C2CPII Training for v4 Social Fairness Requirements

CRADLE TO CRADLE
PRODUCTS
INNOVATION
INSTITUTE

Module 2
July 9, 2020

TRAINING CURRICULUM

Four sessions – this week and next:

1. Defining Human Rights & Social Fairness Expectations
2. <mark>How a Company is Expected to Manage Human Rights</mark>
3. Verifying Social Fairness Requirements
4. Beyond Compliance

Zoom housekeeping:

+ Be present – 2 hour session
+ Please turn on your camera!
+ Virtual Engagement: Raise your hand / Use the Chat function
+ There are no "good or bad" questions…

RECAP TRAINING MODULE 1

✓What are the Social Fairness requirements?

✓What are Human Rights?

✓What are expectations of Assessors?

✓Specific Human Rights Definitions / Requirements

1. Forced Labor
2. Child Labor
3. Health & Safety (and sub-topics)
4. Discrimination

5. Harassment & Abuse
6. Freedom of Association & Collective Bargaining
7. Wages
8. Excessive Working Hours

✓Business Practices that increase Human Rights risks

1. Corruption/ Bribery
2. Unauthorized subcontracting
3. Deficient or missing permits
4. Denied access

TODAY'S AGENDA

+ Overview of the Corporate Responsibility to Respect human rights & applicability for the Social Fairness requirements

  1. Policy Commitment & Embedding   ➡ Participant Discussion – Q&A
  2. Human Rights Due Diligence   ➡ Participant Discussion – Q&A
  3. Remedy   ➡ Participant Discussion – Q&A

+ Deep Dive on Risk Assessment   ➡ Participant Discussion – Q&A

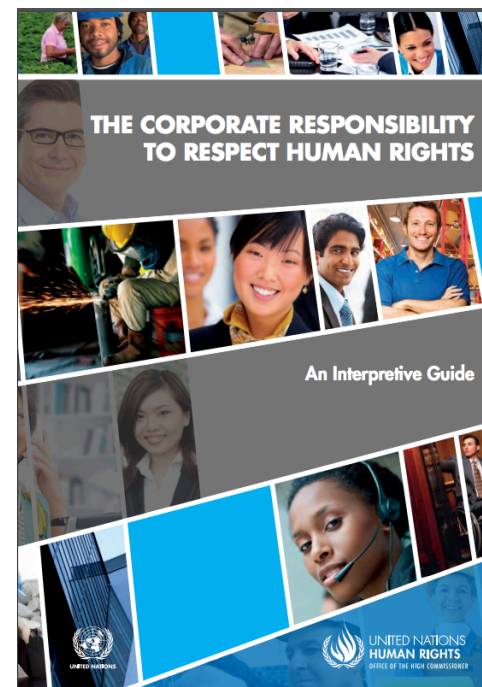+ Overview of Social Fairness Toolkit (key tools for Assessors)

UNDERSTANDING THE SOCIAL FAIRNESS REQUIREMENTS

There are 11 different sections of the Social Fairness requirements. We will not go over all requirements in today's training – some topics will be covered in Training Modules 3 & 4 next week.

Today's training is focused on international norms that define how a company (Applicant) is expected to manage human rights.

Section	Topic
8.3	Assessing Risks & Opportunities
8.4	Human Rights Policy
8.5	Monitor and Verify Performance
8.6	Strategy & Implementation
8.7	Demonstrating Commitment
8.8	Management Systems
8.9	Grievance Mechanisms
8.10	Positive Social Impact Project
8.11	Transparency & Stakeholder Engagement
8.12	Collaborating to Solve Social Issues
8.13	Fostering a Culture of Social Fairness

THE CORPORATE RESPONSIBILITY TO RESPECT HUMAN RIGHTS

An Interpretive Guide

UNITED NATIONS HUMAN RIGHTS
OFFICE OF THE HIGH COMMISSIONER

ASSESSOR ROLE FOCUSES ON DESKTOP VERIFICATION

Keep the following in mind during today's training...

Social Fairness Requirements:

- Applicants are required meet individual requirements in each Social Fairness section.
- Assessors required to verify compliance of individual requirements.

Documentation for Verification:

- Provides details evidence required for Applicants to submit.
- Assessors required to review / check requirements are met.

Guidance for Verification of Social Requirements:

- Details for Assessor expectations and process.
- Supplemental information for Assessors to verify Applicant self-assessment submission for certification (human rights topics/ social compliance expectations).

REMINDER:
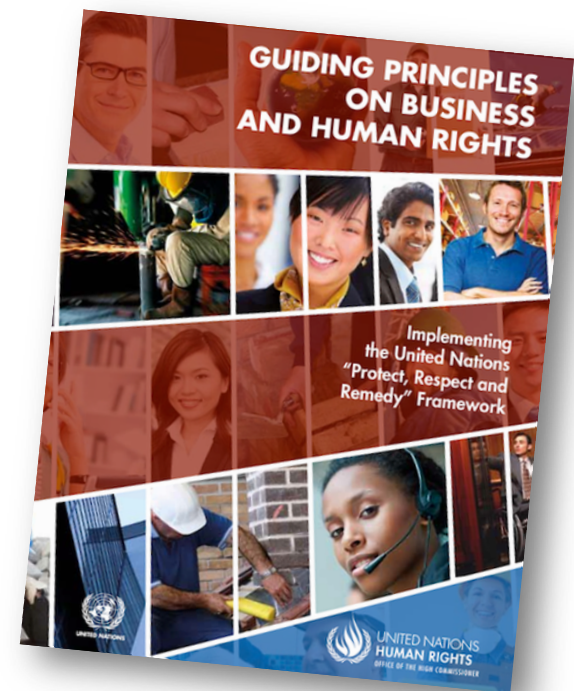Focus is on risk to people, risk to human rights

THE CORPORATE RESPECT TO HUMAN RIGHTS

UN GUIDING PRINCIPLES ON BUSINESS & HUMAN RIGHTS

The UN Guiding Principles on Business and Human Rights (UNGPs) set global expectations for different actors to address and prevent negative impacts on human rights.

The UNGPs focus on the 'Protect, Respect and Remedy' Framework, which outlines the following responsibilities of the...

