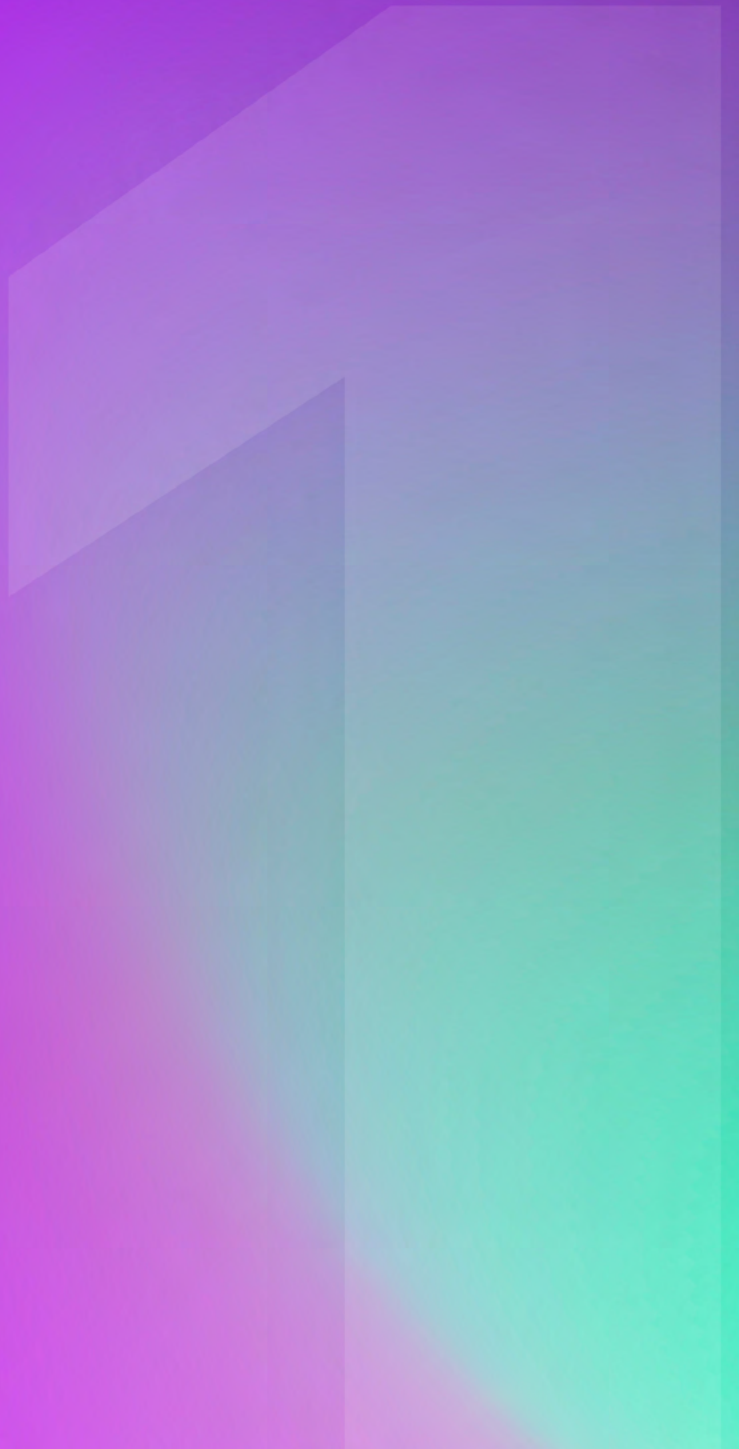
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## **PRACTICE TIPS**

Suggestions and impulses for your implementation

communication and reporting  
policy commitment  
governance  
integration  
investors  
future-proof  
cross-functional  
future rightsholders  
culture collaboration NAP  
values management system  
stakeholder engagement  
reputation  
license-to-operate  
ambition  
on site  
responsibility  
business  
risk analysis  
license-to-grow  
due diligence  
grievance mechanisms  
dialogue  
transparency  
brand protection  
learning  
networks  
tools  
digital process integration  
UN Guiding Principles  
risk management  
standardisation vs. individualisation

# Summary





# 1 SUMMARY

Major crises often illustrate the influence companies have on the realisation and protection of human rights in new ways: On the one hand, they positively contribute to solving complex societal challenges. On the other hand, certain business decisions can threaten the livelihoods of many people in supply chains and affected communities – sometimes unintentionally. During the COVID-19 pandemic, for example, companies were active in the manufacture of protective equipment, the development of vaccines and the programming of medical apps. At the same time, sudden cancellations and terminations of orders or employment relationships as well as inadequately secured accommodation and working conditions resulted in unprecedented consequential risks for vulnerable people in many places.

It becomes clear that human rights can only be protected worldwide if not only states but also business' take responsibility for their impacts. Businesses play a key role – and the UN Guiding Principles on Business and Human Rights, which were adopted by the UN Human Rights Council in 2011, anchor this particular responsibility in an international framework. Companies should implement human rights due diligence processes to ensure that they respect human rights in the course of their business activities. The Federal Government has drawn up a law that transposes these principles into German law and makes it binding for German companies.

This moment marks another milestone in a global upheaval that began long before the current crisis: The social expectations of companies and their managers have changed. In 2020, the World Economic Forum declared the beginning of stakeholder capitalism – away from the management rationality of profit maximisation, towards impact-oriented engagement for the great challenges of our time.<sup>1</sup>

It is hardly surprising that these ambitious announcements can lead to uncertainty and overburdening among stakeholders and companies. The requirement to respect and actively protect human rights seems enormous for some companies. There remains a lack of experience, and of concrete understanding and knowledge of how the new requirements can be translated into day-to-day corporate practice. This perception is confirmed by the Federal Government's "Monitoring the National Action Plan for Business and Human Rights" which reviewed the implementation status of human rights due diligence in Germany.

The review showed that only 13 to 17 percent of the companies met the defined requirements sufficiently in 2020.<sup>2</sup>

The good news is: there are also companies that show that it works. There are companies in Germany and Europe that are integrating the UN Guiding Principles on Business and Human Rights into their daily business. This study summarizes the experiences of ten such pioneers in order to show other companies how human rights due diligence can be put into practice.

The companies featured in this study come from a wide range of industries. What they all have in common is the conviction that doing business responsibly is not only morally the right thing to do, but also necessary to be economically successful. Human rights due diligence is the methodological approach that enables them to translate their values and responsibility into concrete processes and structures.

And that is exactly what this study aims to make clear. Companies don't have to reinvent the wheel to implement human rights due diligence. Human rights due diligence is no more than a management system that expands the focus to social aspects of business.

The ten case studies do not lead to remote places in the world, but to Munich, Hamburg or Herzogenaurach – where the featured companies are headquartered. They provide insights into the comprehensive range of corporate management for implementing human rights due diligence: culture, leadership, organization, cooperation, processes and instruments in the company. And, based on a wide range of experiences, they show that human rights due diligence can be implemented for every company. They also show that it does not steer towards a specific goal, but rather changes day-to-day business practice. Nevertheless, the relevant changes can be made visible on the basis of the five core elements of human rights due diligence described in the NAP.<sup>3</sup>

Therefore, in this study, we discuss both the overarching management questions for the implementation as well as core element-specific issues. The ten case studies are the content of Chapter 3. Chapter 4 contains the overarching findings. A brief summary of the most important findings follows right here.

### Brief overview of findings from the pioneers:

You can find the detailed description in Chapters 3 and 4.

### Overarching management approach

- + The featured companies pursue integrative management approaches for the implementation of human rights due diligence, which are aimed at continuous improvement. Aspects of human rights due diligence have been integrated into existing structures and processes. Internal and external networks have been established to embed the topic in the company and to strengthen the chosen approaches through diverse perspectives. The continuous development of human rights due diligence processes is emphasised as being particularly important.
- + The implementation of human rights due diligence is not linear. This means that companies do not need to have fully and successfully implemented a core element before tackling another. Instead, implementation is an ongoing process in which all core elements are connected as a system. Thus, the interim results from the implementation of a core element can also flow into the approach for other core elements.

### Motivation, drivers and value contribution

- + From the companies' point of view, due diligence helps anchor fundamental corporate values in business processes and culture.
- + They use frameworks and regulations as well as the resulting increased public attention to initiate or advance the implementation of human rights due diligence.
- + For these companies, through the expectations of investors and customers as well as the demands of the owners themselves, human rights due diligence has long been part of responsible management. They see human rights due diligence as a necessity to protect the brand and reputation.
- + So far, they have not leveraged a classic business case to start implementing human rights due diligence.

The total costs cannot be determined precisely, among other things due to the fact that human rights due diligence is integrated into many areas in the company. Nevertheless, individual cost drivers are increasingly being named. These include: personnel entrusted with the implementation, training courses, on-site visits to suppliers and business partners as well as investments in technology (e.g. tools for supply chain transparency). The direct costs for these can usually be recorded using classic cost accounting methods.

Even if there is no final business case, all companies see a clear added value in making and incurring the necessary investments and expenditures. Perceived benefits include the strengthening of employee satisfaction and the companies' license-to-operate, higher resilience in their supply chains and thus in sales. Pioneers also see an important connection to the protection of corporate reputation and brand.

It becomes clear, that the business case is not the main driver for human rights due diligence, but the conviction that responsible management is part of the company's success.

### Governance and leadership

- + Within these companies, human rights due diligence is primarily driven by a person or function (or a small group). Often, the driving unit assumes a coordinating role, as part of which it engages further functions. This is done, for example, via cross-functional working groups, internal networks or through topic-specific dialogues. The implementation of individual topics is often led outside the driving unit in different parts of the company.
- + The connection to the board of directors or the company management is often made via committees. There isn't necessarily a close, regular and strategic exchange with the Executive Board.
- + Strong, regular management communication – especially internally, but also externally – promotes the mandate and relevance of the topic in employees' perceptions. For the driving unit it is helpful to be able to relate to this communication when working with other departments and functions.

## External cooperation

- + The companies recognize that there are systemic human rights challenges that can only be tackled with partners. They cooperate and strive to jointly develop solutions specific to the challenges.
- + They involve rightsholders in the development of their approaches to human rights due diligence. However, most of the companies presented do not yet have an overarching, systematic approach for this.

## Findings along the core elements

1. **Policy commitment:**  
The companies featured have both independent and integrated policy commitments. Integrated commitments are embedded in existing guidelines or codes of conduct. The choice of a particular format usually depends on the corporate culture: the chosen format is the one with which the greatest acceptance of the content can be achieved in the respective corporate context.
2. **Assessing risks and impacts:**  
There is no one, all-explaining risk analysis. Instead, the featured companies capture human rights risks using different analysis methods and processes and with different focus areas, e.g. with a focus on suppliers, business partners, products, services, regions, locations, and more. Systematically identified risks with the greatest (potential) impact on people are prioritized, causes are investigated on site and solutions are developed with those affected employees and external stakeholders.
3. **Measures and reviewing their effectiveness:**  
The featured companies try to fill gaps in existing processes step by step and on the basis of their ever-increasing understanding of risk. In doing so, they try to develop measures tailored to the respective risk and target group. They try to embed the implementation of human rights due diligence and the handling of human rights violations strongly into local management practices. That means, that it is important to take into account local culture when analysing problems and developing solutions. Experience shows that different communication approaches are needed to prevent discrimination in Germany than would be needed in India. Most companies are still developing mechanisms to check the effectiveness of the measures taken.
4. **Communication and reporting:**  
The featured companies integrate human rights information into existing formats such as their sustainability reports or modern slavery statements, topical websites or their intranet, as well as in progress reports for member initiatives, such as for the Fair Wear Foundation. Particularly advanced companies communicate very transparently about their challenges, goals they haven't yet achieved and related necessary changes. In doing so, they respond to the fact that social change takes time and can only be achieved through continuous commitment.
5. **Grievance mechanisms:**  
The featured companies use grievances to improve their understanding of risk. They set up multiple grievance channels for different impacted groups. In addition, they also promote the development and implementation of grievance mechanisms in their value chain.





# **Introduction and information on the study**

# 2



## 2 INTRODUCTION AND INFORMATION ON THE STUDY

### 2.1 INTRODUCTION

The German Government has embedded the responsibility of German companies for respecting human rights along their supply and value chains within a robust framework by adopting the German National Action Plan for Business and Human Rights (NAP). The NAP is based on the 2011 UN Guiding Principles on Business and Human Rights (UNGPs), the first generally recognised international point of reference for human rights obligations of states with regard to economic activities, and for the responsibility of companies in global supply and value chains. The UNGPs are based on existing human rights obligations such as the International Bill of Human Rights and the ILO's core labour standards.

The NAP translates the UNGP requirements into the German context. It stipulates that all German companies should "introduce the process of corporate due diligence [...] in a manner commensurate with their size, the sector in which they operate, and their position in supply and value chains" <sup>3</sup> (NAP, p. 7).

The aim of human rights due diligence (HRDD) is to identify, prevent, reduce and, if necessary, remedy the negative impact of business activities on people and their fundamental rights.

The implementation of human rights due diligence helps companies make their business decisions on the basis of social consensus in order to increase acceptance for their own actions, to counter risks for people at an early stage and to protect themselves from reputational damage.

Expectations and requirements from lawmakers, investors, customers and consumers for organisations to run on an ethical basis are growing.

Therefore, a viable approach to demonstrating respect for human rights is a key consideration and enables companies to strengthen their relationships with employees, suppliers and business partners in the long term. Respecting human rights helps companies build trust with workers and suppliers and reduce business risks (e.g. delivery failures and product liability), improving its competitiveness and increasing its attractiveness to potential employees.

Human rights due diligence helps businesses achieve other sustainability goals and promote socially required innovations. The proactive identification and handling of human rights risks is important to tackle systemic challenges such as the climate crisis and the achievement of the Sustainable Development Goals (SDGs).

Between 2018 and 2020 the German Federal Government conducted a large-scale assessment to review the extent to which German companies with more than 500 employees are meeting the due diligence obligations in the NAP. This research showed that only 13 to 17 per cent of companies currently practice human rights due diligence to the defined requirements.

The results of this research indicate clearly that human rights due diligence is not yet widely practised and more support is needed to make encourage greater uptake in the wider business world.



The legal requirements for companies to implement human rights due diligence comprehensively or on a topic-related basis are increasing worldwide. The most important recent laws include e.g.

- + Dutch child labour due diligence law (2019)
- + Australian Modern Slavery Act (2018)
- + French "Loi de Vigilance" (2017)
- + UK Modern Slavery Act (2015)





## 2.2 PURPOSE AND USE OF THIS PUBLICATION

The aim of this study is to provide insights into the practical experience of pioneers that have been implementing human rights due diligence in their business activities and supply chains for some time.

**The study aims to provide answers to the following questions:**

- + What does implementing human rights due diligence actually mean for companies?
- + How do pioneers implement the five core elements of human rights due diligence?
- + What organisational capabilities and structures have these companies put in place over the years?
- + How do pioneering companies embed respect for human rights into the organisation (in terms of structure and workflows)?
- + What roles do hard factors (e.g. key performance indicators (KPIs)) and soft factors (e.g. corporate culture) play?
- + What challenges have these pioneers faced and how are they overcoming them? What can other companies learn from this?
- + How much effort and resources are involved in implementing human rights due diligence, and do companies formalize a business case?

The responses to these questions should serve two purposes. They should enrich the current discourse on corporate due diligence obligations with robust findings from corporate practice. In addition, the responses should provide readers with encouragement and ideas for their own practice.

**Primary target groups for this study are:**

- + Employees who work in corporate due diligence
- + Executives with responsibility for corporate due diligence
- + Board directors

## 2.3 SELECTION OF COMPANIES

To explore the questions above, ten companies with global supply chains were selected from different industries. The focus is on companies headquartered in Germany – complemented by an example from Denmark.

The selection of the companies was based on the following five criteria:

- + **Maturity of human rights due diligence:**  
The selected companies demonstrate an advanced understanding and maturity in the implementation of several core elements of human rights due diligence. The study does not include an examination of the effectiveness of the processes described.
- + **Maturity level in the sector:**  
The selected companies have more developed processes and practices when compared to others in their sector by relevant benchmarks or sustainability initiatives (e.g. the Corporate Human Rights Benchmark).
- + **Sectors and business model:**  
A wide range of sectors and business models are represented (e.g. business-to-business, business-to-consumer, company-/family-owned and listed).
- + **Size of company:**  
The selected companies range from micro enterprises to global players with more than 250,000 employees.
- + **Risk areas and material issues:**  
The case studies reflect a broad coverage of risk areas and material issues that may also be relevant for companies in other sectors (e.g. agricultural commodities and dialogue with smallholders, conflict raw materials in the supply chain, digital transformation challenges, and use of temporary and migrant workers).

## 2.4 WHAT DOES HUMAN RIGHTS DUE DILIGENCE MEAN?

The NAP structures human rights due diligence into five core elements. These should not be seen as a rigid sequence but should work in combination and complement each other. A good risk assessment forms the basis of a meaningful policy commitment. Grievance mechanisms can provide useful information on risks and impacts. Concrete measures must be combined with communication and impact measurement.

The way the core elements are implemented in company processes can vary considerably from business to business. The industry, company size and nature of the value chains (depth of production, transparency, fragmentation, etc.) can strongly influence the way it is done.

### What changes human rights due diligence?

Companies are used to continuously monitoring and mitigating business risks through due diligence processes. Human rights due diligence requires extending the scope to incorporate risks to people potentially affected by the company's actions (e.g. employees in the company or in the value chain, residents, customers, etc.) and include these in decision making.

### Wider risk scope and indirect impacts:

Human rights encompass more than occupational safety and rights at work, which companies have long been concerned with. They also include, for example, children's rights, the right to health, the protection of privacy and the rights of indigenous peoples. In addition to direct effects on its own employees, the focus is also on indirect effects on other parties affected by company activities (e.g. employees in the value chain, customers and users, local residents). For these potentially affected parties, issues such as product safety, the use of poisonous substances and environmental pollution are relevant. Consideration should also be given to groups who, for example, have to be relocated or who lose access to supplies of clean drinking water. This is where human rights due diligence comes in; it closes important knowledge gaps and opens up a new perspective for prioritising decisions and actions.



Figure 1: The five core elements of human rights due diligence

### Exchange with rightsholders:

To identify these risks, actual or potential, involves engaging with the people who are or could be impacted by the company's actions (the "rightsholders") or their representatives. This is a particularly important aspect of human rights due diligence and often leads to new insights into how business activities are impacting rightsholders. A regular dialogue with rightsholders and/or relevant groups representing rightsholders' views is therefore important in all stages of human rights due diligence.

### Vulnerable groups:

There is a particular focus on understanding whether and how particularly vulnerable groups (e.g. children, the elderly, minorities, women etc., depending on the context) may be impacted. Therefore, in selecting which rightsholders to engage with, particular effort may be required to ensure the voice of the most vulnerable is represented and heard.

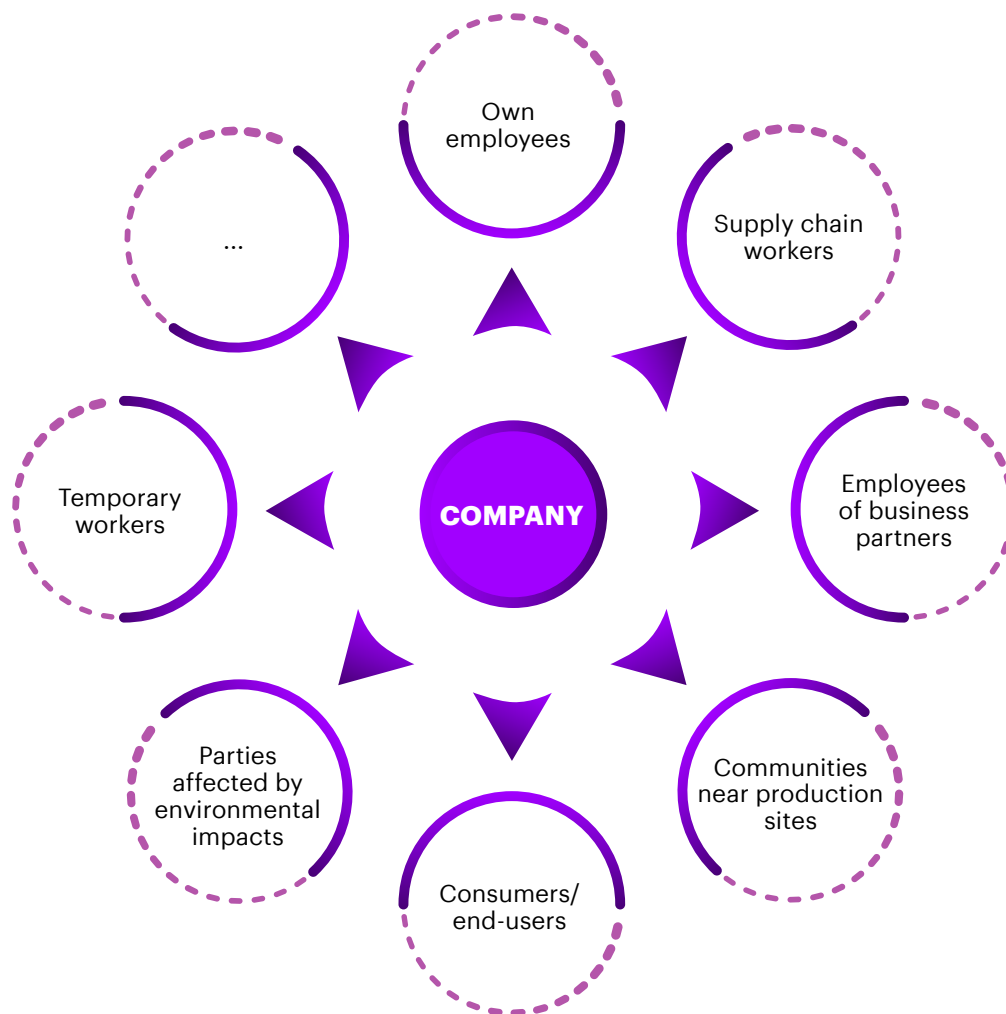


Figure 2: Overview of possible rightsholders

### Definition of rightsholders

Rightsholders are people whose rights might be impaired by the company's business activities or relationships. Some groups will have serious difficulties in making themselves heard and are at greater risk than others. Examples include children living in the communities near production sites or migrant workers employed by suppliers or other business partners.

### Examples of human rights impacts on different groups of people:

Group	Example of business impact
Own employees	At a location in an Asian country, employees of the subsidiary of a German company are not entitled to paid sick leave.
Supply chain workers	A clothing company orders large quantities with very short delivery times. Employees of suppliers are made to work unpaid overtime in order to meet delivery deadlines.
Employees of business partners	Company employees who work at the location of business partners are subjected to discrimination and sexist comments.
Communities near production sites	Several villages are forcibly resettled to enable the construction of a wind farm.
Consumers / end-users	New algorithms in web apps increase the risk of addiction among young users. Psychological problems are on the rise in the age groups concerned.
Temporary workers	Temporary workers from abroad are hired through an employment agency. The agency charges exorbitant sums for accommodation provided. The costs are automatically deducted from the minimum wage paid.
Parties affected by environmental impacts	A company exports electronic waste to developing countries, where children and people without protective clothing recycle the devices by hand.
General public	Under pressure from government, a telecommunications provider switches off the internet in an entire city during political demonstrations.

