

Higg Brand & Retail Module Guidance: Conducting Human Rights Risk Assessments

Introduction

This guidance is designed to help you conduct human rights risk assessments as part of your company’s human rights due diligence based on the [United Nations Guiding Principles for Business on Human Rights \(UNGPs\)](#). Human rights risk assessments are focused on understanding where your company’s operations and sourcing activities may cause or contribute to adverse impacts—actual or potential harm—on rightsholders.

The OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector¹ (OECD Guidance) also includes practical implementation guidance to support implementation of a systemic and integrated approach, aligned with the UNGP, to assess and manage social, environmental and corruption risks and impacts in supply chains. This guidance refers to step 2 (Identify actual and potential harms in the enterprise’s own operations and in its supply chain) of the OECD Guidance.

Understanding Human Rights Due Diligence

Investigation and analysis of any potential human rights risks are a key component of human rights due diligence and should be an ongoing practice for any business operation. The purpose of every assessment is to find out whether the company’s business activities or relationships may pose risks to human rights, including actual or potential harm. These insights allow companies to prioritize risks according to their **salience** and take action to prevent and mitigate these risks.

Risk assessment provide information on:

- The right(s) and rightsholder group(s) that are potentially affected,
- The degree of the potential impact, likelihood and the severity which is defined by scale, scope and remediability,
- The root cause for the risk, and
- Its connection to the respective part of the business or project.

Risk assessments can be conducted for a variety of different reasons, including:

- Due diligence as part of a merger or an acquisition,
- A donor or lender is considering financing a project,
- Deciding to source from a new country,
- A new supplier or business partner is approved, and
- An investor requires further information about a company and its operations.

1. Types of Human Rights Risk Assessments

There are several types of risk assessments, depending on the occasion, depth and scope. Each can be performed by a third-party or a specific function within the company depending on the specific expertise needed.

Type	Description	Actions
Initial company-wide assessment	<ul style="list-style-type: none"> • Initial overview of where a company could have potential impacts • Includes mapping a company’s operations and functions against all human rights to identify risk and opportunity areas • Helps identify where additional assessments are needed at a country, site, or product level. • Identifies gaps in current management systems to help the 	<ul style="list-style-type: none"> • Map supply chain and operations to identify what countries the company has business activities directly or indirectly associated with it • Conduct desk top research to review: <ul style="list-style-type: none"> • Recent media reports covering the company or relevant industry sectors • Supplier performance—including audit reports to

¹ OECD. “OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.” (2018). https://www.oecd-ilibrary.org/governance/oecd-due-diligence-guidance-for-responsible-supply-chains-in-the-garment-and-footwear-sector_9789264290587-en

Higg Brand & Retail Module Guidance:
Conducting Human Rights Risk Assessments

	<p>company better embed its policy in its ways of working</p>	<p>identify most common violations by country and in total</p> <ul style="list-style-type: none"> • Cases and allegations of human rights infringement against the company or an industry peer • Issues reported through the company’s grievance mechanism • Conduct a gap analysis of existing policies to identify where they can be strengthened to prevent risks • Benchmark peer companies’ human rights approaches • Conduct stakeholder engagement to identify stakeholder perspectives—including those that may be affected or representatives for them
Country-specific assessment	<ul style="list-style-type: none"> • In-depth analysis of how human rights impacts may be linked to a company’s operations and sourcing activities in certain geographies • The intent is to understand: <ul style="list-style-type: none"> • Legal and regulatory framework governing human rights • Rule of law and government enforcement • Stakeholders’ perceptions • Human rights risk drivers 	<ul style="list-style-type: none"> • Define country according to risk profile, business activity and CR expertise • Define scope of human rights risks (i.e. children’s rights, workplace rights, women’s rights) • Develop a risk assessment framework • Map value chain in the country • Conduct desktop research on: <ul style="list-style-type: none"> • Legal and regulatory framework • Rule of law and government enforcement • Affected stakeholders • Identify local collaboration partners • Conduct a country visit, including: <ul style="list-style-type: none"> • Local stakeholder engagement • Interviews with rightsholders • Consultations with local stakeholders (i.e. NGOs)
Product-level assessment	<ul style="list-style-type: none"> • Identifies human rights impacts related to a specific product to identify main drivers of where human rights risks may occur within a single supply chain (e.g. raw production components – rubber, cotton) 	<ul style="list-style-type: none"> • Research the country context and human rights risks • Define scope of the assessment • Engagement with internal and external stakeholder through: <ul style="list-style-type: none"> • Focus groups • Interviews (i.e. with employees or contractors) • Site visits, including surroundings • Consultation with affected groups
Site-level assessments	<ul style="list-style-type: none"> • Designed to identify and address human rights impacts, risks and opportunities related to a specific site (e.g. mill, factory) 	<ul style="list-style-type: none"> • Develop assessment tool: <ul style="list-style-type: none"> • Define questions and indicators • Select sites for assessment • Select local staff for roll-out • Provide guidance for implementation

