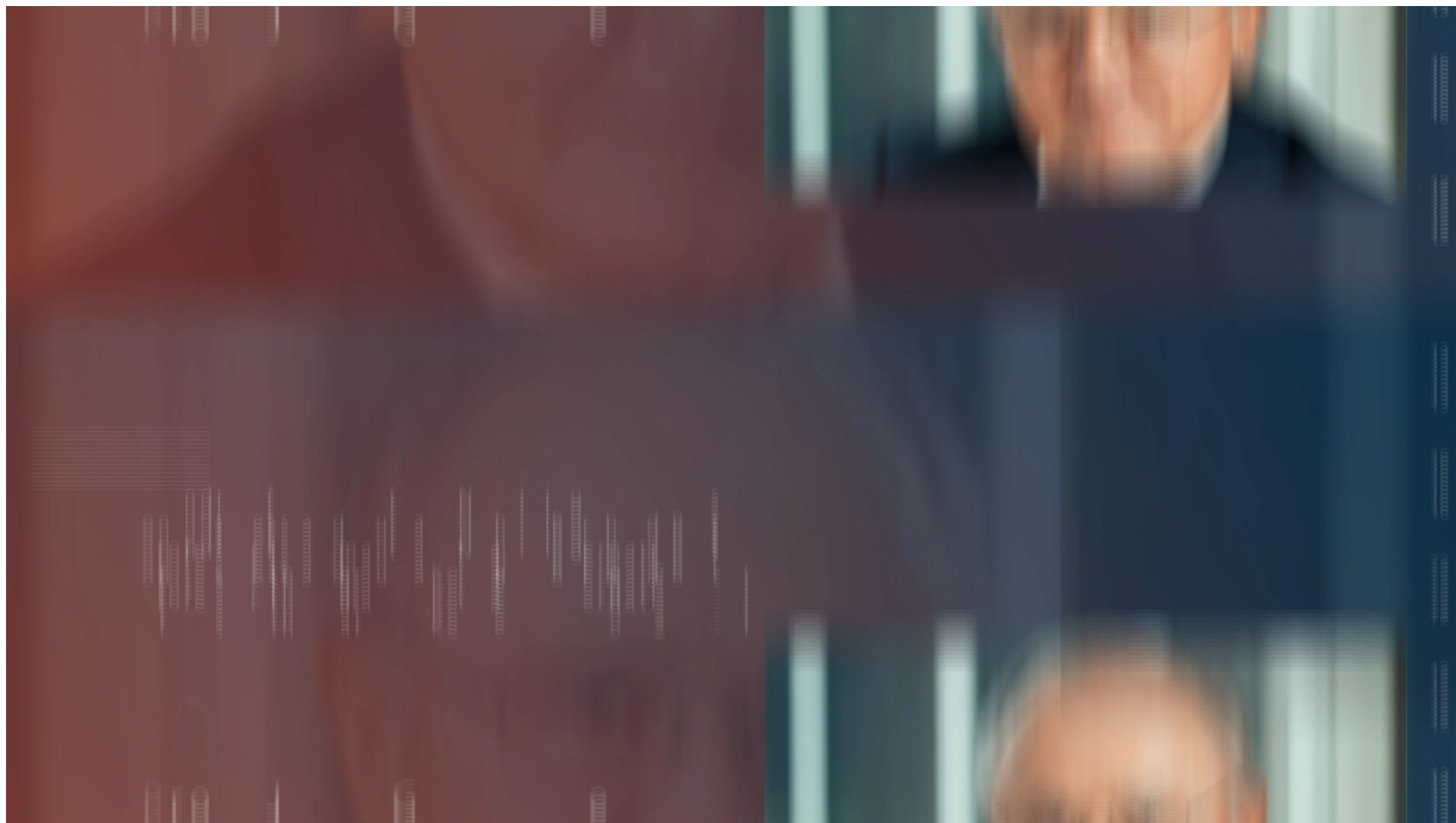



Human Rights Due Diligence: Risk Identification & Prioritization

17th Jan 2025






Human Rights Due Diligence



What is Human Rights Due Diligence (HRDD)?