### Overview of practical instructions and other implementation aids

#### General sources of information

- + Central [information portal of the Federal Government](#) on business and human rights
- + German Global Compact Network [human rights due diligence information portal](#) with sector-specific information, instructions and practical examples

#### Governance and policy commitment

- + UNGC Good Practice Note, [Organizing the Human Rights Function within a Company](#)
- + UNGC, [A Guide for Business – How to Develop a Human Rights Policy](#)

#### Reporting

- + UNGC, [Human Rights Reporting Guidance](#)


# Implementation examples

3




# 3 IMPLEMENTATION EXAMPLES


## 3.1 OVERVIEW

	Sector	Employees	Organisational anchoring	Policy commitment
adidas	Sportswear	59,000	<b>Global Legal &amp; Compliance Officer and Chief Human Resource Officer:</b> <ul style="list-style-type: none"> <li>  Contact point for human rights</li> <li>  Implementation via functions</li> <li>  Progress report for executive team</li> </ul>	<b>Integrated in:</b> <ul style="list-style-type: none"> <li>  Labor Rights Charter</li> <li>  Code of Conduct for employees and for suppliers</li> <li>  Responsible Sourcing and Purchasing Policy</li> </ul>
A.P. Møller – Maersk	Industrial transportation and logistics	75,000	<b>Head of Sustainable Trade:</b> <ul style="list-style-type: none"> <li>  Contact point for human rights (internally and externally)</li> <li>  Implementation via specialist departments</li> <li>  Progress report to Chairmen of the Board</li> </ul>	<b>Integrated in:</b> <ul style="list-style-type: none"> <li>  Governance rules (COMMIT Rules)</li> </ul>
BASF	Chemicals	110,000	<b>Compliance Department:</b> <ul style="list-style-type: none"> <li>  Contact point for human rights</li> <li>  Cross-unit Expert Working Group</li> <li>  Human Rights Advisory Council</li> </ul>	<b>Integrated in:</b> <ul style="list-style-type: none"> <li>  Position on human rights</li> <li>  Code of Conduct</li> <li>  Supplier Code of Conduct</li> </ul>
Bierbaum-Proenen	Textile	360	<b>Departments Purchasing/ Sustainability:</b> <ul style="list-style-type: none"> <li>  Merging of the departments purchasing and sustainability</li> <li>  Contact point for human rights</li> <li>  Progress report to and involvement of the board</li> </ul>	<b>Integrated in:</b> <ul style="list-style-type: none"> <li>  Corporate principles</li> <li>  Supplier guidelines</li> <li>  Commitment to respecting the Fair Wear Foundation’s principles</li> </ul>
Continental	Technology and automotive	233,000	<b>Sustainability Department:</b> <ul style="list-style-type: none"> <li>  Contact point for human rights</li> <li>  Implementation via specialist departments</li> <li>  Regular communication to the Board via the Group’s Sustainability Committee</li> </ul>	<b>Integrated in:</b> <ul style="list-style-type: none"> <li>  Code of Conduct for all employees</li> <li>  Code of Conduct for Direct Business Partners</li> <li>  Purchasing Policy for Sustainable Natural Rubber</li> </ul>


The overview shows a non-exhaustive selection made by the authors of the study. It does not constitute an evaluation of the effectiveness or conformity with applicable law. Further details can be found in the case studies.



	Assessing risks and impacts	Taking measures and reviewing their effectiveness	Communication and reporting	Grievance mechanisms	
	<ul style="list-style-type: none"> <li>Integration in risk assessments of the specialist department</li> <li>On-site assessments</li> <li>Multiple approaches to risk assessment in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Action plan for identified risks</li> <li>Trainings and workshops</li> <li>Sustainability program for improvements in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Annual financial report</li> <li>Company website</li> <li>Membership reports</li> </ul>	<ul style="list-style-type: none"> <li>Third party complaint mechanism</li> <li>Electronic mailboxes</li> <li>Hotline</li> </ul>	<b>adidas</b>
	<ul style="list-style-type: none"> <li>Risk analysis along its business processes, functions and their regional footprint</li> <li>Assessment of labour rights, covering direct staff and third-party employees</li> <li>Supplier risk monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Training and awareness-raising measures</li> <li>Monitoring of supplier action plans</li> <li>Development of standards</li> <li>Setting of targets, incl. Indicators and progress measurements</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability report</li> <li>Company website</li> <li>UK Modern Slavery Statement</li> </ul>	<ul style="list-style-type: none"> <li>Whistleblower-System</li> <li>Grievance mechanisms in the supply chain</li> </ul>	<b>A.P. Møller – Maersk</b>
	<ul style="list-style-type: none"> <li>Analysis of country and product category risks</li> <li>Processes to review labour and social standards and product stewardship</li> <li>Due diligence process</li> <li>Neighbourhood forums</li> </ul>	<ul style="list-style-type: none"> <li>Processes and criteria for risk, investment, product and supplier evaluations</li> <li>Global management systems</li> <li>Trainings</li> </ul>	<ul style="list-style-type: none"> <li>Integrated report</li> <li>Company website</li> <li>Dialogue with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Compliance hotline</li> <li>Electronic mailboxes</li> <li>Neighbourhood forums</li> </ul>	<b>BASF</b>
	<ul style="list-style-type: none"> <li>Supplier discussions and assessments</li> <li>Country and market risk analyses</li> <li>On-site assessment</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring of supplier action plans</li> <li>Training</li> <li>(Pilot-)projects (with sector initiatives, e.g. Supporting Fairtrade Cotton Program)</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability report</li> <li>Membership reports (e.g. Fair Wear Foundation Performance report)</li> </ul>	<ul style="list-style-type: none"> <li>Grievance mechanism put in place by the Fair Wear Foundation</li> </ul>	<b>Bierbaum-Proenen</b>
	<ul style="list-style-type: none"> <li>External dialogue with customers and stakeholders</li> <li>Assessment framework for human rights risks at country level</li> </ul>	<ul style="list-style-type: none"> <li>Online and in-person trainings for employees</li> <li>Measures in hotspot areas</li> <li>(Pilot-)projects to track sustainability in the natural rubber supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability report</li> <li>Company website</li> <li>UK Modern Slavery Statement</li> <li>Dialogue with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Compliance- &amp; anti-corruptions-hotline</li> </ul>	<b>Continental</b>

	Sector	Employees	Organisational anchoring	Policy commitment
<b>Daimler</b>	Automotive and mobility services	290,000	<b>Social Compliance Department:</b> <ul style="list-style-type: none"> <li>  Contact point for human rights</li> <li>  Implementation via specialist departments</li> <li>  Regular communication to the (advisory) Board</li> </ul>	<b>Integrated in:</b> <ul style="list-style-type: none"> <li>  Integrity Code</li> <li>  Supplier Sustainability Standards</li> </ul>
<b>Deutsche Telekom</b>	Information and telecommunication technology	229,000	<b>Department Group Corporate Responsibility:</b> <ul style="list-style-type: none"> <li>  Contact point for human rights</li> <li>  Implementation via specialist departments</li> <li>  Progress report to the board</li> </ul>	<b>Integrated in:</b> <ul style="list-style-type: none"> <li>  Code of Human Rights &amp; Social Principles</li> <li>  Employee Relation Policy</li> <li>  Supplier Code of Conduct</li> </ul>
<b>Merck</b>	Chemicals and pharma	58,000	<b>Corporate Sustainability department:</b> <ul style="list-style-type: none"> <li>  Contact point for human rights</li> <li>  Cross-departmental Human Rights Working Group</li> <li>  Implementation via topic-responsibilities</li> </ul>	<b>Integrated in:</b> <ul style="list-style-type: none"> <li>  Human Rights Charter</li> <li>  Code of Conduct</li> <li>  Responsible Sourcing Principles</li> </ul>
<b>Siemens</b>	Technology, industry, transport, medical technology	293,000	<b>Sustainability Management and Legal Compliance departments:</b> <ul style="list-style-type: none"> <li>  Contact point for human rights</li> <li>  Progress report to the supervisory board</li> </ul>	<b>Integrated in:</b> <ul style="list-style-type: none"> <li>  Siemens Business Conduct Guidelines (BCG)</li> <li>  Code of Conducts for suppliers and business partners</li> </ul>
<b>Thomas Becker</b>	Luxury goods	5	<b>Director:</b> <ul style="list-style-type: none"> <li>  Driving and promotion of the topic</li> </ul>	<b>Integrated in:</b> <ul style="list-style-type: none"> <li>  Founding principles of the Atelier</li> </ul>

The overview shows a non-exhaustive selection made by the authors of the study. It does not constitute an evaluation of the effectiveness or conformity with applicable law. Further details can be found in the case studies.

	Assessing risks and impacts	Taking measures and reviewing their effectiveness	Communication and reporting	Grievance mechanisms	
	<ul style="list-style-type: none"> <li>Systematic assessment in own locations and in the supply chain: Human Rights Respect System</li> <li>Compliance Management System</li> </ul>	<ul style="list-style-type: none"> <li>Trainings and workshops</li> <li>Goal setting and progress measurement</li> <li>(Pilot-)projects in high risk areas (e.g. sustainable cobalt mining in the DRC)</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability report</li> <li>Company website</li> <li>Daimler Sustainability Dialogue</li> </ul>	<ul style="list-style-type: none"> <li>Whistleblower system: BPO (Business Practices Office) (channels: contact form, hotlines or neutral intermediaries)</li> </ul>	<b>Daimler</b>
	<ul style="list-style-type: none"> <li>Integration in the risk assessments of specialist departments</li> <li>On-site assessment</li> <li>Diverse approaches to risk assessment in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Action plan for identified risks</li> <li>Trainings and workshops</li> <li>Sustainability program for improvements in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Responsibility report</li> <li>Company website</li> <li>UK Modern Slavery Statement</li> </ul>	<ul style="list-style-type: none"> <li>Whistleblower system</li> <li>Electronical mailboxes</li> <li>Works council</li> </ul>	<b>Deutsche Telekom</b>
	<ul style="list-style-type: none"> <li>Company wide risk analysis</li> <li>Self-assessment in all subsidiaries</li> <li>On-site assessments in high risk countries and supply chains</li> </ul>	<ul style="list-style-type: none"> <li>Action plan for identified risks</li> <li>Trainings for selected functions</li> <li>Development of an approach for greater consideration in investment decisions</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Sustainability Report</li> <li>Company website</li> <li>UK Modern Slavery Statement</li> </ul>	<ul style="list-style-type: none"> <li>Compliance hotline SpeakUp Line</li> <li>Topic specific channels</li> </ul>	<b>Merck</b>
	<ul style="list-style-type: none"> <li>Integration in existing risk assessments and management systems</li> <li>Digitised Risk Due Diligence Tool</li> <li>Multiple approaches to risk assessment in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Action plan for identified risks</li> <li>Trainings and workshops</li> <li>Siemens Integrity Initiative</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability report</li> <li>UK Modern Slavery Statement</li> <li>Membership reports</li> </ul>	<ul style="list-style-type: none"> <li>Whistleblower system</li> <li>Electronical mailbox</li> <li>Ombudsperson</li> </ul>	<b>Siemens</b>
	<ul style="list-style-type: none"> <li>In person visits and assessments</li> <li>Collaboration with rightsholders and local NGOs</li> </ul>	<ul style="list-style-type: none"> <li>Direct collaborations with gold cooperatives in the DRC</li> <li>Small number of suppliers</li> <li>Improvement of safety conditions in the mines</li> </ul>	<ul style="list-style-type: none"> <li>Company website</li> <li>Lectures</li> </ul>	<ul style="list-style-type: none"> <li>Local contact person</li> <li>Contact to the Director</li> </ul>	<b>Thomas Becker</b>

## 3.2 HIGHLIGHTS FROM THE IMPLEMENTATION EXAMPLES



### ORGANISATIONAL ANCHORING

#### MERCK

At Merck, all activities and processes for human rights due diligence are coordinated across the group by the Group Corporate Sustainability unit.

The unit tracks progress made and measures taken in its regular meetings. The respective topic managers in the corporate functions, corporate divisions and local units implement the measures developed.

In addition, Merck set up a cross-departmental Human Rights Working Group in 2019.

Its goal is to develop and execute shared, cross-function measures to fulfil Merck's responsibility to respect human rights. The group meets three to four times per year.

#### What is good about this?

- + Central steering
- + Active involvement of various business functions in steering activities
- + Structure allows continuous further development of the processes



Since 2020, the human rights topic at BASF has been coordinated and managed by the Compliance department; the department's tasks also include the development of internal policies. In addition, a cross-unit Expert Working Group (EWG) comprised of experts from Sustainability, Legal, Purchasing, Environment, Health & Safety, Human Resources, Supply Chain, Communication, Investor Relations and Security as well as representatives from selected operational units works closely together to develop due diligence.

The EWG examines and improves the due diligence mechanisms for the protection of human rights, follows external developments, supports and advises in challenging and critical situations, in the further development of internal processes and in the development of further training offers.

In addition to the internal units and groups, in 2020 BASF set up an advisory board, the Human Rights Advisory Council, to systematically include external, independent and international expertise on the topic of human rights.

#### What is good about this?

- + Cross-unit Expert Working Group (EWG)
- + Collaboration with an advisory board of external, independent experts
- + Clear embedding of sustainability and human rights due diligence in corporate strategy and processes

## RIGHTSHOLDER INVOLVEMENT



THOMAS BECKER  
ATELIER FOR SCHMUICK

The experience of the Thomas Becker Atelier has shown that when engaging in supply chains it can be important to work with a respected local mediator. The Atelier works with a Congolese human rights lawyer who supports in contract negotiations and in exchanges with mining cooperatives by interpreting both language and culture for the Atelier.

With her help, the Atelier has been able to communicate with the local population, better understand the culture and gain people's trust. Moreover, the Atelier was able to understand and address the specific needs of supply chain workers through engaging in dialogue and listening, which may otherwise have been overlooked.

### What is good about this?

- + Lived example of meaningful rightsholder engagement
- + Involvement of a local translator / negotiator for the local language and culture
- + Mitigation measures developed in consultation with rightsholders



## POLICY



Continental has incorporated its commitment to respecting human rights into pre-existing and already accepted policies, such as its Code of Conduct. The revised Code of Conduct uses practical and accessible language, gives tangible examples of how its principles could be applied and clearly identifies the desired behavior.

The revision of the Code involved an internal engagement process with employees from different functions and countries. It was used to create an internal network across the business which now plays an important role in implementing the agreed principles.

### What is good about this?

- + Human rights commitments incorporated in pre-existing policies
- + Participatory process with stakeholders involved across the business
- + Clear, accessible and practical language which makes abstract principles tangible



### MAERSK

Maersk has analysed its human rights risks in multiple ways: for example for the business overall, in its supply chain and for strategic business decisions. Maersk conducted a thorough risk analysis along its business processes, functions and their regional footprint to identify the main areas of the business that touch on human rights. These include, amongst others: safety, employee relations, ship recycling and air emissions. Further risk assessments are conducted by the functions owning the different topics.

For example, the Global Head of Employee Relations conducts a comprehensive assessment of labour rights, covering direct staff and third-party employees - this every two to three years in all entities world-wide. Maersk proactively picks up emerging risk areas as the company profile develops and changes (e.g. human rights in the context of data ethics). External events can also impact on human rights risks that Maersk is proactively addressing (e.g. wellbeing of seafarers during COVID-19 pandemic).

#### What is good about this?

- + Continuous multiple risks assessments with different perspectives
- + Proactive identification of new risks as company profile evolves
- + Responsiveness to external events and the human rights risks that arise

### SIEMENS

In 2019 Siemens carried out a materiality survey with over 500 stakeholders (including suppliers, customers, NGOs, think tanks, investors, shareholders, governmental representatives and employees). Participants were invited to rate human rights issues as particularly serious or likely. Siemens committed to reviewing the results the following business year and prioritising them as action areas.

In addition, in the 2020 business year Siemens carried out a Compliance Risk Assessment survey to identify and evaluate human rights risks in various regions and business units.

Siemens investigates risks along the value chain – in the supply chain, in the workplace and in customer-side business decisions. In all three categories, Siemens focuses on the risks identified as crucial.

Siemens has also developed a digital risk due diligence tool to analyse human rights risks in cooperation with business, central functions and external human rights experts.

#### What is good about this?

- + Involvement of large variety and quantity of stakeholders
- + Large risk assessment scope
- + Transparent process





## MEASURES



Deutsche Telekom conducted human rights impact assessments in high-risk locations and now implements action plans with measures both at the local and global levels. For example, the assessment in India looked at topics such as working hours, mental and physical stress and work-life balance as well as discrimination and working conditions of supplier employees.

Based on the findings, Deutsche Telekom developed and introduced a range of improvement measures, including measures for raising awareness on human rights topics. Deutsche Telekom also used the learnings from these local assessments to identify how central processes need to be adjusted to improve human rights due diligence across the Corporate Group.

### What is good about this?

- + In-depth, in-person assessments in higher risk locations
- + Development of clear action plans - on local and global level
- + Identification of improvement opportunities for local and global functions

## DAIMLER

When implementing measures, Daimler takes a risk-based and systematic approach. Processes and measures – whether in the company units or in the supply chain – are designed to mitigate risks in a targeted manner and to be effected where needed (e.g. in certain company departments).

In some higher-risk areas, such as cobalt mining in the Democratic Republic of Congo, Daimler not only takes its own measures but additionally works in a targeted way with organisations such as Bon Pasteur in order to improve the situation of more than 19,000 people in the Kolwezi mining region by 2022.

### What is good about this?

- + Use of a risk-based approach to assess risks and define processes and measures
- + Targeted measures in higher-risk areas to support vulnerable groups
- + Strong focus on higher-risk raw materials



## COMMUNICATION



Bierbaum-Proenen reports on its human rights due diligence in detail. For this, the company uses not only its sustainability report, but also the Brand Performance Check, an independent assessment by the Fair Wear Foundation (FWF).

Bierbaum-Proenen's sustainability reports contain detailed information on business relationships with partners in various countries. For example, Bierbaum-Proenen not only lists highlights for the respective partner, but also transparently reports on audit results and open issues. Furthermore, Bierbaum-Proenen also transparently reports on complaints received, their reasons, follow-up and measures taken. As a member of the Fair Wear Foundation, Bierbaum-Proenen uses its complaint system. Complaints received are published on the FWF website.

The Fair Wear Foundation's Brand Performance Check, which is publicly available, also describes in detail what Bierbaum-Proenen has done that year, what challenges still need to be addressed, and what progress the company has made compared to previous years.

### What is good about this?

- + Extensive communication and transparency
- + Authentic communication on challenges and progress
- + Efforts to achieve supply chain transparency



## GRIEVANCE MECHANISM



adidas' grievance mechanism consists of multiple channels through which stakeholders can submit complaints in any language. The grievances are published on the company's website. The third-party complaint system is open for individuals, their representatives and communities.

Grievances can be handed in by hotline, email, fax, letter or call. adidas provides the possibility to get in touch with contact persons via a variety of channels in Europe, the Americas and Africa, Middle East and Asia Pacific.

Especially factory workers are encouraged to use the hotline numbers provided. Workers can either call or send a text message. This is complemented by an app-based local grievance system at strategic suppliers. Individuals may also submit complaints through independent channels; including the Third-Party Complaint Process of the Fair Labor Association (FLA) and the OECD National Contact Point for Germany.

### What is good about this?

- + Far-reaching supply chain complaint management system
- + Multiple ways of submitting a complaint
- + Transparent communications about incoming complaints and their resolution



### 3.3 adidas AG

Adidas' human rights due diligence focuses on its own operations, its suppliers and its engagement in the sporting world. adidas' Social and Environmental Affairs department (SEA) is responsible for driving the due diligence efforts. adidas was ranked highest in the Corporate Human Rights Benchmark in 2018 and 2019 both within the apparel industry, and overall for all sectors. It is also the only company which received a full score for its complaint mechanisms. In 2018 adidas scored 92 out of 100 points, the highest seen yet in any of KnowTheChain's forced labour benchmark reports, retaining its top spot since 2016.



#### BUSINESS CASE

adidas' human rights program helps it to avoid commercial and reputational damage. The engagement it has developed with local stakeholders is enabling adidas to build preventive measures and respond to risks, supporting business continuity and avoiding disruption to adidas' supply chains and its operations. This is the real value add to the business – sustaining its licence to operate and business continuity – beyond reputation protection.

This would be hard to measure in absolute terms and adidas does not seek to measure the specific business value its human rights programs add. They are viewed as a 'must have' in terms of governance and compliance. However, the company does recognise the nature and benefits of its interventions anecdotally, e.g. where outreach by the Social and Environmental Affairs (SEA) team on freedom of association and trade unions rights improves industrial relations and reduces business disruption from strikes and stoppages.



#### COMPANY PROFILE

- + Sector: Sportswear
- + Largest sportswear manufacturer in Europe with large production footprint in Asia
- + More than 59,000 employees in over 160 countries
- + Publicly traded company, headquartered in Germany

”

We communicate openly about our human rights due diligence for transparency and invite exchange with relevant stakeholders including civil society groups about what we are doing.

Many of my team members have worked for the Social & Environmental Affairs team for 10-15 years. Experience counts in risk mitigation. We rely on local knowledge in addition to quantitative and qualitative risk assessment data.

Tell people what you are doing. We are transparent about our upstream efforts and we are open to critical and constructive feedback to ensure continuous improvement.

“



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## CHALLENGES

Developing effective training programs for **relevant target groups**, adapted to **cultural context**.

Finding and retaining **qualified personnel** with the right skill set, knowledge and expertise. It requires the ability to find solutions for complex local human rights challenges.

Building trusting relationships with external stakeholders who are highly sensitive to the sector's poor reputation for respecting human rights.

Highly **fragmented n-tier value chain** with **many subcontractors** and poor **knowledge** of human rights due diligence in the upstream supply chain.

## SUCCESS FACTORS

**Breaking the term human rights down to specific issues** (e.g. labour exploitation, modern slavery, etc.) that need to be addressed – helps to enhance understanding within the organisation and when engaging with external stakeholders.

Building **long-term and trustful relationships with local and international stakeholders** including representatives of vulnerable groups and workers that provide critical feedback or alert adidas to local problems before they escalate.

**Transparent and open public communication of adidas' engagement**, including on challenges and learnings, inviting critical and constructive feedback. **adidas publishes both the names and locations of its main suppliers**, as well as those of their immediate subcontractors, and of its tier-2 materials suppliers. These public supplier lists are updated twice a year.

Having its **own staff conduct risk assessments**, including any complex on-site remediation. adidas **invests in experienced local experts** who can drive local solutions for complex human rights challenges. Any critical issues flagged through third party audits are always brought back to the in-house team to manage.

Strong **positioning at two board levels** and broad **organizational anchoring** of the Social and Environmental Affairs team **in each adidas sourcing location**; working in tandem with the respective local sourcing teams (see above).



## ORGANISATIONAL ANCHORING

### Governance and integration

The responsibility for adidas' due diligence approach is held by its board members, the Global Legal & Compliance Officer (focus: overall company and operations) and the Chief Human Resource Officer (focus: employees). The Social and Environmental Affairs (SEA) department is part of the legal department and reports to the Global Legal and Compliance Officer, who in turn reports to the CEO.

The SEA steers and embeds adidas' due diligence approach. SEA staff are embedded in key adidas sourcing locations and work in tandem with the local sourcing teams. Clear targets for implementing human rights due diligence are included in the sourcing teams' performance appraisal system and relate to the suppliers' social compliance KPIs that capture factory level labour and human rights performance. adidas' implementation is closely monitored at senior management level and the SEA team produces a monthly management report for the executive team. This report summarizes all supply chain human and labour rights issues as well as environmental concerns. This is complemented by quarterly reporting on labour and environmental practice to the supervisory board.

### Role of executive management

Leadership of adidas' human rights program is developed and integrated across the business. Local SEA team members provide local leadership and input into risk identification and analysis, they work with local sourcing colleagues to assess suppliers' performance and address risks and build collaboration with local stakeholders to find concrete solutions to complex problems.

