

RIETI BBL Seminar Handout

“Repercussions of Business & Human Rights
on Trade and Investment Decisions”

October 12, 2018

Speaker: Mr. Markus Loening

<https://www.rieti.go.jp/jp/index.html>

Löning

*Human Rights &
Responsible Business*

Repercussions of Business & Human Rights on Trade and Investment Decisions

October 12, 2018, RIETI, Tokyo



Content

- Who we are and what we do.
- What are legal pressures to respect human rights for German companies?
- What are other factors to consider?
- How do companies deal with reporting requirements?
- How do companies develop human rights strategies?

Committed to human rights & business



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Our company was founded in 2014 by Markus Löning, former Human Rights Commissioner of the German government.

We help businesses understand the relevance of human rights for their business model. We see ourselves as management consultants assessing strategies and processes and helping our clients to implement a human rights due diligence that will meet international standards and legal requirements.

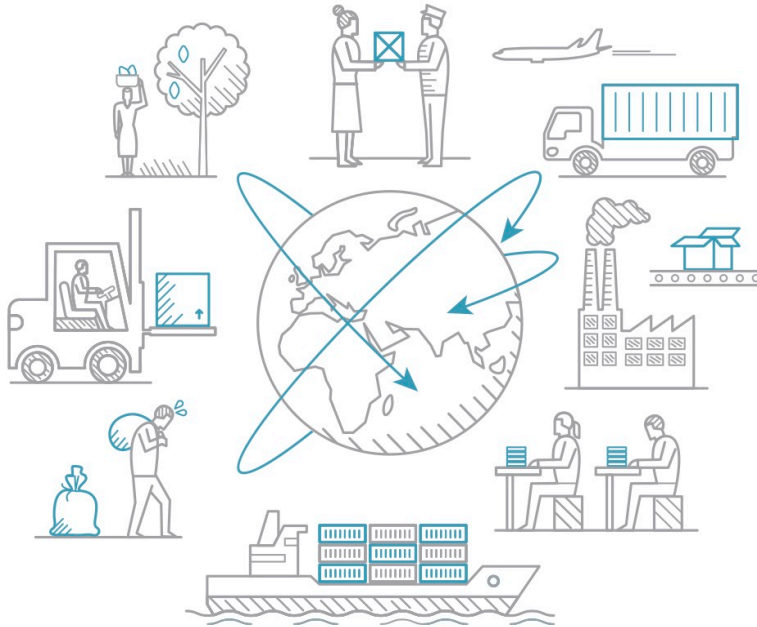


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Our mission – value driven



All human beings are born free and equal in dignity and rights.

Respecting human rights of all people involved in a businesses' activities should be part of any strategy that aims at long term success.

Globalisation of trade has been a driver of economic growth and standard of living in many countries. To keep borders and minds open the downsides of this process must be addressed.

We help companies adapt their business models to these requirements.

What are the factors putting companies under pressure to respect human rights?

Legal situation for companies in Germany

Soft Law

- **UN Guiding Principles** for Business and Human Rights – *requires Human Rights Due Diligence*
- **National Action Plan** for Business and Human Rights – *requires Human Rights Due Diligence*
- **Sustainable Development Goals** – *expectation toward business to contribute, human rights are relevant for most SDG goals*

Binding Law

- **EU CSR Directive** – *requires risk assessments, policies and reporting*
- **Modern Slavery Act (UK)** – *requires risk assessments, policies and reporting*
- **Loi de Vigilance** (France) – *requires risk assessments, policies and reporting, companies can be made liable for violations in supply chain*
- **2019 – EU Regulation on Conflict Minerals** – *requires risk assessments, policies and reporting*
- Legal requirements in other countries
i.e. Dodd-Frank-Act

Media & NGOs – Public pressure

NGOs are regularly publishing research about human rights in supply chains, recent reports include:

- *Cocoa supply chain*
- *Shoes*
- *Conflict minerals, E-Mobility and renewables*
- *Energy sector*
- *Textile sector*

Media have discovered the issue since the Rana Plaza incident.

- *Report about slavery in the spanish agricultural sector on public tv*
- *Garment industry is covered regularly*

Business considerations

- **Avoid Reputational damage** – protecting brands and their reputation
- Transparency requirements by **financing institutions**
- Reporting requirements by **business clients**
- **Recruitment** – expectations of young talents

How do companies deal with reporting requirements?

CSR-Directive – legal requirements

Around 600 German companies with 500+ employees (CSR-RUG)

Environment	Employees	Community	Human Rights	Corruption
issues	issues	issues	Slavery, child labour, excessive overtime, other human rights violations etc.	issues
Description of due diligence incl. results				
Own business activities – material human right risks directly linked and processes in place to mitigate them				
products, services, business relations – material human right risks and processes in place to mitigate them				
Non-financial indicators				

Secondary effect: Reporting requirements are extended to suppliers

Other legal requirements

German companies have to comply with legal requirements in countries they are doing business with:

- Dodd-Frank-Act (US)
- Loi de Vigilance (France)
- Modern Slavery Act (UK)

This means they are asking their suppliers to provide them with relevant information.

