

Summary of the UN Working Group on Business and Human Rights' report to the UN Human Rights Council, June 2017

Challenges and opportunities: Small and medium-sized enterprises (SMEs) and human rights

In its June 2017 report, the UN Working Group on Business and Human Rights examines the challenges and opportunities for small and medium-sized enterprises in the implementation of the Guiding Principles on Business and Human Rights. It highlights the role of SMEs in global supply chains and their impact on human rights and identifies a number of key stakeholder's roles in implementation of the Guiding Principles.

State of Play:

Small and medium-sized enterprises are of paramount importance to a country's economy, generally accounting for over 90 per cent of all enterprises and providing some two thirds of all employment globally. Just like larger corporations, the operations of SMEs may cause or be linked to adverse human rights impacts. However, as yet, action by SMEs to show leadership in exercising human rights due diligence in line with the Guiding Principles has been lagging behind.

Definition of Small and medium-sized enterprises (SMEs)

There are no consistent naming conventions: some countries differentiate between small and medium, or introduce the concept of a micro-enterprise, while others do not. However, some key variables — such as size, legal status, sector, resources, employment, turnover, capital investment and balance sheet totals — are considered in most definitions. Most commonly, small and medium-sized enterprises are defined as a business with fewer than 250 employees

Why is this important?

SMEs no less than larger enterprises have a responsibility to respect human rights, as set out in Guiding Principle 14. All business enterprises, from small and medium-sized enterprises to large multinational enterprises, are expected to exercise human rights due diligence (as described in Guiding Principles 17 to 21), to avoid causing or contributing to adverse human rights impacts, and to take steps to mitigate and address any such adverse impact that is directly linked to their operations, including by cooperating in their remediation. SMEs may have less capacity and more informal processes but their impact upon human rights can be just as significant as transnational corporations. At the same time, the steps needed to prevent and address such human rights impacts could be less complex for a small company than a large transnational corporation. Often simple steps can be taken to respect human rights.

Compelling actions that can be taken to better implement the UNGPs by SMEs

The Working Groups report calls on SMES and on different stakeholders (Governments, business associations, international organizations, trade unions, businesses and civil society organisations) to take concrete steps to implement and facilitate human rights due diligence by SMEs. In particular, the report makes the following key recommendations:

States should:

- Raise awareness, provide dedicated support and incentivize SMEs to implement the Guiding Principles through a mix of mandatory and voluntary measures;
- Require respect for human rights by SMEs in public procurement processes and by SMEs benefitting from government loans, subsidies and financial services;
- Involve SMEs in the development of national action plans for business and human rights;
- Support the implementation of the Guiding Principles through guidance and standards of their development agencies;
- Embed the standards of the Guiding Principles into existing processes and platforms for supporting SMEs;

SMEs should:

- Seek support from employer and industry associations to learn about standards and tools for implementing the responsibility to respect human rights;
- Use existing processes for reporting on responsible business conduct and sustainability as platforms for implementing the Guiding Principles;
- Draw on lessons from other compliance mechanisms and programmes, including environmental sustainability, health and safety, anticorruption and anti-trafficking;
- Utilize peer support systems within and across different sectors to share knowledge, experiences and the implementation of the Guiding Principles.

Larger companies should:

- Incentivize respect for human rights in their business relationships with SMEs enterprises by integrating the Guiding Principles in supplier codes of conduct and contractual clauses;
- Provide guidance and capacity-building for subsidiaries, partners and other business relationships involving SMEs on the implementation of the Guiding Principles;
- Provide guidance to SMEs partners on best practices towards the implementation of the Guiding Principles;

Business and peer group associations should:

- Raise awareness on the responsibility to respect of human rights throughout their membership and support development of practical tools for SMEs that reflect their particular situation in the given context and sector;
- Use their memberships to promote the Guiding and inform their members of the latest human rights developments;

International organizations and the United Nations should:

- Integrate the Guiding Principles in tools and guidance and capacity building for SMEs, including in assistance provided to SMEs from the least developed countries;
- Develop and provide online and offline training courses to increase the awareness of the Guiding Principles and their relevance to business.

Academia, trade unions and civil society organizations should:

- Support the development of tools aimed at implementation of the Guiding Principles by small and medium-sized enterprises;
- Gather targeted data on SMEs and their human rights performance, in order to identify gaps and good practices globally.