



Consultations for the IOE Centre on Human Rights and Responsible Business Conduct

December 2023



A powerful
and balanced
voice for business

International Organisation of Employers | Organisation Internationale des Employeurs | Organización Internacional de Empleadores

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Table of contents

Introduction	4
Key Takeaways	5
Major Challenges	5
Recommendations	7
Conclusion	9
Annex I	11
Africa	11
Americas	12
Asia	14
Europe	17
Annex II	19
Multinational Companies	19
Micro, small and medium-sized enterprises	21

Introduction

As part of the design phase of the future IOE Centre on Human Rights and Responsible Business Conduct (RBC), IOE conducted a series of consultations with a broad range of private sector actors, including its Employer Organisations (EOs), affiliates and partner companies as well as MSMEs. These consultations included all regions and all sectors. The major objective was **to exchange, identify and gather inputs from the participants about the main needs/expectations and challenges** for the successful implementation of the future IOE Centre and regional hubs.

To help refine the concept of the project, these specific learnings will be incorporated into the vision, mandate, and structure of a future IOE Centre. To guide the conversation, participants were asked to reflect on three questions below:

- 1 What important challenges do companies from your country face with regard to Business and Human Rights (BHR) and Responsible Business Conduct (RBC)? Why?**
- 2 How would a regional Centre/Hub on Business and Human Rights and Responsible Business Conduct ideally support employers' associations and their member companies' efforts in this field?**
- 3 Which would be your overall recommendations for the establishment of such Centre/Hubs?**

The present paper provides the key takeaways from all consultations before presenting in annex the extended findings subdivided per region (annex I) and business type (annex II).

IOE wishes to warmly thank all EOs and companies for their valuable contributions.

Key Takeaways

Major Challenges

- **A strong lack of awareness**, particularly among MSMEs, is one of the biggest challenges for EOs and companies to uphold responsible business conduct worldwide.
 - The level of awareness varies greatly depending on the region but also on the level of maturity of the BHR debate at the national or even company level.
 - However, regardless of the level of maturity or region, most EOs face important difficulties reaching micro, small and medium-sized enterprises (MSMEs). This is even more marked in contexts with high levels of informality.
 - Multinational companies face challenges to have a meaningful impact in improving awareness both at specific levels of their supply chain and also internally for their own employees.
 - The ability to reach MSMEs, which represent the bulk of the private sector and economic activity globally, and increase their awareness, is without any doubt, a priority challenge to overcome.
 - Compliance: Because of the lack of awareness, some companies face important difficulties **complying with national regulations and their internal structures are not fit for purpose to cope with the new requirements**. This leads to reputational damages where companies are unfortunately labelled as high-risk suppliers and/or exploitative. This can also lead to companies being excluded from specific markets.
 - Buyer assessments: The lack of awareness also arises on the **buyer's side**, where sourcing companies are sometimes uninformed about the local context and regulations. Possible national administrative breaks provided to local companies by local authorities usually fall outside the assessment of buyers' companies. As a consequence of this lack of specific local information, sourcing companies might refuse to do business with local companies as considered non-compliant with the national law.
- **Legislative landscape** - Irrespective of whether companies are sourcing or exporting, strong pressure from the market and compliance with international, regional and national labour standards also means that most companies, in particular MSMEs, are struggling to **navigate the legislative landscape**.
- **Proliferation of RBC instruments** - an **unintended consequence** of the proliferation of RBC instruments has been increased confusion around the different concepts and international standards on the business and human rights agenda.
 - This not only makes it difficult for companies to understand what the international instruments that comprise RBC are and keep track of developments, but also, for those who wish to do so, to identify what actions they are already taking that can be considered part of responsible business conduct.