As per UNGP, HRDD refers to the processes that all business enterprises should undertake to identify, prevent, mitigate and account for how they address potential and actual impacts on human rights caused by or contributed to through their own activities, or directly linked to their operations, products or services by their business relationships.



Why Should Businesses Undertake HRDD?

- Better Risk Management
- Increased Capital Access
- Stakeholder Trust
- Increased Brand Value
- Increased Market Access

There are four key steps to HRDD :

- 1 Identifying actual and potential HR risks
- 2 Integrate findings in internal functions
- 3 Track effectiveness of internal functions
- 4 Communicate to external stakeholders

It's important to note that HRDD is not a checklist to be completed and forgotten; it's an ongoing, iterative process that may progress slowly. It should be customized to align with a company's sector, operating contexts, risk profiles, priorities and business model.

Outline

1. Important Terminologies
2. Risk Identification – The Process & Key Considerations
3. Risk Prioritization – The Process & Key Considerations

Important Terminologies

1. BHR Risk:

What?:

The possibility that the business operations could actually or potentially harm human rights

Risk to Whom?:

Risk to the human rights of the stakeholders (rightsholders) and not (just) risk to the business (eg: reputational, financial, legal)

Examples of BHR Risks:

- Forced Labour
- Child Labour
- Occupational, Health & Safety
- Environmental Pollution
- Exploitation

Important Terminologies

2. Materiality:

Materiality views environmental, social and governance issues vis-à-vis a business, strictly from their effect on the business's financial performance and position. This is a process by which businesses decide which are the issues most relevant for their business.

3. Double Materiality:

Double Materiality views environmental, social and governance issues from both financial and non-financial perspectives, that is, how the issue impacts the business and how the business impacts the environment and society at large.

K decides to upgrade its factory facilities but does not upgrade its old Occupational Health & Safety gears and equipment. Here, safe working environment is a BHR risk to the employees/ workers.

Agree

Disagree

Y is a pigment making company in Lucknow. On undertaking HRDD, Y finds that its operations are causing significant environmental damage to the local area. Environmental damage is a BHR risk to Y.

Agree

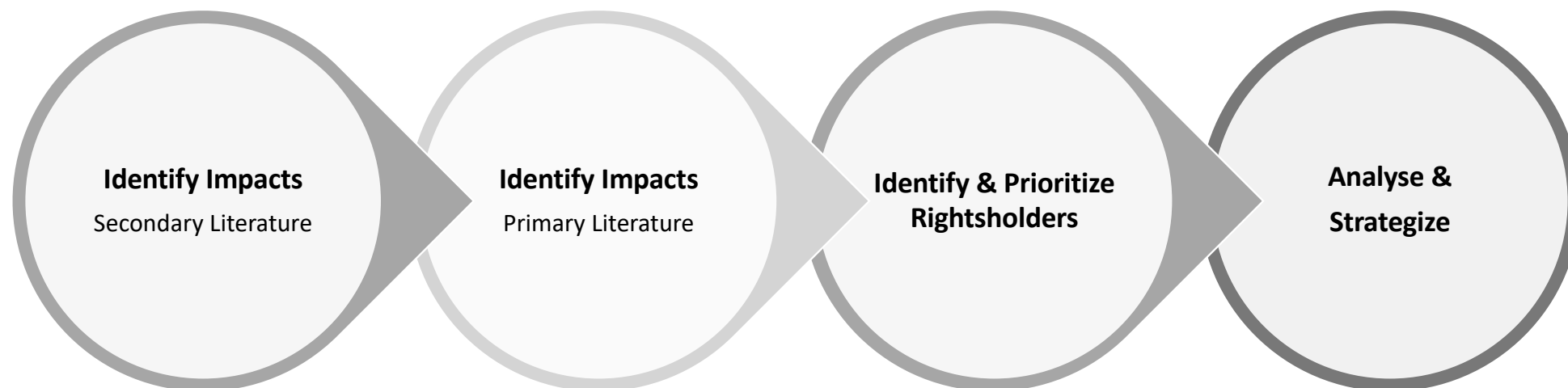
Disagree

X is a packaging and labelling company in Pune. X procures majority of its pigment ink from Y. Environmental damage is a not a BHR risk to X.

