

Equality and Human Rights Commission

Business and human rights:

A seven-step guide
for managers

What is the aim of this publication?

This guide is for managers in companies operating in England, Scotland and Wales who have an overarching responsibility for developing and implementing human rights practices in their company. It will also assist managers who have responsibility for social issues, human resources, or customer and community relations or those who advise the board. This guide sets out seven steps managers should follow to help companies identify, mitigate and report on the human rights impacts of their activities. It also provides advice on how companies can meet the UN Guiding Principles on Business and Human Rights,¹ the global standard, which outlines the role of business and governments in respecting human rights.

Why has the Equality and Human Rights Commission produced it?

The Equality and Human Rights Commission is a statutory body established under the Equality Act 2006 to promote equality, eliminate unlawful discrimination, and protect and promote human rights. We are a UN-accredited 'A status' National Human Rights Institution.

We are grateful to everyone who contributed their expertise to the development of this guide, including Ergon Associates who facilitated its development, along with the Institute for Human Rights and Business. This guide draws on our Business and Human Rights guidance for Board directors.²

1. <https://business-humanrights.org/en/un-guiding-principles>

2. EHRC. 2015. Business and human rights: A five-step guide for company boards: <https://www.equalityhumanrights.com/en/publication-download/business-and-human-rights-five-step-guide-company-boards>

Introduction

Human rights are basic rights and freedoms for everyone based on dignity, fairness, equality and respect.

A company may affect people's human rights through its own activities or through its business relationships. The impact can be positive, such as by providing decent and safe working conditions and fair pay. However, it may also include negative impacts such as child labour or forced labour within the supply chain; breaches of individuals' privacy or restrictions on free speech; poor safety or security practices; and environmental pollution causing harm to people's health. These impacts on human rights can arise in business operations abroad or in the UK and can result in operational, financial, legal or reputational risks, such as complaints, litigation, or operational delays that drive up costs and harm the company brand.

When companies operate with a culture of respect for human rights they become brands, partners, investments and employers of choice.

This guide provides advice to managers on how their companies can meet the UN Guiding Principles on Business and Human Rights, the global standard, which outlines the role of business and governments in respecting human rights. The Guiding Principles do not create any new international legal obligations on companies, but they can help companies to operate with respect for human rights and meet their legal responsibilities set out in domestic laws. They are also supported by the UK Government. The Human Rights Act 1998 sets out the fundamental rights and freedoms that everyone in the UK is entitled to and applies to public authorities, or private organisations providing a public service.

The UN Guiding Principles expect companies to respect human rights by:

- making a public commitment to respect human rights
 - carrying out human rights due diligences, and
 - providing a remedy for human rights harms.
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The seven steps

We recommend that managers follow seven steps to ensure that their company is fulfilling its responsibility to respect human rights as set out in the UN Guiding Principles, and relevant UK statutory reporting obligations.³

Step 1

Prepare a human rights policy commitment

Step 2

Embed your human rights policy commitment into your business culture and practices

Step 3

Identify and understand your company's salient, or most severe, human rights risks

Step 4

Address your company's salient, or most severe, human rights risks

Step 5

Engage with stakeholders to inform your company's approach to addressing human rights risks

Step 6

Communicate your company's salient, or most severe, human rights risks

Step 7

Provide an effective remedy for human rights harms

3. Certain companies are required to report under the following: the Modern Slavery Act 2015, and the Companies Act 2006 and consequent regulations.

Step 1

Prepare a human rights policy commitment

A policy commitment signals the importance your company attaches to respecting human rights. It can be a standalone statement or be integrated into existing policies, such as a code of conduct or a values statement.

A human rights policy commitment should:

- reflect the company's commitment to respect human rights in line with national and international standards, such as the Human Rights Act 1998, UN Guiding Principles and the International Labour Organization's core conventions⁴
- set out the company's expectations of its staff and other workers it employs
- tell customers, business partners and others what they can expect of your business
- identify the human rights issues most relevant to your operations, and
- commit to an ongoing review of the policy and your human rights impacts.



4. The Human Rights Act applies to public authorities, or private organisations providing a public service. Referencing international standards gives you and your stakeholders a common reference point for definitions and approaches.

Step 2

Embed your human rights policy commitments into your business culture and practices

A company will need to ensure it has expertise on human rights, distinct from other aspects of sustainability. It will need to allocate lead responsibility for human rights at operational and senior management levels, and equip staff for those roles. The resources it uses to address human rights needs to be proportional to its risks.