- **Tools are needed** - Many companies are already acting responsibly, but most of them may not know it or know how to showcase it.
 - Equally, responsible business conduct is often talked about, has become mainstream in the public debate, but when it comes to implementing it, companies have **limited knowledge how to do it and where to start**. There is a lack of handy and practical information to be used by all business types.
- **Business case** - The vast majority of companies, especially in low- and-middle income countries, are not fully aware of **the business case** to respect human rights.
 - Not understanding the business case leaves companies without an anticipatory approach.
 - Consequently, exporting companies, particularly in developing countries, face a “fait accompli” situation, when they want to export a product, discovering that they must comply with specific requirements or face liability.
 - For most companies around the world, particularly MSMEs, human rights are an afterthought, supplanted by the priority of day-to-day survival to keep their businesses running due to lack of resources. As a result, exporting companies in developing countries are not always aware that an **RBC strategy** would facilitate their access to finance, productivity, and competitiveness.
- **Human rights nexus** - Companies are not aware of the potential interlinkages and consequences that issues such as climate change migration, just transition, or the SDG agenda can have on both human rights and their activity. For multinational companies, the intersection of human rights and environment is still at the beginning, which creates governance challenges as “E” and “S” of the ESG¹ functions tend to be traditionally more separated. There is a need to break the silos among these issues to better connect the dots.
- **Lack of resources and access to knowledge** and expertise on RBC for EOs and companies, especially for MSMEs. It is key for EOs and companies to have access to knowledge on RBC because changes in international, regional and local legislation are an additional challenge.
- **Systemic root causes** companies and EOs have to cope with, such high levels of informality and corruption.
 - Informality creates a two-speed human rights framework where human rights due diligence (HRDD) is mandatory for formal companies only, creating unfair competition.
 - Equally, in some countries, the BHR agenda is not conveyed by governments, but through the goodwill of the private sector and civil society.
 - The lack of State support, predominantly in countries where laws are not aligned with international standards at the constitutional level, make it extremely difficult for EOs and businesses alone to uphold human rights and have a meaningful impact on the ground. This is especially true in high-risk contexts/ contexts with geo-political tensions which can impact commitments to responsible business where oftentimes businesses find themselves in grey zones with little advice.

¹ Environmental, Social, and Governance factors

- From a **multinational company's perspective**, major challenges include navigating the legislative landscape of the multiple mandatory HRDD regulations which entail individual and tailored implementation and report for all. Equally, disseminating the business case and showing other companies that human rights due diligence is not a one-off exercise, is a continuous and ongoing process. Disseminating the business case to increase the awareness, understanding and training of RBC not only concerns suppliers, but also concerns the company's own employees and clients. It remains challenging for a company to ensure that employees understand what human rights are, and recognise, report, mitigate, and remediate human rights incidents effectively. Finally, companies are faced with a lack of information on suppliers. Additionally, multinational companies face a continuous struggle to obtain information on their suppliers, especially when they have many employees or are highly fragmented. This makes effective risk monitoring and reporting of potential violations across the value chain extremely problematic when there are more than thousands of suppliers.
- For **micro, small and medium-sized enterprises**, a major challenge remains the capacity to become aware of BHR issues as well as obtaining information on these issues. A majority of MSMEs remain out of the RBC and BHR debate not only because of a lack of resources, but because **they are not members of employer industry associations** which can act as catalysts of information. MSMEs also feel **unprepared and not confident** to talk about BHR issues. Another major challenge for MSMEs that have the capacity and maturity to be actively engaged in promoting RBC is that they usually face a **dilemma** on how to make this change, while still being competitive. Companies willing to do the extra effort to act responsibly will have additional financial costs, however, these are competing against other companies who are not playing by the same rule. A level-playing field is possible but only if all companies play according to the same rules. Lastly, the lack of unity among MSMEs, for example via a collective forum, makes it difficult for them to advocate effectively and have legitimate leverage on issues that affect their interests.

Recommendations

1. A first priority of the Centre and its affiliated regional hubs should be to **raise awareness** among the private sector, in particular MSMEs, by empowering the **capacity-building** of EOs. Finding effective and innovative ways to provide MSMEs with the opportunity to access practical knowledge and implementation guidelines through accompaniment measures will be critical. This effort should follow an **incremental approach** and consider the levels of maturity of the BHR and RBC debate to best match the needs of constituents with the ultimate goal of reaching a level-playing field. This should be done by:

- Disseminating the **business case** for responsible business conduct by making businesses aware of the tangible and intangible benefits to respect human rights, including greater sustainability, productivity, competitiveness, and resilience as well as access to new markets. Showing businesses, the immediate but also long-term benefits derived from RBC but also its positive impact on long-term sustainable economy should be a pillar of the Centre to increase the buy-in.
- Establish comprehensive strategies for EOs and Companies **to unify and streamline** the narrative proposed in the different key texts on BHR: OECD Guidelines, the ILO Tripartite Declaration, the UNGP framework, the 2030

Agenda and the Global Compact principles. This should be done by reducing the administrative complexity of these texts.