Higg Brand & Retail Module Guidance: Conducting Human Rights Risk Assessments

		<ul style="list-style-type: none"> • Compile and analyze data at central level
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2. Planning a risk assessment

Every assessment should include the following steps.

Step	Description
Determine scope and focus	<ul style="list-style-type: none"> • Decide what human rights should be covered <ul style="list-style-type: none"> • For initial assessments, it is considered best practice to include all rights listed in the International Bill of Human Rights • In some cases, there may be a need to focus on a specific risk in response to risks identified through media coverage or stakeholder feedback (i.e. children’s and women’s rights) • Decide if the scope of the assessment will be limited to adverse impacts only or will include positive impacts (e.g. economic benefits—wages, jobs, day care) • Identify what the assessment will include: <ul style="list-style-type: none"> • Business activities: Activities performed by the company as part of its operations and sourcing actions (e.g. purchasing practices) • Business relationships: Activities performed by suppliers with direct and indirect business relationships who provide services and products used as part of the company’s operations and supply chain • Identify which internal functional teams should be included based on the identified scope <ul style="list-style-type: none"> • If focused on a specific country, consider including the market and/or regional offices • If focused on purchasing practices or supplier selection, consider including teams responsible for sourcing and buying decisions • Decide if the assessment will be conducted by internal resources or third-party support
Develop assessment methodology	<ul style="list-style-type: none"> • Define the time period of the assessment • Decide if this will be a standalone assessment or integrated into other risk/impact assessment (i.e. environmental or social impact assessment) • Consider addressing the following questions as part of the assessment to understand how the company could be associated with the risk and potential leverage: <ul style="list-style-type: none"> • Which aspects of the company’s business are expected to grow, and which could decline? • How are relevant decisions made in the company, and who makes them? • What leverage does the company have over relevant business partners? • Who are the company’s key customers? • What are the company’s key product lines? • How and where does the company operate? • Identify relevant stakeholders to engage; focus on including either affected stakeholders directly (i.e. vulnerable or marginalized) or stakeholders that can effectively represent

Higg Brand & Retail Module Guidance:
 Conducting Human Rights Risk Assessments

	<p>their unique challenges and perspectives (i.e. subject matter experts, local NGOs)</p>
<p>Collect data and map intersection points between processes and human rights</p>	<ul style="list-style-type: none"> • Collect and analyze data according to the defined methodology and scope • Conduct interviews with internal and external stakeholders to help understand how processes and operations can be linked to potential human rights risks • Map where the company’s activities may impact human rights issues and identify hot spots in business activities (i.e. regions, operations or product categories most vulnerable to risk)
<p>Prioritize risk</p>	<ul style="list-style-type: none"> • Determine the order in which the company addresses identified issues based on severity and likelihood
<p>Define a plan to mitigate and remediate impacts</p>	<ul style="list-style-type: none"> • Define a plan in order to mitigate risks and remediate impacts based on prioritized risks
<p>Track, communicate, reassess if necessary</p>	<ul style="list-style-type: none"> • Define key performance indicators to track and manage results • Communicate results and subsequent action plan to relevant internal and external stakeholders • Reassess results within a defined timeframe