- State duty to **protect** human rights,

- Corporate duty to **respect** human rights, and

- Both state and non-state actors to facilitate **Access to effective remedy**

GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

Implementing the United Nations "Protect, Respect and Remedy" Framework

UNITED NATIONS HUMAN RIGHTS

UNGP CORPORATE RESPONSIBILITY TO RESPECT

1. Policy Commitment & Embedding

2. Human Rights Due Diligence
   1. Assess human rights risks
   2. Integrate & act to manage risks
   3. Track effectiveness
   4. Communicate

3. Remedy

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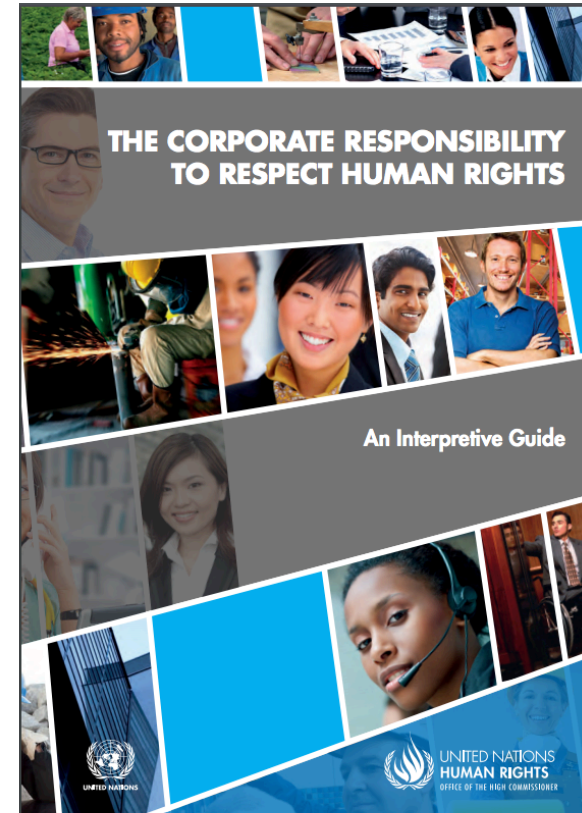
UNGP POLICY COMMITMENT & EMBEDDING

UNGP expectation – for a <mark>Human Rights Policy</mark> commitment:

- Approval at the most senior level of the business

- Has been developed in consultation with relevant experts and stakeholders

- Communicated and managed with internal and external stakeholders

- Sets expectations with staff and with business partners –
  responsibility for own operations and throughout the value chain

- Publicly available

Social Fairness Requirement – Section 8.4

Commit to respect human rights, as enshrined in municipal law and internationally recognized human rights standards, through company policy.

SECTION 8.4 – HUMAN RIGHTS POLICY

REQUIREMENT: Commit to respect human rights, as enshrined in municipal law and internationally recognized human rights standards, through company policy.	
The policy must:	**Documentation for Verification**
1. Establish human rights expectations for the applicant company, the supply chain, communities, potentially affected groups, and other relevant stakeholders.	Evidence that the policy applies to the applicant and throughout its value chain.
2. Include the company's commitment to support the following required policy elements (see next slide)...	The policy can be either a standalone document or part of another policy.
3. The policy must commit to respect human rights, as mandated by local and State laws.	Commitment to adhere to all local and state laws covering human rights must be explicitly provided in the policy in order to receive credit.
4. Be formally approved and signed by a duly empowered officer of the applicant company or by the board of directors.	Policy provided is signed by a member of the applicant's Board of Directors
5. The policy must be guided by the eight Fundamental Conventions of the International Labor Organization and the United Nations Guiding Principles on Business and Human Rights, as well as the International Bill of Human Rights.	This information should be explicitly written in the provided policy and/or other documentation about the applicant's program to receive credit. It is not sufficient to only include the eight ILO Conventions.
6. Where national law and these international human rights standards differ, the applicant must follow the higher standard; where they are in conflict, the applicant must seek to respect internationally-recognized human rights to the greatest extent possible.	This information should be explicitly written in the provided policy and/or other documentation about the applicant's program to receive credit.

Bronze Level

REQUIREMENT: 2. Include the company's commitment to support the following (note: these are the expectations that must be established and are referred to as 'required policy elements' in other sections of the standard):
The policy must:
a. Elimination of **discrimination** with respect to employment and occupation including but not limited to ethnicity-, race-, and gender-based discrimination,
b. Elimination of **harassment and abuse**,
c. Elimination of all forms of **forced or compulsory labor**, or activities that are known to lead to forced labor (e.g. human trafficking),
d. The abolition of **child labor** and adequate protections for workers above the legal working age and below age 18,
e. Prevention of **excessive working hours**,
f. **Freedom of association and collective bargaining**,
g. **Safe and healthy work**, • Access to water, sanitation, and hygiene (WASH) • Emergency preparation and response • Hazardous materials handling procedures • Management systems that address health and safety risks • Appropriate building construction, electrical, and fire safety (BEFS)
h. Provision of the **legal minimum wage and all legally mandated benefits** including employer contributions for social security benefits and services,
i. Aspirations for the provision of a **living wage** that covers the necessities for life as defined in its local context (e.g., food, water, housing, health care, education, clothing, transportation, child care, discretionary income).
j. **Additional priority issues** identified in the risk assessment (per Section 8.3), if any.

Documentation for Verification for all #2a-g sub-points:

Evidence that these key provisions are included in the human rights policy

UNGP CORPORATE RESPONSIBILITY TO RESPECT

1. Policy Commitment & Embedding

2. Human Rights Due Diligence
   1. Assess human rights risks
   2. Integrate & act to manage risks
   3. Track effectiveness
   4. Communicate

3. Remedy

UNGP POLICY COMMITMENT & EMBEDDING

UNGP expectation - <mark>Embed the commitment </mark>throughout business processes.

- Implementation of policies and procedures, including revision of existing principles where necessary

- Defines responsibility for own operations and throughout the value chain

- Accountability throughout all senior levels of the company and functions

- Communicated and upheld with staff and business partners

- Training and incentives

- Integrated in interactions with internal and external stakeholders

Social Fairness Requirement – Section 8.7

Commit to respect human rights, as enshrined in municipal law and internationally recognized human rights standards, through company policy.

SECTION 8.7 – DEMONSTRATING COMMITMENT

Bronze Level

REQUIREMENT: Demonstrate commitment and support for establishing and maintaining a culture whereby employees and business partners are able to achieve high levels of social performance.	
The applicant's leadership team (i.e. C-level executive and/or Board of Directors) must demonstrate commitment and support by:	Documentation for Verification
1. Communicating the company's social aspirations and values, strategy for upholding human rights, and significance of respect for human rights to the success of the company internally and/or externally.	• Any type of external communication that communicates the Applicant's social aspirations. • This could include, but is not limited, to a press release, a Modern Slavery Act Statement, a sustainability report, a transcript from a public speech given by a C-suite representative. • Executive-level signature on a policy document that is publicly available and/or circulated to employees is acceptable.