Through the monthly reporting process, senior management brings ongoing engagement and visible leadership, and the supervisory board is actively engaged in oversight. Throughout, it has been important to be able to work with a wide range of internal and external stakeholders to move beyond the generic term human rights and to use language that is specific and understandable e.g. freedom of association, freedom of movement, worker protection.







## IMPLEMENTING THE CORE ELEMENTS



### Policy commitment

adidas does not have a single stand-alone or umbrella human rights policy. Instead, the company has a set of core policies addressing human rights issues in the organisation and the supply chain (e.g. Labor Rights Charter, Code of Conduct for employees “Fair Play”, Code of Conduct for suppliers “Workplace Standards”, Responsible Sourcing and Purchasing Policy, Responsible Recruitment Policy, Policy on Modern Slavery [comprising Forced Labour and Human Trafficking], etc.).<sup>4</sup>

The UN Guiding Principles – a crucial driver in adidas human rights due diligence journey – are incorporated into these policies. The two most important policies are adidas’ Labor Rights Charter (owned and approved by the CEO) and its Workplace Standards. The latter is core to adidas’ supply chain human rights approach: the Workplace Standards reflect adidas’ commitment to ensuring fair labour practices, fair compensation and safe working conditions in factories throughout its global supply chain.



### Assessing risks and impacts

adidas leverages local knowledge from its network of local SEA staff in identifying its human rights risks and impacts. Therefore, the main sources of information the company uses for its risk assessment are gathered from civil society organisations, labour unions, and workers themselves, as well as government and other publicly available data, e.g. U.S. Department of Labor reports on child and forced labor and U.S. State Department annual country reports on human rights.

The SEA department is in continuous exchange with local stakeholders and rightsholder representatives such as trade unions to be able to foresee upcoming risks and develop responses as well as preventive measures. Through its stakeholder outreach and engagement efforts, adidas has identified a set of salient issues to focus its due diligence efforts on. These include but are not limited to freedom of association and collective bargaining, access to grievance mechanisms, diversity, mega sporting events, as well as data protection and privacy security.

adidas’ risk mapping approach includes assessments at the country, business entity and factory level. The country risk assessments allow adidas to categorise countries as high or low risk. The categorisation influences e.g. the minimum frequency of audits. At the business entity level, the focus lies on performance and compliance reviews. The risk assessments for factories include audits, KPI assessments and risk-rating analyses. The results influence audit frequency and overall engagement with the factory. Additionally, in its modern slavery outreach program it has administered a self-assessment tool to all suppliers with the aim of gathering foreign migrant labor related data across tiers and regions, globally. Information is provided by the suppliers on their hiring practices for foreign migrant workers. An outcome of this risk assessment exercise is a defined program plan toward supplier compliance in implementing responsible and transparent recruitment practices.

A full risk assessment is triggered when adidas is looking into starting a new business relationship in a country the company has not previously been in. For example, prior to sourcing from Myanmar, adidas invested two years in developing a comprehensive human rights risk assessment and building the necessary contacts with local NGOs and government agencies. adidas tries to always have its own staff conduct risk assessments, including on-site visits. If the company does not (yet) have staff based in a country, an official of the SEA department is sent. However, in cases when no adidas staff member can conduct the assessment, the company leverages its connections to trustworthy organisations, which are familiar with the local settings. For example, due to the COVID-19 travel restrictions, adidas was not able to visit a footwear production site in Myanmar. Therefore, the company engaged with a local trade union to check whether extensive health and safety requirements were in place and working.



### Taking measures and reviewing their effectiveness

Based on the result of the risk assessments, adidas regularly rates factories on their ability to comply with adidas' Workplace Standards by means of conducting announced and unannounced audits by adidas personnel or an approved external auditor. Based on the results, the sourcing and SEA teams jointly decide the course of action to take. This may range from defining training needs or other improvements at the factories to using enforcement mechanisms such as sending warning letters or even terminating contracts. In cases when the SEA team identifies issues that can be fixed, the supplier in question is given a timeframe for remediation. The SEA team then goes back to confirm the issue was resolved or improvements made.

In its due diligence approach, adidas emphasizes trainings both for its own employees and for its suppliers:

- + As part of the adidas induction programme, all new employees go through a training which covers adidas' Labor Rights Charter and ethical conduct code. For the SEA and procurement teams, more targeted training modules on human rights and modern slavery are used. adidas' corporate training programme also goes beyond the supply chain and includes trainings such as on employee rights and diversity and inclusion.
- + adidas aims to help its suppliers improve their health and safety as well as their social and environmental performance. Initiatives are prioritized based on the topics where adidas has identified the biggest need. For example: upon realising that fundamental human resourcing systems were missing in factories in the Asia Pacific region, adidas launched the Human Resources Management Systems training programme in 2006. The training covers the key HR processes and responsibilities, such as hiring and resource planning, performance management, compensation and benefits to training and development.

The majority of adidas measures are aimed at improving the respect for human rights in factories and the well-being of factory workers. For this aim, adidas has developed a suite of initiatives for different focus areas, which include but are not limited to:

- + **Fair compensation:** this encompasses timely payments of a wage that e.g. reflects performance and skill and allows decent living standards. adidas has deployed wage assessment tools and guidances to suppliers to support them in their journey to paying fair wages.
- + **Vulnerable groups:** adidas initiatives focus on child, forced and migrant labour, as well as women in supply chains. adidas works with e.g. the ILO, International Organisation for Migration (IOM) and non-government organisations to safeguard the rights of these vulnerable groups. Additionally, they are a focus point of risk assessments and audits.
- + **Freedom of association and industrial relations:** adidas advocates for the freedom of association of workers and actively engages in multi-stakeholder processes and calls for remedies where it deems government action to be insufficient.



## Communication and reporting

adidas shares human rights information in line with the minimum reporting requirements in its annual financial report.

In addition, the company publishes detailed information on its programs and initiatives, as well as its progress, on the human rights section of its corporate website. The disclosed information covers e.g. the number of factories rejected based on adidas' risk assessments, the number and type of trainings, and the supply chain grievances received, and the remediation measures provided or developed in response.

As part of upholding its commitment to transparency, adidas publishes both the names and locations of its main suppliers, as well as those of their immediate subcontractors, and of its tier-2 materials suppliers.

adidas further publishes (progress) reports as part of its memberships in industry alliances and extensive engagement with benchmarking organisations (e.g. Corporate Human Rights Benchmark).

As a member of the Fair Labor Association (FLA), adidas's labor and human rights program is subject to regular assessment, as part of the FLA's accreditation program.

- + Especially factory workers are encouraged to use the hotline numbers provided in the factories. Workers can either call or send a mobile phone short text message. This is complemented by a digital app-based local grievance system at strategic suppliers. For messages sent through the app workers can provide feedback whether or not they were satisfied with the factory response. adidas can also interrogate the complaints in the factory-managed operational grievance system, to pinpoint serious cases.

In addition to the adidas third party complaint mechanism, individuals may also submit complaints to independent channels; including the Third-Party Complaint Process of the Fair Labor Association (FLA) and the OECD National Contact Point for Germany.

Each year, adidas publishes the complaints it has received as well as their status on the corporate website. The company also provides an analysis of the complaints received, including short summaries of individual cases and information of the source of complaints (e.g. trade unions, advocacy groups and workers). However, adidas may choose not to make a complaint public if there is a risk of retaliation against the employee who submitted the complaint.



## Grievance mechanisms

adidas' third party complaint mechanism was established in 2014, replacing an earlier hotline. It includes a variety of channels through which stakeholders can submit complaints in any language. The complaint mechanism process is aligned with the expectations of the UN Guiding Principles:

- + The third-party complaint system is open for individuals, their representatives and communities. Grievances can be handed in by hotline, email, fax, letter or call. adidas provides an email address, as well as the name, phone and fax numbers and the postal address of contact persons in Europe, the Americas and Africa, Middle East and Asia Pacific.

### 3.4 A.P. MØLLER – MAERSK A/S

Maersk embeds human rights due diligence firmly in its existing business processes through its compliance structure.

It prioritises high risk areas where it needs to do more, including through industry collaboration.



#### BUSINESS CASE

The company acknowledges that the key value of human rights due diligence is realised for its value and its brand. Implementing human rights due diligence upholds its values and protects and promotes Maersk's brand. When designing its response to sustainability challenges Maersk differentiates between responsibility and risk. Human rights fall under the responsibility category, meaning that there is no need to justify the financial benefits of a due diligence approach. It is simply something the company needs to do and do well as a matter of compliance. For Maersk this is a key part of what

being a responsible company means. Rather than being financially rewarded for it, having appropriate due diligence processes in place, is a requirement which key Maersk customers apply as a hygiene factor when choosing their suppliers. In this context, human rights due diligence and responsible business practices is part of Maersk's overall sustainability value proposition to customers. As consumer and regulatory requirements are increasing, the company expects its customers to place increasing weight on responsible business conduct in the supply chain.



#### COMPANY PROFILE

- + Sector: Industrial Transportation and Logistics
- + More than 75,000 employees in 130 countries
- + Active in ocean and inland freight transportation and associated services, such as supply chain management and port operation
- + Publicly traded Danish company with majority family ownership

”

Human rights due diligence is an ongoing process. It is about improvement and not perfection. That is the spirit of the UN Guiding Principles.

It is possible to do this without creating too many new things. It is possible to integrate it in a sustainable way for the organisation.

A mainstreaming approach, that is, embedding human rights challenges in existing areas of tasks and responsibilities, has worked well for us.

“



© A.P. Møller – Maersk



## CHALLENGES

Maersk emphasizes that respecting human rights **requires continuous awareness and working with key stakeholders** in and outside the organisation. In a large organisation there is always a risk of a disconnect between global policies and local implementation. Business requirements (e.g. price pressure and highly competitive markets) might create counterincentives that can potentially undermine human rights and it takes time and engagement to identify and transform these.

Maersk sees the systematic **integration of a 'risk to rightsholders'** as opposed to a 'risk to the business' lens into core processes as one area of improvement. This also relates to identifying how to better engage rightsholders in the course of due diligence.

Moreover, there are **systemic risk areas**, such as labour rights in trucking, where Maersk's leverage is limited, and which require a more systemic approach at the level of the whole industry.

In the area of **tracking and monitoring** Maersk sees further room for innovation. Human rights due diligence is focused on processes and measuring concrete outcomes can be challenging.

## SUCCESS FACTORS

What has worked well for Maersk is to **look at existing processes** and integrate human rights into these.

Maersk has **leveraged the existing compliance organisation** and divided ownership and responsibility between the functions.

Maersk breaks **human rights down into its various components** and defines what changes are required across the organisation. It prioritises higher risk issues that need more intense due diligence, picks up new emerging risks and topics as the business and its context changes, and defines where an industry effort is required.

**Maersk continuously builds human rights understanding** and strengthens it throughout the organisation and both good examples as well as challenges are brought out in the company's annual Sustainability Report.



## ORGANISATIONAL ANCHORING

### Governance and integration

Maersk's corporate sustainability function acts as human rights focal point within the organisation and towards external stakeholders and coordinates Maersk's overall due diligence approach. As described above, Maersk sees human rights as a key element of responsible business practices, which is part of its overall sustainability umbrella. Therefore, Maersk does not have a separate human rights management system.

Rather, human rights are integrated into the management system for responsible business conduct. This approach is managed through the company's compliance framework called COMMIT. The function who owns the respective Maersk policies – so called 'rules' – is responsible for bringing it to life and ensuring it is upheld, including considering any links to human rights.

For example, the Chief Human Resources Officer (CHRO) oversees Maersk's commitments related to freedom of association, meaning that his team carries out the relevant due diligence, including assessments, awareness-raising and response to issues raised for this topic. The Head of Procurement and the leaders of the business oversee human rights in the supply chain.

Through this mainstreaming approach, Maersk seeks to integrate human rights step by step into the business functions who are best placed to address the respective human rights risk topics.

### Role of executive management

Maersk's Senior Leadership have oversight of the COMMIT system through the Executive Board and General Counsel who are responsible for the system. The Chairman of the Board and CEO are appraised of the ongoing progress as well as handling of specific cases.

Maersk recognises the need for further proactive engagement of its leadership on its due diligence journey in the future, considering the increasing regulatory developments in the area.







## IMPLEMENTING THE CORE ELEMENTS



### Policy commitment

Maersk's commitment to human rights due diligence and the UN Guiding Principles is part of its commitment to the 10 Principles of the UN Global Compact. Relevant human rights aspects are included in its internal governance rules – called COMMIT Rules – which form Maersk's key policies and define what needs to be done in areas such as anti-corruption, labour standards, responsible procurement and security.

These rules are based on international standards, including human rights standards. Maersk's human rights commitment is thereby integrated into the Maersk employee code of conduct and the supplier Code of Conduct. As part of the COMMIT system – Maersk's compliance framework – each rule has a designated owner who is responsible and accountable and reports into a cross-organisational Commit Council.



### Assessing risks and impacts

Maersk has approached analysing its human rights risks in different ways, for example for the business overall, in its supply chain and for strategic business decisions. Maersk conducted a thorough risk analysis along its business processes, functions and their regional footprint to identify the main areas of the business that touch on human rights (see figure 3).

Further risk assessments are conducted by the functions owning the different topics. For example, a comprehensive assessment of labour rights, covering direct staff and third-party employees is conducted every 2-3 years in all entities world-wide, steered by the Global Head of Employee Relations.

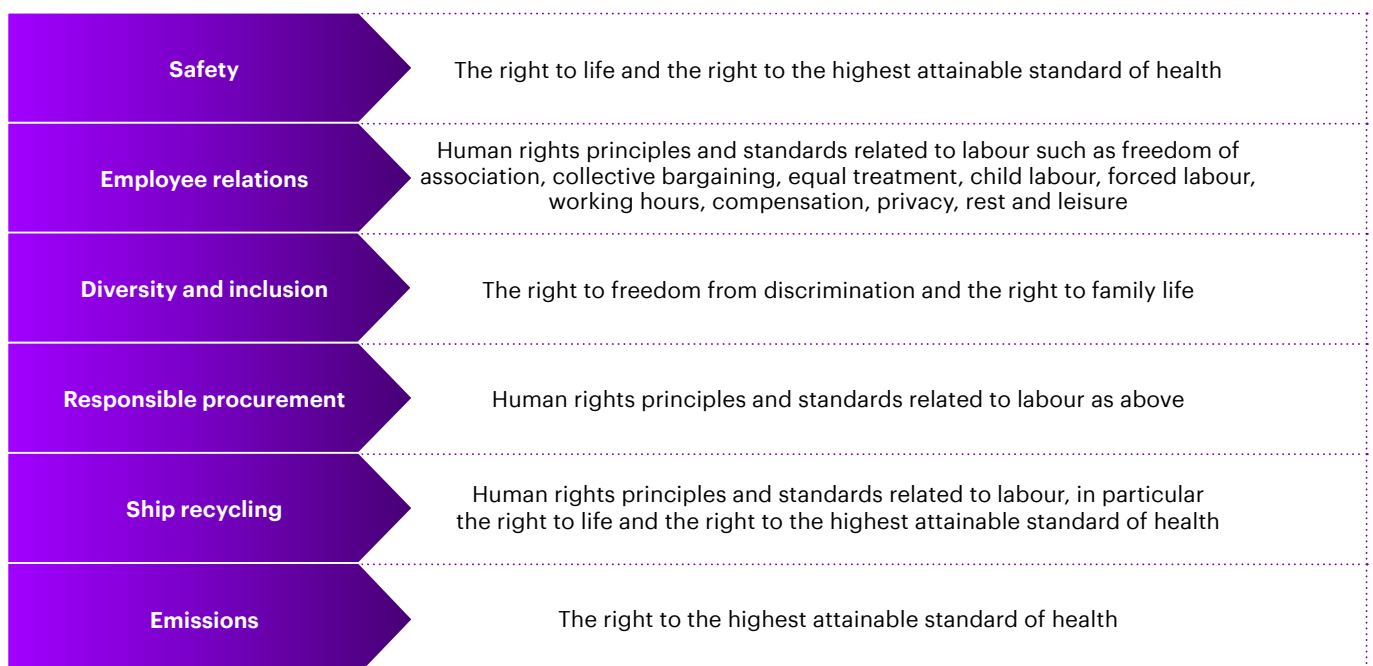


Figure 3: Maersk's human rights topics along key areas of impact<sup>5</sup>

Responsible procurement screens suppliers for risks, including human rights aspects. The monitoring follows a risk-based approach: 15 high risk supplier categories have been identified and suppliers falling into high risk categories receive more intense screening and engagement. For areas such as vessel and terminal building and indirect recruitment and hiring heightened due diligence measures are in place. In selected higher risk areas, such as shipyards, Maersk also looks beyond tier-1. In ship recycling Maersk maintains a permanent presence in the yards, conducts yard audits, provides training and also outreach in the surrounding area.

Human rights related risks are also being assessed prior to major acquisitions and investment decisions as part of the due diligence process. Maersk proactively picks up new emerging risk areas as the company profile develops and changes, and external events create new impacts. For example, it has recently started to look more systematically into data ethics - including human rights. For example Maersk is proactively addressing the wellbeing of seafarers that have been unable to change shifts due to the COVID-19 pandemic.



### Taking measures and reviewing their effectiveness

Maersk is integrating respect for human rights into existing processes and the different process owners are responsible for taking measures and reviewing effectiveness.

For example, in response to the global labour rights self-assessment, measures were taken on identified issues such as overtime and retention of personal documents. Procurement oversees the implementation of improvement plans as a follow up to supplier assessments and audits.

In the area of ship recycling, Maersk has developed a responsible ship recycling standard, including a labour and human rights component. The standard is regularly reviewed and followed up on. Results are disclosed on a dedicated website, where yards demonstrate compliance with high safety, social and environmental standards.

Maersk also puts an emphasis on training and awareness-raising across the organisation. The e-learning module on labour rights was completed by more than 70 percent of staff by 2019. More specific face to face training is delivered to staff working in areas of higher risk exposure, for instance those dealing with recruitment agencies. Additional awareness-raising and guidance exists for specific topics such as equal treatment and harassment.

Maersk defines targets for its overall human rights due diligence approach, measures and reports progress against these. Further indicators are currently focused on input and output measures (e.g. number of audits, number of trainings, number of findings). Specific impact indicators have not yet been defined.



### Communication and reporting

Maersk communicates and reports on its human rights due diligence activities in a variety of ways.

- + Information on its approach to human rights and key activities in the different issue areas are included in the sustainability report – including the link between human rights and the Sustainable Development Goals. This information is also included on the website.
- + Maersk issues a modern slavery statement describing its approach to modern slavery due diligence in its operations and supply chains.



### Grievance mechanisms

Maersk has a whistleblower system in place which is accessible to employees and external stakeholders worldwide in 75 languages and administered by an independent company. It allows affected individuals and groups to raise concerns on compliance including human rights issues related to Maersk's operations, suppliers, contractors, third party agents and other business partners directly linked to Maersk.

In 2019, 141 cases were reported related to the COMMIT rule on employee relations. The issues raised ranged from educational support to insufficient pay or harassment and discrimination.

Maersk's whistleblower system is largely used by its own employees and it is relatively rare that third parties use it. It therefore remains an ongoing challenge to ensure awareness within the workforce, especially for more vulnerable rightsholders, and beyond that for third parties.

When it comes to suppliers, Maersk requires that workers have access to functioning grievance mechanisms in their workplaces and checks this as part of their supplier evaluation.

## 3.5 BASF SE

Human rights due diligence is a central topic at BASF, which is anchored in both BASF's position on human rights and in its Code of Conduct. In the past two decades, it has been continuously developed using international codes – and integrated into management systems. In accordance with the company's purpose – chemistry for a sustainable future – these measures also reflect the company's intrinsic motivation to respect human rights. At the same time, it also fulfills the expectations of external stakeholders.



### BUSINESS CASE

The systematic implementation of human rights due diligence is based on BASF's basic understanding of behaving responsibly in the economic and social system. At the same time, the expectations and requirements of politicians (e.g. EU Social Taxonomy), society, customers and investors for human rights due diligence in the value chain are increasing. The business relevance of human rights due diligence for companies is derived from this. BASF's standards apply worldwide, even if they go beyond local legal requirements. Measures and criteria for monitoring and upholding human rights are, among other things, integrated in processes

for supplier evaluation and in global management systems for the environment, safety, health protection and product stewardship. They are also integrated in the evaluation of investment, acquisition and divestment projects, in product evaluations along the life cycle and in systems for monitoring labour and social standards. Compliance with human rights is also a mandatory element in contracts with contractors of the BASF Group who work in this area. The business relevance of human rights due diligence becomes clear from these measures and criteria.



### COMPANY PROFILE

- + Sector: chemicals
- + Chemical group with a diverse portfolio in the Chemicals, Materials, Industrial Solution, Surface Technologies, Nutrition & Care and Agricultural Solutions business segments
- + More than 110,000 employees in around 90 countries
- + Listed company

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- | Human rights due diligence is an ongoing task – one is probably never „done“.
- | The topic of human rights due diligence must be discussed across all units and business areas in the company. The different competencies and perspectives in the company then help to translate the topic into practice.
- | We seek constructive dialogue with civil society and politicians on human rights.

“



© BASF

**BASF**  
We create chemistry

## CHALLENGES

The **value chains** of large corporations such as BASF are extremely complex: With over 70,000 tier-1 suppliers, BASF has a large pool of direct business partners and rightsholders “upstream”. As BASF products are sold either directly or as part of third-party products to end consumers, almost every consumer “downstream” is a rightsholder in the broader sense.

**Intercultural complexity** that goes hand in hand with the international connectivity of multinational companies: Values and norms that apply in Germany, for example, are not necessarily always valid worldwide. The universality of human rights therefore often meets diverging local norms.

Promoting the understanding, internally and externally, that respect for human rights due diligence requires two major **rethinking processes**:

1. A holistic and serious approach requires cooperation between companies and states – with clear roles
2. Human right due diligence includes not only „risks for companies“, but also „risks for rightsholders“.

## SUCCESS FACTORS

**Embedding human rights due diligence in the organisation**, i.e. in existing strategies, processes, controls, services and business units. The relevance of the topic for day-to-day business should be emphasized continuously.

For BASF, **support from Executives and the Board of Management** is an important success factor in deriving human rights due diligence in a comprehensive way from the corporate values and to continuously integrating it into the control instruments and processes.

**Cross-unit team of experts**: A group of internal experts from the units Health and Environment, Sustainability Strategy, Compliance, Legal, Purchasing, Security, Human Resources, the Supply Chain and the corporate divisions work closely together to coordinate measures on the subject of human rights due diligence across all units.

The **creation of an expectation** that the implementation of human rights due diligence is a **dynamic, dialogical, and collaborative process** and therefore **requires constant stakeholder consultations**, e.g. via networks or BASF’s own Human Rights Advisory Council, to which external experts belong. To this end, BASF participates in **partnerships** (e.g. Together for Sustainability), industry initiatives (Chemie Hoch Drei) and networks (e.g. DGCN). In exchange with these groups, the topics and experiences can be concretised, deepened and further disseminated.



## ORGANISATIONAL ANCHORING

### Governance and integration

Since 2020, the human rights topic at BASF has been coordinated and managed by the Compliance department; the department's tasks also include the development of binding regulations. In addition, the internal organisation was strengthened through the formation of a cross-unit Expert Working Group (EWG). Experts from relevant units such as Sustainability, Legal, Purchasing, Environment, Health & Safety, Human Resources, Supply Chain, Communication, Investor Relations and Security as well as representatives from selected operational units work closely together.

