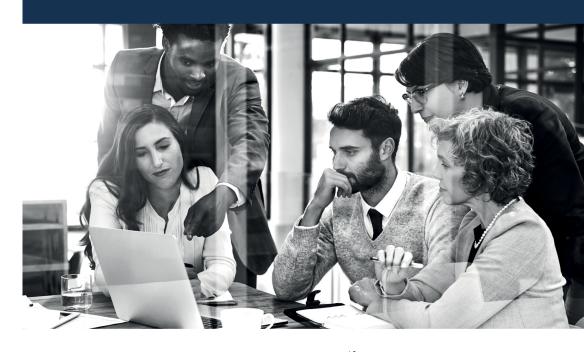
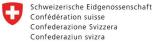
# MAKING SUCCESS SUSTAINABLE THROUGH RESPONSIBLE BUSINESS CONDUCT

Human Rights Due Diligence of Swiss SMEs







## Human rights also apply to SMEs

In addition to discussing the relevant international and national guidelines, this brochure gives SME executives a practical overview of the opportunities and challenges of responsible business conduct. It also provides tips for integrating human rights into corporate governance.





## **BUSINESSES & HUMAN RIGHTS**

Today, human rights are increasingly understood to be a strategic advantage in corporate governance (e.g. for market positioning, boosting productivity and warding off potential legal and reputational risks). Governments, Investors, customers, consumers, non-governmental organisations and trade unions today expect companies, including SMEs, to know the impact of their business operations on human rights and to show what they are doing to address any adverse impacts.

As a result of these activities, businesses can promote human rights. Which means examining, not only their own business activities, but also their entire value chain.

## The pay off for engaging proactively with human rights is well worth the effort



Positive impacts on **Management** 

- Mitigates crisis situations e.g. through proactive and systematic assessments of impacts on human rights
- Prevents and mitigates operational risks and supply disruptions
   e.g. through a regular review of business relationships



Positive impacts on **Employees** 

- Reinforces employees' identification with the company e.g. decreasing staff turnover
- **Boosts employee efficiency** e.g. by reducing absenteeism
- Attracts new talent e.g. especially among generation Y/millennials



Positive impacts on **Business partners, Customers, Consumers** 

- Strengthens reputation and improves representation with customers/consumers
- Prepares for customer expectations e.g. companies are increasingly passing expectations made on them onto SMEs
- Access new market segments and financial sources e.g. public procurement and socially responsible investors



We have increased our competitiveness by respecting human rights – which then persuaded our subsidiaries to follow suit. Three-quarters of millennials would accept a lower salary to work for a socially responsible company.

CFO Interroll Holding AG, Daniel Bättig Cone Communications Millennial Employee Engagement Study, 2016 Your company works with service providers and manufacturers located abroad, and therefore you struggle to know whether human rights are respected all along your value chain? The key to solving this is human rights due diligence - a procedure that can be easily slotted into existing SME business processes.

Human rights due diligence supports you in identifying the actual and potential adverse impacts of business operations on the human rights of individuals or groups in the value chain (e.g. children, women or communities living close to production sites). Human rights due diligence is an internationally recognised framework that supports developing appropriate measures for how to deal with identified negative impacts. The scope depends on the size of your company and the nature of your business as well as the industry and the regions in which you operate.

The UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the OECD Due Diligence Guidance for Responsible Business Conduct are globally accepted guidelines on conducing human rights due diligence within small and large enterprises alike. The OECD has also published guidelines for conducting due diligence specifically within the extractive, agricultural, garment and financial sectors.

In December 2016, the Swiss Federal Council adopted a National Action Plan (NAP) to implement the UN Guiding Principles on Business and Human Rights. It detailed precisely what is expected from Swiss companies.



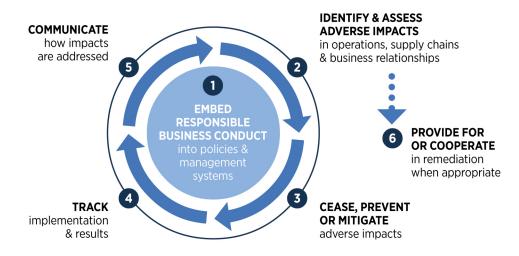
"...business enterprises
that are based and/or operate
in Switzerland should respect
human rights in all of their
business activities, wherever
they operate. Accordingly they
should seek to prevent adverse
human rights impacts."

## Which human rights should you focus on?

The International Bill of Human Rights (i.e. rights encoded in the Universal Declaration of Human Rights, in the International Covenant on Civil and Political Rights and in the International Covenant on Economic, Social and Cultural Rights) as well as the Core Labour Standards of the International Labour Organization (ILO).

Which human rights are most relevant for your company depends on your business sector, where you operate, the raw materials used as well as your products and business partners.

It should include the following measures:



Source: Based on OECD Guidance for Responsible Business Conduct, FDFA/SECO

## Key tasks when carrying out due diligence



**Risk-based approach:** Address the most severe impacts first.



**Scope:** Map your company's own activities within the direct supply chain (direct sourcing from manufacturer) and indirect supply chain (sourcing through trade channels or via intermediaries) as well as other business relationships (such as licensing, investment agreements, franchising, M&A, service providers, consumers etc.).