National Action Plan on Business & Human Rights – non-binding requirements

Approx. 6.300 companies with 500+ employees

Human rights due diligence for all business activities including:

1. Human Rights statement by company leadership
2. Establish adequate risk analysis systems
3. Establish adequate processes to manage and mitigate risks
4. Establish grievance mechanism
5. Report about all human rights related activities

Could become a legal requirement as of 2021

What are underlying human rights norms?

- Universal Declaration of Human Rights
- ILO Core Labour Standards
- UN Guiding Principles on Business & Human Rights
- OECD Guideline for Multinational Companies
- Sustainable Development Goals

What are common reporting standards?



Standard used by
all major
companies



Deutscher
NACHHALTIGKEITS
Kodex

National standard for
beginners and SME's



United Nations
Global Compact

Binding for
members only

How did companies report for 2017?

Companies needed to publish the first non-financial report for 2017.

- 90% of companies have so far published a non-financial report for 2017
- There is no uniform approach. Companies choose different ways to describe their sustainability performance
- GRI is the preferred standard, used by approx. half the companies, DNK is applied by approx. ¼ of companies
- Reporting on environmental issues is more advanced and sophisticated than reporting on social standards and human rights

Human Rights are on the agenda of all major corporations. Awareness, knowledge and capacities to address the issue are developing.

How do companies develop human rights strategies?

Examples from the textile sector (1)

- **Memberships/ Partnerships.** E.g. Ethical Trade Initiative, Accord on Fire and Building Safety in Bangladesh, Better Cotton Initiative (BCI), UN Global Compact.
- **Own programs and initiatives** aimed at addressing specific human rights issues
- **Working on internal processes:** purchasing practices, supply chain structure, Human rights due diligence processes



- **IndustriALL & Tchibo:** global agreement to **empower workers and unions at non-food supplier companies** of Tchibo to bargain collectively on wages, social benefits and working hours.
- **WE (Worldwide Enhancement of Social Quality):** training and dialogue program for production sites.

AIM: improve working conditions, in countries from where Tchibo sources its merchandise

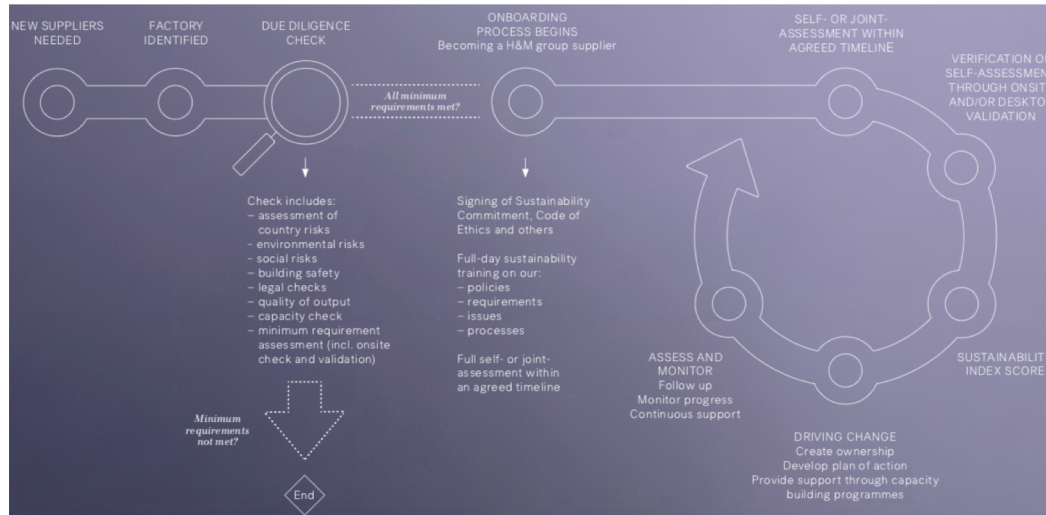


- **“World’s most sustainable jeans”** - 'Cradle to cradle' jeans are made with sustainable materials and will retail for just €29
- The jeans are made from sustainable and non-toxic materials with some element. The product is made in factories that run on renewable power and enforce high social standards.

AIM: make sustainably produced fashion “the new normal”

Examples from the textile sector (2)

Due diligence procedure for the selection of new suppliers into the H&M pool of suppliers.



AIM: develop lasting relationships with suppliers and to support them in dealing with challenges associated with labour rights by providing positive incentives for improving the human rights performance

Examples from the textile sector (3)

Hotspots identified



Aim:
Modern Slavery risk assessment – to identify **potential risks of modern slavery** in its **extended supply chain (including Tier 2 and Tier 3)**.

The coffee sector is taking a different approach

Most German coffee roasters have a commitment to sell more sustainable coffee, which includes improvement of human rights and social standards in their supply chain

The major German coffee companies have different levels of ambition. Nevertheless they all have a similar approach.

1. Part of the coffee they buy will be certified by Utz/Rainforst Alliance, Fairtrade or other providers of sustainable coffee
2. Another part of the sustainable coffee will be sourced from projects set up by the roasters themselves. These projects usually provide tens of thousands of coffee farmers with better income and working conditions to improve their living conditions.
3. Some roasters are setting up projects that are not immediately connected to their supply chain but give them some visibility.

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Thank you for your attention!

Löning – Human Rights & Responsible Business Markus

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