To make human rights a consistent part of how your company does business, works with business partners, manages risks and reports on activities, you can:

- identify shared responsibility across different company functions whose actions and decisions may pose risks to human rights
- amend existing policies and processes and ensure staff understand them
- implement governance procedures to make sure the most severe and systemic human rights issues are brought to the attention of your senior team, or the board, where you have one
- encourage staff to talk openly about human rights issues, including tensions between human rights and commercial priorities, when taking business decisions
- provide performance incentives that motivate staff to manage human rights risks
- identify indicators to assess the effectiveness of human rights risk management processes, and improve your approach to identifying and mitigating human rights risks, and
- amend existing procedures and functions, and provide training to ensure staff and, if relevant, business partners, understand the new processes.

Step 3

Identify and understand your company's salient, or most severe, human rights risks

Human rights due diligence focuses on risks to people, not risks to the business.

It is an ongoing process through which a company understands when, where and how it could impact on people's human rights, prioritises these risks for action, takes steps to address them, tracks the effectiveness of its efforts, and communicates with internal and external stakeholders.

The UN Guiding Principles make clear that companies should prioritise human rights risks based on their severity, that is, how grave, widespread and hard to remedy they are. These are the company's salient human rights issues.

When you assess which human rights issues are relevant to your business, you should:

- focus on risks to people as distinct from risks to your business
- draw on any information on human rights risks that has been produced for your industry
- look at both actual human rights impacts, where people's human rights have been harmed (past or current) and risks which are potential impacts (in the future)
- consider all aspects of your operations and the impact of your business partners, such as your clients, suppliers, recruitment agencies and sub-contractors.

Certain risks to human rights can be integral to what a company does, where it works, how it is structured and the way it makes decisions. Examples include:

Business model risks: For example, companies that rely on bringing cheap products to market with narrow profit margins for suppliers, on being fastest to market, or on highly seasonal production, may incentivise suppliers to pay their workers below the living wage, require excessive overtime, and cut corners on safety.

Business relationship risks: For example, a company in a joint venture with a government that has a poor human rights record may find that its licence to land or mineral rights is awarded without due process and consultations with local communities, or that police or military suppress community opposition.

Operating context risk: For example, a company working in regions with high levels of conflict, corruption or weak rule of law is likely to face increased risk of involvement with human rights abuses, which arise more easily and are less likely to be remedied in these contexts.

Workforce risks: For example, a company with a significant proportion of low-skilled migrant labour in its workforce or supply chain, or which encourages the use of workers on contract from a third-party employer, may find that these workers lack full legal protection, freedom of association rights and access to remedy, and also face exploitative working conditions.

Public policy risks: For example, a company that lobbies against laws and regulations that protect human rights may undermine a state's duty to do so, making it more difficult for companies in general to operate in that country with respect for human rights.

Step 4

Address your company's salient, or most severe, human rights risks

When you have identified your company's salient human rights risks as part of your due diligence, you can then consider how to prevent or reduce them.

You should prioritise your actions by the severity of the impacts or potential risks to people rather than on what are the simplest risks to resolve. Consider whether the risks may cause a death or serious injury, whether the consequences are irreversible, and how likely and soon the impact could occur. When prioritising how to respond to risks that are not life-threatening, it is relevant to consider how many people could be affected.

To develop an action plan to prevent or reduce risks you should:

- involve relevant staff and teams to design feasible solutions
- consult with external stakeholders, to understand their perspectives and to hear their ideas about how to prevent or reduce human rights harms
- engage with business partners with whom you will need to work to address any risks and impacts involving them, and
- identify a set of actions, determine who is responsible for delivery and the timeframe in which to achieve it.

You should monitor your activities to know if your actions to identify, prevent and reduce risks are effective. Monitoring also helps you deliver improvements by identifying recurring problems that may require more systemic changes to policies or processes. It can also identify good practice that can be shared across the company.

Your company can use its influence to reduce risks to human rights occurring through its value chain. Examples include:

- **Commercial influence:** companies may use terms of tenders, contracts or joint venture agreements to set human rights standards, and audit their supply chains to ensure they are implemented; and promise better prices or future business to partners that meet human rights standards. When severe impacts persist despite efforts to mitigate them, companies should consider ending business relationships.
- **Business influence:** companies can improve the standards and business practices of their suppliers through training, integrating international or industry standards into negotiations, and delivering a consistent message to partners about their approach to human rights across all levels and parts of the company.
- **Influence through action with business peers:** companies can work with their peers to develop joint solutions to shared human rights challenges, for example, they can agree standard requirements for suppliers or a joint public stance on human rights standards in discussion with a government.

- **Influence through action via local and international organisations:** to reduce human rights risks, companies may help build the human rights knowledge and skills of local industry associations, encourage better enforcement practices by local governments, and work with governments and international agencies to encourage law and practices that protect human rights.
- **Influence through multi-stakeholder initiatives:** companies can collaborate with business, governments, international and civil society organisations to develop, implement and monitor industry standards, or establish joint strategies for tackling systemic challenges.