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2. Defining a position to actively lead on human rights, oversee implementation of the strategy, and drive continuous improvement efforts.	• Any type of internal or external document that describes a designated position within the company to lead on human rights. • The position often has responsibility for the human rights management plan, internal and/or external progress reporting on implementation efforts, and/or KPIs to measure and assess progress.

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Common Board or Executive Positions:
- Human Rights Committee lead
- Head of Sustainability
- Chief People Officer
- Chief Procurement Officer
- Chief Legal Officer

Positions that lead on human rights

Common Business Unit / Functional lead:
- Procurement / Purchasing / Sourcing
- Risk Management / Internal Audit / Compliance
- Supply Chain/ Operations
- Sustainability/ Corporate Responsibility/ Human Rights
- Human Resources

SECTION 8.7 – DEMONSTRATING COMMITMENT

Bronze Level

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2. Defining a position to actively lead on human rights, oversee implementation of the strategy, and drive continuous improvement efforts.	• Any type of internal or external document that describes a designated position within the company to lead on human rights. • The position often has responsibility for the human rights management plan, internal and/or external progress reporting on implementation efforts, and/or KPIs to measure and assess progress.
3. Ensuring there are defined procedures for escalating human rights risks and identified impacts to the executive team.	• Defined processes and procedures for escalating and reviewing human rights risks and identified impacts by the executive team. This may be an internal or external document. • The process documentation must include criteria for which risks, under which circumstances, and a defined timeline in which human rights issues are escalated to the executive team.

Q&A – PARTICIPANT DISCUSSION

UNGP Corporate Responsibility to Respect: Policy Commitment & Embedding

Section 8.4 – Human Rights Policy

❑ Questions / comments about what is required?
❑ Questions / comments about Documentation for Verification?

Section 8.7 – Demonstrating Commitment

❑ Questions / comments about what is required?
❑ Questions / comments about Documentation for Verification?

UNGP CORPORATE RESPONSIBILITY TO RESPECT

1. Policy Commitment & Embedding

2. Human Rights Due Diligence
   1. Assess human rights risks
   2. Integrate & act to manage risks
   3. Track effectiveness
   4. Communicate

3. Remedy

UNGP HUMAN RIGHTS DUE DILIGENCE

Companies are expected to conduct Human Rights Due Diligence (HRDD) to prevent, manage, and mitigate negative human rights impacts.

a. Assessing	Carry out risk assessments to identify potential impacts that business activities may have on people. Includes both current and future impacts.
b. Integrating & Acting	Prioritize responses to risk identified based on severity, and determine how a company is connected to the risk and impact to inform relevant action.
c. Tracking	Implement meaningful indicators to measure the effectiveness of efforts to address negative human rights impacts. Includes qualitative and quantitative indicators and feedback from internal and external stakeholders.
d. Communicating	Communicate efforts to address negative human rights impacts with affected stakeholders, relevant external parties, and via formal reporting.

UNGP HUMAN RIGHTS DUE DILIGENCE

UNGP expectation for <mark>Integrating Findings & Managing Risks:</mark>

- Objective is to prevent and mitigate adverse human rights impacts.

- Businesses are expected to integrate findings from impact assessment across relevant internal functions and processes, and take appropriate action.

- Effective integration requires:

    - Responsibility is assigned to the appropriate level and function in the business

    - Internal decision-making, budget allocation and oversight processes enable effective responses.

Social Fairness Requirement – Section 8.6

Develop a strategy for implementing the human rights policy and report on implementation progress at each recertification.

Social Fairness Requirement – Section 8.8

Implement a management system that supports achievement of the human rights policy commitments within company operations, and a responsible sourcing management system within the product's supply chain.

SECTION 8.6 – STRATEGY & IMPLEMENTATION

REQUIREMENT: Develop a strategy for implementing the human rights policy and report on implementation progress at each recertification.	
For the Bronze Level, the Applicant must:	**Documentation for Verification**
1. Address priority risks and opportunities (per Section 8.3).	Written plans that defines the strategy for how the Applicant will address human rights risks identified in the risk assessment.
2. Include specific time-bound performance and impact objectives to guide decision-making.	Defined timelines to track progress of the strategy.
3. Define the scope of implementation.	Details indicating what geographies and tier(s) of the Applicant's operations and supply chain are addressed by the strategy.
4. Define the company's human, technical, and material resource allocation for implementation.	A list of internal business units, staff experience, and resources to support the implementation of the strategy. The description of resources for technical and material resources may include financial resources and/or spend to support implementation of the plan. An example would be agreements with external stakeholders or service providers to support efforts, training plan for supplier capacity building, etc.

SECTION 8.6 – STRATEGY & IMPLEMENTATION

REQUIREMENT: Analyze performance data to measure progress towards achieving social targets and objectives, and identify areas for improvement.	
For the Silver Level, the Applicant must:	Documentation for Verification
a. For the Silver level, performance data [for the strategy] must be analyzed every two years.	• Evidence of the applicant's development of targets and objectives to implement its strategy. • Evidence of evaluation of implementation against defined targets and objectives, using quantitative performance data. • Evidence of the identification of improvement areas needed. • Documentation of analysis conducted by the Applicant to address priority risks and opportunities, track progress, review scope, allocate resources as compared to these components of the strategy defined at the Bronze level.

b. For any areas of poor performance identified, methods of improving outcomes must be identified and evaluated, and the strategy refined accordingly.	• List of poor performance identified from the analysis conducted at the Silver level.
	• Description of plans to improve performance outcomes, and description of how the plan is selected/ developed and evaluated.
	• Description of how the strategy has been updated to incorporate the need to improve poor performance.
	
	• Indicate if and how the following has changed based on analysis completed and/or improvements identified:
	   ○ timelines or objectives
	   ○ scope of implementation
	   ○ resource allocation

SECTION 8.8 – MANAGEMENT SYSTEMS

REQUIREMENT: Implement a management system that supports achievement of the human rights policy commitments within company operations.	
Requirement details:	**Documentation for Verification**
1. Designated staff with social compliance responsibilities.	• Internal organizational charts and/or descriptions of the functions, business units, or staff responsible for social compliance.
2. Designated oversight function and process.	• Description of who and what processes create accountability for social compliance. • This might include oversight by a Chief Procurement Officer or Human Rights lead, with support from a cross functional committee of business units. • It could alternatively be a particular leader of the social compliance organization and description of the process by which social compliance is managed within the company's own operations.
3. Business procedures that support implementation of the human rights policy within the company's workplace and across corporate functions and different levels of management.	• Detailed information about how the policy is integrated into the organization. • This may be through written procedures, description of processes, reference to several standard operating procedures, and/ or intra-department collaboration for managing the policy implementation or processes. • Written procedures must reference the Applicant's human rights policy and social compliance program as part of defined ways of working. A procedure must include details about responsibilities of different functions and levels of management.