Agree

Disagree

Risk Identification – The Process



Risk Identification – Key Considerations

Key Considerations:

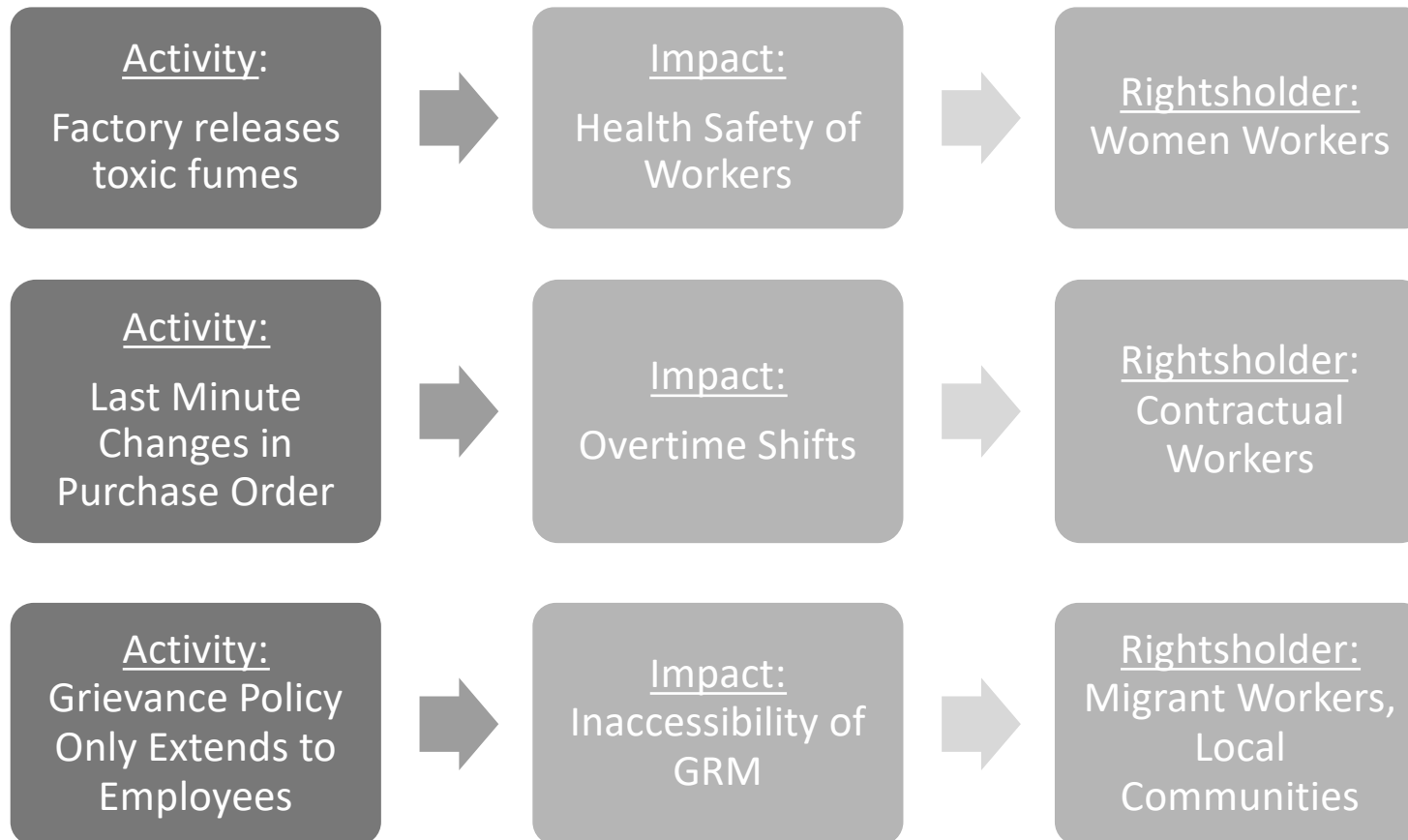
- Define the scope of the risk prioritization (HRDD) process
- Businesses should identify impacts that are – actual and potential
- Businesses should strategically and meaningfully engage with their stakeholders
- The process should consider views/inputs from key stakeholders/ rightsholders
- The process should be periodically monitored and reviewed
- Prioritize – Businesses need not do everything!