- Increasing the motivation and incentives for companies to engage in this effort via EOs and State's recognition, for example via an award.
- Demystifying BHR and RBC concepts to lower the psychological barriers MSMEs have by ensuring their greater inclusion in the wider debate. This could be done by providing them with a tool-kit approach and/or building a coalition with MSMEs, relying on the group effect to promote their participation.
- Providing practical guidance to help companies raise awareness among their own internal employees to understand business and human rights.
- Promoting collective action for MSMEs to join forces to have greater leverage and have a common approach, which would lead to a level playing field.

2. The Centre and regional hubs should be **knowledge platforms**, which promote a **community of practice** and a safe space for companies and EOs to speak freely and comfortably about issues they are facing, with a view to solve their challenges. This implies an exchange of views, case studies, country profiles, practical guidance, and training sessions to strengthen the internal capacity of field-level EOs and affiliates. However, guidance must also be realistic and should favour **practical formats** such as two-pagers or talking points. The Centre and regional hubs should focus on **the added value** of RBC by reinforcing, building on and disseminating best practices from countries where companies have a long and rich experience of RBC. Facilitating access to resources in different languages is essentially. Furthermore, a particular focus is needed to **prioritise actions** that can maximise direct impact.

As a **knowledge management platform**, the following elements could prove to be useful:

- A functional tool such as a compendium of current and upcoming legislation, regulations, standards, and guidelines organisations need to ultimately comply with. Tools and gap analyses tailored to each industry could be foreseen at a later stage.
- Modular programs adapted to regions, sectors, thematic and training needs.
- Concrete examples (case studies, dilemmas, and possible solutions) to be shared between organisations via a community of practice which allows open and honest debates.
- Producing and/or making available objective sources of information for the national authorities that show which companies are compliant as an alternative to trade unions and CSOs' existing information.

3. A **two-level structure**, including a central Hub with IOE international strategic overview and different regional hubs hosted by EOs would allow the domestication

of global solutions into regional solutions to help with EOs' outreach and lobbying efforts. The regional hubs should act as information and dissemination centres via a **one-stop shop**. They would provide reliable, up-to-date and practical information based on their local network and knowledge of the policy and legal environment. A two-level structure would help **further the cascade effect** of promoting RBC from the IOE global centre to the regional hubs, and from them to local companies. Because EOs know what is most needed by the national business community at the local level, engaging in a **continuous dialogue and collaboration** between the global centre, the regions hubs and employers' organisations will allow the dissemination of information on responsible business conduct to all companies. EOs can also act as catalysts, channelling guidance and advice coming from the IOE global centre and international level to all businesses operating at local level.

This could be done by identifying and nominating various **local or national focal points** acting as champions to disseminate the basic understanding of the awareness programme at the ground level to outreach local audience. They would also be intermediaries between the global Centre and regional hubs.

4. The Centre and regional hubs could also facilitate **dialogue between export countries** and sourcing countries at the level of EBMOs, could also facilitate **political dialogue** between governments, and could also facilitate dialogue between multinationals and exporting SMEs, using EOs as channels to represent and increase their participation. For multinationals, meaningful consultations which also bring **perspectives of civil society actors** via "second-hand stakeholder engagement" would be useful to enable advice to businesses.

5. International cooperation should be promoted at international, regional and national level by joining forces with other international organisations and international cooperation/development programs to obtain **funding** for local projects and establish **collaborative alliances**. **Multistakeholder engagement** with organisations, academia and professional training centres in the region, will also provide greater support in situ, and strengthen capacities and knowledge in the field of human rights.

Conclusion

All consultations have shown that advancing human rights and responsible business conduct remains a **top priority** for the private sector. However, it must be bear in mind that this willingness to do and show more is predominantly carried by multinational companies and EOs who act as the leading forces to promote responsible business conduct. Indeed, an effective update on human rights and RBC continues to face critical challenges. First, the world continues to face the crisis that more than 60 per cent of the global workforce operates in the informal sector, which falls outside any regulatory framework. Other systemic root causes such as corruption remain major barriers to the uptake of human rights globally. Addressing these systemic root causes is a precondition for advancing human rights and RBC. Without collective action, and in particular decisive State action, the private sector will not be able to make a meaningful impact on the ground by itself.