SECTION 8.8 – MANAGEMENT SYSTEMS

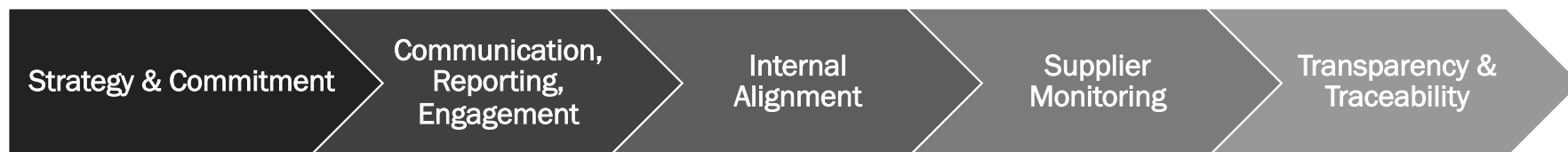| REQUIREMENT: Implement a management system that supports achievement of the human rights policy commitments within company operations.	
Requirement details:	**Documentation for Verification**
4. Education for staff with social-related duties on human rights principles.	• Examples of internal human rights training for individuals with social-related duties. • Provide examples of training materials and a training log to show completion.
5. Internal communication and employee involvement.	• Internal communication to employees about the Applicant's human rights commitments and activities. • Examples include announcements about the policy, reference in an employee handbook, internal emails announcing progress on goals.
6. Procedures to measure and evaluate workplace activities against the human rights policy.	• Key performance indicators or example progress reports to evaluate the effectiveness of implementation plans and the management system. • This may include documentation for processes to review compliance with the human rights policy and also compliance with local laws. • If third-party assessments of activities and/or reports have been conducted by an external stakeholder, provide this information to document supporting implementation of different activities.
7. Policies and procedures for the prompt implementation of corrective and preventive actions within the company's workforce.	• Written policies and procedures that outline requirements for implementation of corrective and preventive actions if risks and/or impacts are identified.

SECTION 8.8 – MANAGEMENT SYSTEMS

Gold Level

REQUIREMENT: Implement a responsible sourcing management system that supports achievement of the human rights policy commitments within the product's supply chain.

An effective responsible sourcing program strengthens the supply chain by making it more predictive and adaptive to changing market needs, helping the company develop resilience, mitigate risk, improve efficiency, and better manage supplier relationships.

Assessors are expected to consider the following regarding the credibility of a responsible sourcing management system:

Strategy & Commitment → Communication, Reporting, Engagement → Internal Alignment → Supplier Monitoring → Transparency & Traceability

SECTION 8.8 – MANAGEMENT SYSTEMS

REQUIREMENT: Implement a responsible sourcing management system that supports achievement of the human rights policy commitments within the product's supply chain.	
Requirement details:	**Documentation for Verification**
1. Designated staff with ethical sourcing responsibilities.	• Internal organizational charts and/or descriptions of the functions, business units, or staff responsible for social compliance. • Must include details about which function and staff have responsibility for ethical sourcing - e.g. procurement, sustainability, etc.
2. Designated oversight function and process.	• Description of who and what processes create accountability for social compliance in the product's supply chain. • This could include description of the process by which social compliance is integrated into sourcing decisions and regular supplier reviews.
3. Procedures to communicate to suppliers the company's human rights policy and any associated ethical sourcing business processes.	• Written procedures and supplier requirements or guidance materials that set expectation for supplier compliance with human rights policy. • This may include the supplier code of conduct, and documentation in the form of steps for communication and adherence, such as emails or contract terms that specify required compliance.
4. Supplier contractual requirements for human rights policy compliance and monitoring (e.g. supplier codes of conduct if defined as a contractual term). Contracts must require suppliers to extend social compliance expectations to their suppliers.	• A supplier contract template and/or excerpts of a valid supplier contracts that include language requiring suppliers adhere to the Applicant's ethical sourcing requirements as a condition of business. Inclusion of language that sets expectations for their suppliers to do the same. • A supplier code of conduct may be submitted, if the supplier is required to sign this as a contractual term. • It is best practice to stipulate that suppliers will be monitored for social compliance.

SECTION 8.8 – MANAGEMENT SYSTEMS

REQUIREMENT: Implement a responsible sourcing management system that supports achievement of the human rights policy commitments within the product's supply chain.	
Requirement details:	**Documentation for Verification**
5. Evaluation of new suppliers prior to the awarding of contracts to determine if the supplier can meet requirements.	• Written procedures and/or guidance that stipulates how new suppliers are evaluated to determine if the supplier meets the Applicant's responsible sourcing and/or social compliance requirements. • Written procedures and/or guidance that explain how evaluation of social compliance is included in decisions to award contracts to new suppliers.
6. Policies and procedures for the prompt implementation of corrective and preventive actions.	• Written policies and procedures requiring corrective and preventive actions for suppliers if non-compliances are identified in their production facilities. • Credible corrective action plans define timelines for expected corrective actions, which may relate to the severity of the non-compliance.
7. Education for sourcing and/or procurement team(s) on responsible sourcing and/or human rights principles.	• Description of the training and/or a sample of training or education materials that explain key human rights issues and Applicant procedures for sourcing and procurement team(s) to incorporate into their everyday activities to achieve responsible sourcing goals.
8. Business procedures for identifying and documenting the cause and resolution of human rights issues and/or impacts in the supply chain that arise as a result of audits/reviews or concerns raised by employees or other third parties.	• Written procedures for identifying and documenting human rights issues and/or impacts raised by employees or third-parties. • This could include escalation and/or remediation processes, including identification of issues and corrective actions in audit reports in the supply chain.

SECTION 8.8 – MANAGEMENT SYSTEMS

| Silver Level | Gold Level |

REQUIREMENT: Implement a management system that supports achievement of the human rights policy commitments within company operations and the product's supply chain.