Additional Notes:

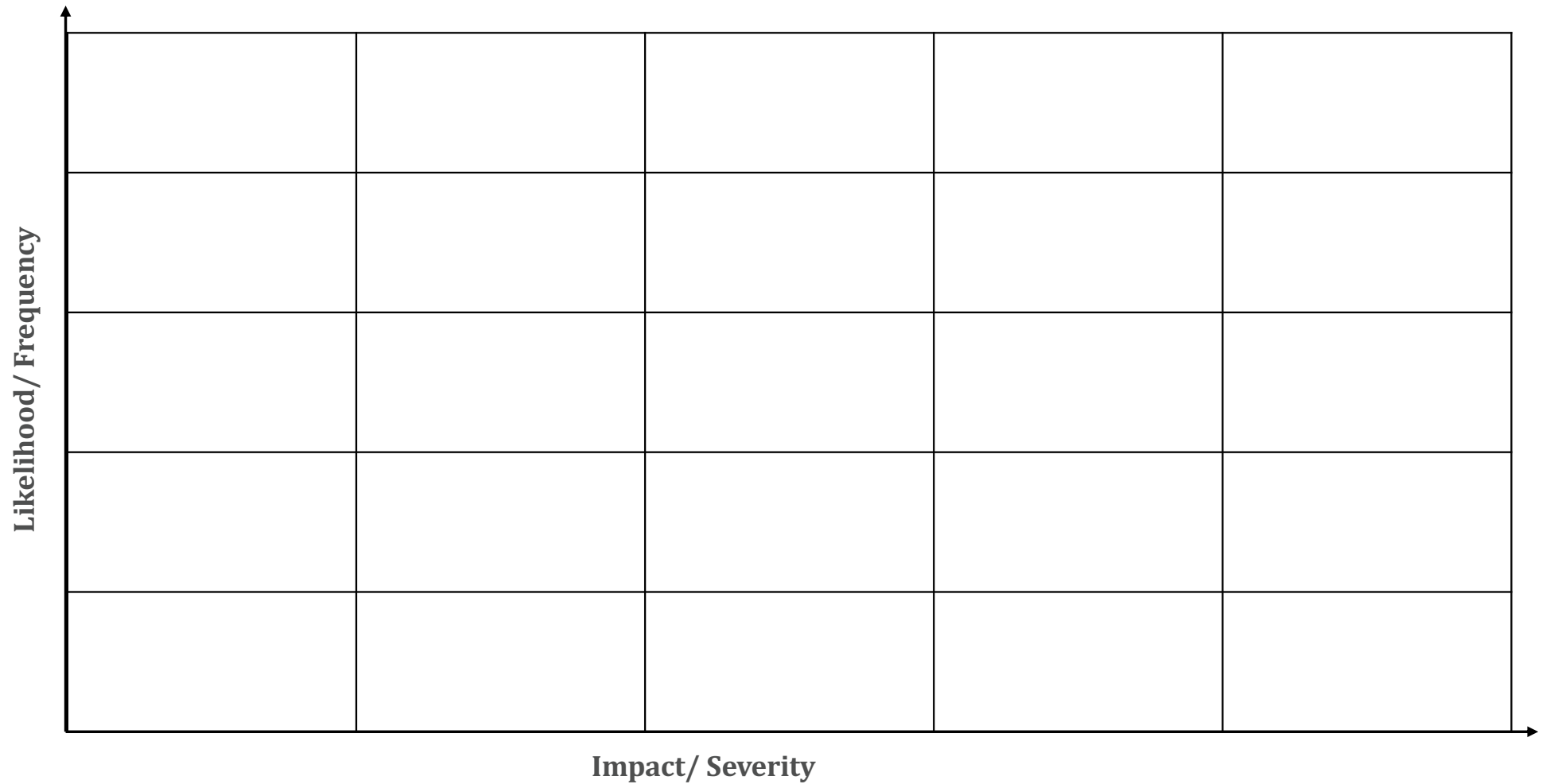
- Businesses may develop/ follow their own steps – objective should be clear
- Go beyond the risks already known
- Partner with experts/ local organisations to tighten the assessment
- Identify the activity – the adverse impact – the rightsholder(s)