Within the private sector itself, two critical **challenges persist - difficulty in outreach and lack of resources**. On one hand, EOs and multinational companies, have great difficulties reaching MSMEs companies and showing them that there is a business case for respecting human rights. For the majority of EOs, a combination of lack of resources as well as practical guidance is a major barrier to greater awareness raising on these issues. This challenge is also shared by multinationals in raising the awareness of their own staff and suppliers. Additionally, multinational companies face a continuous struggle to obtain information on their suppliers, especially when they have many employees or are highly fragmented. On another hand, MSMEs, which represent the heart of the world's economic activity, face daily struggles to survive and for the vast majority, the BHR and RBC debate seems far away from their daily concerns. Unfortunately, even when businesses, in particular MSMEs, are aware and willing to operate responsibly, they usually face a lack of resources and financial means in addition to insufficient State support. Goodwill cannot transform itself into effective implementation.

It is against this backdrop that the **IOE Centre on Human Rights and Responsible Business Conduct** overarching objective is to effectively advance the implementation of the UNGPs and the business and human rights agenda. The value proposition is to do this by complementing the various existing initiatives in an innovative way, building on the IOE's global network of Employer Organisations, which would be the heart of the Centre, to disseminate advice and guidance at the national level to benefit **all companies**, in particular MSMEs. Because they are locally based and know the local context, EOs can be an effective catalyst in promoting responsible business conduct worldwide.

Annex I - Extended findings of the consultations by region

Africa

Important challenges EOs and their affiliated companies with regard to BHR and RBC include:

- Informality, huge human rights issues, challenges of complying with national legislation, as well as the state of play at European level, taking ownership and then applying it.
- Lack of anticipatory approach and understanding the business case of human rights and responsible business conduct Companies. Export companies find out when they export, no anticipatory approach. Challenges for exporting companies, do not always understand that human rights must be at the heart of the strategy in terms of access to finance, productivity and competitiveness.
- Human rights come at the end of the line, financing and productivity come first, but this depends on respect for international standards.
- How to link financing, productivity, competitiveness and respect for human rights. Human rights transcend these issues. By making the link, it would put human rights at the heart of these issues.
- Promote human rights issues, engage and mobilise stakeholders
- Ensure MSMEs' buy-in and inclusion in the process.

A regional Centre/Hub could support EOs and their member companies' efforts in this field by:

- Reinforcement of the actions and initiatives of EOs via capacity-building and increase expertise of EOs.
- Provide accompanying measures to give visibility to both EOs and companies and also give access to new markets

Recommendations for the establishment of such Centre and “regional hubs” should consider:

- Playing a leading role of removing constraints and limits, especially for MSMEs via awareness of access to information for a sustainable commitment.
- Centres should favour **multilingualism** for trainings and access to information.
- The challenge lies within the SMEs. The centre could initiate specific programmes for SMEs by for example the valorisation of good practices.

- Promoting **responsible investment**, as this is a level for competitiveness, attracting investments but also for accessing markets where companies must show that they are compliant.

Americas

Important challenges EOs and their affiliated companies with regard to BHR and RBC include:

- The **lack of awareness**, where Responsible Business Conduct is often talked about, but when it comes to implementing it, companies have no idea how to do it and where to start. This has unfortunate consequences for companies which are brought to Court.
- High levels of informality which creates a **two-speed** human rights framework where HRDD is mandatory for formal companies **only**.
- The appropriation of knowledge and the **confusion** this has generated around the different concepts and international standards on the business and human rights agenda. For companies, it is difficult to **understand** what the international instruments that comprise Responsible Business Conduct are and what they consist of as well as to **keep track of the proliferation of new instruments**, even if the objectives of the latter are to articulate initiatives and facilitate compliance.
- To **identify the actions** that companies already take that can be framed as part of Responsible Business Conduct.
- To collaboratively generate a **matrix of risk** that allows for the effective implementation of due diligence. The challenge grows as **the size of the company decreases**, because smaller companies prioritise only what is necessary for their daily sustainability, as well as running informal businesses and jobs, where unfortunately minimum standards are not met.
- **Lack of resources**, both financial and human, not only to develop the necessary policies, including policies and regulations, but also to ensure their effective implementation, compliance and control. In some countries, high rates of **corruption** and legal security indicators, undermine credibility and trust in the Government, even making it difficult to formulate a **NAP**.
- Difficulties in **consolidating synergies** between business, CSOs, and other relevant stakeholders to advance the business and human rights agenda which prevents from knowing the adequate representation and participation of stakeholders to advance the UNGPs.
- **Little access to knowledge and expertise on RBC**. The importance for EOs and companies to have access to knowledge of the principles is of the highest priority because changes in local legislation are an additional challenge. More