(Note: the recertification requirement is the same for Silver and Gold levels)

For recertification at the Silver or Gold level:	Documentation for Verification
The policy, procedures, practices and/or programs must be reviewed to identify deficiencies and implement changes (if needed) that will lead to improved performance. Remedial activities (if needed) must be underway and seek to identify and address root causes.	• The Applicant must demonstrate it has reviewed the design and effectiveness of its management systems (policies, practices, and programs) to identify deficiencies/ changes required for improved performance. • This may include regular internal management reviews (annual review is recommended) of responsible sourcing system, where documentation is written records from management review meetings. • The Applicant must demonstrate that improvements identified in the previous review are underway during re-certification.

Q&A – PARTICIPANT DISCUSSION

UNGP Corporate Responsibility to Respect: Human Rights Due Diligence
Implementing HRDD has four components - Risk Assessment to be addressed next!

Section 8.6 – Strategy & Implementation

❑ Questions / comments about what is required?
❑ Questions / comments about Documentation for Verification?

Section 8.8 – Management Systems

❑ Questions / comments about what is required?
❑ Questions / comments about Documentation for Verification?

UNGP CORPORATE RESPONSIBILITY TO RESPECT

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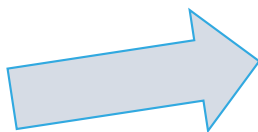
3. Remedy

The concept of Remedy aims to restore individuals or groups that have been harmed to the situation they would have been in had the impact not occurred. Where this is not possible, it can involve compensation or other forms of remedy.

Companies are expected to receive, process, and provide adequate response or remedy for grievances raised by the following stakeholders:

1. Employees or other workers directly at the work site
2. Within the communities where they operate, including people in:
   - Communities where a site is located
   - Communities located in proximity of operations,
   - Communities impacted by business activities in the supply chain

UNGP REMEDY

A **grievance mechanism** is any confidential means to voice complaints, concerns or suggestions.

This can be a suggestion box, direct access to someone other than a supervisor for this purpose, a hotline, email process, worker committee, designated space for worker meetings, and/or meetings between management and workers' representatives.

Social Fairness Requirement: **Silver Level**

The **applicant company must provide a grievance mechanism that permits company employees and other stakeholders** to obtain redress for negative human rights impacts. For any contract final manufacturing stage facilities, request that a grievance mechanism be made available.

Social Fairness Requirement: **Gold Level**

For **contract final manufacturing stage facilities**, ensure that a grievance mechanism is available that permits employees and other stakeholders to obtain redress for negative human rights impacts. The grievance mechanism **may be provided by the contract manufacturer or by the Applicant.**

UNGP REMEDY

The UNGPs define the following effectiveness criteria for operational-level grievance mechanism:

Legitimate = *Fair & Trustworthy*	Accessible = *Known to All*
Predictable = *Clear Process*	Equitable = *Access to Information*
Transparent = *Informed about Progress*	Rights-compatible = *Aligned with Human Rights*
A source of continuous learning = *Improvement & Prevention*	Based on engagement & dialogue = *Involve Stakeholders*

A grievance mechanism can only serve its purpose
if the people it is intended to serve know about it, trust it and are able to use it.

SECTION 8.9 – GRIEVANCE MECHANISMS

| Silver Level | Gold Level |

REQUIREMENT: Provide a grievance mechanism that permits company employees and other stakeholders to obtain redress for negative human rights impacts. For any contract final manufacturing stage facilities, request that a grievance mechanism be made available.	
Requirement details:	**Documentation for Verification**
1. Is supported by a non-retaliation policy.	• A non-retaliation policy that is free standing or incorporated into another policy. • The non-retaliation policy must **ensure confidentiality or anonymity** of the individual who raised the grievance and ensure he or she is **protected from retribution** (direct or indirect).
2. Is capable of addressing the risks and potential adverse impacts on people	Documentation that it is legitimate, predictable, and rights compatible. • **Legitimacy** evidence must show the grievance mechanism is used by the intended audience, as demonstrated in a log of complaints received. • **Predictability** evidence must show the process by which a worker submits a grievance, and by which management reviews, makes decisions, communicates outcomes, and provides remedy (where relevant) about the grievance. • **Rights compatibility** evidence must show that the Applicant evaluates grievances in alignment with human rights definitions and internationally recognized standards like the UN Declaration of Human Rights and ILO Conventions, as well as with local labor laws.
3. Addresses concerns promptly, using an understandable and transparent process based on local best practices that is readily accessible by any affected stakeholder.	Procedures with a defined timeline for responses. Documentation of a transparent process that is visible to all stakeholders. • **Visibility** includes communication about the mechanism being provided in language and format that is easily understood by intended users, including local language or dissemination verbally (where illiterate stakeholders are present). • **Transparency** includes keeping parties informed about progress and communicating regularly about the overall mechanism's performance to build confidence in its use.

REQUIREMENT: Provide a grievance mechanism that permits company employees and other stakeholders to obtain redress for negative human rights impacts. For any contract final manufacturing stage facilities, request that a grievance mechanism be made available.	
Requirement details:	Documentation for Verification
4. Provides feedback to those concerned, without their risking retribution.	• Examples of **how the Applicant has engaged individuals who have used the mechanisms** to provide feedback/outcomes from the review. • If the Applicant doesn't have an example, they must provide procedures of how it would respond in the event an issue is raised.
5. Includes informing direct employees about the mechanism at the time of hire.	• **Communication provided to employees** informing them about the grievance mechanism when they are hired. • Examples could be information included in new hire training, an employee handbook, or facility posters.
6. Does not impede or preclude access to judicial or administrative remedies that might be available under law or through existing arbitration procedures, or substitute for grievance mechanisms provided through collective agreements.	• **Written policy(ies)** that document the Applicant's grievance mechanism is not a substitute for existing judicial or arbitration procedures or a substitute for resources provided through collective agreements.
7. Includes written records and periodic reviews to identify and make necessary improvements.	• **Documentation of the review process** for complaints, concerns, or suggestions received. • Provide **usage statistics** for the grievance mechanism to demonstrate the Applicant maintains and reviews records. • This may include data such as the **number of complaints filed** and types of complaints/ about which topics complaints are made, a **log of outcomes** after evaluation of complaints and what remedy has been provided, and documentation of procedures for assessing the grievance mechanisms' effectiveness and **processes to make improvements**.

Q&A – PARTICIPANT DISCUSSION

UNGP Corporate Responsibility to Respect: Remedy

Section 8.9 – Grievance Mechanisms

❑ Questions / comments about what is required?

❑ Questions / comments about Documentation for Verification?

RISK ASSESSMENT DEEP DIVE (SECTION 8.3)

SECTION 8.3 – ASSESSING RISKS & OPPORTUNITIES

Social Fairness Requirement: Assess human rights risks and identify opportunities for improvement for the applicant company, including all final manufacturing stage facilities, and tier 1 suppliers.

