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giz Deutsche Gesellschaft
für Internationale
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SME Compass

Due Diligence Compass | Practical Guide 1 Business & Human Rights - An Introduction

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Business & Human Rights: The influence of companies on human rights

What influence do companies have on human rights?

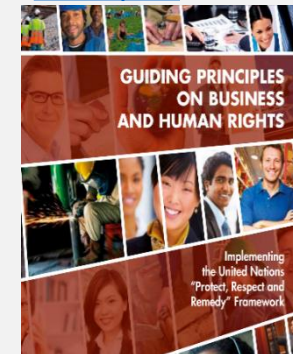
The influence of companies on human rights

- **As an important link in the supply chain, SMEs have a profound impact on human rights:**
 - (+) **Positive influence:** Opportunity to directly address human rights and environmental risks in the value chain, e.g. by sharing knowledge about occupational safety with (international) suppliers
 - (-) **Negative influence:** e.g. child labour in metal mining in risk areas, which affects the health and standard of living of children (who process metals for the manufacture of machines and electrical appliances in Germany, for example)
- **Corporate responsibility to uphold human rights:**
 - When business activities destroy people's livelihoods, exploit workers or displace local residents
 - But also when human rights violations are committed by others, i.e. business partners or states (shared responsibility; damage to reputation)

Corporate responsibility

International / national standards define the requirements for companies to respect human rights along the value chain

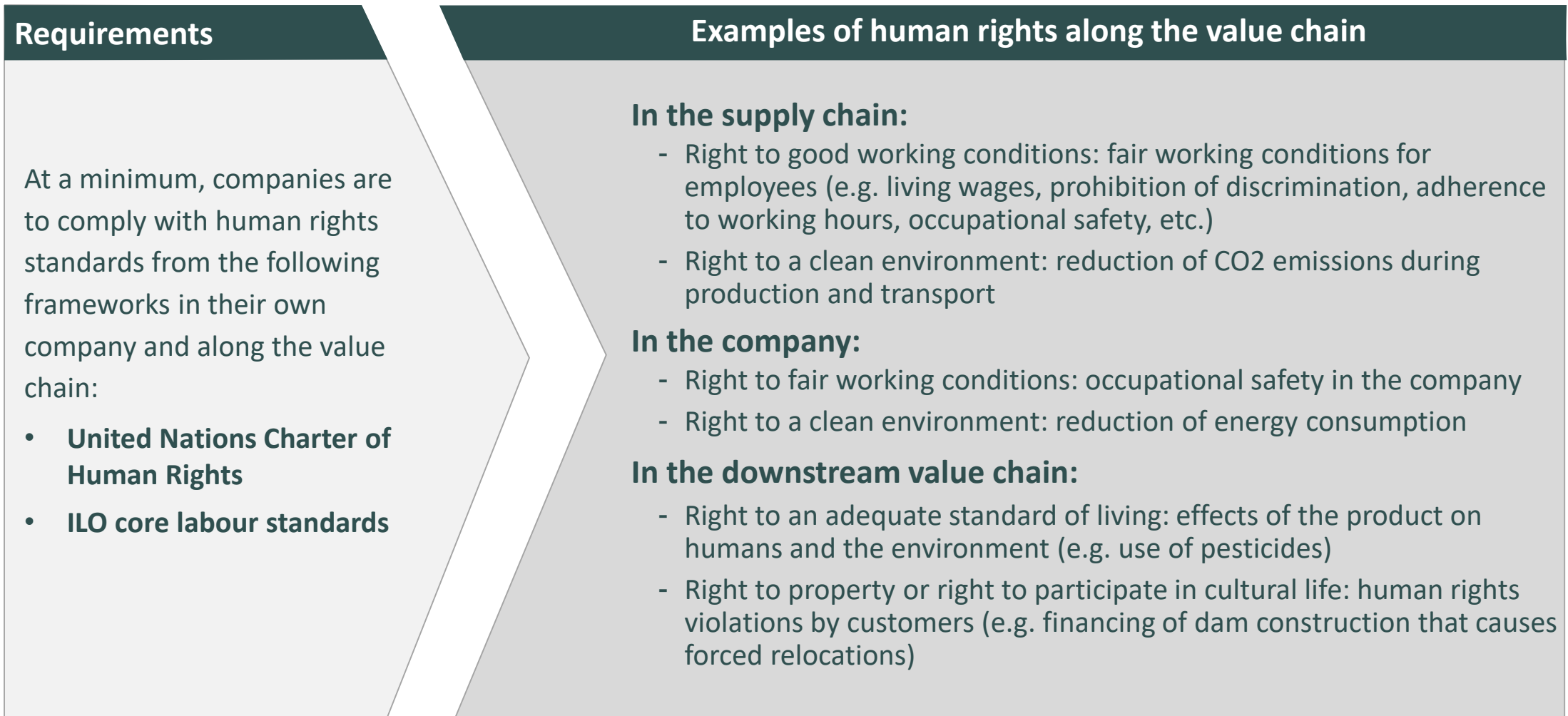
International:
[UN Guiding Principles](#)



In Germany:
[NAP WiMR](#)



What are the requirements for companies?





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Business & human rights:
Relevance for companies

Why are human rights relevant for companies?