than 80% are MSMEs. These companies with few resources have as a priority survival, to maintain the operation of their activities.

- **Lack of evidence-based data** to influence decision-making in EOs' lobby effort so that legislations are made considering the real challenges faced by companies. Companies operating in remote areas cannot upstream the information.
- The **politicisation** and cultural-historical background in which business operates must be considered as its impact the human rights and RBC agenda. Business management are sometimes contaminated by **ideology**, which leads to an undermining of the result of public policy.

A regional Centre/Hub could support EOs and their member companies' efforts in this field by:

- Furthering the cascade effect: because EOs know what is most needed by the national business community at the local level, having a **continuous dialogue and collaboration with employers' organisations** in the simple dissemination of information on responsible business conduct, where due diligence is the leading channel, that considers the reality of each sector and target companies, their different sizes, and the need for national economies to promote business and labour formality.
 - This could be done by broadening the scope of this knowledge pro bono to outreach MSMEs, with some other local partnerships that can offer EOs. The idea is for EOs to have more prominence in entrepreneurs' knowledge space.
- Establish comprehensive strategies for EOs and Companies to **unify and streamline the narrative proposed** in the different key texts on BHR: OECD Guidelines, the ILO Tripartite Declaration, the UNGP framework, the 2030 Agenda and the Global Compact principles.
- Finding effective ways to provide MSMEs with the opportunity to access knowledge and implementation guidelines. MSMEs are aware but do not have sufficient support. **Accompaniment will be critical.**
- Showing businesses, the **immediate but also long-term benefits derived from RBC but also its positive impact on long-term sustainable economy.**
- **Setting a ton from the top globally and then regionally** with specific guidance, position papers regarding access to market legislation which is tailored.
- Joining forces with other international organisations and international cooperation/development programs to obtain **funding** for local projects and establish **collaborative alliances** with organisations, academia and professional training centres in the region, in order to provide greater support in situ, in order to better strengthen capacities and knowledge in the field of human rights.

- A central Hub that not only accumulates information but also shares bad practices. but also disseminates and exchanges good but also bad practices. IOE overview but possibility to compartmentalize the regional solution to collaborate to help in lobbying.

Recommendations for the establishment of such Centre and “regional hubs” should consider:

- A central Hub with IOE international strategic overview that not only accumulates information, disseminates, and exchanges good practices but also **bad practices**. Regional hubs will, in turn, allow compartmentalizing global solutions into regional solutions to help in EOs’ lobbying efforts.
- Reducing the **administrative complexity** on these issues which have already many texts (UNGPs, MNED, OECD Guidelines, etc).
- **Identify champions** in the region to build up a strong network based on the already present EOs’ experts participating in these discussions.
- A dialogue with the State so that we extend this vision of human rights protection and responsible business conduct to **state-owned companies**, whether or not they are incorporated as commercial companies. The government should be involved as a collaborator in this matter, but it should also commit itself to assuming these principles when the State itself behaves as a businessman.
- A **repository of resolutions** that have been passed in the country and rulings from tribunals on issues of BHR and RBC to allow EOs and companies to know the legal state of play and comply.
- **Training support**, to be replicators for sectoral business association, in particular industrial chambers.
- **Collect regional concerns** through a horizon-scanning to have an overall vision of new trends and developments and discuss these matters via **bi/tri-regional dialogues**.
- Facilitating access to resources in **different languages**.
- Establishing a clear and precise **planning of the activities** and actions to be identified in the project. Ideally, it is possible to identify the priorities of each region, in order to promote what works well.