**Continuous process:** Practise ongoing risk assessment and continuous improvement of measures based on new findings, bearing in mind that situations surrounding suppliers, business partners, procurement countries and industries may change. New risks may also arise in parallel with new products or business relationships.



**Another perspective:** Assess risks from the perspective of human rights holders and those potentially affected by your business activities instead of focusing exclusively on the risk to your own company.

## Global direct or indirect relationships

The following diagram shows which business relationships and potentially affected groups a company should typically include in its assessment and gives examples of potential adverse impacts.

Examples of impacts on human rights

Examples of potentially affected groups

National regulations & global standards

Restrictions on freedom of movement through passport seizures and bonded labour

Workers in the supply chain, children

Abolishment of slavery and forced labour



Insufficient breaks and excessive working hours

**TRANSPORT** 

Lorry drivers, seafarers

Right to fair and healthy working conditions

Purchasing land that has traditional significance for local inhabitants without prior consultation with them

Workers in the supply chain, local communities

Right to self-determination





## **MY BUSINESS**

Unequal pay, for the same work and work experience, between men and women, Swiss citizens & immigrants

Employees, temporary workers

Right to equal pay for the same work



CUSTOMER & BUSINESS PARTNERS

Selling monitoring technology to countries which use it to spy on political opponents

Human rights defenders

Right to freedom of opinion, right to privacy



Products that endanger the health of consumers

Consumers, children

Right to health

## You should be able to answer the following questions:

How do I commit publicly to respecting human rights? Are there relevant guidelines already in place that I could build on?

How will our solutions be communicated both inside and outside the organisation?

Is there a risk that my products could be misused, resulting in negative consequences for individuals? Where are the potential adverse impacts for people in my own business operations and along the value chain?

How can my employees and my suppliers' employees voice complaints about adverse impacts?

> Which measures and processes do I have in place to prevent or mitigate adverse impacts?

Do I co-operate in or have access to processes to remedy existing adverse impacts?

How can I check if measures are working?



# RISK PROFILE

Your risk profile is determined by your production and procurement countries, the raw materials you use and your business sector. As such, your risk profile defines where you should set your priorities.

**For example:** To prevent occupational accidents during the smelting process, one of the measures that a metals producer could take is to train its quality managers so that they will immediately recognise any non-compliance with safety protocol among their suppliers and notify management immediately.

For IT and communication companies, users' privacy is a key area that is rife with potential adverse impacts on human rights. Such companies could introduce an early warning system to identify customers who may be misusing its products.

## More case studies can be read by visiting:

www.nap-bhr.admin.ch > Information for businesses > Case studies



At our company, we have many reasons for building a human rights strategy: We want to respect the human rights of our own workforce as a fair and responsible employer, and we want to comply to the increased human rights and supply chain transparency regulations.

Implementing human rights due diligence has helped us to translate human rights to our business. In a lot of cases, such as in our occupational health and safety programs, we realized that we were already managing the topic, but we had looked at it from a different perspective.

Stephanie Ossenbach, dormakaba Group

## **GETTING STARTED**

Your due diligence process for human rights does not have to be perfect from the outset. Simply make a start, prioritise actions, learn as a team and improve step by step. Many companies – including SMEs – are already implementing responsible business practices. The first step is understanding what you are already doing and where gaps exist.

Respecting human rights must be supported from the top down. Management plays a key role in determining whether a human-rights culture is established or not. Your company's executives should be constantly involved in the process.

## Helpful steps to kick-start the process:



Assign somebody with **strong leadership skills** to guide and steer the process in the company



## Form an **internal working group** because:

- This is a cross-sectional task, spanning human resources, procurement, quality management and logistics
- The effort will then be shared among different people



- It strengthens group-wide awareness and fosters shared learning
- It makes it easier to adapt existing processes and integrate new ones

# Helpful steps to kick-start the process:

Answer the following questions:

Which existing processes can you build on or expand?

Where do you see opportunities to improve identification of human rights risks?

Where are there gaps and how can you address them?

**Develop a basic understanding** 



Create a broad profile of your corporate impacts on human rights



**Identify existing processes and gaps** 



**Prioritise your next steps** 

**Embed human rights due diligence within your company** 

Based on the Deutsches Global Compact Netzwerk (DGCN) and twentyfifty publication:
"5 Steps Towards Managing the Human Rights Impacts of your Business".



The brochure on the OECD Guidelines for Multinational Enterprises contains tips for implementing responsible corporate governance, in particular the OECD guidelines and the principles of the UN Global Compact. The brochure also includes a self-assessment that will flag your company's strengths and weaknesses in responsible corporate governance.

# To download the brochure on the OECD Guidelines for Multinational Enterprises, visit:

- www.seco.admin.ch
- > Foreign Trade and Economic Cooperation
- > OECD Guidelines for Multinational Enterprises

#### **Practical information for business:**

- www.nap-bhr.admin.ch (business & human rights)
- www.csr.admin.ch (CSR)

#### Credits

Publisher, contact and download: Federal Department of Foreign Affairs FDFA State Secretariat for Economic Affairs SECO www.nap-bhr.admin.ch

> Concept: twentyfifty GmbH Design: Little Creature Ltd

In collaboration with:
Global Compact Network Switzerland (GCNS) - www.globalcompact.ch