The EWG examines and improves the due diligence mechanisms for the protection of human rights, follows external developments, supports and advises in challenging and critical situations, in the further development of internal processes and of training offers. In addition to the internal units and groups, BASF set up an advisory board, the Human Rights Advisory Council (HRAC), in 2020 to systematically include external, independent and international expertise on the topic of human rights.

For BASF, it is particularly important that sustainability and the associated topic of human rights are not addressed "separately, complementarily", but are clearly integrated into the corporate strategy and processes and are understood and supported by all employees,

even if this continuous process is time-consuming. For example, when BASF carried out a portfolio segmentation along sustainability criteria, many employees from various professions were included. In the talks and workshops, not only application-specific sustainability criteria but also overarching topics related to human rights were discussed.

### Role of executive management

Corporate management is a central driver for the implementation of human rights due diligence at BASF, setting the „tone from the top“. The Chief Compliance Officer is the governance responsible for human rights and regularly involves the Executive Board.

All BASF employees and, managers, in particular, have a responsibility to act in accordance with the Code of Conduct and are trained accordingly. Core components of training courses for managers are their responsibility as managers, the link to corporate values and the company's intrinsic and extrinsic motivations.

To also include external expertise in board discussions, the board has access to an independent council: in joint meetings with the Stakeholder Advisory Council, which exists since 2013, and indirectly on the specific expertise of the Human Rights Advisory Council.





## IMPLEMENTING THE CORE ELEMENTS

### Policy commitment

BASF has recorded and published its commitment to respecting human rights in a separate position on human rights. Further internal regulations, such as the code of conduct or the code of conduct for suppliers, regulate specific human rights issues.

As BASF sees its human rights responsibility as an ongoing process, guidelines and processes are continuously reviewed and updated if necessary. For example, BASF fundamentally revised its first position on human rights, which existed before the UN Guiding Principles were adopted, in line with the UNGP and adopted it in 2019. In addition to external expertise, internal specialist departments were also involved in the revision in order to introduce interdisciplinary aspects and create a common understanding.

BASF has taken the necessary care and time to actively involve, raise awareness and train both employees and the Board of Management. For BASF, it was not just the fully updated position on human rights that was important – the focus was on getting there and ensuring that the position is being lived from the outset.

### Assessing risks and impacts

BASF identifies human rights risks and impacts using various internal risk analysis processes, including the analysis of country and product category risks and product stewardship (both internally and in the supply chain). By integrating human rights aspects into corporate management, the topic is fundamentally taken into account in business processes and decisions, such as investment decisions with regard to tangible or financial investments. This enables BASF to identify possible negative impacts on human rights at an early stage.

In addition, BASF carried out a comprehensive status analysis with regard to its human rights management system and associated processes in 2020. The evaluation showed that important milestones in the area of human rights and due diligence processes have been reached. This includes, for example, the introduction of explicit inquiries about due diligence aspects in risk analyses by business units, standard supplier evaluations or evaluations for investment projects.

The analysis, which was discussed with the Executive Board, however, also showed potential for improvement, which BASF would like to pursue with regard to its level of ambition. This applies, for example, to further strengthening awareness of human rights issues in the global organisation. Continuous efforts are required to make the relevance of this topic even more clearly visible to all employees in their daily work. In addition, BASF would like to expand its due diligence processes in order to identify challenges at various stages of its value chain even more effectively.

The results of this analysis are being used to derive measures to continuously improve and to reduce the identified risks and negative effects even further.

In addition, the company addresses the concerns of residents from the vicinity of its production sites as part of so-called neighbourhood forums (Community Advisory Panels). In discussions between the invited community members and the site management, concerns and risks or negative impacts on the community are also discussed. These forums not only serve to involve rightsholders, but also enable BASF to record and address risks and complaints at an early stage.

## Taking measures and reviewing their effectiveness

When implementing measures, BASF takes a systematic approach and integrates both the measures themselves and the criteria for checking their effectiveness into (strategic) core processes and systems, such as:

1. Processes and criteria for risk, investment, product and supplier evaluations,
2. global management systems for the environment, safety, health and product stewardship and
3. trainings, including for BASF executives.



### **Extract from the BASF Position on Human Rights<sup>6</sup> and the BASF-Report 2020<sup>7</sup>:**

Considering that states have the duty to protect human rights, we commit to respect human rights in our operations and embrace the responsibility to foster respect for human rights in relationships with our business partners along the value chain, with neighbours in communities, and in the application of our products.

Whenever we become aware of human rights violations in our value chain, we urge to end these immediately by addressing our direct partners. Where appropriate, we support our partners, civil society, or cross-industry initiatives for tackling related challenges together, on a broader basis of stakeholders. In other cases, we may choose to explore business alternatives and reserve the right to terminate business relations.

We want to ensure that our actions do not have a negative impact on human rights. We have long used monitoring and management systems to identify potential and actual negative impacts. Our measures and criteria for monitoring and observing human rights are integrated into supplier assessment processes and our global monitoring systems for environmental protection, safety and security, health protection and product stewardship. They are also integrated into the evaluation of investment, acquisition and divestiture projects, assessments along the product life cycle, and systems to monitor labor and social standards.



## Projects and alliances to promote responsible supply chains:

BASF is involved in various projects and alliances to promote responsible and sustainable global supply chains. In order to strengthen sustainability and innovations in the value chain for batteries, for example, the company is involved in various international initiatives. These include the Global Battery Alliance (GBA), which BASF co-founded in 2017. The Alliance brings companies, governments and civil society together and develops standards and instruments to make the value chain for batteries socially responsible, ecologically and economically sustainable and innovative. For example, BASF is working with the GBA on a battery passport that will, in the future, contain information on the sustainability of a battery and thus increase transparency in the value chain. In addition, BASF is a member of the Responsible Minerals Initiative (RMI).

Since 2018, BASF has been involved in „Cobalt for Development“ alongside BMW, Samsung SDI, Samsung Electronics, Volkswagen and the Deutsche Gesellschaft für International Zusammenarbeit (GIZ). The project aims to improve the working conditions in small-scale mines as well as the living conditions for the surrounding communities in the Democratic Republic of the Congo. In collaboration with the local mining cooperatives, government agencies and civil society organizations, the project aims to strengthen compliance with laws, improve health and safety conditions, environmental management and economic and social well-being. None of the sponsors operate project mines.

BASF is also involved in projects and partnerships for other raw materials in an effort to establish sustainable standards and ensure that these materials are extracted under environmentally and socially acceptable conditions. These projects include, for example, the Rambutan Program for a socially and environmentally compatible supply chain for the sustainable production of bioactive ingredients, as well as a program for the sustainable cultivation of castor beans.



## Communication and reporting

BASF uses various formats for its external human rights-related communication, e.g.:

1. Its website has a page on human rights due diligence on which essential information on BASF's human rights strategy and the implementation of the core elements is published.
2. A section in the annual integrated business report, which also reports on global goals and measures to integrate human rights issues into business activities, as well as the number of grievances submitted.
3. Continuous dialogue with stakeholders through its Advisory Councils, and its involvement in cross-sectoral networks such as the German Global Compact Network, the WBCSD, CSR Europe or econsense – and, specifically on human rights via the Global Business Initiative on Business and Human Rights and the industry initiative „Chemie Hoch Drei“.

Internally, BASF communicates the topic and associated strategy, measures and progress, for example, through the code of conduct for employees, as well as through dialogue events and employee communication media.



## Grievance mechanisms

BASF's most important grievance mechanism is its global compliance hotline, which employees and third parties can use. Grievances, such as violations of laws and company guidelines can also be submitted by post or email. BASF also uses its neighbourhood forums to identify and address concerns and grievances at an early stage. BASF would like to further develop its grievance mechanism in 2021 and standardise it into a global hotline and reporting system. Improvement measures that have been identified and developed by Corporate Compliance, the internal expert group and the BASF HRAC are already being prepared. This includes, for example, awareness-raising measures as well as training concepts and content.

### 3.6 BIERBAUM-PROENEN GmbH & Co. KG

At Bierbaum-Proenen human rights due diligence is led by the department of Purchasing/Sustainability.

The most important principles for the company's approach are:

1. the anchoring in the company's principles and policies,
2. the commitment and involvement of the management, and
3. its membership in multi-stakeholder initiatives such as the Fair Wear Foundation (FWF).



#### BUSINESS CASE

Implementing human rights due diligence has both a social and a business value for Bierbaum-Proenen: securing jobs in the long term and improving working conditions.

This reduces business risk and can provide Bierbaum-Proenen with an advantage in tenders.



#### COMPANY PROFILE

- + Sector: Textile
- + Active in the production and sale of workwear and protective clothing to businesses and end consumers
- + 360 employees (including own production facilities)
- + Owner-run family business

”

We can only reach the goal together – human rights due diligence is a joint project in which everyone needs to participate.

If no complaints are submitted through the grievance mechanisms, it doesn't mean that there are no problems. It could mean that the mechanisms are not yet working or being used properly.

“



© Bierbaum-Proenen



## CHALLENGES

### **Conflict of goals:**

One of the biggest challenges is the trade-off between costs and benefits: On the one hand, the commitment to human rights due diligence is beneficial in some tenders. On the other hand, it is not always rewarded by the market: Bierbaum-Proenen is often compared to competitors based solely on price. Competitors with production locations abroad and without serious sustainability implementation may hence have a short-term advantage.

### **Extensive reporting:**

Fulfilling the various reporting requirements of different multi-stakeholder initiatives (such as the textile alliance or the Fair Wear Foundation) requires a lot of effort. Bierbaum-Proenen would greatly appreciate a standardisation of reporting requirements to be able to use its resources more effectively for the implementation of measures.

## SUCCESS FACTORS

**Extensive and holistic risk analyses:** It is important to Bierbaum-Proenen that the risk analyses also go beyond human rights risks. This gives the family company a holistic picture of relevant risks. It seeks to select suppliers who produce in a socially and environmentally compatible manner, and with whom it can build long-term partnerships and develop further together.

**Close and long-term relationships with suppliers:** The development of close and long-term relationships with suppliers enables the joint working and continuous improvement of social and ecological performance.

**Pilot projects** are used to test new approaches and measures and roll them out step-by-step, e.g. the project "Supporting Fairtrade Cotton".

**Membership in initiatives:** Through membership in initiatives such as the Fair Wear Foundation, SMEs can access approaches, tools and networks and have the opportunity to exchange ideas with other companies who may help them implement their human rights due diligence.



## ORGANISATIONAL ANCHORING

### Governance and integration

Bierbaum-Proenen merged the departments Procurement and Sustainability. These are the two most important departments in the company where human rights due diligence is put into practice. For example, emphasis is placed on paying suppliers promptly and, in the case of new designs, considering where and under what conditions new materials can be sourced. Human rights requirements are also implemented in other departments such as production, even if they are not explicitly included in their functional descriptions.

Additionally, human rights issues are managed through internal governance structures and communications channels. The results of the Fair Wear Foundation's brand performance checks are shared with all departments. Where action is needed, the respective functional departments lead that action.

### Role of executive management

The department of Purchasing/Sustainability informs and involves the management closely about the status, progress and challenges in the topic of human rights.

On this basis, the management communicates regularly to its employees. The company thus ensures three things:

1. The entire company receives all relevant information,
2. everyone works in one direction and
3. human rights due diligence becomes part of the corporate culture.

The commitment of business leaders in the implementation of human rights due diligence is necessary in order to take and implement measures.







## IMPLEMENTING THE CORE ELEMENTS



### Policy commitment

For Bierbaum-Proenen, human rights are part of sustainability. Sustainability in turn is one of the company's five corporate principles. A separate policy commitment on the respect for human rights has not been issued so far. Supplier guidance on human rights risks in the supply chain has been issued.

By joining the Fair Wear Foundation, the company has additionally committed itself to respecting the FWF's principles.



### Assessing risks and impacts

Bierbaum-Proenen's due diligence approach covers its producers, suppliers and employees. In order to identify potential negative human rights impacts, the family-owned company carries out systematic risk analyses for both new and existing suppliers and markets (figure 4). The aim of this social and ecological risk analysis is to prioritise the risk areas and assess their possible impacts on the business. Supplier evaluations take place annually and may be used both in annual discussions and as a basis for negotiations in which goals or necessary measures for the coming year are defined.

Bierbaum-Proenen's risk analysis goes beyond human rights risks and also includes analysis of political relations between the country of procurement and its neighbours. Should there be increased delivery delays or delivery stops due to political unrest, this could lead to business problems for Bierbaum-Proenen or a deterioration in the relationship with the supplier. Both could in turn lead to a termination of the business relationship and thus to job losses on the supplier side.

Another important part of Bierbaum-Proenen's risk management are on-site visits. During these visits, ecological and social requirements are specified in discussions with management.

Complaints received on human rights issues are included in the risk analyses and used as input to help identify human rights risks.

Through its systematic risk analysis, Bierbaum-Proenen tries to identify such scenarios at an early stage to counteract them.



Figure 4: Steps of Bierbaum-Proenen's risk analysis (Sustainability Report 2019, p. 28)<sup>9</sup>

### Taking measures and reviewing their effectiveness

Bierbaum-Proenen implements a variety of measures to mitigate the identified risks and prevent negative human rights impacts. Measures against risks identified through supplier evaluations and audits are defined in discussions with suppliers. Bierbaum-Proenen relies on its long-term relationship and cooperation to drive improvements together. For example, the company has been working with production partners in Pakistan since 1994 and with partner companies in Tunisia since 1995.

Bierbaum-Proenen trains employees on human rights issues. The company is committed to implementing focus topics from industry initiatives it is a member of. For example, the company strives to continuously improve wages by linking price negotiations with suppliers to verifiable wage increases. Both wage information from the Fair Wear Foundation and audit results are used as sources for comparing paid wages with minimum or living wages.

The company is also a member of various alliances: Bierbaum-Proenen participates in the Fair Wear Foundation's Living Wage Incubator project and is supporting Fairtrade Cotton's program for cotton farmers. The latter was launched as part of a project in 2019 with the aim to continuously increasing the proportion of Fairtrade cotton used.

The regular exchange with stakeholders, e.g. in working groups or in multi-stakeholder initiatives, helps the company identify the need and the direction of measures or validate, implement and communicate existing measures.

### Communication and reporting

It is important to Bierbaum-Proenen to use different reporting formats to create transparency and credibility, and to provide stakeholders with insights into its human rights due diligence approach and progress.

In addition to its yearly sustainability report Bierbaum-Proenen also publishes audit results for different production sites as well as video insights into its production facilities (e.g. in Tunisia). The company also writes its member reports for the Textilbündnis and the Fair Wear Foundation. All submitted complaints and performance reports are also published within the Fair Wear Foundation's framework. The FWF performance reports can also be viewed transparently on the Bierbaum-Proenen website.

The broad communication helps Bierbaum-Proenen position itself with its commitment to social and ecological sustainability. The company also openly discloses the challenges it is facing. An example is its reporting on living wages: In its sustainability report Bierbaum-Proenen discloses both its progress and its implementations challenges transparently.

## Grievance mechanisms

Bierbaum-Proenen uses the grievance mechanism put in place by the Fair Wear Foundation. Complaints can be submitted anonymously and are checked by the FWF before being forwarded to Bierbaum-Proenen.

The FWF publishes all complaints it receives and their status on its website. Upon receiving a complaint Bierbaum-Proenen proactively works with the affected production partner to find a solution. The help of the FWF may be enlisted.

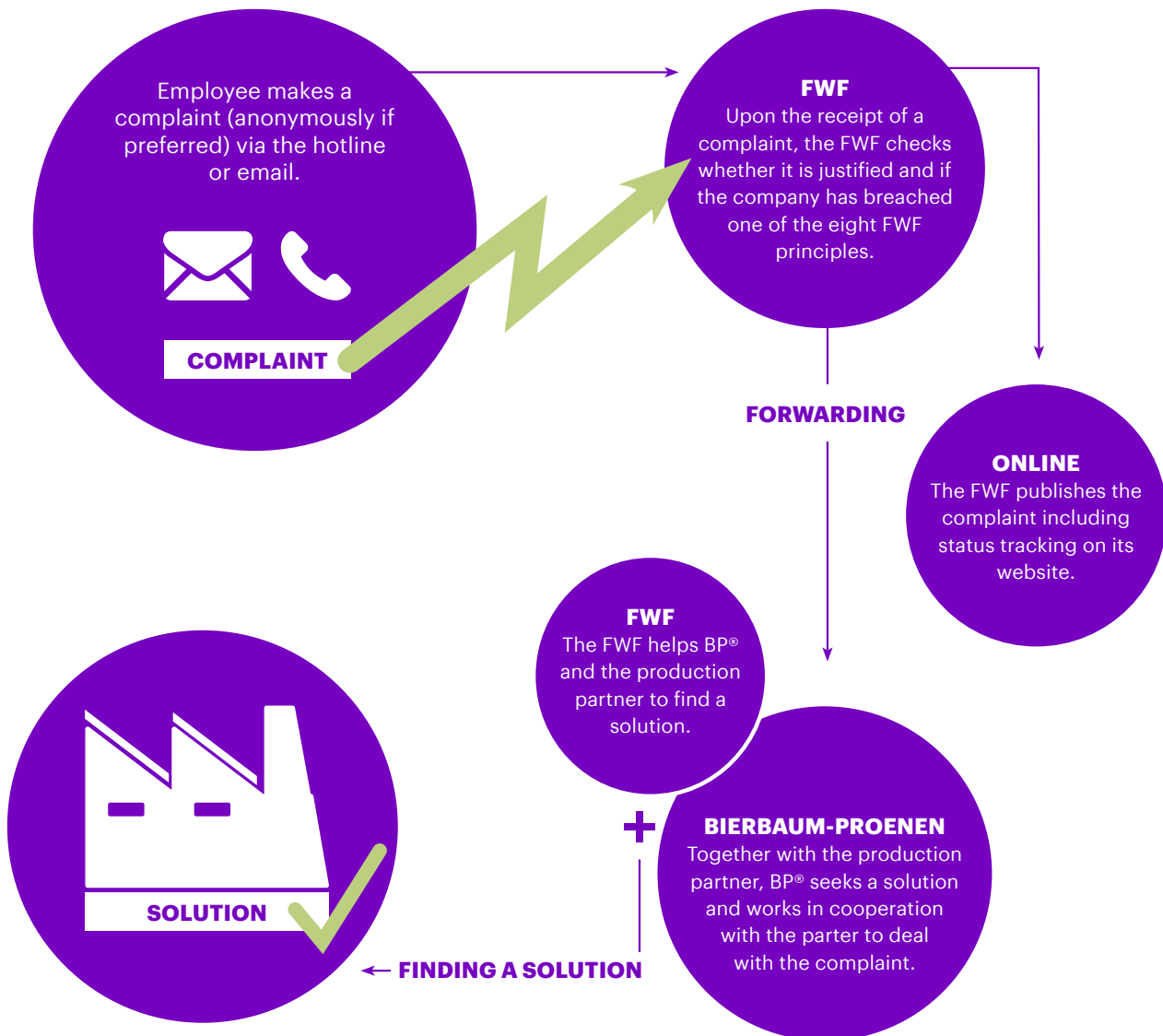


Figure 5: Complaint process at Bierbaum-Proenen using the Fair Wear Foundation's process (Sustainability Report 2019, p. 51)<sup>8</sup>

## 3.7 CONTINENTAL AG

Continental integrates the requirements of human rights due diligence into existing processes and organisational structures, and in so doing into its core operations.

It uses a decentralised, bottom-up approach, which enables employees worldwide to get involved and adapt approaches to human rights due diligence to local circumstances and needs.



### BUSINESS CASE

Initially driven more by its own corporate aspirations – without a focus on the business case or financial self-interest – Continental has noted an increased demand for sustainable solutions in recent years, especially from customers. Continental’s customers increasingly expect human rights due diligence to be performed along the value chain – even if requirements placed on Continental as a supplier vary widely in some cases.

The added value this creates for the business is increasingly seen as something that sets Continental apart from its competitors.

Customer pressure is also being leveraged to highlight the urgency and drive the implementation of human rights due diligence internally.

In addition to and independently of this added value for the company, it is even more important for Continental to continuously “create significant added value for society and reduce the negative impacts of its business activities” (Sustainability Report 2019, p. 13).



### COMPANY PROFILE

- + Sector: Technology and automotive
- + Continental is a conglomerate with a diverse range of business units. The company develops technologies and services for sustainable and connected mobility of people

and goods, aimed at both business and private customers.

- + More than 233,000 employees in 59 countries

”

The crucial first step is to understand what processes there are in the company that human rights due diligence can hook into. Don’t just immediately make everything new and different, but hook into existing processes to redesign in the long-term.

Ultimately, we mustn’t forget that it’s about improving people’s lives.

“



## CHALLENGES

Continental is a **corporation with a diverse range of business units**. Accordingly, the assessment and prioritization of human rights risks and impacts also vary widely. Depending on the business area, there are very different stakeholders who need to be involved. This requires individual approaches and strategies. Due to e.g. the varied nature of the products purchased, the divisions have **different purchasing units** with partially different purchasing processes, supply chains and possibilities of influence and leverage, e.g. purchasing of raw materials such as natural rubber compared to purchasing (partially) prefabricated electronic components. The aim is for the risk assessment to be carried out on the basis of the same human rights standards, despite the differences.

Business customers undertake their own due diligence processes which often contain **different standards**, tools and expectations for their suppliers and supply chain. With the increasing professionalization of the topic, **the complexity of the requirements** also increases. Continental must **constantly strike a balance** between the prioritized, identified risks and measures that result as part of its own due diligence processes, customer requirements and priorities that result from the customer's due diligence activities in order to focus limited internal resources effectively. While the topics often overlap, they are not always prioritized identically.

## SUCCESS FACTORS

For Continental, a key success factor involves **bringing together the large number of different people** – from the diverse business units – to jointly develop specific solutions for the implementation of human rights due diligence. The **central team plays a facilitator** role and tries to create a sense of ownership in the different units.

Establishing a large network of employees (“**Labour Relations Network**”) within the company, who see human rights due diligence as their responsibility and integrate it into their specific processes.

**Broad package of measures** built on a comprehensive data-based and fact-based understanding of risk **coupled with in-depth risk analysis and mitigation** for hotspots, e.g. natural rubber.

The **three pillar approach**: customers, own locations and supply chain ensures a coordinated approach and avoids content-related contradictions in standards and processes and keeps an outside-in view on Continental: the perspective of customers and investors.



# ORGANISATIONAL ANCHORING

## Governance and integration

Continental has established a central unit for human rights due diligence, which is located in the Sustainability Department. This unit coordinates and steers the following management approach: all requirements for human rights due diligence should be continuously integrated into all relevant existing processes or where necessary new processes are created. The process owning departments in purchasing, human resources, etc. design measures to achieve this with the central unit, and are responsible for implementing them.

With this approach, Continental has created an organisational structure in which the issue can be operationalised and addressed in a bottom-up way. This gives each business unit the necessary room for manoeuvre, which is particularly important in a corporation like Continental with its diverse range of business units. Each business unit as well as different corporate functions can and have to – within set guard rails – design and implement human rights due diligence for itself.

## Role of executive management

Human rights due diligence is dealt with by the Sustainability Department, which in turn reports to the Board member responsible for Human Relations and Sustainability.

Interaction with the Group’s Executive Board and the management of the business units regarding the implementation of the sustainability strategy takes place through the Group’s Sustainability Committee and via topic-specific committees at the group and business unit level e.g. Purchasing and Risk Management.

The sustainability coordinators in the business areas perform a bridging role between the central team and the business units, central functions and regions.