Increasing expectations for companies



Legislators

- **In Germany:** Ongoing discussion about a due diligence law/supply chain law
- **In the European Union:** A draft law on corporate due diligence is currently being developed
- **Major German trading partners already have laws** (including France, Great Britain and the USA)



Economy & finance

- **Large companies** and the **public sector** increasingly expect their suppliers to meet sustainability criteria
- **Banks** and **other financial market participants** are increasingly applying sustainability criteria when granting loans and making investment decisions



Consumers

- **Increased awareness** about human rights and environmental impacts among consumers and citizens
- Consumers change their **consumption behaviour** due to the social and ecological effects of their purchases



Civil society

- **Increasing pressure from civil society** on companies to respect human rights along the entire value chain
- **Numerous initiatives and activities** (e.g. initiative supply chain law)

Why does this matter to companies?

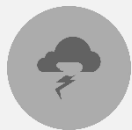
Human rights as part of risk management



Compliance: Companies that deal proactively with sustainability and keep up to date with regulations and standards avoid the potential costs of non-compliance



Financial risks: Sustainable risk management enables the early identification of human rights and environmental risks that could harm the company financially



Reputation risks: Companies that are visibly sustainable improve their reputation with business partners, customers and the public and avoid links to human rights violations

Benefits for the company



Competitive advantages and increased customer loyalty: Development of new products and positioning as a pioneer compared to competitors



Employer attractiveness and employee loyalty: Higher motivation and satisfaction of employees (particularly relevant for industries that are affected by the shortage of skilled workers)



Business case: Better occupational health and safety reduces the employee fluctuation and sickness rates and increases productivity



Access to financing with better conditions (e.g. EU taxonomy for sustainable finance)

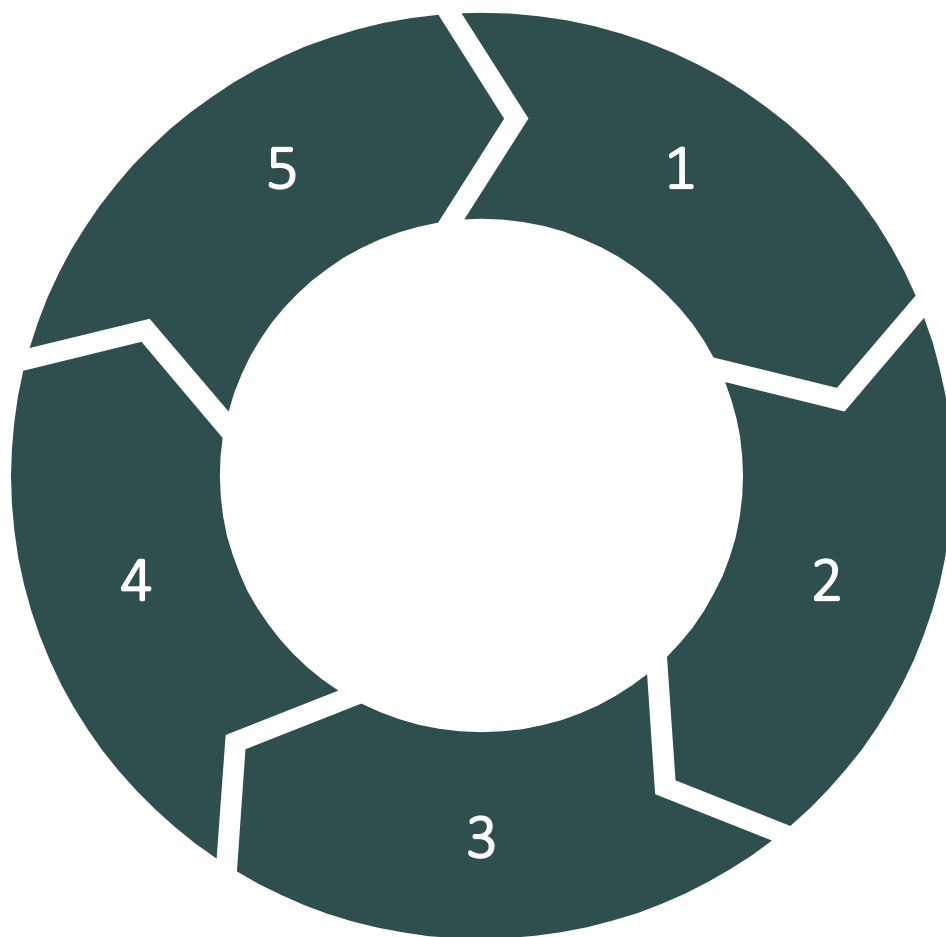


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Business & human rights:
Corporate due diligence processes
in the company

Which due diligence processes do companies need to integrate?



- 1 Develop a strategy**
Come up with an overview of risks along the value chain and formulate a declaration of principles
- 2 Perform a risk analysis**
Identify and assess human rights and environmental risks in the company and along the value chain
- 3 Take action**
Align and expand existing processes/measures, develop an action plan, develop suppliers
- 4 Measure and report**
Systematically review the implementation of actions taken and communicate progress internally and externally
- 5 Manage complaints**
Define target groups, compare complaint mechanisms, continuously develop the process and provide feedback



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Business & human rights: Implementation in the company

How do you achieve successful implementation?

How?

- 1 Familiarise yourself with the topics of human rights and environmental protection along the value chain
- 2 Compare the requirements of the due diligence obligations with your own corporate principles
- 3 Find points of contact and check which approaches your company has already established – including informal ones

Who?

Sustainability, purchasing, sales, personnel, works council, product development, compliance, communication, QM

➡ People who know the **company's processes well** and already have knowledge of the products, services and value chain

➡ **Management** should be involved as a “**leading voice**” from the start

You can find more information on the **SME Compass** at: <https://kompass.wirtschaft-entwicklung.de/>

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If you have any questions, the Business & Human Rights Helpdesk will be happy to advise you confidentially and free of charge:

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