(Note: Tier 1 suppliers are defined as suppliers to the final manufacturing stage, including in cases where the applicant is using contract manufacturing.)

Bronze Level

Conduct a "Company-level" risk assessment for both operations and value chain, which includes risks associated with the certified product and final manufacturing, product supply chain and product cycling.

Gold Level

Assess human rights risks and identify opportunities for improvement associated with the product's components and raw materials (regardless of supply chain tier).

SECTION 8.3 – ASSESSING RISKS & OPPORTUNITIES

REQUIREMENT: Assess human rights risks and identify opportunities for improvement for the applicant company, including all final manufacturing stage facilities, and tier 1 suppliers.

1. A company level risk assessment based on conducting desk research, at a minimum, to identify:
   a. Known **and likely human rights risks** associated with the applicant company's own operations, final manufacturing stage facilities, the product's supply chain, product cycling
   b. Well-known risks associated with the **applicant's industry/sector and country(ies) of operation.**

2. A tier 1 supplier risk assessment to identify high-risk supplier facilities including in:
   a. **Industries/sectors** with high-risk of human rights violations or negative impacts,
   b. **Locations** reputed to have conflict, corruption, widespread violations, weak governance.
   c. **De facto high-risk locations**, defined as countries below the 65% percentile re: average of the World Bank Worldwide Governance Indicators.

3. Identification of **human rights due diligence** best practices to address the risks.

4. Information regarding the **impact and importance of identified risks as defined by affected stakeholders**, including employees.

5. **Prioritization** of the risks and opportunities for improvement identified.
At a minimum, the following must be prioritized:
   a. Well-known industry risks,
   b. Human rights violations, and
   c. Issues where the applicant has substantial leverage to make improvements

6. **Testing the results of the assessment** with internal audience(s) to validate the outcome

7. A **tier 2 supplier risk assessment** (and eventually beyond tier 2....)

(Same provisions as #2 – 6 apply to beyond tier 1, tier 2, etc.)

12. For **supplier locations that have not yet been identified,** if there is a chance that the location is high-risk, then it must be considered de facto high-risk until shown otherwise.

13. Identification of the locations of these **potentially high-risk suppliers must be prioritized.**

14. For recertification, **demonstrate ongoing efforts to improve visibility** and assess risks within the product's supply chain based on increasing knowledge of supplier industry/sector(s) and location(s) and progress made compared to the previous application.

IDENTIFYING HUMAN RIGHTS RISKS

Human rights risks must include both actual and potential impacts of a company's operations on human rights, which can occur within the company's own operations or throughout the value chain.

Source: UN Guiding Principles on Business and Human Rights and related Interpretive Guide.

Risk Assessment must be:

- Based on known risks in an Applicant's industry or sector, geographies of operation or supplier locations.
- Informed by communities, potentially affected groups, and other relevant stakeholders.

IDENTIFYING HUMAN RIGHTS RISKS

Human rights risks must include both actual and potential impacts of a company's operations on human rights, which can occur within the company's own operations or throughout the value chain.

Source: UN Guiding Principles on Business and Human Rights and related Interpretive Guide.

Risk Assessment must be:
- <mark>Based on known risks in an Applicant's industry or sector</mark>, geographies of operation or supplier locations.
- Informed by communities, potentially affected groups, and other relevant stakeholders.

How an Applicant can define known risks:

1. Conduct desk research of government, private, academic, and civil society sources.

2. Draw on geographic, geo-political, issue-based, emerging topics, stakeholder-informed, and both quantitative and qualitative resources.
   - Examples: UN *Human Development Index*, ILO *Fatal Injuries Index*, Walk Free Foundation *Global Slavery Index*, Transparency International *Corruption Perceptions Index*, World Bank *Rule of Law Index*

3. Utilize databases and/or other information sources in combination with supplier location data
   - Examples: *Maplecroft, Social Hotspots Database, ELEVATE EiQ, Intertek Inlight, BSI SCREEN*

4. Subscription to a risk tool and/or contract with a consultant to conduct the assessment.

IDENTIFYING HUMAN RIGHTS RISKS

In the risk assessment, Applicants must <mark>identify and list the locations of owned operations and suppliers.</mark> The purpose is to identify if any locations are high risk countries. Locations that are identified in Section 8.3 as high risk are the basis for Applicants to prioritize action, measurement, and management of risks in other requirements.

How an Applicant identifies high risk locations

1. Defined by Social Accountability International (SAI) De Facto High Risk Locations
2. Based on the World Bank's Worldwide Governance Indicators

Worldwide Governance Indicators

Highest Risk Countries

Afghanistan, Algeria, Angola, Azerbaijan, Bangladesh, Belarus, Bolivia, Burundi, Cambodia, Cameroon, Central African Republic (CAR), Chad, Comoros, Congo, Cook Islands, Cote D'Ivoire, Democratic Republic of the Congo (DRC), Djibouti, Ecuador, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Guatemala, Guinea, Guinea-Bissau, Haiti, Honduras, Iran, Iraq, Kazakhstan, Kenya, Kosovo, Kyrgyzstan, Laos, Lebanon, Liberia, Libya, Madagascar, Mauritania, Myanmar, Nepal, Nicaragua, Niger, Nigeria, North Korea, Pakistan, Papua New Guinea, Paraguay, Philippines, Russia, Sierra Leone, Solomon Islands, Somalia, Sudan, Syria, Tajikistan, Timor-Leste, Togo, Turkmenistan, Uganda, Ukraine, Uzbekistan, Venezuela, Vietnam, Yemen, Zimbabwe