Asia

Important challenges EOs and their affiliated companies with regard to BHR and RBC include:

- A strong **lack of awareness** on BHR and RBC issues at the field level, including at both **senior and other managerial levels**. The debate is still at its **infant**

phase and there is not yet a sufficient **level of maturity** among the private sector on this matter. The very definition and idea of BHR and RBC or questions such as “*what Business and Human Rights means and entails in concrete terms for companies at local level*” as well as “*what are the implications and dynamics for businesses linked to these issues*” do not find concrete and implementable answers.

- This lack of awareness also exists between the **different connections** around to human rights nexus, such as for example climate change, migration, just transition or the SDGs agenda. Companies are not aware of the potential **interlinkages and consequences** that issues such as climate change can have on human rights. There is a need to break the silos among these issues to better connect the dots.
- In some countries, the Human Rights agenda is not conveyed by governments, but by the **goodwill of the private sector** which acts as ethical leader on these matters. The **lack of State’s support**, in particular in countries where laws are not aligned with international standards at the constitutional level, make it extremely difficult for EOs and businesses alone to uphold human rights and have a meaningful impact on the ground. The **lack of recognition and incentives** from the State of the EOs and companies engaged in these efforts prevents also a greater level of motivation and positive spill-over effect from being diffused throughout other businesses.
- At a company level, one priority issue is related to the **pressure from the market** and **compliance** with international and national labour standards (e.g., Occupational safety and health (OSH)). As a consequence of the lack of awareness, some companies do not comply with national regulations and their internal structures are not fit for purpose. This leads to **reputational damages**; companies being labelled as high-risk and exploiter but can also lead to companies being excluded from specific markets.
- There is a need to change the narrative to a positive one. The national context should also be considered as **the lack of awareness** also arises on the **buyer’s side**, where sourcing companies do not know well enough about the **local context and regulations**. Possible national administrative relaxations provided to local companies by local authorities usually fall outside the assessment of buyers’ companies which in turn refuse local businesses’ measures as considered non-compliant with the national law.

A regional Centre/Hub could support EOs and their member companies’ efforts in this field by:

- Raising awareness and education RBC by providing a **knowledge platform** to share views, case studies, guidance and best practices and also conducting training sessions to strengthen the internal capacity of the field-level EOs and affiliates.

- Supporting EOs in developing **due diligence mechanisms** easily implementable to formalise the process of RBC in the companies, in particular SMEs which do not have the capacity to do so. This would also further support the **EOs' effort** to build a “business case” on RBC.
- **Building on and diffusing best practices** from countries where companies have already a long experience on RBC such as OSH issues.
- Providing an incremental approach that is **tailored to: the companies' size, context and level of advancement in implementing RBC**. One guideline-fits-all solution should be avoided as companies' requirements to advance their RBC would range from “how to get started” to specific demands.

Recommendations for the establishment of such Centre and “regional hubs” should consider:

- **General awareness** raising by making businesses aware of the **tangible and intangible benefits** to respect human rights such as fulfilling their Human Rights due diligence obligations, bringing transparency, and understanding the changing dynamics of future business which would ensure sustainability, more productivity and resilience. This could be done via a massive media awareness campaign to promote RBC.
- Promoting a **community of practice** providing a **safe space**, a comfort zone to speak freely and comfortably, where problems can be brought to solve them. A **hybrid format** for such a Centre and the regional hubs could allow strong interconnection with remote and in-person participation. Time-zone differences should also be considered.
- Identifying and nominating various **local or national focal points** acting as champions to diffuse the basic understanding of the awareness programme at ground level to outreach local audience. They would also be intermediaries between the global Centre and regional hubs.
 - Considering the successful management of **IOE's migration network**, such as EBMOs in Southeast Asia with a regional network of EBMO's focal points. EBMOs could designate one person as a focal point of RBC/HRDD which will be helpful for their active participation. This would help their availability during working time.
- Regional hubs should consider the **levels of maturity** of the BHR and RBC debate to match at best the needs of constituents with the ultimate goal of reaching a level-playing field.
- Being an **information and dissemination centre** as a one-stop-shop for having available all issues on BHR that centralise all relevant information.
- Having a **data centre or a structure** where there is an availability of evidence-based and comparable data and research based on relevant indicators such

as framework agreements, Employer surveys, country analysis, etc. Caveats in terms of methodology and comparability, selection of indicators as well as representativeness, in particular, lack of data on SMEs and state-owned enterprises should be overcome.