If your company is contributing or linked to harming an individual's human rights, it can use its influence to reduce risks to human rights occurring. For further information about using your business influence to reduce human rights risks, please see our business and human rights guidance for boards and accompanying table on identifying and preventing human rights risks for business.⁵

Step 5

Engage with stakeholders to inform your company's approach to addressing human rights risks

As part of your company's human rights due diligence, you should talk to a wide range of stakeholders to help your company:

- accurately identify human rights risks and impact and take effective action to address them
- understand how stakeholders perceive the actions the company takes to manage and mitigate risks and track their effectiveness, and
- integrate these insights into company decision-making and practices.

Engaging with different types of stakeholders can help you to identify human rights risks and impacts. They include:

- people directly affected by a company's activities, such as staff, workers in the supply chain and their union representatives, local communities and their leaders, including critics
- experts who understand the perspectives and concerns of local groups, such as local non-governmental organisations and researchers, and
- experts who understand human rights issues in a particular industry or in high-risk geographical regions, such as national and international non-governmental organisations, trade unions, socially responsible investors, lawyers and consultants.

5. EHRC. May 2016. Identifying and preventing human rights risks for business: www.equalityhumanrights.com/sites/default/files/common_indicators_of_risk_and_mitigation_measures_-_final_0.docx

Your engagement strategy should:

- encourage openness to engaging with all stakeholder groups, including critics
- create channels for communication with groups that lack influence but may be more vulnerable to impacts
- build constructive relationships for dialogue rather than engaging only when it serves the company
- be delivered by staff with the right skills to communicate effectively
- support the integration of stakeholder feedback into company decision-making, and
- involve stakeholders affected by human rights risks in the design and promotion of the company's arrangements for dealing with complaints and grievances.

Step 6

Communicate your company's salient, or most severe, human rights risks

The UN Guiding Principles make clear that companies should communicate on how they address severe human rights risks, that is, their salient human rights issues.

Communicating on how you are dealing with these risks enables:

- the company to publicly explain how it meets its commitment to respect human rights to a wide range of stakeholders in a coherent narrative
- the company to demonstrate that it is taking reasonable steps to address human rights risks and to comply with any regulatory reporting requirements
- stakeholders to evaluate how well the company understands and manages human rights risks and demonstrates that its policy commitment is reflected in practice, and
- investors, business partners and employees to identify the company as an investment/partner/employer of choice.

You can report on your company's salient human rights issues in your annual report, sustainability report or in a standalone document. Whatever form the reporting takes, it should be easy for stakeholders to find on your company website and written and presented in an accessible manner.

To meet the UN Guiding Principles, your company's human rights reporting should:

- focus on its salient human rights issues and explain why and how it has determined this focus
 - show how its commitment to human rights has been practically implemented across its business practices
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- discuss how the company is tackling particular human rights challenges and provide clear and relevant examples demonstrating how its actions are influencing human rights outcomes
- include performance indicators or other metrics that offer evidence of progress over time, and
- ensure you protect the privacy and dignity of stakeholders if you include stories about them in your public communications.

The UN Guiding Principles Reporting Framework⁶ offers a good starting point for companies on how to manage and report on their salient human rights issues.

Step 7

Communicate your company's salient, or most severe, human rights risks

Companies have a responsibility to put in place an effective procedure that can respond to human rights complaints from workers, customers and communities.

By putting effective complaints procedures in place you can:

- identify and resolve human rights issues before they become a risk to your business and your reputation
- provide a way to promptly identify and address the concerns of directly affected stakeholders before they escalate or lead to otherwise preventable harm
- avoid lengthy and potentially costly legal procedures
- improve your compliance with industry standards and statutory codes on handling complaints and grievances
- apply a formal and consistent approach to handling complaints, which is more likely to be fair and transparent
- ensure staff are more likely to know how to act when a human rights issue arises; and stakeholders know how you will handle complaints
- monitor complaints, identify any patterns and assess how well your complaints process is working, and
- show you are committed to remedying any harm your company has caused to someone's human rights.

6. <http://www.ungpreporting.org/>

The UN Guiding Principles say that an effective complaints process should be:

- legitimate, in that it is fair and trustworthy
- accessible, in that it is known to all the stakeholders it is meant for, and that it provides adequate assistance to those who may face barriers to accessing the complaints procedure and process, for example due to language or disability
- predictable, in terms of process and available outcomes
- equitable, providing fair access to information, advice and expertise
- transparent, by keeping those involved in a complaint informed about its progress, and by providing sufficient information about the process to build confidence in its effectiveness
- compatible with internationally recognised human rights such as the Universal Declaration of Human Rights and the International Labour Organization's core conventions
- a source of continuous learning for the company, and
- based on engagement and dialogue with the groups they are meant for.