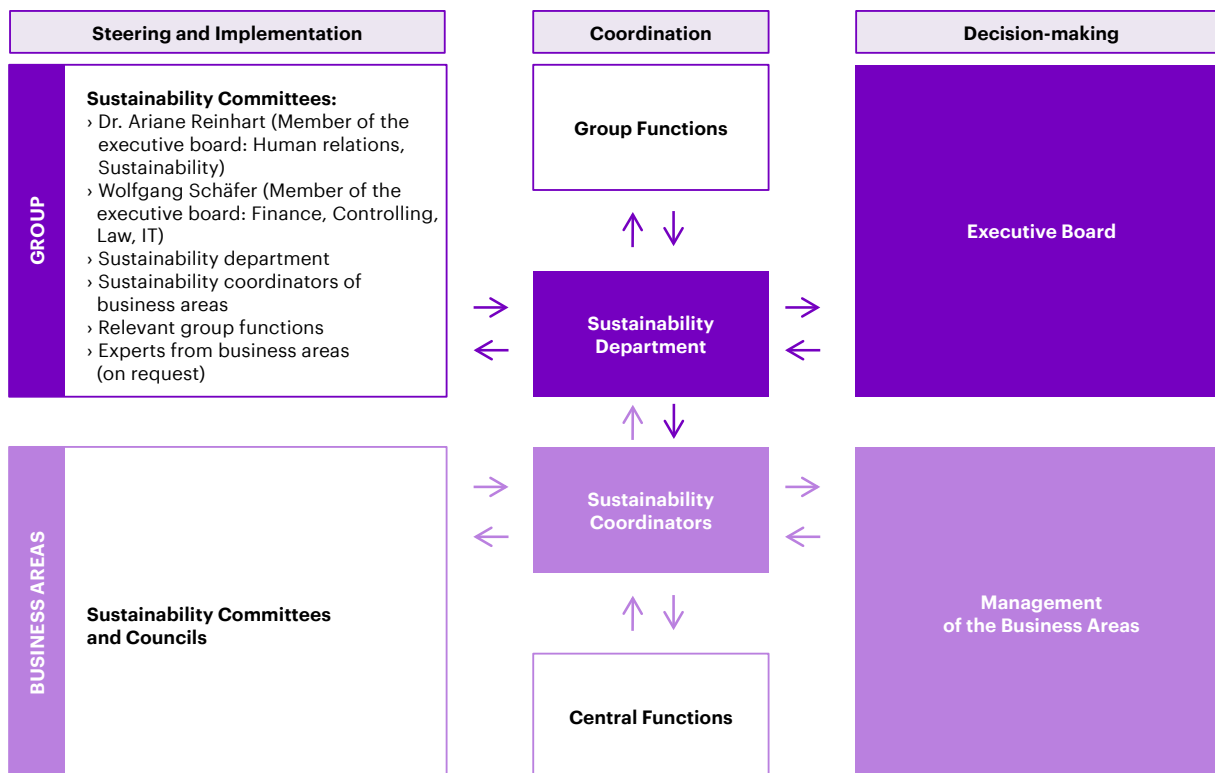


Figure 6: Continental’s Governance Structure<sup>9</sup>

## IMPLEMENTING THE CORE ELEMENTS

### Policy commitment

Continental has incorporated the obligation to carry out human rights due diligence into various policies:

1. Code of Conduct for all employees,
2. Code of Conduct for Direct Business Partners and
3. Purchasing Policy for Sustainable Natural Rubber.

In these policies, Continental commits itself to respecting human rights and the core labour standards of the International Labour Organization (ILO) in accordance with the UN's Guiding Principles on Business and Human Rights.

These documents were developed based on the experiences of the business units, the results of customer audits, internal compliance hotline cases and in accordance with international frameworks. In addition, employees from locations in different countries were involved in developing the codes in order to make them as practical and concrete as possible.

It should be highlighted that in the revision of the Code of Conduct, particular attention was paid to drafting principles in a practical and accessible language, giving examples of how they could be applied and clearly identifying the desired behaviour.

The reason why there's no separate policy statement is simple: as described above, Continental approaches the integration of human rights due diligence into existing processes and – where not necessary – does not create any new policies. For example, it was deemed necessary for risks in natural rubber to specify expectations: here the Policy Commitment was developed jointly with NGOs (representatives of rubber farmers) and other stakeholders. The declaration supplements existing general codes of conduct but is adapted to the risk area and can go into more specific detail.

### Assessing risks and impacts

Continental uses different approaches to identify human rights risks.

- + During regular external dialogues with customers and stakeholders from politics and civil society, potential hotspots are identified. This dialogue- and market-based approach plays a very important role in risk management for Continental due to the significant complexity of the supply chain and the large number of locations worldwide.
- + Continental has developed its own assessment framework for human rights risks at country level. This was developed on the basis of an existing country risk analysis (building on existing work) in order to identify relevant human rights risks in the supply chain and at its own locations. The final country scoring is carried out in a consolidated manner by a central function and not independently by the individual business areas. All corporate functions at Continental have access to this tool.
- + Risk assessment is initially only carried out for the first supply stage (tier-1 suppliers). Subsequently, projects are initiated on the basis of hotspots to address lower levels of the value chain; there are, for instance, individual pilot projects on traceability in the rubber sector.

Continental's internal network of country coordinators for labour relations plays an important role in the management of human rights related risks at its own global locations. This network consists of contact persons at the locations and in Continental's local HR departments and forms an extended circle analogous to the central functions. These people support the above-mentioned dialogues, follow up on risk issues and ensure that risks identified are systematically addressed, e.g. via training programmes.



### Taking measures and reviewing their effectiveness

Based on the understanding of risk described above, Continental is able to implement targeted measures at hotspots. Great attention is paid to the cultural and risk context since many human rights issues can be influenced by culture.



#### **An interesting example of this can be found in the Sustainability Report 2018 (p. 35)<sup>10</sup>:**

A large number of cases were reported to Continental's locations in Mexico in 2017 and 2018. In general, it was seen as a positive outcome that the hotline is being used as a reliable complaint mechanism. Continental takes it as a sign that their people have an increased awareness of compliance issues. A systematic analysis of the cases found that the vast majority of reports on suspected cases related to discrimination, unequal treatment and mobbing.

A specific action plan to take preventative steps was formulated collaboratively by the HR department, local labour relations experts and the compliance department. One of these steps was to send a letter to employees and business partners reminding them again of the importance of good and fair working conditions. The local HR departments also received training at the end of 2018 on case management and mediation. Building on the existing online training materials for the Code of Conduct, a specific curriculum covering the topics of discrimination, unequal treatment and mobbing was also developed. By the end of May 2019, 99% of the 1,600 relevant employees with leadership and management responsibility were required to undergo this course.



In addition to the risk analysis and grievance mechanism, the results of a targeted global employee satisfaction survey are also used to systematically identify and define potential measures.

In order to strengthen the understanding of risk and mitigation among all employees, mandatory online and face-to-face trainings on human rights and good working conditions are held as part of the code of conduct training courses. Specific trainings are also developed with relevant functions in the company in order to help integrate human rights into management processes and business decisions.

In the prioritised area of natural rubber, Continental's measures go beyond responsible purchasing. In addition to its special purchasing policy (to improve conditions in rubber cultivation), Continental goes deeper into the value chain and works with suppliers, smallholder farmers and local stakeholders along the natural rubber value chain. For example, a pilot project was launched in Indonesia in 2018 to track and optimise sustainability in the natural rubber supply chain. Continental works with local suppliers to create a catalogue of criteria for the sustainable production of natural rubber, to teach farmers sustainable cultivation methods in line with these criteria, and to digitally track rubber from cultivation by small farmers to manufacturing at Continental.



### Communication and reporting

Continental reports on its human rights activities primarily in its annual Sustainability Report and UK Modern Slavery Statement. There's also a webpage on the topic and a corresponding area in the company's intranet.

In dealing with allegations regarding potential violations of human rights, Continental places great value on a dialogue-based approach and tries to avoid combative responses (e.g. "we have nothing to do with that"). It aims to bring the right people and organisations together to find solutions. For example, many external stakeholders such as NGOs were consulted when developing the natural rubber purchasing policy in 2018. In addition, Continental's involvement in multi-stakeholder forums such as the Global Platform for Sustainable Natural Rubber (GPSNR) and the BMAS Automotive Sector Dialogue is an important instrument for dialogue.



### Grievance mechanisms

Employees and third parties outside the company can report violations or suspected violations of Continental's Code of Conduct, including those relating to human rights issues, on a Compliance & Anti-Corruption Hotline. Reports and information can – as far as legally permissible – also be communicated anonymously.

Violations of Continental's codes of conduct are followed up and punitive action is taken. In the event of violations by Continental's business partners, the company reserves the right to demand improvement actions or in the worst cases, to terminate the business relationship.



## 3.8 DAIMLER AG

Daimler manages human rights issues through its Social Compliance Department and other departments such as the procurement teams. Due to the complex supply chains in the automotive industry, Daimler has developed its own approach to respecting human rights and implements measures based on risks.



### BUSINESS CASE

The company has the fundamental aim of ensuring its products only contain raw materials that are mined, processed and produced without human rights violations. Human rights due diligence therefore affects Daimler's core business and values, so it's taken with corresponding seriousness. It's one of six pillars in the company's sustainable business strategy.

The financial value added for Daimler is not as easy to quantify. In addition to avoiding possible fines, the financial impact also has to do with reputation, attractiveness on capital markets and for investors, and appeal to customers (including fleet customers). Performance in these areas is improved by consistently implementing human rights due diligence.



### COMPANY PROFILE

- + Sector: Automotive and mobility services
- + More than 290,000 employees and production facilities in Europe, North and South America, Asia and Africa
- + Daimler sells its vehicles and services to businesses and private customers in nearly every country in the world

”

Human rights due diligence is an ongoing task and you have to take local needs into account – it does not work without an exchange with stakeholders and rightsholders.

If you take a big picture look at human rights, you see that the multifaceted nature of the subject is reflected in the various interfaces with different departments across the company. Together with people at these interfaces, we're pushing ahead with work in this area.

“





© Daimler

## CHALLENGES

There are major challenges where the influence and control of the company is at its lowest – in the **deeper supply chain**, i.e. at the level of sub-suppliers with whom Daimler has no contractual relationship and cannot therefore direct its influence. Additionally, Daimler has very **complex supply chains** in a range of areas including raw materials, components, services and logistics with specific risks. Supply chains have many tiers between the manufacturer and the mine. And at each tier there can be more than 20 sub-suppliers. A contractual business relationship can only exist with a direct supplier, so legal enforcement is only possible where this is the case.

**In order to make improvements in complex supply chains**, close cooperation with direct suppliers is crucial because this is where Daimler has the greatest leverage and a legal basis for enforcing measures.

So far it has not been possible to achieve comprehensive **transparency in the automotive supply chain**. This is also due to the complexity of the network, with tens of thousands of direct suppliers and supply chains with many tiers. Going forward, technologies such as blockchain can help to increase transparency in the supply chain and are currently being tested in a pilot project.

## SUCCESS FACTORS

Daimler **doesn't take a one-size-fits-all approach** to human rights due diligence. Instead, the topic is **process-based** and is embedded in **diverse local and cultural contexts** through global supply chains and locations. Needs on the ground must be **considered separately**.

Daimler sees it as essential to maintain a **dialogue inside the company and out**, with its own staff, suppliers, stakeholders and rightsholders – “without their **involvement** and without **teamwork**, human rights due diligence doesn't work.” For example, information from suppliers isn't available at the push of a button, and measures for the protection of rightsholders are not necessarily effective within a few weeks. It requires **continuous work** with many actors as well as a certain degree of persistence.

Human rights due diligence should be understood as a **continuous task** and the **expectations of all parties should be managed** with this in mind. The complexity of the processes and the resources needed shouldn't be underestimated.

## ORGANISATIONAL ANCHORING

### Governance and integration

“If you take a big picture look at human rights, you see that the multifaceted nature of the subject is reflected in the various interfaces with different departments across the company. Together with people at these interfaces, we’re pushing ahead with work in this area.”  
(Daimler, Department Social Compliance)

Responsibility for human rights due diligence at Group level lies with the Social Compliance Department. This team is also tasked with ensuring that people working at interfaces and across functional departments are involved and that the topic is integrated into their tasks. Implementation is then up to the specialist departments, including Procurement, Human Resources and Corporate Security.

For the Group’s majority-owned subsidiaries, a compliance management system is in place that addresses human rights and supports the systematic involvement of and cooperation with locations around the globe via a network of local compliance contacts. In managing suppliers, Procurement works closely with the Social Compliance Department, for example to jointly evaluate which areas should be included in supplier standards and contracts.

### Role of executive management

Support and continuous engagement with top management is needed to promote human rights due diligence in Germany and at Daimler’s international locations. By working closely with senior management, for example through the sustainable business strategy, relevant positions are defined and employees are sensitised to the issue through communications from the Board of Management.

Key performance indicators (KPIs) on human rights are discussed in the meetings of the Board of Management and the Group Sustainability Board to demonstrate what’s been achieved and to decide which goals to pursue in the future. In addition, there is a regular dialogue with the Advisory Board for Integrity and Corporate Responsibility.

## IMPLEMENTING THE CORE ELEMENTS

### Policy commitment

Daimler bases its approach to human rights on internationally recognised standards, such as the UN Principles on Business and Human Rights, the core labour standards of the International Labour Organization, and the OECD Guidelines for Multinational Enterprises. The company prioritises areas of human rights that require special attention in the automotive industry and where the greatest influence can be exerted.

At Daimler, respect for human rights is integrated into frameworks such as the Integrity Code and the Supplier Sustainability Standards. During the revision of the Code in 2019, a top-down approach was deliberately avoided. The company tried to involve those whose work was influenced by the code in its design by using a participative approach. New topics were also added by the workforce.

It was important to understand that topics “live” which means they are continuously developing – and that this also had to be taken into account in the Integrity Code. The aim was to develop a document that was readable and yet clearly described the many expectations and complex requirements.

Through the process, Daimler has already been able to raise awareness of the code internally, further raise awareness among employees and promote a culture of integrity. In addition, Daimler has found that employees and suppliers generally show interest, understanding and intrinsic motivation when it comes to human rights. In order to maintain this and achieve good results, it's important to establish a culture of discussion in which the workforce and suppliers are requested and encouraged to ask critical questions.

### Assessing risks and impacts

The identification and assessment of risks is a continuous process and is seen as an ongoing task at Daimler. Human rights risks are volatile; they vary in different supply chains and commodities. So far there's no blueprint and no one-size-fits-all approach. This is why it is important to work closely with internal partners such as Procurement to advance this issue together. It's also crucial to talk and listen to suppliers and stakeholders (e.g. experts, NGOs) regarding risks, in order to understand risks specific to local conditions or certain products/services. This also makes it possible for ongoing developments and events to be integrated into risk monitoring. For example, when there are changes in mining methods for raw materials or general human rights risks in certain regions.

Daimler has developed its own system, the Human Rights Respect System (HRRS), to track risks at its own locations and in the supply chain. It's a risk-based approach with the aim of systematically addressing respect for human rights (figure 7, Human Rights Respect System). The aim of the HRRS is to identify and avoid risks and the possible negative impacts of corporate activities on human rights, at an early stage. This system is continuously developed and is based on the Compliance Management System. The HRRS follows four steps:

1. risk assessment,
2. programme implementation,
3. monitoring and
4. reporting.

For its own locations and Group companies, Daimler is working on fully integrating human rights into its compliance management system. This process of consistently embedding human rights is based on lessons and experiences from existing fields of compliance, such as the prevention of corruption. In the first step, the business model of the locations (e.g. production, administration, research) and the country risk are considered – and the many Group companies are assigned to specific risk classes on this basis. For example, an administrative unit in Austria generally has a lower risk than a production location in a developing country.

In the second step, the local units answer a purpose-made questionnaire in order to better assess the situation on the ground and possible risks. The risk clusters are reviewed on this basis and targeted measures are developed.

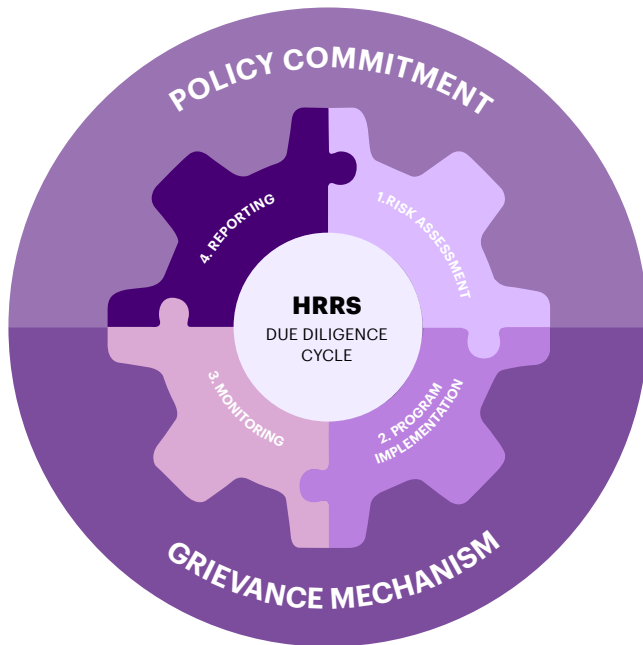


Figure 7: Daimler's Human Rights Respect System<sup>11</sup>

As part of the separate due diligence approach for the supply chain under the Human Rights Respect System, transparency must first be increased to enable risk identification and assessment. In order to proceed in a risk-based and targeted manner, a preliminary analysis was carried out to identify potentially critical services and high-risk raw materials in terms of human rights. The goal is:

1. to create transparency in order to
2. identify risk hotspots, which are then
3. subject to targeted measures.

The first step – creating transparency – is difficult enough, not only because supply chains are complex, dynamic and can have many branches. Since Daimler doesn't purchase the majority of its raw materials itself, it first has to ascertain which raw materials are contained in which components, which suppliers these are procured from and where these suppliers or their sub-suppliers source the raw materials. Linked to this is the question of whether there's an increased risk of human rights violations in the respective countries of origin and, if so, which human rights are particularly at risk.

From Daimler's point of view, this complex process of creating transparency and risk assessment can only be achieved by working in partnership with suppliers. Daimler also intends to use its own levers, such as transparency requirements in award contracts, cooperation in industry initiatives, and the use of technologies such as blockchain to increase supply chain transparency. The company has already made supply chains transparent on a risk basis for certain raw materials, e.g. for cobalt in the battery cell supply chain. This transparency is gradually being extended to other raw materials, starting with other materials used in batteries. The experiences made so far confirm that identifying human rights risks is an ongoing task and involves teamwork.

### Taking measures and reviewing their effectiveness

When implementing measures, Daimler takes a risk-based and systematic approach. Processes and measures – whether in the company units or in the supply chain – are designed to mitigate risks in a targeted manner and to become effective where needed (e.g. in certain company departments). Progress made in implementing the measures is monitored and regularly reported internally and externally as part of the sustainable business strategy. Communication and reporting on the measures and initiatives can also contribute to boosting the motivation of employees and suppliers – especially if the measures or projects initiated help people on the ground in effective and concrete ways.

In some high-risk areas, e.g. cobalt mining in the Democratic Republic of Congo, Daimler not only takes its own measures but additionally works in cooperation with organisations such as Bon Pasteur in projects to improve the situation of more than 19,000 people in the Kolwezi mining region by 2022. Daimler has put more than one million euros into the project.



## Communication and reporting

Public reporting provides a transparent record of the activities and ambitions of the company and enables comparisons to be made. Many stakeholder groups are very interested in reporting. No longer just NGOs, but also investors and benchmark organisations, such as the Corporate Human Rights Benchmark, which is providing analyses of automotive companies for the first time in 2020.

Daimler also views public reporting as a tool for stakeholder exchange, as it provides a common information base that can be used to contact the company directly with issues or enquiries. But Daimler also actively engages with stakeholders regularly throughout the year, including through special channels and platforms such as the annual Daimler Sustainability Dialogue, where human rights and the development of the company's activities have been discussed in a dedicated working group since 2008. Importantly, this is not a PR event but a platform for open and constructive dialogue on the topic. Critical input from stakeholders is not only permitted but welcomed.

Daimler has developed targets for high-risk materials, certain services and its locations; progress made in achieving them is measured. Monitoring is used at specific steps to review whether subgoals are being achieved. These form the basis for the Group Sustainability Board to discuss the status quo and the achievement of targets. Progress is communicated internally and externally.



## Grievance mechanisms

Employees and external third parties can use various channels to report suspected human rights violations and obtain "access to remedy" as defined by the third pillar of the UN Guiding Principles on Business and Human Rights. These channels include the whistleblower system BPO (Business Practices Office) and the World Employee Committee.

Through the Business Practice Office whistleblower system, anyone can anonymously contact Daimler to submit complaints about misconduct that poses a high risk to the company. Complaints can be lodged with the BPO using an online contact form, toll-free hotlines or neutral intermediaries (only possible in Germany).

Supply chains with many tiers, e.g. in the processing of raw materials, generally present a challenge for all grievance mechanisms. Often those affected at the lower end of the supply chain don't know which end customers they work for and are therefore unable to submit their complaints to the right recipient. On this issue, Daimler is engaged in an industry dialogue with politicians, non-governmental organisations, associations and unions, as well as other automobile manufacturers and suppliers through the German National Action Plan for Business and Human Rights with a view to identifying a possible joint and cross-sectoral solution.



## 3.9 DEUTSCHE TELEKOM AG

Deutsche Telekom implements its human rights due diligence as part of its sustainability strategy. The responsibilities are clearly defined, and special contact centres for human rights and sustainable supply chain issues coordinate the implementation process. Getting employees involved in this is an essential part of engagement with sustainability.



### BUSINESS CASE

The organisational and regulatory basis for Deutsche Telekom's human rights policy is the UN Guiding Principles on Business and Human Rights of 2011.

Human rights due diligence is a core element of Deutsche Telekom's corporate responsibility and social performance. It's more difficult to draft a clear business case for human rights due diligence than for other (more "quantifiable") areas of the company's responsibility strategy. For Deutsche Telekom however, it's clear. Human rights due diligence makes a positive contribution to the company's bottom line:

1. Protecting its corporate reputation at a time when the public pays increasing attention to the responsible behaviour of digital enterprises.
2. Strengthening employer image and employee identification and motivation and attracting new employees.
3. Better ratings and better performance in investor enquiries.



### COMPANY PROFILE

- + Sector: Information and telecommunications technology
- + Provides products and services in the categories of fixed-line/broadband, mobile telephony, internet and internet TV for private customers as well as solutions in information and communications technology for major clients and business customers
- + More than 229,000 employees in 50 countries
- + Germany, Europe, USA: own network infrastructure; T-Systems: global presence and connection via partners

”

Embedding human rights requires that a company's employees are regularly included. The company's executive managers play a key part as role-models here. But in everyday working life, human rights also have to be embodied in practice. In addition to the necessary knowledge, this requires sensitive and pragmatic communication.

“



© Deutsche Telekom

## CHALLENGES

One of the most important challenges is making sure people **stay aware of the topic** while they are going about their day-to-day professional business, when they design processes and in working with external actors. It's important to enable **continuous explanation and communication** about the topic. To overcome these challenges Deutsche Telekom had to:

1. formulate and implement its human rights engagement in such a way that the subject is understood by the company's target groups, and
2. explain the corporate motivation and the need for action around human rights themes.