- Providing **an award** to create positive incentives to uphold human rights RBC.
- Facilitating a **dialogue between export countries** and sourcing countries at the level of EBMOs but also in the **political dialogue** between governments.

Europe

Important challenges EOs and their affiliated companies with regard to BHR and RBC include:

- In Europe, most companies, in particular SMEs, are **struggling to navigate the legislative landscape**.
- For EOs, being able to **outreach and directly connect with SMEs** on RBC and BHR issues is difficult due to less formalized internal structures and lack of resources, which ultimately keep them out of this debate.
- To be able to remain compliant but also potentially access new markets. As the global supply chain landscape is changing, SMEs are willing to adapt but they must now show to their big client companies that they comply with new requirements, which entail proving additional company resources, although already limited to this end.

A regional Centre/Hub could support EOs and their member companies' efforts in this field by:

- Providing knowledge management and sharing to build the capacities of EOs so that the information produced by the Centre serves to develop EOs' services for their member companies, particularly SMEs.
- Handy information and guidelines on HRDD for SMEs to show them how to conduct this in concrete ways. This should be done by raising awareness that due diligence is a continuous process, not a ticking-box exercise.
- Country profiles based on the Employers' views complemented with a mapping of relevant stakeholders.
- Share best practices and experiences from other companies to support the EOs in their **lobby's efforts** so that the national debate is balanced and takes into account the views and interests of business.
- Producing and/or making available objective sources of information for the national authorities that show which companies are compliant as an alternative to trade unions and CSO's existing information.

- A compendium of current mHRDD legislations containing an explanation of the requirements and impacts for companies. In accordance with an incremental approach of the project, tools and gap analyses tailored to each industry could be foreseen at a later stage.

Recommendations for the establishment of such Centre and “regional hubs” should consider:

- Focusing on the **added value** by reinforcing knowledge sharing and awareness raising.
- Directing efforts via an **incremental approach** to help outreaching MSMEs. This could be done via a survey to identify the **prioritisation**
- Regional hubs can help to demystify the idea and lower the psychological barriers of MSMEs to respect human rights. Both a tool-kit approach a **build coalition with MSMEs, relying on** the group effect could help and promote their participations in this discussion.
- Supporting EOs to **lobby** because more mandatory regulations will come and need support against unions and NGOs which want to have more space in national debate.

Annex II - Extended findings of the consultations by business type

Multinational Companies

Important challenges for multinational companies with regard to BHR and RBC include:

- Geo-political tensions impacting commitment to responsible business conduct (e.g., China-U.S., Russia-Ukraine, Myanmar), oftentimes businesses find themselves in grey zones where advice would be useful.
- Expand existing HRDD efforts to legal requirements and wider context (e.g., sport sponsorship, investments and market entry/exit, entire value chain).
- The intersection of human rights and environment, still at the beginning, governance challenges arise as “E” and “S” tend to be traditionally more separated.
- To find, trace and work with a common definition and/or framework of BHR and RBC. What these include, why they are so essential, and how to implement them. With a complex landscape of different laws and regulations, it can be arduous for companies to understand what they need to comply with.
- To navigate the legislative landscape of the multiple mandatory HRDD regulations which entail individual and tailored implementation and report for all.
- To show other companies that human rights due diligence is not a one-off exercise, by an ongoing process with different steps as per the UNGPs.
- To ensure the effective auditing and monitoring of risks as well as reporting of potential violations at client companies when not constantly on-site to monitor.
- To create a situation of full transparency in the entire value chain when there are more than thousands of suppliers. Companies are facing a lack of information on suppliers, in particular when their numbers or the fragmentation is high.
- For both the company’s own employees but also for its clients, to increase the awareness, understanding and training of RBC. How to diffuse the business case and ensure that employees understand what human rights are, and also recognize, report, mitigate and remediate human rights incidents in an effective manner.
- How should a company behave in situations in which there are no universal standards, guidelines or definitions (e.g., living wage). What options do companies have if there are no universal definitions/standards yet?