If your company has caused harm to an individual's human rights, or is at risk of doing so, it must stop or prevent the activity causing the harm. If your company is contributing or linked to harming an individual's human rights, it can use its influence to reduce risks to human rights occurring. Remedies can range from an apology and action to stop the problem from happening again to financial compensation or internal penalties. You should take into account what the people affected consider an effective remedy as well as what you think is appropriate.

Sometimes the state, most usually through a court, tribunal or Ombudsman, may determine the remedy. You should always cooperate and comply with these state processes.

For more information on providing remedy and handling human rights complaints, please see [Handling and resolving human rights complaints about your business](#).⁷

7. EHRC. 2016. Handling Human Rights Complaints: <https://www.equalityhumanrights.com/en/advice-and-guidance/handling-and-resolving-human-rights-complaints-about-your-business>

Human rights due diligence: questions for managers to consider

Managers with overarching responsibility for developing and implementing human rights in their company may find these questions useful to help guide their human rights due diligence:

1. Does your published policy commitment on human rights demonstrate the importance of human rights to the company?

- Which internal teams and external stakeholders have shaped this policy?
- Does it set out the company's expectations of its own staff, other workers it employs, and its business partners about respecting human rights?
- Does it identify the key human rights issues that are relevant to your operations and explain how you will monitor and report on progress to address your salient, or most severe, human rights issues?

2. How is your company making respect for human rights integral to how it does business?

- Do company functions that pose risks to human rights have sufficient resources and responsibility to manage and mitigate those risks?
- Are there governance procedures to escalate severe human rights risks and impacts?
- How are staff encouraged to raise human rights risks and take steps to mitigate or manage them? How are staff rewarded for doing so?
- What indicators assess the effectiveness of human rights risk management processes?
- How does your company's policy commitment to inform human rights influence your businesses relationships?

3. How does your company know what negative impacts it may have on people's human rights?

- Are you assessing the company's human rights risks across its operations and value chain, different geographic locations and decision-making processes?
 - What have you identified as the company's salient human rights issues and on what basis? Have you drawn on the experience and knowledge of a broad range of stakeholders?
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4. What steps is your company taking to reduce and mitigate its risks?

- How have you prioritised the company's human rights risks and impacts? Is there an action plan in place with clear lines of responsibility and timelines?
- How are you ensuring that the company is not contributing to human rights impacts through its own actions and decisions? Have you involved relevant staff in designing your monitoring processes and have you consulted with and built on expertise and stakeholder views?
- How are you using your company's influence to help reduce human rights risks in your supply chain and business relationships?
- Where appropriate to your business, are you working with others in the industry, or with multi-stakeholder groups to address human rights risks?
- How are you ensuring that the actions the company is taking to reduce human rights risks and impacts are effective?

5. How does the company engage with stakeholders to help it understand and address human rights risks?

- Are you engaging with a broad range of stakeholders across the business to inform your company's understanding of human rights risks and its progress in reducing these risks?
- Does your engagement strategy encourage an openness to communicate about human rights issues, including from groups who may lack influence but who may be most vulnerable to human rights impacts?

6. Does the company explain which human rights issues it is communicating on and why?

- Does the company provide sufficient information to explain its human rights challenges and provide examples of how its actions are improving human rights outcomes?
- Do your communications include indicators or other metrics to provide evidence of progress over time?
- Where applicable, do senior management have enough information to meet regulatory reporting requirements?

7. What is the company doing to provide remedy if its own actions or decisions lead to impacts on human rights?

- How do people inside or outside the company raise concerns about human rights impacts and how do you know whether these channels work?
 - How do you use information from your complaints procedures to inform your assessment of human rights risks and impacts and to improve your systems?
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Further resources

More information about business and human rights is available from:

The Equality and Human Rights Commission:

www.equalityhumanrights.com/businesshumanrights

The UN Office of the High Commissioner on Human Rights:

www.ohchr.org/EN/Issues/Business/Pages/BusinessIndex.aspx

The Business and Human Rights Resource Centre portal:

<http://business-humanrights.org/en/un-guiding-principles>

The UN Guiding Principles Reporting Framework:

www.UNGReporting.org

Contacts

This publication and related equality and human rights resources are available from the Commission's website: www.equalityhumanrights.com.

For advice, information or guidance on equality, discrimination or human rights issues, please contact the Equality Advisory and Support Service, a free and independent service.

Website **www.equalityadvisoryservice.com**

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Hours **09:00 to 19:00 (Monday to Friday)**

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Questions and comments regarding this publication may be addressed to: **correspondence@equalityhumanrights.com**.

The Commission welcomes your feedback.

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