Risk Identification – Examples

Examples of BHR Risks Found Post Risk Identification Process



Risk Prioritization – The Process



Risk Prioritization – Key Considerations

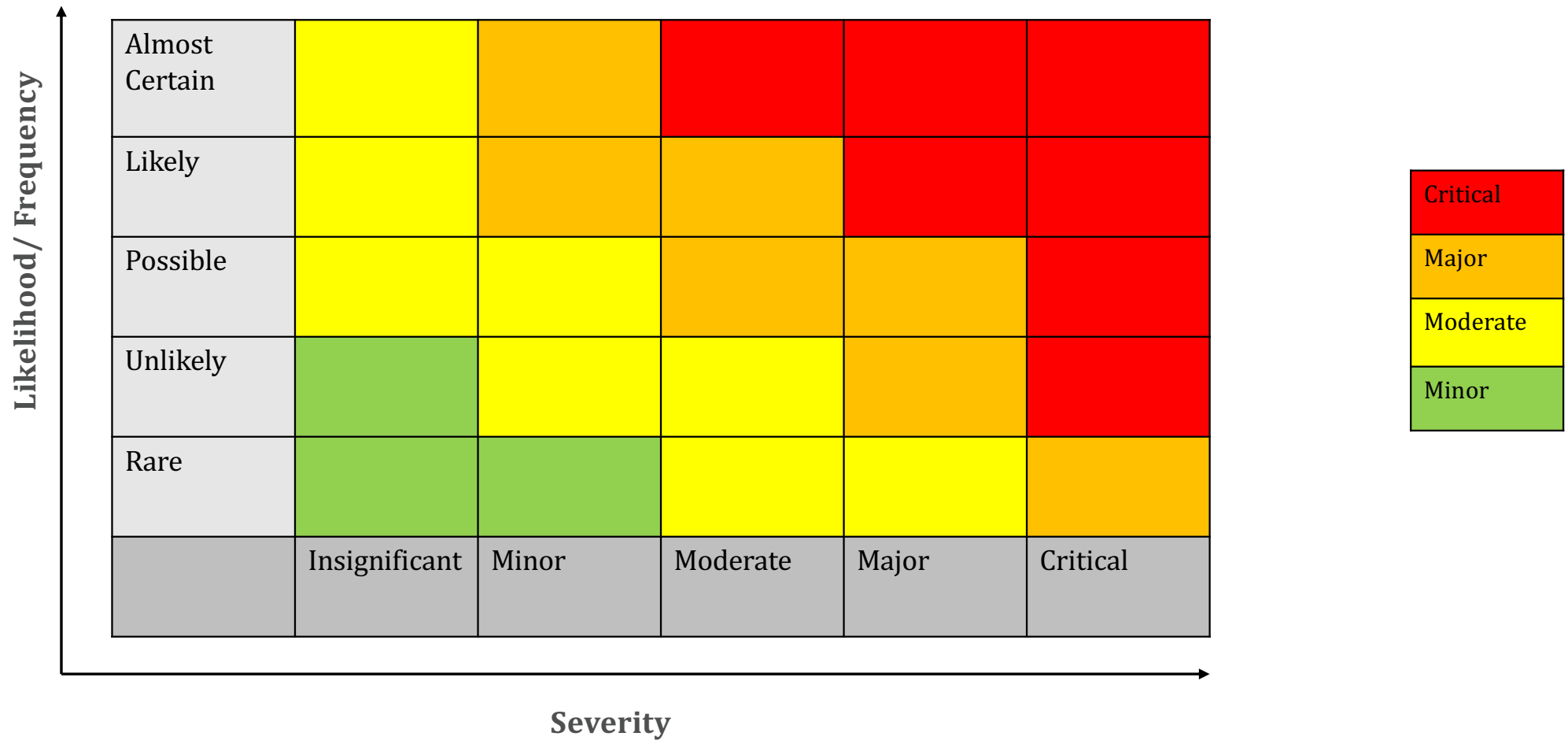
Likelihood/ Frequency

- Presence of national laws and processes
- Presence of effective company laws and processes
- Cultural context
- Presence of corruption

Severity

- Scale: The number of individuals that are/ may be affected
- Scope: Gravity of the impact
- Irremediability: Impacts that are irreversible in nature

Risk Prioritization – The Process



Thank You!

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