- Lastly, a challenge related to the concept of full transparency versus stock-sensitive information. External stakeholders expect companies to be fully transparent about human rights salient risks, which can significantly impact a company's business. However, full transparency can influence stocks for publicly traded companies. How should companies deal with this in a responsible way?

A regional Centre/Hub could support multinational companies' efforts in this field by:

- Provide **advice** for doing business in challenging contexts, especially in grey zones.
- Provide **official recommendations** on matters such as doing business in challenging business contexts that can support and report the case internally.
- Provide advice for doing business responsibly and performing HRDD for the **extended scope** of new legislations (up- and downstream HRDD, entire value chain).
- Dive deeper into **regional challenges**.
- **Share** overall challenges businesses reach out with to the hub, including best practices and learnings (in general best practices are a good way to incentivize and raise awareness on RBC).
- Provide a functional tool that vividly indicates which upcoming legislation, regulations, standards and guidelines organizations need to have, in order to ultimately comply with in practice. In addition, it would be effective to provide tools differentiating per industry, considering industries differ tremendously.
- Help to get started via tools for gap analysis and ameliorating areas for improvement - again per industry to start the ongoing process of identifying salient actual and potential risks.
- Discuss concrete examples, such as case studies, dilemmas, and possible solutions to be shared between organizations via community of practice allowing open and honest debates.
- Rely on a diverse inclusion of groups as employees working at the regional Centre/Hub that have worked in companies before.

Recommendations for the establishment of such Centre and "regional hubs" should consider:

- Creating common understandings, helping organisations in terms of where to begin, and sharing gap analysis tools and frameworks, as well as facilitating industry-specific tools for areas of improvement.
- **Alignment** with existing initiatives and spirit of legislations, international standards etc.

- Meaningful consultations by bringing in **perspectives of civil society actors** to enable advise to businesses that brings in relevant stakeholder perspectives, thereby supporting private sector action via “**second-hand stakeholder engagement**” with stakeholders.
- Tie **learnings** within the Centre/hub to IOE offer, programs and support.
- Help **internal** employees understanding of business and human rights.
- Form **alliances**, and share best practices, in order to learn from each other in an open, honest and collaborative way.

Micro, small and medium-sized enterprises

Important challenges for MSMEs with regard to BHR and RBC include:

- A key challenge for MSMEs remains their own awareness of BHR issues. This lack of awareness is explained by a lack of resources but also because they do not have access to the information. A majority of MSMEs remain out of the RBC and BHR debate because **they are not members of employer industry associations**. Without a catalyst of information sharing such as the one played by EOs, it is extremely difficult to raise awareness and even more to channel any guidance or advice to increase capacity building.
- As a consequence, it is difficult to attract MSMEs and include them in this debate. MSMEs feel **unprepared and not confident** to talk about BHR issues.
- Another major challenge for MSMEs that have the capacity and maturity to be actively engaged in promoting RBC is that they usually face a **dilemma** on how to make this change, while still being competitive. Companies willing to do the extra effort to act responsibly will have additional financial costs, however, these are competing against other companies who are not playing by the same rules, which creates unfair competition. A level-playing field is possible but only if all companies play according to the same rules.
- The lack of unity among MSMEs, for example via a collective forum, makes it difficult for MSMEs to advocate effectively and have legitimate leverage on issues that affect their interests.

Recommendations for the establishment of such Centre and “regional hubs” should consider:

- By providing a practical knowledge platform for companies, the Centre and regional hubs could be positioning EOs as key actors which would also strengthen and increase their membership for Employer Organisations. This would allow MSMEs to integrate a business organisation which could provide them with necessary guidance and advice on BHR issues to further diffuse RBC.

- The Centre and regional hubs would allow a level playing field and prevent favouritism. This should be done by showing the business case. Companies that want to participate will be rewarded as they will generate more business. It must be shown that the front runners will be rewarded.
- This project should help promote a collective action for MSMEs to have a common approach and push for RBC, which would lead to a level playing field. Companies who are not willing to do so, will be put aside. The centre must be a platform not only to share practical material but also to give a voice to MSMEs and promote collective action. Such as Centre could increase the leverage through collective action.
- As a platform, the centre could give voice to SMEs and facilitate bi-directional dialogue for better achieving the policy objectives behind HRDD legislation. Good procurement practices is indispensable to be raised and strengthen.



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and balanced
voice for business

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