Furthermore, **cultural differences** play an important role in the understanding and acceptance of human rights due diligence. It's essential to deal responsibly with cultural diversity and to have constructive debate and open dialogue with the widest possible range of stakeholders. It's also especially important to ensure the UN Guiding Principles are well understood. In countries with **strong legal systems**, the topic can sometimes be overlooked because people may (incorrectly) assume there are no human rights problems there. In countries with less robust legal systems, Deutsche Telekom has found it necessary to **communicate sensitively** to convey the company's relevant standards. There must be **continuous development** of the substance of human rights due diligence, which then needs to be **regularly reviewed**. For example, Deutsche Telekom continuously observes the various aspects of digitisation and their impacts, and makes adjustments as necessary.

## SUCCESS FACTORS

**Collaboration between different departments within the company** is important for successfully implementing human rights due diligence. A personal, cross-departmental dialogue is necessary in order to develop understanding and skills for human rights outside of the corporate responsibility department. Human rights due diligence must be embedded along the whole value chain of a company. Where possible, human rights due diligence should be **integrated into existing processes** that have already been accepted and have a track record of working well. **A lot of personal commitment** and practical **communication** is necessary to reach internal target groups.

**On-site audits** are necessary to truly understand the company's impacts on human rights in locations with higher risks. These local investigations can also be used to formulate conclusions for adjusting the central processes.

## ORGANISATIONAL ANCHORING

### Governance and integration

The topic of human rights is the responsibility of the Group Corporate Responsibility department, which is situated within the Human Resources area at board level. The Senior Vice President Group Corporate Responsibility is responsible for Group-wide strategic orientation.

Subsidiary aspects of human rights due diligence are also integrated, across the company, in numerous processes belonging to other functions (e.g. Compliance, Procurement, Health and Safety).

### Role of executive management

The executive management at Deutsche Telekom also plays an important role in implementing human rights due diligence.

In several forums at board level, for example the Corporate Responsibility Board (CR Board), managers are kept informed about progress made.

The managing directors of the local sites are also responsible for implementing any applicable human rights obligations, and report annually on aspects of their human rights due diligence.





## IMPLEMENTING THE CORE ELEMENTS

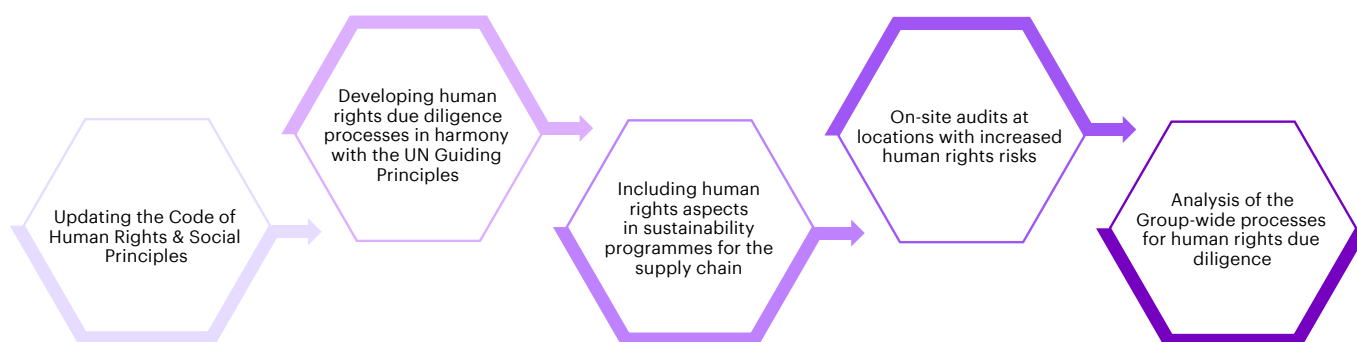


Figure 8: High-level overview of the implementation of human rights due diligence at Deutsche Telekom



### Policy commitment

Deutsche Telekom has integrated its commitment to respect human rights into multiple Group guidelines. These guidelines include, for example, the Code of Human Rights & Social Principles, the Group Policy on Employee Relations and the Supplier Code of Conduct.

All Group-wide guidelines are signed by the Board of Management of Deutsche Telekom AG, making implementation compulsory for all Group units. This also underlines the significance of the topic. The Code of Human Rights & Social Principles is currently being revised with a view to upcoming legislation on human rights due diligence in the European Union and in Germany.



### Assessing risks and impacts

Deutsche Telekom takes a many-faceted, decentralised approach to identifying human rights risks. This list gives an overview of the various processes for assessing human rights risks and impacts:

#### + Collaboration with relevant functions:

Aspects of due diligence for human rights are administered and implemented in various functions within the company: Human Resources (HR), Health, Safety & Environment (HSE), Supply Chain and Internal Audit. The human rights contact centres at Deutsche Telekom are in regular contact with these functions to monitor ongoing activities and provide information on current risk assessment procedures.

#### + Human Rights Cockpit:

The contact centre for human rights runs a KPI tracker, the Human Rights Cockpit, using it to monitor human rights issues. These may be in connection with employees (e.g. employee satisfaction) or country-related human rights data at the global locations and subsidiaries of Deutsche Telekom.

#### + Social Performance Review:

Every year, Deutsche Telekom assesses the status of the implementation of the DT Code of Human Rights & Social Principles at its global locations and subsidiaries.

#### + Assessments of the supply chain risks:

Deutsche Telekom has a complex supply chain with more than 30,000 suppliers. In order to capture relevant sustainability risks (including human rights aspects), the company applies a combination of various risk assessment instruments. These include sustainability assessments from EcoVadis and RepRisk and reviews of social performance by external audit firms.

#### + On-site tests at locations:

In recent years Deutsche Telekom has carried out multiple on-site audits at its locations (including Brazil, Malaysia, Singapore, India, Germany, Hungary) in order to investigate potential risks with reference to a human rights-based methodology. This includes a special emphasis on analysing the risks of the general human rights situation in each country. In contrast to conventional audits, these reviews have a particular focus on the perspectives of potentially affected people (company employees as well as workers in the supply chain).

They assess the whole spectrum of relevant human rights risks, thus going further than the human resources or health and safety assessors do in their individual audits. They also help ensure the central functions develop a better understanding of the human rights challenges on site and are able to draw conclusions about improving the global human rights due diligence approach. In the context of a strongly globalised and complex corporate structure, such personal commitments are important for developing a good understanding of the human rights risk profile and defining targeted measures as solutions.

**+ Employee relations audits:**

Deutsche Telekom introduced its own approach to employee relations in 2011. This approach was implemented worldwide in all Group units – taking each local legislative system into account. Any evidence of failure to comply with the Employee Relations Policy is followed up on – and where necessary corrective measures are taken. To make this possible, Deutsche Telekom carries out regular on-site audits at its global locations. These audits concentrate in particular on ensuring responsible industrial relations. They include such themes as remuneration, anti-discrimination, diversity and work-life balance. Plans for taking improvement measures are developed with the local managers.



**Taking measures and reviewing their effectiveness**

Deutsche Telekom takes various measures for reducing known human rights risks. This section highlights three key examples. It's not intended to be either complete or final.

**+ From local to global:**

Deutsche Telekom has carried out on-site audits at various locations in countries in which the human rights situation entails an increased risk profile (Brazil, Singapore, Malaysia, India). If systemic risks have been identified in these assessments, Deutsche Telekom then makes action plans with measures to be taken both at local level and across the company. The audit in India, for example, dealt with subjects such as working hours, psychological and physical stress and work-life balance as well as discrimination and working conditions for suppliers' employees. On the basis of these findings, Deutsche Telekom developed and introduced improvement measures. These steps cover such factors as work planning and include various activities for raising awareness about human rights topics, for example workshops for explaining overtime regulations. In addition, Deutsche Telekom has used the findings from these local evaluations to analyse how central process might have to be adapted in order to enhance the implementation of human rights due diligence in the whole Group. Deutsche Telekom is currently carrying out an assessment of potential gaps in its central processes in order to identify areas of possible improvement at Group level.

**+ Programme for sustainability in the supply chain:**

Deutsche Telekom has developed a comprehensive programme for managing sustainability risks in its global supply chain. Sustainability risks (including human rights risks) are taken into account in the overarching procurement process by including a sustainability weighting of ten percent as part of the supplier selection process. In addition, suppliers are required to sign a Deutsche Telekom Supplier Code of Conduct (and other regulations). In the event of any significant breach of the requirements in these documents, an escalation process is initiated to solve the problem. For example, if child labour or forced labour is identified, this is always classified as a matter of the top severity level and not tolerated under any circumstances.



Whenever an infringement of the top severity level is discovered, Deutsche Telekom suspends its business relationship with the supplier in question until the problem has been successfully resolved. Deutsche Telekom regularly evaluates its suppliers and has launched a supplier development programme to support strategically relevant business partners and suppliers in improving their sustainability performance (including human rights).

#### + **Digital responsibility:**

The increasing use of artificial intelligence (AI) and other innovative digital technologies requires a more responsible approach in technological development and application. As a leading telecommunications provider, Deutsche Telekom puts the subject of digital responsibility right at the top of the agenda. It was one of the first companies in the world to develop its own binding guidelines for working ethically with AI in its “Digital Ethics – DT’s AI Guidelines” in 2018. Deutsche Telekom also takes an active part in relevant cross-industry initiatives devoted to developing standards for ethics, privacy and security in AI. The company explains on its website how it uses AI and what measures are taken to reduce negative impacts. These include:

- ▶ transparency about how customer data is used,
- ▶ enhanced attention and care when inputting data for AI and
- ▶ campaigns for promoting digitisation in scientific work.



### **Communication and reporting**

Deutsche Telekom uses various formats for its external human rights-related communications, such as:

1. Separate area on its website about human rights due diligence
2. Section in the annual Corporate Responsibility Report
3. Annual UK Modern Slavery Statements
4. Articles, speeches and presentations at relevant conferences

There are also a range of internal communications measures, including a special area of the intranet about human rights due diligence. In addition, communications campaigns are regularly carried out on individual focus areas, e.g. anti-discrimination. There are also internal training courses and workshops.



### **Grievance mechanisms**

Deutsche Telekom monitors human rights-related grievances via a combination of grievance mechanisms. These include the whistleblower channel “TellMe!” and various topic-specific email inboxes (e.g. human rights, industrial relations, threat management and the Group Situation Center). In addition, there are separate channels for local authorities to raise concerns about infrastructure projects. Grievances can also be submitted informally via “traditional” channels such as the works council or human resources manager. In 2020 a new online tool was introduced to simplify the grievances process.

## 3.10 MERCK

Merck manages its human rights due diligence processes via an inter-departmental working group. It continuously develops its activities and focus.

In some risk areas, Merck works as part of multi-stakeholder initiatives.



### BUSINESS CASE

As a company, Merck has set itself the overarching goal of improving the lives of people all over the world with its products and technologies. Human rights due diligence is directly connected to this core mission and to the company's values. The so-called business case for the issue has not been calculated separately: the connection between respecting human rights and business success is taken as read.

Merck sees the key economic drivers for the implementation of human rights due diligence as risk management, avoidance of reputational

damage, security of supply chains, patient safety and the employees' safety and feeling of connection to the company.

Increasing interest from investors and customers means that a commitment to respecting human rights can only further strengthen the corporate brand. In addition, human rights due diligence processes underpin Merck's social acceptance and thus its competitiveness.



### COMPANY PROFILE

- + Sector: Chemicals and pharmaceutical industry
- + Science and technology company with a diverse portfolio in the fields of healthcare, life science and electronics
- + More than 58,000 employees in 66 countries
- + Listed family company

”

If you enter into a dialogue with your stakeholders, you as a company are showing your appreciation and thinking about the bigger picture beyond your own business. We think it's important to learn from the perspectives of our external stakeholders.

“



## CHALLENGES

**Human rights due diligence is a long-term process.** Respecting human rights within the company isn't a one-off project but a continuous learning and improvement process for everyone involved. Merck's experience shows that companies have to look for the key leverage points that make it possible to embed due diligence sustainably and across the board through the right management mechanisms.

The **complexity of the subject matter** is a particular challenge for an international corporation. In addition to potential risks connected with its numerous and diverse products and services, human rights due diligence at Merck also covers its more than 55,000 suppliers. It's important not to be overwhelmed in the face of this complexity. The company has to start with its prioritised topics.

## SUCCESS FACTORS

**Dialogue-based approaches** play an important role in the implementation of human rights due diligence at Merck. **Active dialogue with external stakeholders** has helped Merck to understand their expectations from the beginning, take a critical look at its own understanding of the topic, and bring in the perspectives of those impacted by the company's actions.

**Communicating the topic to target groups** is important for continuously strengthening awareness in the company. For example, trainings addressing different aspects of the Human Rights Charter were tailored to the needs of each department.

Human rights come into play at many parts of the company. This is why **horizontal integration** within the company plays an important role. This means embedding human rights aspects within specific, existing processes of other units (e.g. due diligence in investor decisions).

One company on its own isn't in a position to solve structural problems like poverty or the worst forms of child labour. So **cooperation with other actors in systemic risk areas** is essential.

## ORGANISATIONAL ANCHORING

### Governance and integration

All activities and processes for human rights due diligence are coordinated across the group by the Group Corporate Sustainability unit. The unit's committee discusses progress made and measures taken in its regular meetings. The respective topic managers in the corporate functions, corporate divisions and local units implement the measures developed.

In addition, in 2019 a cross-departmental Human Rights Working Group was set up. Its goal is to develop and execute shared, cross-function measures with which Merck can fulfil its responsibility to respect human rights. The group meets three to four times per year.

### Role of executive management

The overarching responsibility for respecting human rights lies with Merck's senior management. These senior managers then pass on the obligation to the managing directors of the companies on-site. As the top decision-making body, the senior management authorises the Merck Human Rights Charter and signs the UK Modern Slavery Statement, which is published annually.

Support from the company's senior management is considered vital for successfully implementing human rights.





## IMPLEMENTING THE CORE ELEMENTS



Figure 9: Merck's approach to implementing the core elements of human rights due diligence (adapted from: Merck Human Rights Charter, p. 3)<sup>12</sup>



### Policy commitment

Merck has comprehensively formulated its pledge to respect human rights within its Human Rights Charter. This document links to and expands on all existing guidelines and regulations with a connection to human rights (e.g. Code of Conduct, EHS Policy, Responsible Sourcing Principles, Global Social and Labour Standards Policy and the Charter on Access to Health in Developing Countries).

The Human Rights Charter was developed and, in 2019, revised in an extensive dialogue process with external interest groups (e.g. trade unions, industry associations, civil society organisations and representatives of potentially at-risk groups). In this way, Merck ensures that a range of perspectives on the topic are canvassed, that the company better listens to the expectations of its stakeholders and that the concerns of affected groups are comprehensively taken into account.



### Assessing risks and impacts

Human rights risks are continuously identified through a variety of approaches. The following examples give a non-exhaustive overview of the various human rights risk analysis processes at Merck.

- + In the run-up to the first Human Rights Charter, the company carried out a risk analysis. This determined the countries and business areas in which the company worked where there were human rights risks. The analysis also covered special business-relevant fields such as research, patient safety and business partner risk management. The findings formed the core of the relevant risks represented in the Human Rights Charter.
- + Merck carried out a self-assessment in all subsidiaries. The questionnaires it used were tailored to the particular situation in each country and analysed factors including the level of management awareness of important human rights risks and the on-site processes in place for dealing with risks. The findings from this survey were used to define the next actions to be taken.



- + In India, Merck carried out a Human Rights Impact Assessment (HRIA) to obtain a better understanding of how its own business activities and relationships affect human rights, whether the Human Rights Charter was being implemented, and of the extent to which human rights risks were present. As a result of the HRIA, Merck joined the Alliance for Integrity. This initiative promotes practical measures for combating corruption in emerging economies.
- + Currently a thematic risk investigation is being carried out to examine human rights risks associated with new technologies. New digital technologies play an important role in Merck's future strategy and Merck is aware that its human rights responsibility encompasses the risks involved in using these new technologies.



### Taking measures and reviewing their effectiveness

Merck continuously develops measures from its risk analyses to reduce the risks identified. The following examples give an insight into the measures being taken.

- + An inter-departmental working group oversees the human rights due diligence process. Its activities and focus are subject to continuous development. Because of the multiple ways in which the company can impact human rights, collaboration with different functions and departments is essential for Merck to be able to respect human rights within its sphere of influence. For example, currently there is a cross-departmental project to develop a group-wide overview of the use of external workers.
- + Human rights are often seen as abstract. That's why targeted training materials have been developed for individual functions (e.g. procurement, EHS, safety) to enhance understanding of the specific human rights concerns in each of these working environments.
- + Human rights are an important aspect of both culture and values. Merck provides its employees with information on human rights via its intranet. People in leading roles are encouraged to reflect on the relevance of their area of responsibility for human rights.
- + Where there are human rights risks in the supply chain, special work programmes have been set up. For example, for the last ten years, mica from India has been purchased directly from suppliers who mine the mineral themselves. This ensures the greatest possible transparency in the supply chain. By collaborating directly with the suppliers, compliance with the contractually agreed and comprehensive standards can be monitored much more effectively. The company's procurement specialists are in direct contact with the local mica suppliers and strongly emphasise to them how important ethical, social and ecological standards are to Merck. If these standards are not met, the suppliers are urged to take appropriate steps to correct the problem. If this doesn't have the desired effect, further measures are taken.

- + As a founding member of the Responsible Mica Initiative, Merck promotes industry-wide collaboration to bring about real improvements in the mica supply chain and the elimination of child labour. Human rights risks, such as potential child labour in the mica supply chain, are an endemic and systemic problem that requires individual measures and working with other actors and developing shared, cross-industry approaches.
- + Important bioethical issues and questions that result from the company's activities are responded to by an external advisory body (Merck Bioethics Advisory Panel). In 2019, on the suggestion of the Bioethics Advisory Panel, a new external advisory body was set up, the Digital Ethics Board. The intention is for this to support Merck in dealing responsibly with questions about the use of data and algorithms (and artificial intelligence).
- + In addition, Merck is working on an approach to give human rights greater consideration in investment decisions.
- + Merck has also set itself the goal of developing KPIs for measuring the effectiveness of the measures it takes. However, measuring the effectiveness of human rights indicators is a challenge, since they're not easy to quantify.



### Communication and reporting

Merck communicates extensively, both externally and internally, about its human rights due diligence, e.g. in its intranet and in the annual sustainability report, as well as in its UK Modern Slavery Statements.



### Grievance mechanisms

The central grievance channel is Merck's SpeakUp Line, through which breaches of the Human Rights Charter can be communicated to the company. In addition, Merck has further internal and external channels through which grievances can be reported (e.g. in the area of clinical studies or within its pharmacovigilance).

As part of tackling the requirements of human rights due diligence, the relevant grievance channels were broken down according to target group and audited with reference to the effectiveness criteria of the UN Guiding Principles on Business and Human Rights. Measures to improve the process were then defined.

## 3.11 SIEMENS AG

At Siemens, implementation of human rights due diligence is driven by the Sustainability and Compliance departments. The principles are embedded in the guidelines for employees and business partners. Awareness of the topic is raised internally through trainings and communications.



### BUSINESS CASE

For Siemens, responsible business practices are the highest priority. These also include an understanding that human (rights) risks are also business risks and can have impacts in the form of operational, legal and reputational risks.

Because of its global business activities and complex supply chains with over 65,000 suppliers in 150 countries, Siemens is confronted

with human rights risks and impacts both within the company itself and in its business relationships.

For this reason, Siemens endeavours to act responsibly and to tackle risks early, in order to minimise both negative human rights impacts on rightsholders and dangers for the business.



### COMPANY PROFILE

- + Sector: Technology, industry, transport, medical technology
- + Operational worldwide with a network of over 65,000 suppliers in 150 countries, and complex supply chains
- + More than 293,000 staff in 200 countries
- + Listed since 2013

”

‘Let’s talk business’ – we have to move away from abstract human rights terminology. We have to make the subject tangible and understandable for employees by using practical business examples. This practical communication is a key factor for the timely detection of any risks in the specific business environment.

“



## CHALLENGES

The company's size, global reach and numerous supply chains create great **complexity**. To manage these, Siemens uses approaches that are differentiated geographically, culturally and specifically to individual companies when implementing human rights due diligence.

Siemens has identified two areas where it intends to deepen its approach:

1. in tracking the status of measures in its customer-side business and
2. in systematically anchoring environmental, social and related human rights risks in business decisions.

For several years, Siemens has been reporting annually on its progress in the area of human rights in the context of non-financial reporting.

Despite Siemens' size and potential influence, the company runs into limits and can't mitigate all risks. In particular when dealing with **systemic risks**, the scope within which individual companies can exert influence is limited. It's therefore important to find partnership-based, shared solutions with other market participants in order to support positive change locally.

## SUCCESS FACTORS

Siemens places great emphasis on first **understanding the topics relevant to the company's impact on human rights**, and on doing so in partnership, with stakeholders. Only then can and must these be embedded in the human rights due diligence. Without building a clear understanding, the company faces the danger that its due diligence doesn't (effectively) address the essential issues that could lead to a violation of human rights.

Where possible, Siemens acts in a way that's relevant to the target group and specific to the business. For example, the company offers **target-group-specific training programmes**. Siemens' mitigation measures are also **differentiated**. This enables the company to act in a risk-based way. For example, the prevention and mitigation measures implemented for infrastructure projects in Brazil are different from those for software projects in Germany.

Siemens endeavours to **make the topic of human rights tangible for all employees and functions**, which sometimes means avoiding abstract human rights terminology. Instead, the company tries to express itself in the **language of each function**, developing **concrete** examples relevant to everyday business life.

It's important for Siemens that **ambitions and objectives are understood and accepted internally and that processes and control mechanisms for reaching targets are set** before they're communicated externally.



## ORGANISATIONAL ANCHORING

### Governance and integration

For Siemens, when embedding human rights due diligence organisationally, it's particularly important to take a holistic approach that takes in processes and systems (hard-wiring) and also culture and learning (soft-wiring).

The requirements of human rights due diligence have been integrated into decision-making and risk-assessment processes along the value chain and taken into consideration when reaching business decisions. The topic is mainly driven forward by Sustainability Management and Legal Compliance departments. The work is focused on continuously highlighting the potential areas for optimising due diligence and taking the increased expectations of stakeholder groups (especially investors, shareholders, the German government and customers) into consideration.

For soft-wiring at Siemens it was essential that the board assign the task of enhancing human rights due diligence and continue to support it, and that the whole company embark on this transformative journey. A crucial part of the process is building skills, which are continuously improved through thematically tailored trainings that are designed to be relevant and appropriate to the target group.

### Role of executive management

The Managing Board plays an essential role in implementing corporate due diligence. Along with the Siemens Sustainability Board (the central control body for sustainability), the Managing Board oversees all activities for implementation of due diligence. Progress, challenges and improvement measures are discussed or designed.

In order to facilitate Siemens' decision to embed the topic holistically throughout the organisation, there needs to be a mandate and also the continuous involvement and support of the Managing Board.





## IMPLEMENTING THE CORE ELEMENTS

### Policy commitment

Instead of drafting a standalone policy statement, Siemens has embedded the topic of human rights and its commitment to the UN Guiding Principles within the Siemens Business Conduct Guidelines (BCG). These cover the whole value chain. The BCGs also contain the guidelines governing the conduct of Siemens employees, suppliers and business partners. These guidelines include the Universal Declaration of Human Rights, the European Convention on Human Rights and guidelines from the ILO, OECD and UN.

Moreover, the UN Guiding Principles have been operationalised and compliance with them is regularly monitored by integrating them into Codes of Conduct for suppliers and business partners and into other company-wide guidelines. Siemens has also drafted a principle specifically on responsible procurement of minerals.