High Risk Countries

Albania, Argentina, Armenia, Bahrain, Belize, Benin, Bhutan, Bosnia-Herzegovina, Brazil, Bulgaria, Burkina Faso, China, Colombia, Croatia, Cuba, Dominican Republic, El Salvador, Georgia, Ghana, Greece, Guyana, India, Indonesia, Jamaica, Jordan, Kiribati, Kuwait, Lesotho, Macedonia, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mexico, Micronesia, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Namibia, Nauru, New Caledonia, Niue, Oman, Palau, Panama, Peru, Romania, Rwanda, Saint Vincent and the Grenadines, Samoa, Sao Tome & Principe, Saudi Arabia, Senegal, Serbia, Seychelles, South Africa, Sri Lanka, Suriname, Swaziland, Tanzania, Thailand, Tonga, Trinidad and Tobago, Tunisia, Turkey, Tuvalu, United Arab Emirates, Vanuatu, West Bank Gaza, Zambia
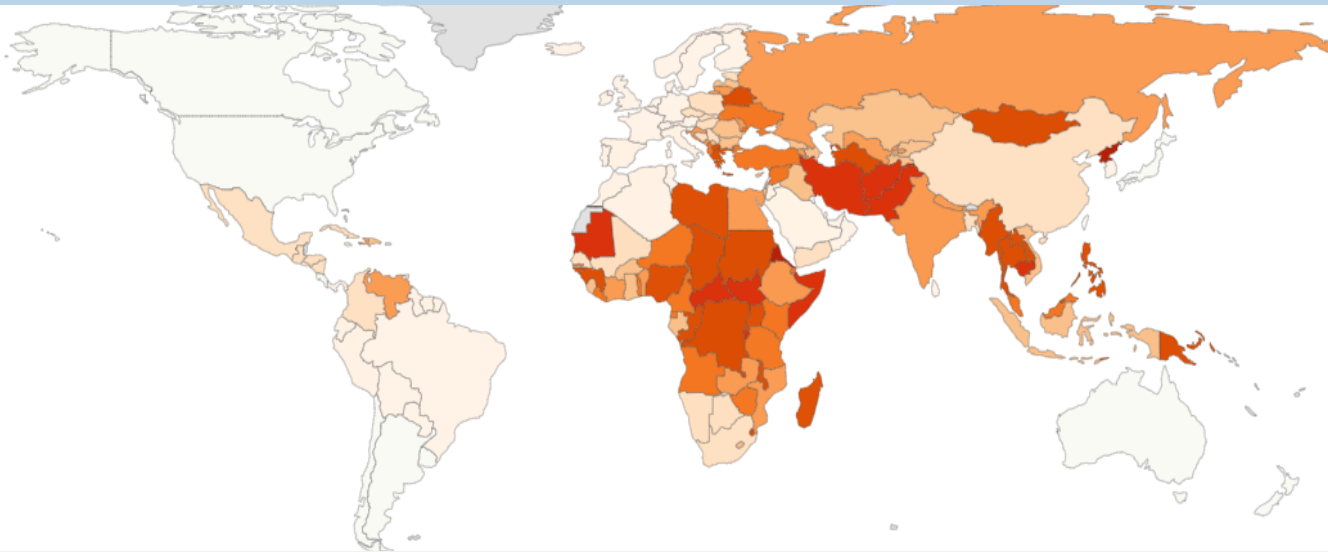
IDENTIFYING HUMAN RIGHTS RISKS

In the risk assessment, Applicants must identify and list the locations of owned operations and suppliers. The purpose is to identify if any locations are high risk countries. Locations that are identified in Section 8.3 as high risk are the basis for Applicants to prioritize action, measurement, and management of risks in other requirements.

In addition, the Applicant must consider the following in its supply chain risk assessment:

High Risk of Human Rights violations

Industries and sectors that the Applicant operates in or sources from, which includes high-risks of human rights violations based on the risk assessment.

Conflict, corruption, weak governance

Countries where the Applicant's suppliers operate that are reputed to have conflict, corruption, widespread human rights violations, and/or weak governance.

IDENTIFYING HUMAN RIGHTS RISKS

In the risk assessment, Applicants must <mark>identify and list the locations of owned operations and suppliers.</mark> This includes tier 1, beyond tier 1 (e.g. tier 2), and eventually beyond tier 2.

Applicants must take the following efforts to further map risks in the supply chain:

- For tier 2 suppliers, demonstrate efforts to go beyond tier 1 – e.g. compile information via supplier questionnaires, certification programs, product traceability, etc.

- If a partial list of tier 2 suppliers is provided, explain the threshold for this information – e.g. prioritization, country risk, knowledge of suppliers from Material Health inventory, etc.

- Provide evidence of efforts for further supply chain investigation – e.g. material sourcing inventory

IDENTIFYING HUMAN RIGHTS RISKS

Risk Assessment must be based on:

- known risks in an Applicant's industry or sector, geographies or operation or supplier locations.
- <mark>informed by communities, potentially affected groups, and other relevant stakeholders.</mark>

How an Applicant can ensure risk assessment is informed by stakeholders

1. Identify potentially affected stakeholders and/or their representatives.
2. Directly engage with potentially affected stakeholders – e.g. through phone calls, meetings, interviews, etc.
3. Engage with stakeholder representatives
4. Conduct research on their perspectives via publicly available information – e.g. websites, news outlets, advocacy reports, etc.

Affected stakeholders include employees, contract workers, workers in the supply chain, and community members or groups located where the Applicant operates in or its products are produced.

Stakeholder representatives are groups that represent affected persons, which may include unions, employee or worker committees and community groups. Affected stakeholders are either internal or external stakeholders.

Internal stakeholders are typically anyone employed directly by the company.

External stakeholders include suppliers, communities, buyers, investors, civil society organizations, customers, and end-users of products.

PRIORITIZATION

Social Fairness requirement:

Prioritization of the risks and opportunities for improvement identified. At a minimum, the following must be prioritized:

    a. Well-known industry risks,

    b. Human rights violations, and

    c. Issues where the applicant has substantial leverage to make improvements.

UN GUIDING PRINCIPLES
REPORTING FRAMEWORK

SALIENT
HUMAN RIGHTS ISSUES

Salient Human Rights Risks are…

human rights at risk of the most severe negative impacts through the company's operations and value chain.

- **Most severe**
- **Potential**
- **Negative**
- **Impacts on human rights**

Source: https://www.ungpreporting.org/resources/salient-human-rights-issues/

SECTION 8.3 – ASSESSING RISKS & OPPORTUNITIES

REQUIREMENT: Assess human rights risks and identify opportunities for improvement associated with the product's components and raw materials (regardless of supply chain tier).

1. For the Gold level, high-risk components and raw materials must be identified, including the following de facto high risk items:

a. Materials and components from source countries where there is reason to believe that child labor or forced labor is involved, and

b. Tin, tantalum, tungsten, and gold from conflict-affected and high-risk areas.

2. If new risks are identified, #3-6 for Bronze also apply.

Bronze #3-6:
3. Identification of human rights due diligence best practices to address the risks.
4. Information regarding the impact and importance of identified risks as defined by affected stakeholders, including employees.
5. Prioritization of the risks and opportunities for improvement identified…
6. Testing the results of the assessment with internal audience(s) to validate the outcome

# COMPONENT & RAW MATERIAL SOURCING

Social Fairness requirement:

The Applicant must provide a list of materials and components from source countries where there is reason to believe that child and/or forced labor is involved.