Higg Brand & Retail Module Guidance: Conducting Human Rights Risk Assessments

3. Public Resources for Desktop Research

Theme	Name	Definition	Source
Child Labor	UNICEF Child Labor Index	<p>Assessing the likelihood of child labor by country. The main sources of data on child labor include the UNICEF-supported Multiple Indicator Cluster Surveys (MICS) and the ILO-supported Statistical Information and Monitoring Program on Child Labor (SIMPOC) surveys. The Demographic and Health Surveys (DHS) have adopted the MICS module on child labor in its questionnaires.</p> <p>UNICEF’s standard indicator for child labor used in MICS includes the following:</p> <ul style="list-style-type: none"> • Age 5 to 11 years: At least 1 hour of economic work or 28 hours of unpaid household services per week. • Age 12 to 14 years: At least 14 hours of economic work or 28 hours of unpaid household services per week. • Age 15 to 17 years: At least 43 hours of economic or unpaid household services per week. 	United Nations Children’s Fund, Child Labor (2019)
Forced Labor	Global Slavery Proportions Index	<p>The national estimates presented in this Global Slavery Index were calculated⁷ using individual and country-level risk factors of modern slavery. The final set of risk factors were selected from an exhaustive list of variables to optimally predict confirmed cases of forced labor and forced marriage. The model was then used to generate average predicted probabilities of modern slavery by country. The regional totals in the Global Estimates of Modern Slavery were then apportioned based on each country’s average predicted probability of modern slavery.</p>	Global Slavery Index, Prevalence Index (2018)
Forced Labor	2019 TIP Report Index	<p>The Trafficking in Persons Report, or TIP Report, is an annual report issued by the U.S. State Department’s Office to Monitor and Combat Trafficking in Persons. It ranks governments based on their perceived efforts to acknowledge and combat human trafficking into four different categories: Tier 1, Tier 2, Tier 2 Watchlist and Tier 3. These have been converted to a number range.</p>	US State Department, Trafficking in Persons Report (2019)
Forced Labor / Child Labor	2019 iLAB Report	<p>The Bureau of International Labor Affairs (ILAB) maintains a list of goods and their source countries which it has reason to believe are produced by child labor or forced labor in violation of international standards, as required under the Trafficking Victims Protection Reauthorization Act (TVPRA) of 2005 and subsequent</p>	iLAB Report

Higg Brand & Retail Module Guidance:
Conducting Human Rights Risk Assessments

		reauthorizations. The List of Goods Produced by Child Labor or Forced Labor comprises 148 goods from 76 countries, as of September 20, 2018.	
Country Context	Corruption Perceptions Index	The index, ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople, uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean.	Transparency International, Corruption Perspectives Index (2018)
Country Context	Freedom in the World Index	Freedom in the World is Freedom House’s flagship annual report, assessing the condition of political rights and civil liberties around the world. It is composed of numerical ratings and supporting descriptive texts for 195 countries and 14 territories.	Freedom House, Freedom in the World (2018)
Country Context	World Governance Indicators Index	The WGI are composite governance indicators based on over 30 underlying data sources. These data sources are rescaled and combined to create the six aggregate indicators using a statistical methodology known as an unobserved components model for the following categories: Voice and Accountability; Political Stability and Absence of Violence; Government Effectiveness; Regulatory Quality; Rule of Law; Control of Corruption.	World Governance Indicators (2017)
Country Context	Rule of Law Index	The WJP Rule of Law Index measures rule of law adherence in 113 countries and jurisdictions worldwide based on more than 110,000 household and 3,000 expert surveys. Featuring primary data, the WJP Rule of Law Index measures countries’ rule of law performance across eight factors: Constraints on Government Powers, Absence of Corruption, Open Government, Fundamental Rights, Order and Security, Regulatory Enforcement, Civil Justice, and Criminal Justice.	World Justice Project, WJP Rule of Law Index (2017)