### Assessing risks and impacts

In 2019 Siemens carried out a materiality survey with over 500 stakeholders to identify human rights risks associated with its business activities and relationships. Participants were invited to rate human rights issues as particularly serious or likely. Siemens committed to reviewing the results the following business year and prioritising them as action areas. In addition, in the 2020 business year Siemens carried out a Compliance Risk Assessment survey. With reference to the survey, the company identified and evaluated human rights risks in various regions and business units. Siemens investigates risks along the value chain: in the supply chain, in the workplace and in customer-side business decisions. In all three categories, Siemens focuses on the risks identified as crucial.

Furthermore, Siemens has developed a digital risk due diligence tool for analysing human rights risks in cooperation with business and central functions and external human rights experts. This tool is intended to be used for customer-side business decisions. The systematic recording and risk assessment of business deals with reference to external and internal data supports Siemens in identifying and mitigating potential risks early. Previously, projects were only tested for human rights risks once they had reached the sales phase. The intention behind this tool is for risk assessment to take place from the start of the business cycle.

Siemens also collects human rights-relevant data via more conventional processes, e.g. supplier self-assessments, audits and internal risk assessments as well as compliance risk management.

All risks identified are monitored and, in the event of newly emerging risks, addressed in interdisciplinary dialogues.

When conducting its risk analyses, the company looks at all potential rightsholders – but pays particular attention to vulnerable groups such as ethnic or religious minorities.

## Taking measures and reviewing their effectiveness

To mitigate potential risks for human rights due diligence early, Siemens equips employees from the businesses with instruction manuals for measures that cover the whole business cycle. For example, measures are taken before any contracts are signed, but also if risks are only identified once project implementation has begun. In addition, the conglomerate identifies and takes measures in dialogue with stakeholders and as part of the Siemens Integrity Initiative, a global organisation against fraud and corruption.

Specific training courses are also very important for raising employees' awareness and developing relevant skills. Siemens offers various trainings with subject-matter tailored – where necessary and possible – to individual target groups. They include:

1. essential content from the Business Conduct Guidelines,
2. a global compliance training programme,
3. interactive webinars for identifying and mitigating human rights risks and
4. compulsory trainings for the businesses about environmental, social and associated human rights risks.





## Communication and reporting

Siemens reports in various formats to various stakeholders. The most comprehensive formats are the sustainability reports and the UK Modern Slavery Statement, which are published annually. The essential information on human rights strategy and the implementation of the core elements are also published online on the Siemens human rights topic site.

In reports to external organisations or partners and in forums and industry initiatives, the company also discusses its position, areas of activity and progress in human rights. This includes the “Communications on Progress” for the Global Compact of the United Nations and the records of Siemens’ Engagement Calls with investors. The latter are dialogue sessions with investors and service providers, such as MSCI and Sustainalytics.



## Grievance mechanisms

Siemens provides various grievance mechanisms that can be used by both internal and external individuals. The three most important channels are:

- + the multilingual “Tell Us” system, a whistleblowing platform that can be used anonymously for reporting compliance breaches online or by telephone
- + an electronic mailbox for specific enquiries on human rights topics
- + an external ombudsperson appointed externally by Siemens whom employees and third parties can contact directly

Siemens also raises awareness among employees of the need to stay alert for risks, especially when it comes to particularly vulnerable groups (e.g. ethnic or religious minorities).

### 3.12 THOMAS BECKER – ATELIER FÜR SCHMUCK

Thomas Becker – Atelier für Schmuck works closely with two gold mines in the Democratic Republic of the Congo to ensure environmentally and socially responsible gold mining.



#### BUSINESS CASE

The Atelier's human rights due diligence is not founded on the economic value added, but on its basic desire to act responsibly. During the Corona crisis, the Atelier's sales figures have

actually improved, and this is thought to be due to its commitment and communication of fair trade.



#### COMPANY PROFILE

- + Sector: Luxury goods
- + Goldsmith and jewellery manufacturer with supply chains in the raw materials sector and in high-risk areas
- + Five employees in the jewellery workshop in Hamburg

”

A company can be economically sound while avoiding ecological or social damage from the outset.

It isn't just about ensuring that the supply chain works, but also that the people in the supply chain are doing well.

“



THOMAS BECKER  
ATELIER FÜR SCHMUCK

© Harald Oppitz

## CHALLENGES

**As a very small company** the Atelier has very few resources available to address risks in comparison to larger companies. Furthermore, in the Democratic Republic of the Congo (DRC) it is confronted with many **systemic challenges**, such as: extreme poverty, child labour and gender-based violence. These challenges cannot be addressed by any one actor alone.

The generally **fragile security situation** in the DRC, as well as the potential dangers to personal safety are a challenge for Thomas Becker personally – especially prior to his first trip to the DRC. These were overcome by: thorough research prior to travelling, **experience** and getting to know the local people and the establishment of a local network of partners.

**Corruption** in Eastern DRC is a recurring obstacle for the Atelier. In the past, it was unable to export legally and fairly mined gold, because it refused to pay bribes.

## SUCCESS FACTORS

The Atelier has succeeded in buying eco+fair gold by developing **close partnerships** with two mines and improving the working conditions **on site**. To achieve this, it had to build a strong personal and **long-term relationship** with the mining cooperatives. A long-term perspective is essential in order to build the necessary partnerships and trust as well as to promote an honest exchange about mutual needs. Partners are important to strengthen the company despite its limited resources.

In the Democratic Republic of the Congo, **not only the language, but also the culture is different** than in Germany. There is a fear of contact on both sides, which can negatively affect business relationships. The Atelier's experience has shown the **importance of working with a respected local facilitator**. The Atelier works with a Congolese human rights lawyer who, for example, supports contract negotiations or exchanges with the mining cooperatives as an interpreter. It was only with her help that the Atelier was able to communicate with the local population, understand the culture better and gain people's trust.

**The dialogue with those affected to identify necessary measures** is important in order to achieve improvements that really address the needs of those affected.



## ORGANISATIONAL ANCHORING

Sustainability and the implementation of human rights due diligence are anchored at every level of the Atelier and is promoted by its Director. He continuously informs employees, he regularly travels to the supplying gold mines in the Eastern Democratic Republic of the Congo (DRC), and he is in regular contact with the local partners there.

By way of background: The Atelier procures gold from two mines in the province of South Kivu in the East of the Democratic Republic of the Congo. In this region, there are serious structural human rights challenges and violent clashes leading to instability. A war for raw materials, widespread poverty and ethnic conflicts are underlying causes, as well as mining proceeds being used to finance the conflicts in some areas. The minerals extracted there are often referred to as conflict minerals.

Child or forced labour is also an issue in many mines. Dangerous chemicals such as mercury are

often used, and illegal taxes extracted by warring parties with force. It is particularly challenging for a very small company such as Thomas Becker – Atelier für Schmuck to procure gold that meets environmental and social criteria in such an environment.

This is why the Atelier works with a network of partners to implement its human rights due diligence in the Democratic Republic of the Congo.

In addition to the partnerships in the implementation of human rights due diligence, the Director has founded two non-profit associations (in Germany and in the DRC). The German association is a sponsorship association that collects donations and makes funds available for projects. The Congolese association creates concepts, develops project ideas with mine workers, and then carries out the measures and monitors their success and the use of funds.

Overview of local partnerships and their roles in connection with Thomas Becker:

Partner	Location	Role in supporting Thomas Becker
<b>Partnerships for the implementation of business-related human rights due diligence</b>		
<b>Congolese human rights lawyer</b>	Eastern DRC (Region: South Kivu)	<ul style="list-style-type: none"> <li>+ Support in building relationships and trust in South Kivu</li> <li>+ Translation of language and culture e.g. in contract negotiations</li> <li>+ Legal advice for the workshop’s mine workers</li> </ul>
<b>Namulisa ASBL:</b> non-profit human rights organisation under Congolese law  Members: Congolese lawyers, agricultural experts, medical professionals, and representatives of different Christian denominations	Eastern DRC (Region: South Kivu)	<ul style="list-style-type: none"> <li>+ Contact person for the gold cooperative and the mine workers when Thomas Becker is absent</li> <li>+ Regular review of the situation and working conditions in the mines</li> </ul>
<b>Federal Institute for Geosciences and Natural Resources (BGR)</b>	Germany, Eastern DRC	<ul style="list-style-type: none"> <li>+ „Certified-Trading-Chains“ certification (Compliance with ecological and social criteria)</li> <li>+ With Namulisa ASBL, verification of compliance with agreements in the mines</li> </ul>
<b>Partnerships for additional measures to promote development</b>		
<b>Süd-Kivu e.V.:</b> NGO	Germany	Financial support for mining communities through donation-financed projects



## IMPLEMENTING THE CORE ELEMENTS



### Policy commitment

This small company has neither a specific written policy commitment nor other policies that reference human rights due diligence. Instead, social and environmental responsibility are part of the Atelier's mission statement, and its corporate DNA: The Atelier's founding principles, its vision and mission and Thomas Becker's daily actions all reflect these values and their application in entrepreneurial activity – even without an explicit policy commitment.



### Assessing risks and impacts

Thomas Becker – Atelier für Schmuck buys gold from two mines in the DRC. The main human rights risks associated with gold mines in the DRC include child or forced labour, dangerous working conditions, and illegal taxes extracted by warring parties.

The Atelier assesses risks and their impacts pragmatically: the Atelier's director visits regularly to check that fair and safe working conditions prevail in the two mines.

He also works closely with the members of the Namulisa ASBL association, who continuously check the mines in his absence. In order to understand the effects on local people, the Atelier holds talks with the miners and local NGOs.



### Taking measures and reviewing their effectiveness

Thomas Becker – Atelier für Schmuck has identified its employees and neighbours in Hamburg on the one hand, and its suppliers and mine workers in the DRC on the other as rightsholders it impacts. Measures have been taken to mitigate the negative impacts on each rightsholder group. For example, special filters are installed in the smelter in Hamburg to protect employees and neighbors from dust.

To be able to buy enough eco+fair gold, the Atelier launched its own projects with two mines in the Democratic Republic of the Congo. In 2016 order to encourage environmentally and socially responsible gold extraction, concrete measures have been taken:

- + The number of suppliers was kept small deliberately to be better able to manage the serious risks in gold mining in Eastern DRC. The Atelier only buys gold from two mines with which it has long-term partnerships and collaborates to improve working conditions.
- + The Atelier checked that no children were employed when it selected the gold cooperatives to work with and local partner NGOs regularly monitor the mines for child labour when the Director is not present.
- + Over time, the safety standards in the mines have been improved by providing protective clothing and equipment that make working in the tunnels safer. Two examples:
  - ▶ Roof support systems were installed in the tunnels and the miners equipped with safe tools, helmets and shoes with steel caps, as the tunnels in the mines can (partially) collapse especially when they are being constructed.
  - ▶ Women who were driven from their villages during the war worked in the two mines from which the Atelier procures its gold. In conversations with these women, the Atelier realised that they had chosen hard, physical mine work out of hopelessness but would actually prefer working as seamstresses. The Atelier then campaigned for a sewing school to be set up so that the women could build up alternative income opportunities. The dialogue with the women was crucial to address to their specific needs.

- + These successes were only possible because the local members of the Namulisa ASBL association (e.g. doctors and mining experts) support the concerns of the Atelier: They check the mines for any need for action, help to develop possible solutions and, if necessary, act as a mouthpiece and channel for humanitarian aid.
- + The Atelier pays a premium to avoid illegal practices or money laundering occurring. This way, trading with the Atelier becomes the most economically sensible option for the local people, and an opportunity they do not want to lose.

Thomas Becker – Atelier für Schmuck also increasingly uses recycled gold. The Atelier has managed to reduce the proportion of conventionally extracted gold to just 2 percent – 98 percent is eco+fair or recycled gold. The Atelier also uses the eco+fair approach for other raw materials such as diamonds and precious stones.

In order to be able to address humanitarian issues and make a positive impact, Thomas Becker has founded voluntary associations that take care of these topics in the local communities.



### Communication and reporting

Thomas Becker – Atelier für Schmuck discloses a lot of information on its corporate website. The information provided includes the case study „Project Congo“ as well as information on the sourcing of other materials, including countries sourced from and relevant standards.

The reports are used by customers and interested groups in Germany and are read by mine workers who used the published information to talk about their collaboration and express criticism and improvement requests.



### Grievance mechanisms

A formal grievance mechanism, e.g. in the form of a whistleblower system, does not exist in this small company.

However, all (mine) employees have access to contact persons in the DRC and the contact information of the Thomas Becker. They can reach out with complaints or problems to either at any time.







# Synthesis and recommendations

4



## 4 SYNTHESIS AND RECOMMENDATIONS

### A OVERARCHING MANAGEMENT APPROACH

Do all elements of human rights due diligence have to be implemented at the same time? The companies featured seek to integrate human rights due diligence into their existing management structures and processes and take an approach of continuous improvement to implementing human rights due diligence. Internal and external networks are built to embed the topic in the company and to strengthen the chosen approaches by hearing different perspectives.

#### Typical questions companies face:

- + How should structures and processes for human rights due diligence be developed?
- + How long does this take?
- + How much planning and understanding is necessary to get started?
- + Do all five core elements of human rights due diligence need to be implemented at the same time?

### 1 HOOKING INTO EXISTING PRACTICE

The featured companies link the implementation of human rights due diligence to existing structures and processes. For example, they use existing compliance management systems, expand supplier and business partner screening to include human rights criteria and link to established personnel processes.

- + **Maersk** has integrated human rights in its compliance programme COMMIT. A project officer has been assigned for each of its 35 rules. He or she is accountable and reports to the cross-organisation COMMIT Council.
- + **Daimler** has a Social Compliance department responsible for the topic, but through systematic and close collaboration with the procurement department has also integrated human rights criteria into its supplier standards and included them as tendering criteria.
- + **Continental** has developed its Human Rights Risk Scoring model on the basis of an existing country risk analysis process.

”  
The crucial first step is to understand what processes there are in the company that human rights due diligence can hook into. Don't just immediately make everything new and different, but hook into existing processes to redesign in the long-term.  
“  
(Continental)

## 2

**LEARNING BY DOING**

Successfully implementing human rights due diligence and integrating it into corporate processes is a continuous learning and implementation process. The companies featured take a step-by-step approach, learn from pilot projects and improve their approaches as their understanding of human rights grows.

- + To test new approaches, **Bierbaum-Proenen** implemented some initial pilot projects. Based on the findings of these projects, the approaches were improved before being rolled out on a larger scale.

## 3

**CONTINUOUS AND INTEGRATIVE APPROACH**

The implementation process for human rights due diligence doesn't run in a straight line. Companies don't have to have implemented any one core element successfully and in full before they start tackling another.

The implementation is more of an ongoing process in which all core elements relate to each other as a system. For example, the intermediate findings from the implementation of a core element can themselves influence the approach for other core elements.

- + **Deutsche Telekom** used findings from on-site investigations at high-risk locations to design measures for improving the central human rights due diligence process for the corporate group.
- + **Bierbaum-Proenen** uses grievances it has received to identify other risk areas or review the effectiveness of measures.
- + For **BASF**, it is particularly important that sustainability and the associated topic of human rights are clearly integrated into the corporate strategy and processes and that all employees understand and support it, even if this continuous process is time-consuming.

”

Human rights due diligence is an ongoing task and you have to take local needs into account – if you're not engaging with stakeholders and rightsholders, it won't work.  
(Daimler)

“

”

Embedding human rights requires that a company's employees are regularly included. The company's executive managers play a key part as role-models here. But in everyday working life, human rights also have to be embodied in practice. In addition to the necessary knowledge, this requires sensitive and pragmatic communication.  
(Deutsche Telekom)

“

## B MOTIVATION, DRIVERS AND ECONOMIC VALUE ADDED

Both the pressure and the incentive to implement human rights due diligence are increasing for all companies. Historically, coming from a compliance and risk perspective, the urgency and importance of the topic for the core business (license-to-operate, license-to-grow) is more important than ever. From the point of view of the companies, due to the demands of the owners themselves human rights due diligence has long been a part of responsible management.

### Typical questions companies face:

- + Why should human rights due diligence be implemented? What are the main drivers?
- + What is the added value of human rights due diligence for the business?
- + Is there a business case for human rights due diligence?

## 4

### REQUIREMENTS ACCORDING TO FRAMEWORKS

The companies featured use frameworks and regulations, as well as the increased public attention that results from them, to initiate or drive forward the implementation of human rights due diligence.

- + The majority of the featured companies have used the passing of new frameworks to communicate the importance and urgency of the topic to employees and executive management. This results in more support internally – for example, in the form of resource allocation.

## 5

### EXPECTATIONS FROM INVESTORS, CUSTOMERS AND SHAREHOLDERS

Whether in response to questions from investors and customers, or the company owners' personal aspirations, human rights due diligence has long been an expectation that the featured companies place on themselves as responsible businesses.

According to them, these expectations continue to increase. Above all, investors and customers have had higher expectations in recent years.

- + For **Continental**, in addition to the company's own values, customer enquiries were an important driver for implementing human rights due diligence.
- + **Siemens** also cites increasing regulatory expectations, customer demands and queries from investors, along with external sustainability ratings, as external drivers and motivation for implementation.

## 6

**PROTECTION OF REPUTATION AND BRAND (LICENSE-TO-OPERATE)**

The featured companies find human rights due diligence to significantly contribute to protecting their brand and reputation. They have noticed that the expectations society has of companies have grown significantly. Consumers and civil society pay close attention to companies' commitment, and not just via the rapidly increasing prevalence of media reports on the subject. A growing number of raters, indices and benchmarks compare the human rights commitment of companies.

- + Most of the companies featured here perceive any failure to (sufficiently) implement human rights due diligence as a risk for their reputation and brand. Especially when human rights violations become public and the company is criticised in the media.
- + Even when there isn't an incident that reaches public awareness, companies perceive aspects such as relative performance by other market participants that might be implementing their due diligence more strongly or successfully as a danger for their reputation and brand.

## 7

**BUSINESS RELEVANCE IN HIGH-RISK AREAS**

Where business activities or strategically important supply chains are in high-risk areas, the business relevance of human rights due diligence processes increases. The companies in this study that carry out business activities in high-risk regions clearly recognise that their human rights commitment is decisive for their ability to act responsibly – and with the security and reliability required for the business.

- + In some high-risk areas, e.g. cobalt mining in the Democratic Republic of Congo, **Daimler** not only takes its own measures but additionally works in cooperative projects with organisations such as Bon Pasteur in order to improve the situation of more than 19,000 people in the Kolwezi mining region by 2022.
- + **Merck** has co-founded the Responsible Mica Initiative. This organisation promotes cross-industry cooperation on mitigating the human rights risks involved in the extraction of the raw material mica.

## 8

**NO EXPLICIT AND SOLE FOCUS ON THE BUSINESS CASE**

The companies featured have not leveraged a classic business case to start implementing human rights due diligence. The total costs cannot be determined precisely, among other things due to the fact that human rights due diligence is integrated into many areas of responsibility in the company. Nevertheless, individual cost drivers are increasingly being named. These include: personnel entrusted with the implementation, training courses, on-site visits to suppliers and business partners as well as investments in technology (e.g. tools for supply chain transparency). The direct costs for these can usually be recorded using classic cost accounting methods.

- + Even if there is no concluding business case, all companies see a clear added value in making the necessary investments and expenditures. On the benefit side, they see the increase in employee satisfaction and their license-to-operate, higher resilience in their supply chains and thus in sales. They also see an important connection with the protection of company reputation and brand. It becomes clear that the business case is not the central driver for human rights due diligence, but the conviction that responsible management is part of the company's success.



## GOVERNANCE AND LEADERSHIP

Within the companies featured, human rights due diligence is primarily driven by a person or function (or a small group). Often, this driving unit assumes a coordinating role, as part of which it engages further functions.

This is done, for example, via cross-functional working groups, internal networks or through topic-specific dialogues. The implementation of individual topics then also takes place outside the driving unit in different parts of the company.

### Typical questions companies face:

- + How should human rights due diligence be anchored within the organisation? Centralized or de-centralized?
- + Are new processes really needed?
- + Which roles do different functions, business units and regions have?
- + How can leadership be involved?

## 9

### CENTRAL DRIVING UNIT

The driving unit of human rights due diligence for all companies in this study is a relatively small circle of people who drive the implementation internally. This driving unit is often anchored centrally within the sustainability, procurement, human resources or compliance department. There's no right or wrong location here; the choice is based on historical or cultural reasons specific to the company. In the SMEs (small and midsize enterprises) researched for this project, the most important drivers are the executive management and founders.

- + At **Siemens, Daimler** and **adidas** human rights due diligence is anchored in either the sustainability or compliance department or a combination of the two.
- + **Bierbaum-Proenen** has merged the purchasing and sustainability departments because there are many overlaps (especially when it comes to supplier management) and anchored the topic of human rights due diligence in this department.

## 10

### ROLE OF THE DRIVING UNIT

The primary roles of the driving unit relate to the controlling tasks of promotion and coordination of implementation, knowledge management and motivation of other departments. Both internally and externally, the most important tasks include communication, networking, and acting as a contact person.

- + For the majority of the companies featured, the driving unit is responsible for obtaining a mandate from executive management to implement human rights due diligence. The driver then takes this mandate to other departments so that they can work together to find solutions.

11

## DECENTRALISED IMPLEMENTATION OF INDIVIDUAL THEMES

Human rights affect all areas of the company. They're also context-dependent, i.e. shaped by culture and social norms. This is why the companies featured implement human rights due diligence into various corporate processes across the functions and sites in a decentralised way.

- + At **Merck**, human rights are integrated in the company at various sites. A cross-functional working group facilitates the knowledge transfer and helps ensure the relevant themes reach the right places in the company.
- + In addition to external expertise, **BASF** also involved internal specialist departments to revise its policy commitment to introduce interdisciplinary aspects and create a common understanding.

12

## TEAMWORK

The companies featured see the implementation of human rights due diligence as a task requiring teamwork. It's only through successful collaboration between the central group and the outer units that the theme is genuinely put into practice.

- + **Daimler** sees it as essential to maintain a dialogue inside the company and out, with its own staff, suppliers, stakeholders and rights-holders – "without their involvement and without teamwork, human rights due diligence doesn't work."
- + With the Labour Relations Network, **Continental** has set up a company-wide network of employees. These employees see human rights due diligence as part of their area of responsibility and integrate it into their respective processes.

13

## BRIDGE TO THE BOARD / THE COMPANY MANAGEMENT

In the pioneering companies featured, the link to the board of directors of company management often goes via committees. That doesn't necessarily mean that there is always a close, regular and strategic dialogue with the board.

The companies featured report regularly to the board about progress made. However, the board doesn't play a driving role in the concrete implementation of human rights due diligence, except for granting the mandate.

14

## COMMUNICATION

Strong, regular communication from executive management – especially internally, but also externally – supports the mandate and promotes staff perception of the topic's importance.

For the driving unit (see no. 10) it's helpful to be able to refer to this communication when collaborating with other departments and functions.

## D EXTERNAL COLLABORATION

The companies featured develop internal and external networks or join initiatives to drive the implementation of human rights due diligence within the organisation.

Collaborating with a variety of stakeholders and especially rightsholders allows organisations to develop solutions that are tailored to the specific circumstances they face.

To address systemic issues more effectively, participation in initiatives and networks is essential.

### Typical questions companies face:

- + Is it worth getting involved in external networks or initiatives to meet human rights due diligence requirements?
- + Which networks and initiatives are right for my company?
- + Why should rightsholders be involved?
- + What role do initiatives and networks play in working on systemic risks?

15

## INVOLVING RIGHTSHOLDERS

There are individual instances of the companies featured involving rightsholders in the development of their approaches for human rights due diligence. But most of the companies featured don't yet have an overarching, systematic approach for this.