The 15 products with confirmed forced labor instances in the most countries:

COTTON: Kazakhstan, Tajikistan, Turkmenistan, Uzbekistan

BRICKS: Afghanistan, India, Myanmar, Nepal, Pakistan

GARMENTS – APPAREL & CLOTHING ACCESSORIES: Argentina, Brazil, China, India, Malaysia, Thailand, Vietnam

CATTLE: Bolivia, Brazil, Niger, Paraguay

SUGARCANE: Brazil, Dominican Republic

GOLD: Democratic Republic of the Congo, North Korea, Peru

CARPETS: India, Pakistan

COAL: North Korea, Pakistan

FISH: Ghana, Indonesia, Thailand, Taiwan, South Korea, China, Japan, Russia[10]

RICE: India, Myanmar

TIMBER: Brazil, North Korea, Peru

BRAZIL NUTS / CHESTNUTS: Bolivia

COCOA: Côte d'Ivoire, Ghana

DIAMONDS: Angola

ELECTRONICS – LAPTOPS, COMPUTERS, & MOBILE PHONES: China, Malaysia

U.S. DEPARTMENT OF LABOR'S 2018 LIST OF GOODS PRODUCED BY CHILD LABOR OR FORCED LABOR

Required by the Trafficking Victims Protection Reauthorization Act of 2005
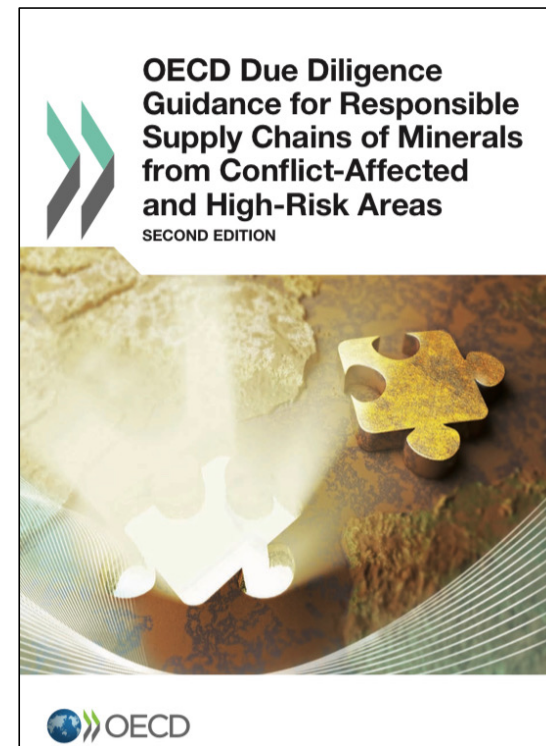
COMPONENT & RAW MATERIAL SOURCING

Social Fairness requirement:
The Applicant must provide a list of materials and components that include tin, tantalum, tungsten and gold.

The Assessor must verify if the Applicant has reported it is sourcing these materials, as defined by "red flag locations of mineral origin and transit" such as minerals that:

- originate from or have been transported via a conflict-affected or high-risk area
- are claimed to originate from a country that has limited known reserves, likely resources or expected production levels of the mineral in question
- are claimed to originate from a country in which minerals from conflict-affected or high-risk areas are known to transit.

The Assessor must also verify that the Applicant has reported if it is sourcing these materials as defined by red flags of the company's suppliers or other known upstream companies.

OECD Due Diligence
Guidance for Responsible
Supply Chains of Minerals
from Conflict-Affected
and High-Risk Areas
SECOND EDITION

OECD

VERIFICATION REQUIREMENTS

Assessors must verify the process by which the Applicant conducted the risk assessment, including:

✓ Review the list of issues identified, including:
- Issues in a company's human rights policy (see Section 8.4)
- Other issues related to the sector, geography, manufacturing processes, raw materials or other aspects

✓ Confirm the Applicant has identified if operations or suppliers are in high risk locations
- Based on De Facto high risk locations and knowledge of human rights violations, conflict, corruption, or weak governance
- Demonstrate continued supply chain mapping, including beyond tier 1 and eventually beyond tier 2

✓ Evaluate the importance of identified risks, as informed by affected stakeholders
- List of stakeholder / stakeholder groups
- References to research reports or other publicly available information confirm perspectives of affected stakeholders are included.
- Testing the outcome of the risk assessment with employees

✓ Review how the Applicant has prioritized risk & opportunities, including alignment with UNGP expectation that this exercise based on severity of risk to people.

Q&A – PARTICIPANT DISCUSSION

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Section 8.3 – Assessing Risks & Opportunities

❑ What are inputs for identifying human rights risks?

❑ What are key resources for high risk locations?

❑ How deep in the supply chain is risk assessment expected?

❑ How are affected stakeholders an important part of risk identification?

❑ How are Applicants are expected to prioritize human rights risks?

❑ What risk assessment process is required for component and raw material sourcing?

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OVERVIEW OF SOCIAL FAIRNESS TOOLKIT

SOCIAL FAIRNESS TOOLKIT

Tool	Purpose
Desktop Verification Tool *(password required)*	• Primary tool for Assessor to complete the verification process. • Assessor uses Reviewer Access button in Applicant Self Assessment Tool to access this tool. • Assessor must verify all answers and documentation submitted by the Applicant, and record all decisions for verification of individual requirements in this tool.
Documentation for Verification	• Embedded in the Self Assessment Tool / Desktop Verification Tool (see Column O of the tool). • Provides details about documentation and evidence required for Applicants to submit and for Assessors to review.
Certification Report *(password required)*	• Embedded in Desktop Verification Tool. For use by Assessor when verification process is complete. • The report is auto-generated based on Assessor completing the Desktop Verification Tool. • To be submitted to C2CPII for certification approval.
Guidance for Verification of Social Fairness Requirements	• Explanatory document that details expectations, process, and specific Assessor information needed for Assessors to verify Applicant self-assessment submission for certification. • To be used in complement to the Desktop Verification Tool.
Certification Preparation Tools	• Tools that identify Applicant meets requirements for select standards • Provided for facility-level and corporate-level standards • For use by Applicant, where audit or verification reports may be submitted as primary documentation. Needs to be referenced by Assessor when this occurs. • Must be complemented by submission of Self Assessment Tool (no standards qualify for mutual recognition)

CONCLUSION

NEXT STEPS

July 15: Module 3 – Verifying Social Fairness Requirements

July 16: Module 4 – Beyond Compliance

Homework assignment:

+ Receive Desktop Verification Tool

+ Test access & functionality

+ Review *Documentation for Verification* for Section 8.3 & 8.4