It isn't just about ensuring that the supply chain works, but also that the people in the supply chain are doing well.  
(Thomas Becker – Atelier für Schmuck)

- + **Deutsche Telekom** has carried out several on-site investigations at risky locations, including Brazil, India, Singapore and Malaysia. It held numerous interviews with rightsholders (its own employees and those of suppliers) or their representatives (e.g. civil society interest groups).
- + **adidas** places a strong emphasis on listening to its workers (both in its own employment and in its supply chains). The company provides diverse internal and external grievance and communications channels that factory workers can use to communicate their concerns. They also have the option to tell the company whether they're satisfied with the solution to their issue.

## 16

## PROACTIVE COLLABORATION

The companies in this study collaborate proactively with external stakeholders. To do so they join industry-wide and multi-stakeholder initiatives or initiate subject-specific dialogue formats so they can bring in external perspectives.

- + Most of the companies featured are members of at least one industry-wide and multi-stakeholder initiative. These initiatives include the UN Global Compact, econsense, the Partnership for Sustainable Textiles and the Global Enabling Sustainability Initiative.

- + Being a member of the Fair Wear Foundation (FWF) enables **Bierbaum-Proenen** to access approaches, tools and networks, which it can use for its human rights due diligence. The FWF also serves as a forum for its members to exchange experience and learn in partnership.

## 17

## COOPERATION IN RESPONSE TO SYSTEMIC RISKS

The companies featured identify systemic risks that can only be addressed in partnership. They enter into collaborations and work on specific solutions together.

- + **Merck** works on improving working conditions in two mica mining regions in India with other companies and civil society organisations within the Responsible Mica Initiative.

- + **BASF** has been participating in the initiative „Cobalt for Development“ since 2018, alongside BMW, Samsung SDI, Samsung Electronics, Volkswagen and Deutschen Gesellschaft für Internationale Zusammenarbeit (GIZ). The project aims to sustainably improve working conditions in small-scale mines and the living conditions for the surrounding communities in the Congo.

## 18

## DEVELOP NETWORKS

The featured companies develop the skills and their network step-by-step within and outside the organisation. They identify and include suitable partners and colleagues in the company's departments, locations and functions, as well as in the stakeholder environment.

- + For **Siemens** it was particularly important to create a close and cooperative collaboration across departments and business units so that it could successfully embed human rights in the company and its processes while bringing all employees and functions on board and continuously involving them in both discussions and the implementation.

- + For the goldsmith **Thomas Becker – Atelier für Schmuck**, it was important to develop a network in Eastern Democratic Republic of the Congo (DRC) because this enabled it to: (1) be present on site regularly, (2) build a long-term relationship of trust with its suppliers and (3) understand the culture and language correctly, for instance with the aid of an interpreter. All three points are important for better understanding the human rights problems and for designing specific and effective measures that improve the human rights situation for the people affected.

## E POLICY COMMITMENT

“With the aid of a policy statement, enterprises should state publicly that they are meeting their responsibility to respect human rights. This statement should be adopted by the senior management of the enterprise and be communicated both internally and externally. It should be used, on the one hand, to address human rights issues of particular relevance to the enterprise and/or the sector in which it operates, citing the international reference instruments in the field of human rights and, on the other hand, to describe the procedure used by the enterprise to exercise human rights due diligence.”

(Extract, NAP, p. 8)<sup>3</sup>

### Typical questions companies face:

- + Is a standalone policy statement necessary and suited for the organisation?
- + Who should be involved in creating a human rights policy statement?
- + Is it enough to do this once? What is important when creating the policy statement?
- + How should a policy statement be used?

## 19

### STANDALONE OR INTEGRATED POLICY COMMITMENT

The companies featured have both independent and integrated policy commitments. Integrated commitments are embedded in existing guidelines or codes of conduct. The choice of a particular format usually depends on the corporate culture: the chosen format is the one with which the greatest acceptance of the content can be achieved in the respective corporate context.

- + Instead of a standalone policy statement, **Siemens** has anchored the subject of human rights and its obligations to uphold the UN Guiding Principles in the Siemens Business Conduct Guidelines (BCG).
- + **Merck** has comprehensively formulated its pledge to respect human rights in its Human Rights Charter. This document links to and expands on all existing guidelines and regulations with a connection to human rights (e.g. Code of Conduct, EHS policy, etc).
- + **Thomas Becker – Atelier für Schmuck** – as a relatively small company – has no written policy statement. Instead, social and environmental responsibility are a part of the company’s guiding principles and its DNA. They’re embedded, for example, in the company’s vision and mission statement.

#### Practice tip

##### Examples of formats used:

- Standalone human rights pledge
- Integration in the existing code of conduct
- Integration in the code of conduct for suppliers
- Standalone statements for individual high-risk themes
- Integration into the company’s guiding principles or mission statement



## 20

## LIVING DOCUMENT

The featured companies see the policy statement as a living document. They develop it continuously as their understanding of risk grows – thanks to internal and external dialogue.

- + For the development and later update of the **Merck** Human Rights Charter, a consultation procedure was carried out with internal and external stakeholders in order to include the expectations of interest groups and to fill knowledge gaps.
- + **Continental** carried out an internal dialogue process across functions and countries in order to identify the most important themes for its policy statement (which is integrated in its code of conduct) and enhance internal acceptance for the relevance of the themes.
- + **Siemens** surveyed over 500 stakeholders to identify the major human rights risks in the view of external interest groups.



## Practice tip

**How the policy statement is created has a strong influence on its acceptance and implementation in the company.**

The development process itself can be used for incorporating the experiences of various functions, listening to critical voices and building internal awareness for the themes covered. Additionally, dialogues with external interest groups (NGOs, human rights organisations, trade unions, etc.) can help to better understand the expectations placed on the company.



## 21

## FOCUS ON IMPLEMENTATION

Many of the companies featured have recognised that the policy statement is not an end in itself. Right from its development, thought should be given to the potential operational meaning of each pledge and the ways of implementing it. The policy must be implemented through communicating, passing on knowledge, integrating processes and taking concrete actions and making behavioural changes in the organisation and the value chain.

- + In its Human Rights Charter, **Merck** has an info box for members of staff, uses plain language and clear requirements (“What you should do when”).
- + In its Code of Conduct, **Continental** integrates application cases to make each principle come to life for the company’s employees.



## Practice tip

Many corporate policies use abstract language. Practical, tangible examples from the company’s own reality help to bring abstract principles to life.

**According to Siemens:** “‘Let’s talk business’ – we have to move away from abstract human rights terminology. We have to make the subject tangible and understandable for employees by using practical business examples. This practical communication is a key factor for the timely detection of any risks in the specific business environment.”



## F ASSESSING RISKS AND IMPACTS

“Central to the exercise of due diligence is the establishment of a procedure that serves to identify, to prevent or to mitigate potentially adverse effects of corporate activity on human rights. [...] When potential risks are examined, a distinction must be made between the following types of impact:

- those generated directly by the enterprise itself,
- those to which the enterprise contributes, for example through direct contractual relations with suppliers, and
- those connected indirectly with the enterprise through its business relations, its business activity or its products or services even though no direct contractual relationship exists, for example in situations involving numerous intermediary dealers.”

(Extract, NAP, p. 8)<sup>3</sup>

### Typical questions companies face:

- + Which methods should be used to identify human rights risks and what makes a risk assessment effective?
- + How detailed should the analysis be and how much on-site presence (e.g. in risk areas) is required?
- + How can the complexity of risks be managed?
- + Are there intersections between human rights due diligence and other sustainability initiatives in the business?

## 22 FUTURE-RELEVANT LINKS

Some of the companies featured recognise the connections and continuously respond to new developments. For example, the connection between human rights and environmental issues, human rights due diligence and the Sustainable Development Goals (SDGs), impacts of new business models and artificial intelligence, etc. The human rights due diligence methodology can help companies understand the current situation around themes relevant to the future of society. It helps the company proactively identify trends, position itself as a responsible actor and increase its business value for important stakeholders (investors, employees, customers).

- + **Maersk** analyses the linkages between human rights aspects and the Sustainable Development Goals (SDGs).
- + **Merck** analyses the interfaces between human rights due diligence and ethical use of new technologies, such as artificial intelligence.

### Practice tip

Human rights, or to put it another way, “the well-being of people”, is the core issue of most sustainability themes. Human rights due diligence offers a methodological approach for considering these connections holistically.

Instead of using this approach solely as set of obligations for minimising risk, a stronger focus can be placed on its added value as a “social future compass.”

## 23

## RISK-BASED AND SOLUTION-ORIENTED APPROACH

When assessing risks, the companies go into detail and are present on site. They prioritise risks with the greatest (potential) impacts on people, investigate the root causes on site and develop concrete solutions with their own employees and external stakeholders. The extent to which abstract risks actually have negative impacts on rightsholders can only be determined through personal conversations.

- + **Daimler** regularly discusses risks with its internal departments (e.g. procurement), suppliers and stakeholders (e.g. experts, NGOs).
- + **Bierbaum-Proenen** carries out continuous risk analysis and combines it with on-site visits to production sites.



## Practice tip

The complexity and diversity of human rights risks are a challenge for many companies. They can be addressed by decentralising the continuous risk observation and including different functions and, where applicable, external partners in the risk assessment on site. It's also important not to treat any negative impacts identified as symptoms but to ask: How does the company's own behaviour facilitate the emergence of these impacts (e.g. tight delivery deadlines, temporary contracts, outsourcing to countries with lax environmental regulations)?



## 24

## DIVERSITY OF METHODS

There's no one risk analysis. The companies featured capture human rights risks from various perspectives (with various analysis methods and processes) and with different emphases, e.g. focussing on suppliers, business partners, products, services, regions/locations, management decisions (such as M&A), etc. This means that the risk analysis itself may be adapted to the company's specific profile and existing level of awareness for human rights issues.

- + **Merck** combines self-assessments from all international locations with onsite investigations at high-risk locations.
- + **Maersk** conducted a thorough risk analysis along its business processes, functions and their regional footprint to identify the main areas of the business that touch on human rights.
- + By integrating human rights aspects into corporate management and taking them into account in business processes and decisions, **BASF** can identify possible negative effects on the human rights situation at an early stage.



## Practice tip

For an internationally organised company carrying out a human rights risk analysis, it's no longer a question of **whether** human rights risks are present. Instead, it needs to investigate **which** risks are relevant for the company and the industry and **where** they're at their most serious.

A wide range of information on relevant human rights risks is already publicly available for almost all industries. For the company's internal risk assessments, what matters is to concretise the relevance and probability of these abstract risks for the company itself.



## G MEASURES AND REVIEWING THEIR EFFECTIVENESS

“On the basis of the results of the analysis, measures should be identified and incorporated into business activity. Such measures may, for example, comprise specialised training of particular employees in-house or with suppliers, adaptation of particular management processes, changes in the supply chain and participation in sectoral initiatives. So that potential or actual impacts can be properly addressed, enterprises should define clearly where competence lies for particular issues and establish the corresponding review mechanisms.”

(Extract, NAP, p. 9)<sup>3</sup>

### Typical questions companies face:

- + What are characteristics of impactful and efficient measures?
- + Who should develop measures and how?
- + How can impact or progress be measured?

25

## IMPACT ORIENTATION AND PROGRESS MEASUREMENT

Even leading companies have room for improvement when it comes to measuring progress and impact. Companies often draw up individual measures, activities or processes without any overarching system and without focusing on the impacts or integrating progress or impact measurement.

These measures are then subject to indicators that measure the activities carried out and resources used (input and output indicators). Indicators that can be used for measuring actual behavioural change and impacts are still seldom measured (outcome and impact indicators). The only examples are one-off pilot projects, though the companies are working on it.

### Practice tip

Before implementing a measure or a process, you should ask yourself what impact you want to achieve with it and how this could be measured over a set period.

It also helps to identify the targets, target groups and intermediate steps or milestones for the measures or processes. This makes it possible to design and implement measures or processes that are impact-oriented from the start.

## 26

## APPROPRIATE TO TARGET GROUPS

Building on their constantly growing understanding of risk, the companies featured try to fill the gaps in their existing processes in a step-by-step and risk-based way. They attempt to develop measures tailored to each risk and target group.

For the measures, too, there is no “one size fits all” approach. Human rights should rather be firmly embedded within the local culture. A case of discrimination in Germany needs to be approached differently from one in India, for example.

- + **Thomas Becker – Atelier für Schmuck** works closely with a Congolese human rights lawyer who helps the company build relationships in Eastern Democratic Republic of the Congo (DRC) while also contributing, as a translator of language and culture, to the company’s successful collaboration with gold cooperatives in Eastern DRC.
- + A large number of harassment cases at the company’s Mexican site were reported via **Continental’s** hotline in 2019. In response, special trainings were developed and agreed with the local coordinator for Mexico so they made sense in the context. The collaboration with the local coordinator was important for ensuring the effectiveness of the measures taken.



## Practice tip

It’s important to think about human rights due diligence measures from the **perspective of the people affected** and to involve these people (or those who represent their interests) in the development of solutions.

Relevant questions include:

- + What measures help the people affected?
- + Do the measures achieve the desired behavioural changes?
- + Do they make sense within the particular culture?
- + Who might be able to act as a “cultural interpreter” to help adapt measures to the cultural context?





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## DIFFERENT SPEEDS

The featured companies show that human rights due diligence is a continuous process that takes place at varying speeds, even within a single company. In many areas, “basic” processes are enough to manage low risks. In others, particularly risky or business-relevant risks require more in-depth approaches. Some of the companies featured carry out experiments with new approaches, e.g. pilot projects on conflict minerals, living wages, worker voice, or form alliances with other companies.

- + **Bierbaum-Proenen** is involved in the Supporting Fairtrade Cotton programme for cotton farmers, which was initiated in 2019. The company wants the project to help it find ways to continuously increase the proportion of fairtrade cotton it uses.

**Practice tip**

For complex human rights challenge, e.g. conflict minerals or living wages, there's no ready-made solution.

Often there are systemic problems that require multiple actors to work together.

It's important, therefore, to approach the search for a solution with an experimental attitude and try out new ideas in dialogue with the people affected and with partners.



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## DIALOGUE-BASED

Many of the companies featured try to establish a culture of learning and dialogue in their own company and in the value chain (e.g. via target-group-specific training courses, local partner networks, etc).

“Soft” or “communicative” activities have great importance in implementing human rights due diligence. It’s not enough to just create policies and processes. They only become effective if the colleagues tasked with putting them into practice are brought along on the journey.

Dialogues with colleagues and suppliers are essential in order to develop a feeling for people, cultures, acceptance and the feasibility of the desired approaches.

- + **Maersk** puts an emphasis on training and awareness-raising across the organisation. The e-learning module on labour rights was completed by over 70% of staff by 2019. More specific face to face training is delivered to staff working in areas of higher risk exposure, for instance those dealing with labour agencies. Additional awareness-raising and guidance exists for specific higher risk topics such as online sexual harassment or developing a safety culture.
- + It was important for **Siemens** to include everyone in the company in the development of a culture of human rights due diligence. An important part of this “transformative journey” was and is the development of essential competencies in human rights due diligence and its implementations, e.g. through target-group-appropriate and relevant, thematically tailored trainings.



## Practice tip

Human rights due diligence doesn’t work “on the quick” or when doing it alone.

The implementation must be understood as a shared learning and dialogue process and be planned as such.

This is more time-intensive than designing a technical process. But the additional time investment is worth it if it ensures the people who are supposed to take responsibility for the content actually feel ownership of it.



## H COMMUNICATION AND REPORTING

“Enterprises should keep information at their disposal and communicate it, where appropriate, to external recipients in order to demonstrate that they are aware of the actual and potential impact of their corporate activity on human rights and are taking appropriate steps to address the situation. The form in which this information is communicated should be tailored to its recipients.”

(Extract, NAP, p. 9)<sup>3</sup>

### Typical questions companies face:

- + How should human rights due diligence be reported on?
- + Which formats exist and what are the benefits of using different formats?
- + What are characteristics of good communication of human rights due diligence?

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## INTEGRATIVE

Only a few of the companies featured have developed new communication formats for reporting on human rights due diligence. Most of the companies integrate human rights information into existing formats, such as their sustainability reports or modern slavery statements, theme websites or the intranet, or progress reports for membership initiatives. The formats are aimed at meeting legislative requirements and are oriented towards the needs of the target groups.

- + **Daimler** also sees its public reporting as a tool for stakeholder dialogue. In addition to sustainability reporting, there’s a dialogue with stakeholders (Daimler Sustainability Dialogue).
- + **Siemens** publishes all relevant information online in a human rights themed website, which is embedded within the sustainability section.



### Practice tip

It’s important to talk about activities, even when they’re planned or ongoing and not yet completed. In the light of increasing public interest, new benchmarks and investor ratings, transparent external communications are essential. In this, it helps to create meaningful links to other sustainability themes and to establish forums for bringing in internal and external voices.

The UNGP Reporting Framework is a reporting format that can be used to report on the implementation of human rights due diligence in the company in accordance with the requirements of the UN Guiding Principles.



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## OPEN AND TRANSPARENT

Some of the companies featured at times communicate very transparently about the challenges they face, the targets they don't meet and the adjustments these necessitate. In doing so, they are acknowledging that social changes take time and can only be achieved through continuous commitment.

- + **adidas** publishes information including annual reports on the human rights grievances it responds to.
- + In its sustainability report, **Bierbaum-Proenen** communicates openly on hurdles that arose in the implementation of human rights due diligence, e.g. when working on ensuring living wages.



### Practice tip

Openness creates credibility.

Transparency in the communication of human rights risks and in dealing with the challenges of human rights due diligence is increasing worldwide.

This also pays off in dialogue with critical stakeholders.



## GRIEVANCE MECHANISMS

“For the early identification of (actual or potential) adverse impacts, enterprises should either establish their own grievance procedures or play an active part in external procedures. Such procedures may, for example, be established by sectoral associations. The mechanism should be structured to match the target group. Accordingly, the target group should be consulted when the procedure is being devised.”

(Extract, NAP, p. 9)<sup>3</sup>

### Typical questions companies face:

- + How do human rights grievance mechanisms differ from pre-existing grievance mechanisms?
- + Which types of mechanisms exist?
- + What are characteristics of effective grievance mechanisms?
- + Who should have access to grievance mechanisms?
- + What are effective ways to handle incoming grievances?

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### PRINCIPLES-ORIENTED

The featured companies often check their grievance mechanisms against the requirements of the UN Guiding Principles Effectiveness Criteria. These help the company determine whether the existing grievance mechanisms are genuinely accessible for all relevant interest groups. A single mechanism is unlikely to reach all rightsholders or be appropriate for all issues.

- + **Merck** analysed all existing grievance mechanisms in the company with reference to the requirements of the UN Guiding Principles and derived measures from their findings.
- + **adidas** followed the guidelines of the UN Guiding Principles and has set up several channels to ensure that different rightsholder groups can submit complaints to the company in any language.

#### Practice tip

Practice has shown that the term grievance mechanism is too narrow.

What a company really needs is a complaints system, in which all relevant groups (e.g. its own workers, suppliers and business partners, local communities, etc.) can use a trusted and accessible channel to raise concerns.



## DIALOGUE-BASED: DIALOGUE AS A MEANS OF ADDRESSING AND RESOLVING GRIEVANCES

### LEGITIMATE

They enable the trust of the stakeholder groups for whom they are intended and are accountable for the fair conduct of grievance processes.

### TRANSPARENT

They keep the parties to a grievance informed about progress and provide sufficient information about the performance of the grievance mechanism.

### PREDICTABLE

They ensure a clear and known process with an indicative timeframe for each stage of the process and clear information on available types of procedures and outcomes.

### ACCESSIBLE

They are known and accessible to all potential users and offer adequate support to those who may face barriers to access.

### RIGHTS-COMPATIBLE

They ensure that the outcomes and remedies comply with internationally recognised human rights.

### EQUITABLE

Users have reasonable access to information, advice and expertise so that they can participate in a grievance process in a fair, informed and respectful way.

**A SOURCE OF CONTINUOUS LEARNING:**  
Process is continuously improved on the basis of experiences and in order to prevent future grievances and harm.

Figure 10: Effectiveness criteria for human rights grievance mechanisms (adapted from "Worth listening – understanding and implementing human rights grievance management" (DGCN), p. 33)<sup>13</sup>

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## TARGET-GROUP-SPECIFIC

Many of the companies featured have multiple target-group-specific complaints channels that are genuinely usable for the relevant groups. Some trailblazers have developed channels designed for particularly vulnerable groups to access.

- + **Deutsche Telekom** operates a whistleblower channel, various theme-specific mailboxes (e.g. for cases of harassment or terror warnings) and dedicated project-related channels (e.g. for infrastructure projects).
- + **Merck's** complaints system consists of the central reporting channel (SpeakUp Line), employee surveys, specific hotlines for clinical studies and various external channels that are linked to clinical and research institutions.
- + **BASF** addresses the concerns of residents from the vicinity of its production sites within neighbourhood forums (Community Advisory Panels). In discussions between the invited community members and the site management, worries and risks or negative effects on the community are also discussed.

### Practice tip

When a mechanism is seldom used, that usually means it's not easily accessible for the target group. The reasons for this might be that they don't know about the mechanism, the technical hurdles are too high or the channel is unsuitable for the particular culture.

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## LEARNING

Some of the companies featured use the data and information from the grievances for improving their risk analyses and definition of measures. Receipt of grievances is interpreted not as exclusively negative but rather as a sign the channel works.

- + **Continental** learned of harassment cases in Mexico via the internal complaints hotline. The information was used to derive measures and tackle the problem on site.
- + **Bierbaum-Proenen** uses the grievance mechanism of the Fair Wear Foundation. When a grievance is received, the company works with the affected production partner and, where necessary, seeks support from the Fair Wear Foundation in developing solutions/measures.



## Practice tip

Human rights grievance mechanisms can be used as an early warning system for tackling problems, before they grow into systemic challenges.



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## SYSTEM-ORIENTED

Some of the companies featured promote the development and implementation of grievance mechanisms in their value chains as well as within their companies. They maintain dialogue with stakeholders, such as suppliers and business partners, experts and peers from the industry, and participate in shared solutions.

- + In addition to other complaint formats, **adidas** has set up a digital app-based local complaint system at strategic suppliers. For messages sent via the app, employees can provide feedback on whether or not they were satisfied with the response in their factory. adidas can also query the complaints in the factory-run company complaint system in order to identify serious cases.



## Practice tip

To develop grievance mechanisms in the value chain, it is helpful to identify the potentially affected groups and understand which channels might be accessible or appropriate for them.

Dialogue with external interest groups and stakeholders helps better understand the needs of particular groups.



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In addition to the sources mentioned above, the authors used the following sources from the participating companies: annual reports, sustainability reports, websites, guidelines and other publications on the topics of sustainability and human rights.







## **Moving with responsibility towards success – Practical implementation of human rights due diligence in 10 companies**

Only 13 to 17 percent of German companies fulfilled the human rights due diligence requirements defined by the National Action Plan in 2020. The good news is there are companies that show that it works. There are companies in Germany and Europe that have started early to integrate the UN Guiding Principles on Business and Human Rights into their daily business. This study summarizes the experience of ten such “pioneers” in order to show how human rights due diligence can be put into practice to other companies.

The ten case studies do not lead to remote places in the world, but to Munich, Hamburg or Herzogenaurach – where the companies presented are headquartered.

They provide insights into the comprehensive range of corporate management for implementing human rights due diligence: culture, leadership, organization, cooperation, processes and instruments in the company.

In this study you will find ten case studies, 34 lessons learned or insights, 16 practice tips and 20 quotes not only on overarching management issues relating to implementation but also on core element-specific issues.

On behalf of:

