

Building Bridges to Supply Chain Integrity

A roadmap for implementing an inter-company grievance redressal mechanism in India



Knowledge Partner



Implemented by



DISCLAIMER

These guidelines have been produced with the utmost care. However, publisher and authors assume no liability for the validity, correctness or completeness of the contents of this publication.

Reproducing the guidelines for non-commercial purposes is expressly desired, quoting the source.

For reasons of legibility alone, the male form is used in this text, which refers nevertheless to members of both genders.

IMPRINT

Published by:

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

Registered offices
Bonn and Eschborn (Germany)

Alliance for Integrity
GIZ India, B5/1, Safdarjung Enclave,
New Delhi 110029, India
T +91 49495353
F +91 49495391

E integrityinitiative@giz.de
I www.allianceforintegrity.org

Indo-German Chamber of Commerce (IGCC)
Maker Tower 'E', 1st Floor, Cuffe Parade,
Mumbai 400 005, Maharashtra, India
T +91 22 66652 151

E sustainmarkets@indo-german.com
I www.indo-german.com

EY India
Ground Floor, Plot No. 67,
Institutional Area, Sector - 44,
Gurugram 122003, Haryana, India
T +91 124 443 4000
F +91 124 464 4050

E poorva.grover@in.ey.com
I www.ey.com/en_in

Concept and editors:

Seema Choudhary, Alliance for Integrity
Indras Ghosh, Indo-German Chamber of Commerce
Poorva Grover, EY India
Ahana Jain, EY India

Layout:

Lisa Schmidt, iDesign, Frankfurt, Germany

Photos:

© EY Image Library
GIZ is responsible for the content of this publication.

India 2023



Contents

Executive summary

Chapter I - Introduction

1. Scope of the publication
2. Congruence between Business Integrity and Supply Chain Due Diligence
3. Introduction to the German Supply Chain Act
4. Brief overview of applicable laws in the global landscape

Chapter II - Need for integrity across the Supply Chain

5. Challenges in existing grievance redressal mechanisms
6. Value for organisations
7. Identification of target groups or rightsholders

Chapter III - Roadmap for a grievance redressal mechanism

8. Setup and design of a grievance redressal mechanism
9. Roles and responsibilities of all actors
10. Human rights and environmental standards
11. Reporting channels
12. Classifying incoming complaints
13. Stages in the investigation process
14. Impartial actions
15. Protection of reporting parties
16. Redressal
17. Tackling access barriers
18. Consensual conflict resolution
19. Need for in-depth investigation
20. Information management
21. Effectiveness criteria

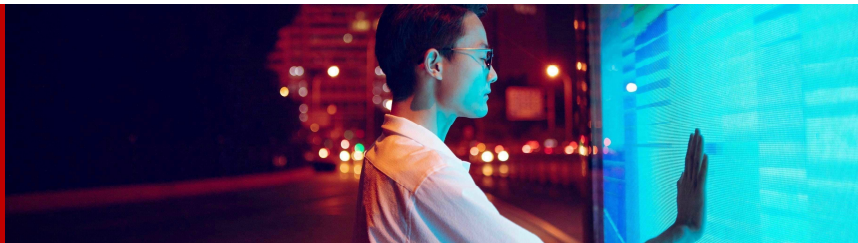
Chapter IV - Implementation plan

22. Next steps for implementation

Annex

Annex 1: List of abbreviations

Annex 2: References



Grievance redressal mechanisms are the cornerstone of responsible business conduct. They promote transparency, accountability, and the protection of rights within an organisation. Effective implementation of a grievance redressal mechanism ensures that all stakeholders, including, community members belonging to vulnerable groups,¹ have a platform to voice their concerns and contribute to the ethical process and participate in decision-making processes. By involving communities in the grievance redressal mechanism, organisations can foster meaningful stakeholder engagement, respect for human rights, and address issues directly impacting their lives and the environment. Additionally, an inter-company grievance redressal mechanism strengthens interlinkages with other stakeholders, including employees, suppliers, trade unions, civil societies, and NGOs.² This collaborative approach towards addressing grievances ultimately enhances responsible business practices.

Organisations are constantly under the radar to ensure effective grievance redressal procedures because they have a legal and moral obligation to protect the rights and well-being of their employees, customers, suppliers, and the communities they operate in. Failing to have a robust and accessible mechanism can lead to negative consequences for the organisation. Furthermore, with increasing public awareness and scrutiny around corporate social responsibility especially with a global shift in the mindset towards human rights and environmental due diligence across global supply chains,³ organisations are expected to demonstrate a strong commitment towards responsible business conduct, which includes having an efficient and effective grievance redressal mechanism in place.

This is especially important for smaller businesses such as small and medium enterprises (SMEs) who are constantly being pushed by their business partners to formalise their compliance frameworks. Businesses with an effective grievance redressal mechanism can have the opportunity to leap ahead of their peers in the global market compared to SMEs or other organisations that may not have such a mechanism in place. SMEs often lack the necessary know-how, resources and sheer scale to do so effectively and efficiently. For the Indian economy, effective grievance redressal mechanisms are crucial to balance the country's gross domestic product (GDP) growth with the protection of its workforce. The Indian Economy is driven by labour-intensive industries, with a significant share of blue-collar workers in the workforce, presenting an equally unique set of challenges to implement grievance redressal mechanisms ranging from barriers to accessibility, lack of awareness to fear of retaliation. But how can organisations create an all-encompassing grievance redressal mechanism that is effective, legally compliant, and accessible to relevant target groups?

The study aims to provide guidance to organisations for developing, implementing and operating an effective and inclusive mechanism at various levels and interlinkages in the organisation through the congruence of Business Integrity and Supply Chain Due Diligence. When these core elements, Business Integrity and Supply Chain Due Diligence align, organisations can establish a comprehensive approach towards responsible business conduct. This approach fosters transparency, accountability, and the protection of rights throughout the organisation's operations and supply chain while promoting sustainability and ethical decision-making within the wider business ecosystem. To provide compelling insights, the study looks at provisions from major due diligence legislations and international frameworks that are likely to define the long-term business landscape, namely the German Supply Chain Due Diligence Act or Lieferkettensorgfaltspflichtengesetz (hereinafter Act or Supply Chain Act or LkSG), the EU Corporate Sustainability Due Diligence Directive, EU Whistleblowing Directive, the United Nations Guiding Principles on Business and Human Rights (UNGPs), the United Nations Convention against Corruption (UNCAC), while providing references on other international standards.⁴

The first chapter sets the tone for the study, providing an introduction to Business Integrity and its congruence with Supply Chain Due Diligence, the two concepts emerge as business requirements that are increasingly gaining global significance and often viewed as mutually exclusive. Understanding the nature of Supply Chain Due Diligence and Business Integrity and analysing touch points where they converge will provide useful insight on how businesses can streamline their processes to implement them. The chapter also provides insight into pivotal legislative drivers for responsible business conduct and Supply Chain Due Diligence. The scope of the publication is delineated along with touching upon global regulations, their core principles and due diligence requirements. Our primary research took the form of multiple working group sessions conducted as part of a larger project 'FairVoice Inter-Company Grievance Mechanism in India: Pilot Programme'.⁵

Industry experts, international organizations, and private sector representatives gathered to provide a platform for sharing their perspectives and practical experiences on grievance redressal mechanisms unveiling a proof of concept discussed further in the study. It also shed some light on the challenges inherent in current grievance redressal mechanisms, urging organisations to adopt more effective, transparent, and accessible avenues for their target groups.

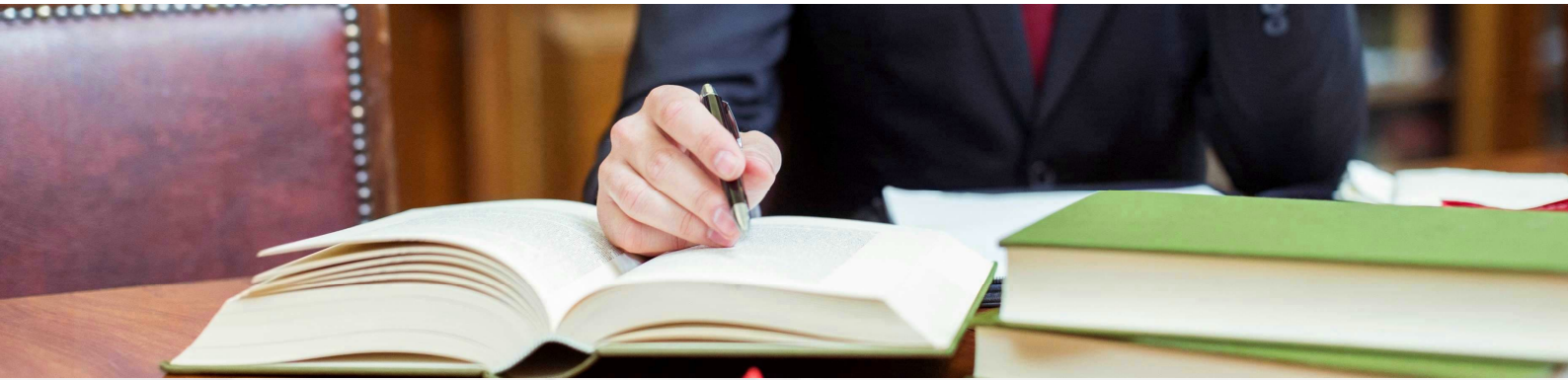
¹ Vulnerable groups may be determined by 'social, economic and cultural factors' usually engendering and perpetuating inequality, exclusion, and lack of access to and control over resources. Refer; *Vulnerability and vulnerable groups from an intersectionality perspective - ScienceDirect*.

² In the context of an organisation's stakeholders at various levels we use the term 'interlinkage' to suggest the interconnected relationships and dependencies between different groups or individuals that have an interest or involvement in a organisation. It suggests that the decisions and actions of an organisation can have a direct or indirect impact on these stakeholders and vice versa.

³ Lieferkettensorgfaltspflichtengesetz or the German Supply Chain Due Diligence Act states that the supply chain consists of the steps taken in Germany and abroad to produce products or provide services. This would also include the actions of an enterprise in their business area, direct suppliers and indirect suppliers.

⁴ Refer to Annex 2 for the legislations and guidance documents mentioned in this section.

⁵ For more information about the platform, please refer to *FairVoice: Announcing our free Inter-Company Grievance Mechanism Pilot Programme (ahk.de)* or contact sustainmarkets@indo-german.com.



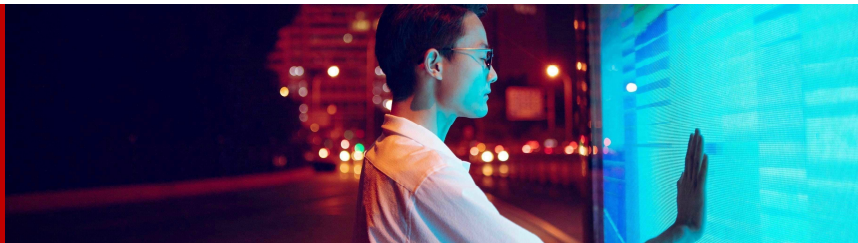
The second chapter delves into the core components of an effective all encompassing inter-company grievance redressal mechanism. The end-to-end process of handling and reviewing incoming complaints in line with the Act are explored with a focus on investigating human rights and environmental violations along with the need to create a standardised investigation procedure and implement appropriate remedial measures.

The role of consensual conflict resolution and the significance of conducting in-depth investigations are also explored. Solutions to overcome access barriers and adept information management are tackled, underscoring the mechanism's efficacy.

The third chapter bridges theory and practice, outlining the initial steps to implement a functional inter-company grievance redressal mechanism. It highlights the need for proactive commitment from organisations, advocating for a holistic integration of the mechanism into the organisation's ethos. By adopting these recommendations, organisations can create meaningful value not only from a business perspective but also for the well-being of employees and supply chain workers, upholding international standards and contributing to a more ethical and sustainable business landscape.

The fourth and final chapter highlights the immediate steps organisations should take to comply with the Act and reveals a proof of concept: **the possibility to address human rights, environmental, business integrity and corruption issues through an inter-company grievance redressal mechanism**, accessible to employees, supply chain members and affected communities. The section introduces the pilot programme for 'FairVoice: Inter-Company Grievance Mechanism in India', an all-encompassing grievance and whistleblowing mechanism connecting organisations with their suppliers in India and assisting them in complying with the German Supply Chain Due Diligence Act.

FairVoice in its current state is a business-led multi-stakeholder Initiative, managed and operated by an independent third-party. The Initiative is being **carried out by the Indo-German Chamber of Commerce (IGCC) SustainMarkets and Alliance for Integrity** in collaboration with the Business Scouts for Development programme of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.



1. Scope of the publication

Grievance redressal mechanisms are a key method for prevention, detection, and remediation of misconduct without the fear of retaliation. It remains crucial to raise awareness about the significance of grievance redressal mechanisms in India on a broader scale and to all stakeholders involved. This includes individuals in diverse roles, across an organisation and must also take into account external stakeholders such as customers, suppliers, employee representatives or trade unions, vulnerable groups, civil societies, non-governmental organisations (NGOs) as well as external experts or consultants and the interconnected relationships and dependencies between different groups or stakeholders.

Organisations require support in achieving the objective of raising awareness about grievance redressal mechanisms amongst all the stakeholders involved. This is particularly true for SMEs active in global supply chains, who often encounter growing demands from global business partners to establish formalised compliance frameworks but lack the necessary knowledge, resources, budget, investment and scale to do so effectively and efficiently. Collaboration with civil societies and NGOs would play a crucial role in fostering transparency, accountability and an inclusive approach towards addressing concerns raised by employees or other stakeholders. These organisations possess subject matter expertise in specific areas such as human rights, environmental sustainability, or labour practices and can therefore, contribute to spreading information, conducting workshops, and educating employees and other stakeholders on their rights, responsibilities, and effective utilisation of the mechanism.

In industries such as mining, construction, or manufacturing, communities often experience environmental degradation, health risks, or displacement. Community members from vulnerable groups are important stakeholders in the activities of private companies, particularly when those activities directly impact their lives and the surrounding environment. There have been several unfortunate incidents in the past which have had a disastrous impact on members of the community such as the Bhopal Gas tragedy, Rana Plaza incident and Uphar Cinema tragedy. They have drawn attention to the need for better worker safety, labour rights, supply chain transparency and corporate accountability in society. By extending the grievance redressal mechanism to such communities, organisations can facilitate meaningful stakeholder engagement, enabling such groups to voice their concerns and participate in the decision-making process.

This will also ensure that their rights and well-being are respected and would help organisations exemplify their commitment to responsible business practices.

Grievance redressal mechanisms typically address concerns of a personal nature, such as inappropriate behaviour or conduct, unequal pay, or discrimination. Whistle-blowing mechanisms on the other hand are established for employees to expose wrongdoings affecting the wider public, such as criminal offences, environmental violations, fraud or malpractice.⁶

Understanding the nature of workers' concerns and actively addressing them, supported by grievance redressal mechanisms, creates a thriving and harmonious relationship based on trust, transparency and mutual respect between companies and its workers and promotes business resilience.

The importance of a working grievance redressal mechanism is further reflected in its inclusion in all due diligence frameworks, including the German Supply Chain Due Diligence Act. This includes a comprehensive list of obligations, including grievance redressal mechanism as one of its main components. These obligations are in line with evolving global regulations, particularly addressing the accessibility of grievance reporting channels throughout the entire supply chain.

Under the Act, companies are obligated to establish a comprehensive internal complaints procedure that is accessible to both internal and external stakeholders for reporting instances of human rights or environmental violations across the supply chain. Simultaneously, the Act also includes provisions allowing organisations to be a part of an external grievance redressal mechanism initiative that fulfils the aforementioned list of obligations.⁷

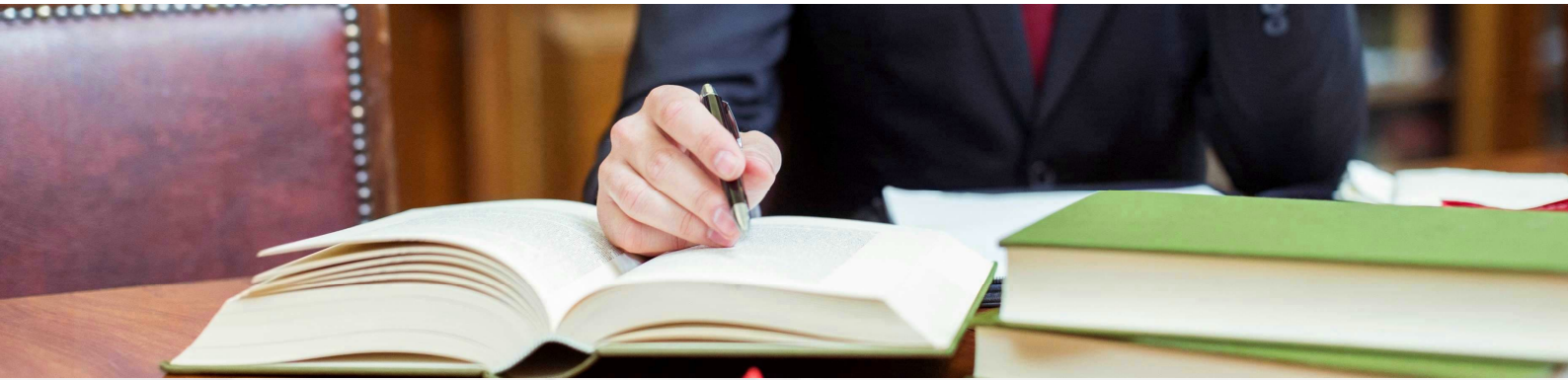
Our analysis unveiled that organisations can effectively address grievances through a unified '**inter-company grievance redressal mechanism**'.⁸ **The study aims to reveal this proof of concept; the possibility to address human rights, environmental, business integrity and corruption issues through a joint grievance redressal mechanism accessible to both internal employees and the supply chain** formulated by synergising the core elements of traditional whistleblowing and grievance redressal mechanisms.

⁶Adapted from *Grievance and Whistleblowing | Opt For Learning*.

⁷Please refer to the English translation of the *German Supply Chain Due Diligence Act*.

⁸An 'Inter-company grievance redressal mechanism' takes the form of a multi-stakeholder initiative and refers to an operational mechanism wherein violations can be reported by internal employees and external stakeholders of multiple organisations on a central unified platform. External stakeholders include suppliers, workers of suppliers, community members and vulnerable groups. The term 'Inter-company' has been used to describe arrangements and agreements between organisations; Refer *Cambridge Dictionary*.

A 'Grievance Redress Mechanism (GRM)' is a locally based, formalised way to accept, assess, and resolve community feedback or complaints; Refer CAO Advisory Note: *A Guide to Designing and Implementing Grievance Mechanisms for Development Projects*.



Business Integrity refers to the ethical and moral principles and values that guide the behaviour and decision-making processes within an organisation. It involves a commitment to honesty, fairness, and transparency in all business dealings, both internally and externally.

Human Rights Due Diligence involves assessing the potential human rights risks associated with a company's activities, evaluating the effectiveness of existing procedures, and implementing appropriate measures to address any identified issues. It seeks to embed respect for human rights within the organisations' core and assists in mitigation of potential liabilities, attracting responsible investors, and contributing to sustainable development as a whole. This also includes identifying and addressing human rights violations and abuses by assessing the working conditions, labour practices, and treatment of employees within the supply chain, as well as evaluating the impact of the supply chain on local communities and indigenous persons.

Human Rights Due Diligence, therefore, is a crucial component of Supply Chain Due Diligence. Given the limited scope of the German Supply Chain Act and the purpose of this publication, the term Supply Chain Due Diligence will be used to refer to Human Rights Due Diligence.

Business Integrity and Supply Chain Due Diligence are critical elements in the implementation of an inter-company grievance redressal mechanism. Business Integrity ensures transparency, ethical behaviour, and adherence to laws and regulations. Supply Chain Due Diligence identifies and mitigates potential human rights violations, fostering inclusivity and respect for rights. Supply Chain Due Diligence and Business Integrity manage risks and prevent adverse impacts on people and the environment within the supply chain.

By integrating these concepts into an inter-company grievance redressal mechanism, organisations can provide a platform for stakeholders to report concerns across all such elements and demonstrate their commitment to sustainable and responsible business practices, facilitate transparency, and collaboratively resolve grievances.

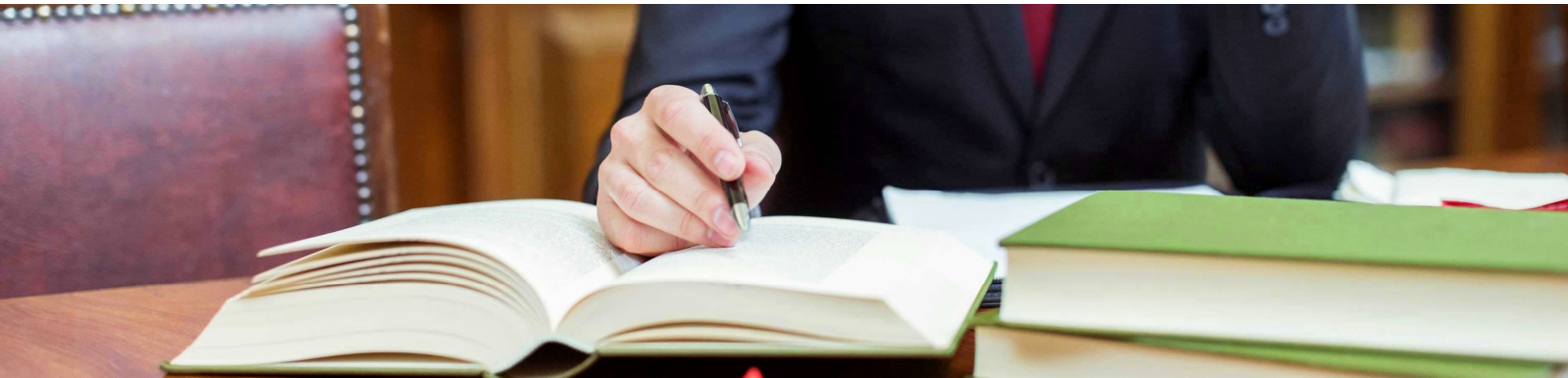
Businesses in India are connected through the global supply chain and are required to effectively manage compliance with both, national and international laws. Understanding the interplay between the two legal frameworks is an important aspect of the scope of this study to ensure the development of an optimised and coherent grievance redressal mechanism that is practical and implementable in India.

The objective of this mechanism is to promote stakeholder engagement, responsible business practices, align the organisation's operations with existing and future regulations and improve accessibility within the supply chain. Companies can tap into the vast knowledge pool of experts across diverse fields, enhancing their capacity to identify and mitigate risks. Above all, **a centralised inter-company grievance redressal mechanism would enable a high degree of standardisation in grievance redressal procedures across the supply chain.**

While the mechanism aims to facilitate the resolution of grievances, it does not guarantee a successful outcome. Implementation comes with its own set of challenges, such as willingness of individuals to report, complex hierarchies, unclear reporting channels, managing and addressing a significant volume of complaints, resource constraints and risk of retaliation.

The aim of establishing an inter-company grievance redressal mechanism is to make a reasonable effort towards addressing violations, minimising risks and preventing reoccurrence. Consolidating and harmonising grievance redressal processes through multi-stakeholder initiatives (MSIs) is essential for achieving economies of scale and cost reduction. Collaboration and collective efforts involving diverse stakeholders allow for pooling resources, knowledge, and expertise, resulting in shared costs, improved efficiency, and streamlined processes.

This publication offers guidelines and insights to assist organisations looking to comply with the requirements of the German Supply Chain Due Diligence Act and other internationally recognised standards, in formulating a strategy for effective grievance redressal. The publication has been compiled with the following objectives in mind:



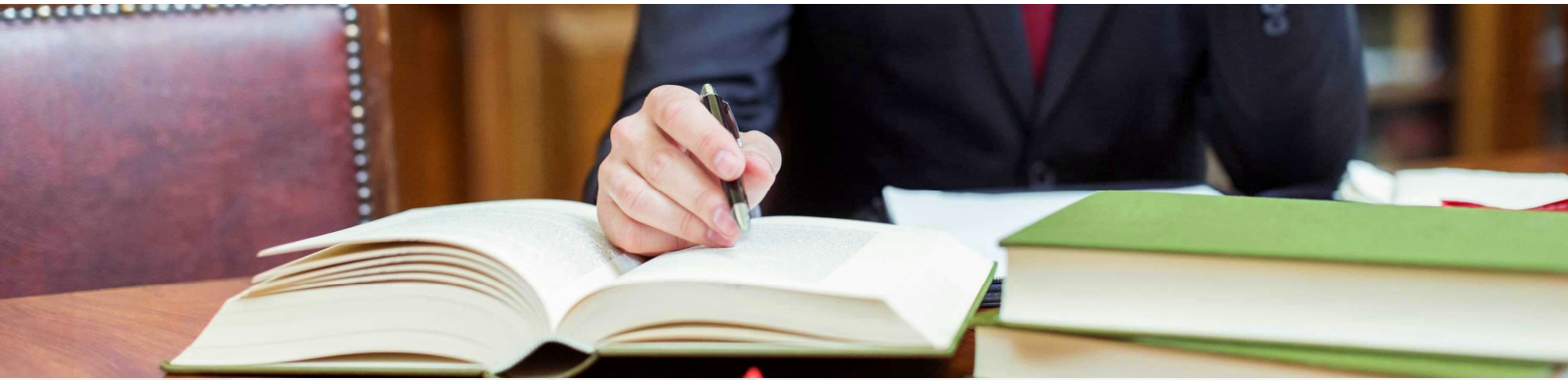
- ❑ Organisations in India become aware of requirements for complaint handling procedures as per guidelines published by the German Federal Office for Economic Affairs and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle, hereinafter BAFA),⁹ and other internationally recognised standards,
- ❑ Organisations can evaluate their existing grievance redressal mechanism and identify areas for improvement,
- ❑ Organisations can identify the building blocks of an effective inter-company grievance redressal mechanism, and
- ❑ Organisations can access globally recognised best practices and insights from industry leaders.

The study's primary research took the form of multiple working group sessions conducted as part of a larger project 'FairVoice Inter-Company Grievance Mechanism in India: Pilot Programme'. Industry experts, international organizations, and private sector representatives gathered to provide a platform for sharing their perspectives and practical experiences on whistleblowing mechanisms dealing with human rights, environmental as well as business integrity issues. Discussions were held on key drivers of a functioning grievance and whistleblowing mechanism, feedback on organisation owned or third-party mechanisms as well as necessary conditions and challenges for the development, implementation, operation, and evaluation of an effective and inclusive mechanism at the central and supplier level.

Secondary research included an extensive review of (1) human rights and business literature by international organisations and industry associations on grievance redressal mechanisms and (2) MSI grievance mechanisms.¹⁰

⁹Refer to the *Federal Office for Economic Affairs and Export Control: Organising, implementing and evaluating complaints procedures*, Guidance on the complaints procedure under the German Supply Chain Due Diligence Act.

¹⁰MSIs or multi-stakeholder initiatives refer to multi-stakeholder forums which are multi-sectoral rather than business-dominated, and which serve a 'soft law' or civic regulatory function organisations. Refer to *Rasche, A. (2012) Global policies and local practices: Loose and tight coupling in multi-stakeholder initiatives*, *Business Ethics Quarterly*, 22(4), 679–780. Out of four legitimacy criteria for MSIs, four relate to input legitimacy: (a) stakeholder inclusion, (b) procedural fairness of deliberations, (c) promotion of a consensual orientation, (d) transparency of structures and processes. Refer to *Input and Output Legitimacy of Multi-Stakeholder Initiatives*.



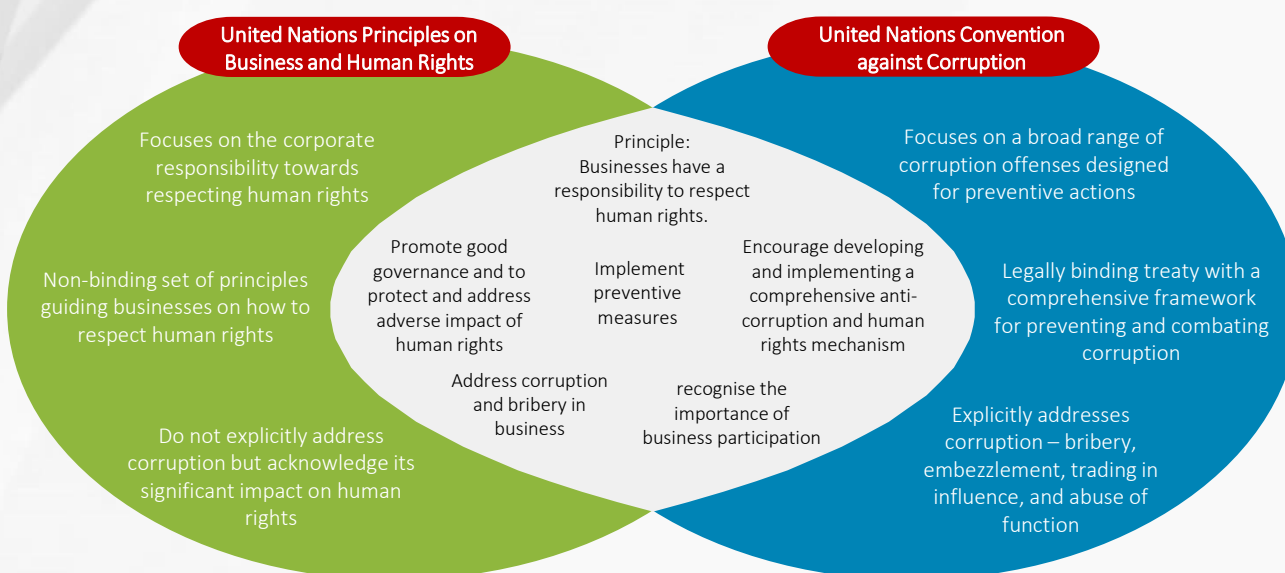
2. Congruence between Business Integrity and Supply Chain Due Diligence

Business Integrity is the application of **ethical and responsible conduct in all aspects of business**. It requires transparency and fairness in all business interactions from customers, suppliers, employees, to shareholders. Integrity issues within a business, such as inaccurate financial reporting, unfair competition, conflict of interest, bribery and corruption, etc. can have severe repercussions on both its financial success and reputation. These unethical practices lead to increased costs for goods and services, delays and disruptions and potential bribes to keep the business running smoothly. The implementation of Business Integrity such as demonstrating ethical leadership and decision-making, supporting sustainability, promoting diversity and inclusion, prevention of corruption and bribery can be achieved using several measures including the implementation of a code of conduct, anti-bribery and anti-corruption policies, conducting due diligence procedures, organising periodic training sessions and establishing whistleblowing procedures within a grievance redressal mechanism.

The internationally recognised legal framework connected to Business Integrity is the United Nations Convention against Corruption (UNCAC),¹¹ which covers a broad range of corruption offenses and includes provisions on preventive measures, such as financial disclosure requirements and public procurement reforms. The Convention also establishes a framework for international cooperation in the fight against corruption. **Often integrity issues are first entry points for broader systematic issues occurring in a business that can lead to human rights violations and environmental damages.**

Human rights violations refer to actions that infringe upon the fundamental rights and freedoms entitled to every individual, these rights are inherent for all – regardless of sex, nationality, religion, ethnic origin or any other status.¹² The United Nations Guiding Principles on Business and Human Rights (UNGPs),¹³ are globally recognised set of principles that assist organisations to address, prevent and remedy human rights risks and violations within their business operations. Respect for human rights and business integrity are anchored on internationally recognised frameworks, the United Nations Guiding Principles on Business and Human Rights and the United Nations Convention against Corruption, respectively. An analysis of the relationship between UNGPs and UNCAC has been highlighted below.

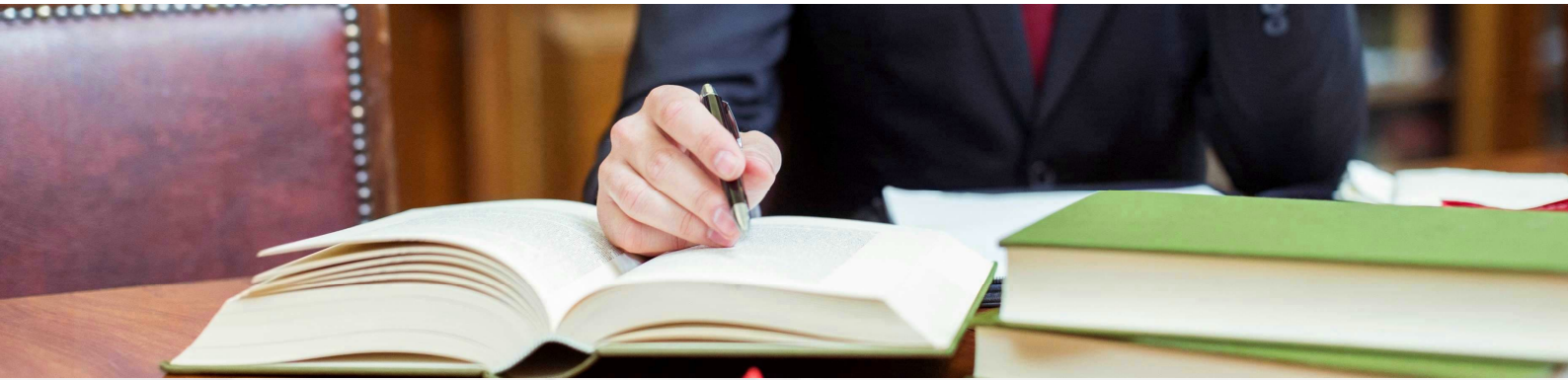
Figure 1: Relationship between UNGPs and UNCAC



¹¹Refer to [United Nations Conventions against Corruption](#).

¹²Section 2 of The Protection of Human Rights Act 1993 defines human rights as the rights relating to life, liberty, equality and dignity of the individual guaranteed under the Constitution or embodied in the International Covenants and enforceable by courts in India. 'International Covenants' means the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights adopted by the General Assembly of the United Nations on the 16th December, 1966.

¹³Refer to [United Nations Guiding Principles on Business and Human Rights](#).

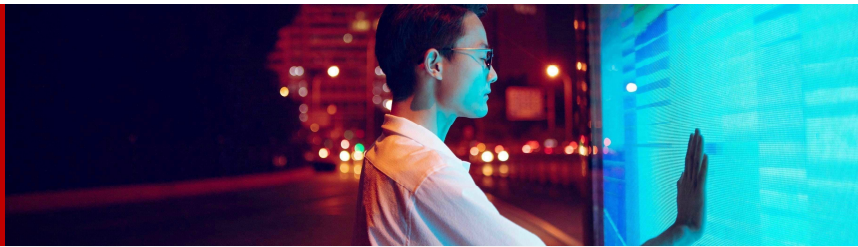


Integrity issues and human rights violations in the supply chain stem from similar root causes and tend to thrive in similar environments. By actively managing human rights risks and selecting responsible and ethical partners within the supply chain, an organisation can uphold its commitment to integrity. Weak institutional frameworks, culture of impunity, and societal norms provide fertile ground for both corruption and human rights abuses to thrive. Further, corruption acts as a gateway crime enabling and facilitating human rights abuses. When corruption infiltrates social welfare systems, it aggravates poverty by hampering the availability of essential services like healthcare and education, thereby impeding individuals' standard of living. **Therefore, measures to tackle integrity issues must be intertwined with strategies to uphold and protect human rights in supply chains.**

Respect for human rights in the supply chain is a fundamental aspect of Business Integrity, as it involves treating all stakeholders, including employees, suppliers, and local communities, with dignity and fairness. Supply Chain Due Diligence is the process of systematically evaluating, assessing, and mitigating risks associated within a business's own operations and in their supply chain to identify potential risks and vulnerabilities. The goal is to ensure ethical, legal, and operational compliance, as well as to identify opportunities for improvement and risk mitigation. Business Integrity and supply chain issues are not isolated concepts, rather interconnected issues that affect communities, institutions, and individuals. **The interrelationship between Supply Chain Due Diligence and Business Integrity lies in their shared goal of promoting responsible and ethical business practices within a organisation's supply chain.**

The aim should be to have a two-fold approach by integrating anti-corruption and Business Integrity measures into the organisation's Supply Chain Due Diligence processes. Engaging with employees, supply chain members, local communities, and civil society organisations as a part of due diligence efforts demonstrates accountability. Similarly, adopting a zero-tolerance policy towards bribery and corruption would reinforce the commitment towards ethical practices, ensuring compliance with both human rights and anti-corruption standards. Establishing whistleblowing or grievance redressal procedures wherein multiple stakeholders can report human rights, environmental, and Business Integrity violations would help organisations to identify, address, and remedy systemic issues and corrupt practices. The cost and effort of maintaining two separate mechanisms is also not a practical solution for organisations, hence, operating an all encompassing grievance mechanism serves all the objectives. **Hence, it can be clearly stated that Supply Chain Due Diligence and Business Integrity are inherently interconnected and mutually reinforcing.**¹⁴

¹⁴For more information, refer to [Incorporating human rights into the corporate domain: due diligence, impact assessment and integrated risk management](#).



3. Introduction to the German Supply Chain Act

Fairness, accessibility, transparency and confidentiality are the fundamental aspects of an effective grievance redressal mechanism as laid out by the United Nations Guiding Principles on Business and Human Rights and the provisions of the German Supply Chain Due Diligence Act

The Act establishes obligations for organisations to exercise due regard for human rights and environmental risks. Companies must aim to establish due diligence measures that are feasible and suitable within the unique context of their operations.¹⁵ The ultimate goal is to make diligent efforts to enhance existing procedures and ensure adherence to reasonable standards. Companies can mitigate potential liability by executing these procedures in a conscientious manner with the right intentions.

Scope of the Act

Starting from 1 January 2023:

Applicable to organisations headquartered in Germany or with their legislative entity in Germany with at least 3,000 employees globally.

Starting from 1 January 2024:

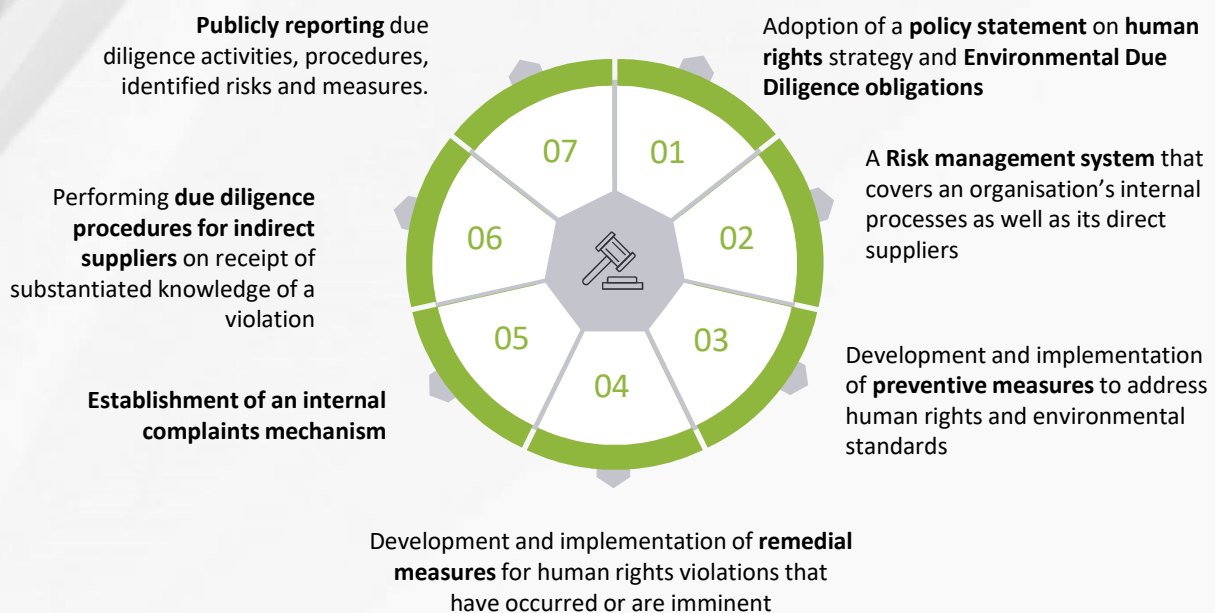
Applicable to organisations headquartered in Germany or with their legislative entity in Germany with at least 1,000 employees globally.

Supply chain:

Global supply chain members will be expected to comply with the Act and shall include the actions of:

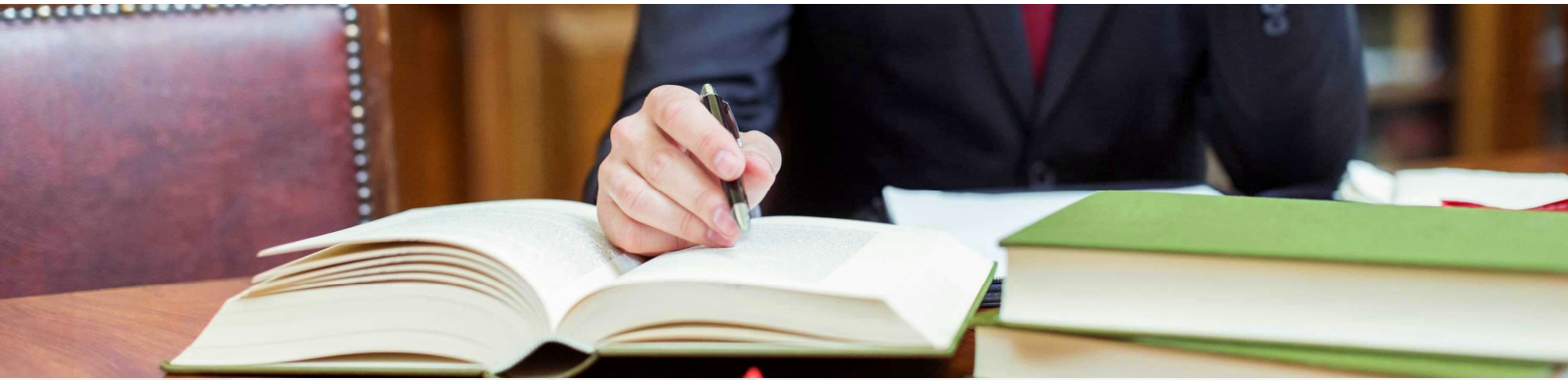
- An enterprise in their own business areas,
- Direct suppliers,
- Indirect suppliers if 'substantiated knowledge' indicating the possibility of human rights or environmental violations by indirect suppliers is received,¹⁶ and
- Affected community members including vulnerable groups in society.

Seven core elements of due diligence obligations as per the Act











¹⁵Section 3(1) of the LkSG states that organisations must 'exercise due regard'. This may be interpreted as an Uphar effort to prevent or minimise human rights or environmental risks and violations. Section 3.1 of the BAFA guidelines (Organising, implementing and evaluating complaints procedure) state that an organisation's efforts to prevent further legal violations will be taken into account positively when calculating administrative fines, if any.

¹⁶Federal Ministry of Labour and Social Affairs, Business and Human Rights: Supply Chain Act, Frequently Asked Questions: states 'Substantiated knowledge' means that the enterprise has actual indications suggesting that a violation of a human rights-related or an environment-related obligation at indirect suppliers may be possible. Actual indications are not merely opinions or rumours, but they at least contain a verifiable nugget of fact. For more information, refer to Section 9 (3) of the Supply Chain Act.



Principles laid down by BAFA

The BAFA guidelines provide organisations with essential principles to serve as a foundation for establishing a grievance redressal mechanism. As a minimum requirement, the mechanism should:

-  Be easily accessible to all stakeholders, including employees, suppliers, vulnerable groups⁹, affected community members and third-party observers or supporters,
-  Be non-retaliatory ensuring protection of reporting parties,
-  Maintain confidentiality of information and provide an option to report anonymously,
-  Focus on the supplier side of reporting and extension 'up the value chain',¹⁷
-  Provide information enabling the establishment of measures to prevent, minimise or address human rights and environmental violations,
-  Incorporate an unbiased process that treats all parties involved in the grievance process fairly, without prejudice,
-  Have a transparent process with clear lines of communication and defined procedures, and
-  Include a feedback loop to track progress, monitor trends, identify patterns, measure performance etc.

Fines and penalties

- ☐ Administrative fines up to EUR 8 million,
- ☐ Organisations with an average annual turnover exceeding EUR 400 million could face administrative fines of up to 2 per cent, or
- ☐ Potential exclusion from award of public contracts for up to 3 years.

Indicative examples of Indian Companies affected by the law:

- ☐ Indian companies who are suppliers or subcontractors within the supply chain of a German company,
- ☐ Indian companies operating in Germany or selling products to the German market, meeting the employee thresholds laid down by the Act,
- ☐ Indian companies who have subsidiaries, suppliers, or customers in Germany, or
- ☐ Indian companies operating in high-risk sectors such as textiles, electronics and raw materials etc. in the German Market.

¹⁷The term 'value chain' describes the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use. Source: Kaplinsky, R. and M. Morris (2001), [A Handbook for Value Chain Research](#).

4. Brief overview of applicable laws in the global landscape

Table 1: Global regulations on due diligence and sustainability¹⁸

International legislations	Key provisions	Applicability
EU Corporate Sustainability Due Diligence Directive	Requires mandatory reporting on ESG parameters and establishing due diligence procedures to address adverse impacts of company's actions on human rights and the environment, across the value chain.	EU and Non-EU companies with more than 500 employees or turnover exceeding EUR 40 million operating in the EU Market.
EU Whistleblowing Directive	Protection for whistle-blowers, mandatory internal reporting channels, safeguards against retaliation, confidentiality of reports, and requirements for investigation and follow-up actions.	Companies with: <ul style="list-style-type: none"> more than 50 employees, more than 50 and 250 employees two years after transposition, or 250 or more employees within two years of adoption.
Whistle-blowing Decree (Decree No.24) – Italy	Organisations and municipalities should establish internal whistleblowing channels managed by trained personnel. These channels must ensure whistleblower protection, anonymity and confidentiality.	In line with the EU Whistleblowing Directive.
French Corporate Duty of Vigilance Law	Establish effective measures to identify risks and prevent severe impacts on human rights and the environment resulting from the activities of the company, its subsidiaries, subcontractors and suppliers.	French companies with more than 5000 employees locally or more than 10,000 employees globally.
Dutch Bill on Responsible and Sustainable International Business Conduct	Establishes a duty of care for companies to prevent and mitigate adverse human rights and environmental impacts along the supply chain and enable remediation.	Companies engaging in activities outside Netherlands exceeding any two of the following criteria: 250 employees, balance sheet with EUR 20 million or net revenue of EUR 40 million.
Swiss Code of Obligations	Establish due diligence processes including a supply chain policy, a grievance mechanism and a risk management system focusing on human rights issues and corruption.	Companies with their registered or head office in Switzerland.
Australia's Modern Slavery Act	Annual reporting obligation on efforts to assess and address risks of modern slavery in global supply chains.	Entities based or operating in Australia with an annual revenue exceeding EUR 100 million.
UK Modern Slavery Act	Required to take steps to detect, prevent, and reduce modern slavery in business operations and supply chain and annual reporting on efforts taken or initiatives.	Entities operating in the UK with annual revenue of USD 40 million or more.
Indian legislations	Key provisions	Applicability
Companies Act 2013	Mandates the establishment of a vigil mechanism and importance of effective dispute resolution processes. SEBI guidelines call for establishing a robust mechanism for grievance redressal. ¹⁹	Companies incorporated in India under the Act and certain foreign companies operating in India.
CARO Auditor's Report 2020	Guidelines for auditor's covering aspects of financial reporting, including internal controls, compliance with legal and regulatory requirements, fraud detection etc.	
Evidence Act 1872	Outlines regulations for admissibility of evidence, relevancy of statements, admissions and confessions, expert opinions and other provisions relevant to investigation of concerns.	
Business Responsibility Sustainability Reporting Framework	Focuses on corporate sustainability disclosures, mandates certain organisations to disclose their sustainability performance through a comprehensive reporting process based on ESG parameters.	Top 1000 companies based on market capitalisation listed on the Indian Stock Exchange.
National Guidelines on Responsible Business Conduct	Establishes guidelines on ethical business practices, human rights awareness as well as developing grievance redressal channels and remedy mechanisms for organisations and their supply chains.	All businesses investing or operating within/ outside India.

¹⁸Refer to [Annex 2](#) for links to the global regulations mentioned in this section.

¹⁹SEBI LODR Regulations, 2015 state that listed companies must establish a vigil mechanism allowing employees and directors to report genuine grievances, implement a whistle-blower policy and provide protection against victimisation as a result of reporting.

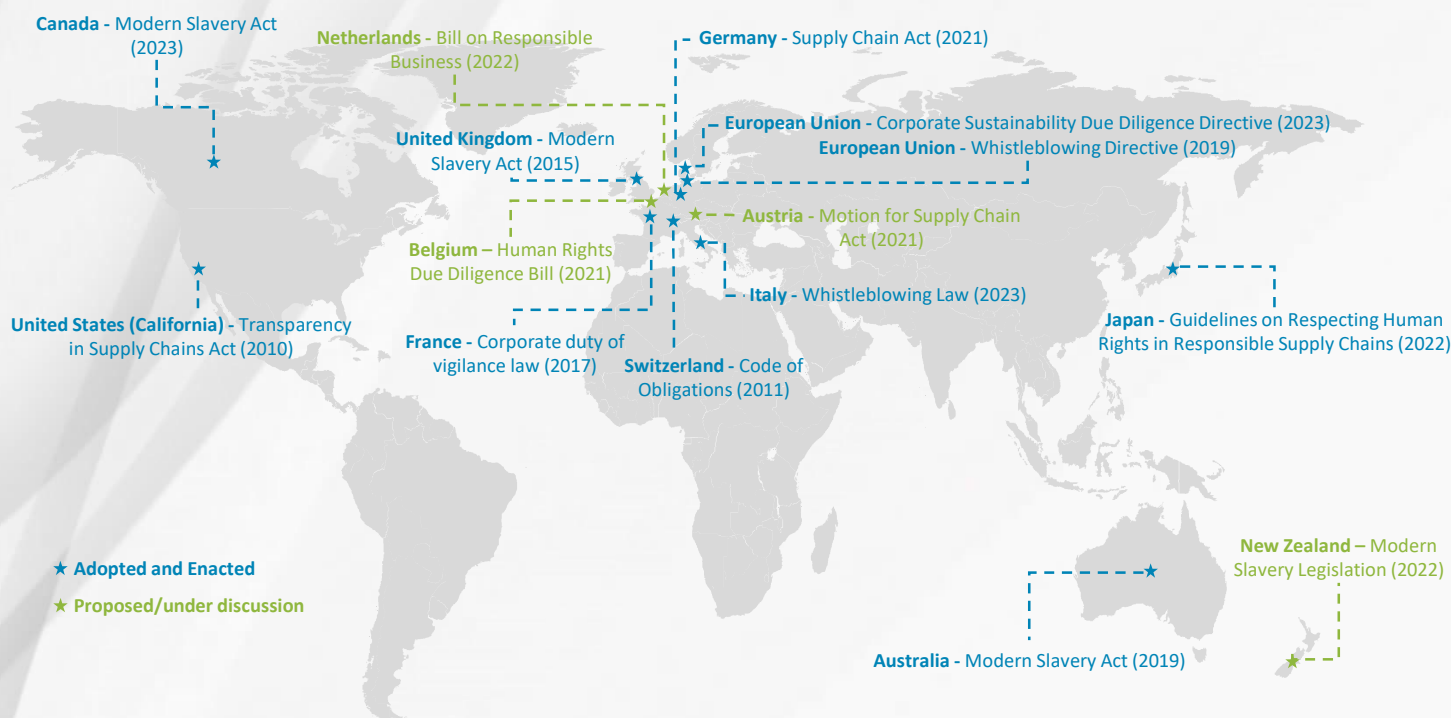


In recent years, there has been a remarkable global shift in the mindset towards supply chain integrity, driven by a growing recognition of the interconnectedness of economies and the importance of ethical and sustainable business practices. France achieved their milestone in 2016 and other EU member countries such as Belgium, Spain, and the Netherlands have also introduced their respective proposals on due diligence measures addressing the impact of human rights and environmental violations.

SMEs are indirectly affected by such laws as suppliers of larger affected organisations. The sector comprises nearly 63 million enterprises, which contribute 30 per cent to India's GDP, 45 per cent to manufacturing, 40 per cent to exports, and provides employment to over 113 million people, per government data.²⁰ SMEs should look at this as an opportunity by clearly positioning and preparing themselves at an early stage to gain a competitive advantage over their counterparts. The presence of an effective mechanism for addressing grievances can aid organisations in gathering information about potential risks and, furthermore, contribute to their mitigation.

Sooner or later, organisations will be obligated to invest in suppliers 'downstream' to support them in becoming compliant with international standards.^{21, 22} These developments in India and Europe reflect a global realisation that Supply Chain Due Diligence is no longer a voluntary endeavour but an imperative for organisations worldwide. This marks a significant global shift in the approach towards supply chain integrity.

Figure 2: Due diligence regulations around the world²³



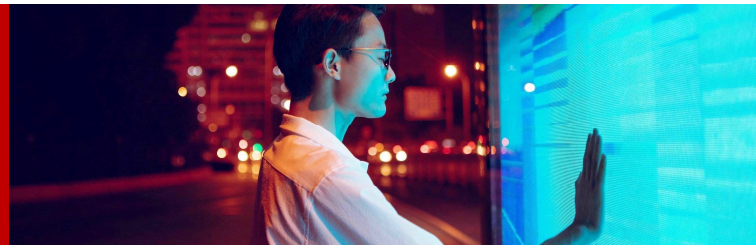
Due diligence regulations have become more extensive and complex over the years. Organisations with operations in multiple jurisdictions need to keep up with the growing landscape of international laws and compliance standards. A juxtaposition of the laws mentioned in Table 1 highlight the similarity in regulations across the globe; countries are predominantly focusing on sustainable business practices, enhanced corporate governance along with human rights, environmental and corruption risks. By establishing common frameworks, reporting channels, and assessment methodologies based on global regulations, an inter-company grievance redressal mechanism can help streamline compliance approaches across various jurisdictions. This alignment reduces the complexity of compliance and the burden on SMEs and MNCs operating in different countries, ensuring adherence to a consistent set of due diligence requirements wherever they operate.

²⁰Source: *MSMEs will be critical sector for pushing India's growth in next 25 years; here's why - BusinessToday.*

²¹While recognising the limitations of the wording, the term 'downstream' herewith refers to the bottom end of the supply chain, who are involved in the final stages of production of goods. Downstream supply chain can also be thought of as the 'demand'. Source: *What Is "Upstream" and "Downstream" in Supply Chain Management? (thomasnet.com).*

²²Refer to the article on *The EU Supply Chain Act (Part 2)* by Seeds of Law (formerly Peeters Law). See also; *EU Supply Chain Law Obliges Organisations to Operate in a Fair Manner (eas.com).*

²³The boundaries and locations depicted on this map are for illustrative purposes only and should not be considered authoritative or definitive. The depiction of international borders is based on publicly available information and may not reflect the latest political developments or legal determinations.



5. Challenges in existing grievance redressal mechanisms

While grievance redressal mechanisms play a vital role in providing avenues for individuals and communities to voice their concerns and seek resolution, they are not without their challenges. Previously, the organisation's responsibility towards grievance redressal was limited exclusively to their employees. The new regime calls for tighter regulations wherein grievance redressal mechanisms need to be made accessible to supply chain members,²⁴ as well as external communities affected by the company's actions. The implications of global regulations for Indian Companies are noteworthy and adherence to the obligations will be necessary to maintain and build business relationships with different countries. The challenges highlighted in this section lead to few or no complaints being registered under the existing complaints mechanism, which is often misconstrued as a sign that there are no issues in the supply chain.



Low awareness

- ❑ Lack of effective communication surrounding the existing complaints procedures has resulted in a limited awareness particularly among community members, vulnerable groups, and multiple tiers of suppliers,
- ❑ Insufficient investment in training programs for employees resulting in individuals being unaware of how, when and where to report grievances,
- ❑ Lack of on-ground awareness at site locations,
- ❑ Low recall value after the complaint has been registered, and
- ❑ Complaints procedures buried deep within an organisation's website or not offered in local languages, can hinder awareness.



Accessibility barriers

- ❑ Only a few organisations extend their grievance redressal mechanisms to external stakeholders such as customers, suppliers, community members etc.,
- ❑ Mechanism is often inaccessible by certain rightsholders due to barriers such as literacy levels, access and know-how of technology, and limited language capabilities, inaccessibility in remote areas etc.

- ❑ Certain employee groups such as those working in the field away from organisation offices/locations, veterans in the system etc. are less likely to report violations due to limited visibility within the organisation, which hampers their accessibility to the reporting procedure.



Absence of trust

- ❑ Fear of reporting misconduct due to retaliation, possible negative impact on employment, personal safety, career progression and other negative consequences,
- ❑ Lack of structured and efficient policies leads to ambiguity, hindering employees trust in the process, which further, compromises the efficiency of the mechanism, and
- ❑ Disbelief or difficulty in comprehending that organisations will acknowledge their actions and take measures to improve through grievance redressal mechanism developed and managed by them.



Lack of independence and transparency

- ❑ Team responsible for conducting investigations may have preconceived bias or prejudice against reporting persons,
- ❑ Conflict of interest between the organisation's goals and individual's personal goals, and
- ❑ Grievance redressal mechanisms may lack transparency due to companies withholding statistics/reports, and keeping reporting persons uninformed about the progress of their complaints.



Inadequate internal resources

- ❑ The need for increased transparency and compliance within the organisation is occurring at a faster pace than organisations' own internal growth in capabilities, and
- ❑ Addressing complex issues may require the expertise of external consultants to strengthen organisation's own grievance redressal mechanism.

²⁴The barriers confronting the Indian manufacturing industry in implementing sustainable supply chain practices have been identified as lack of technical expertise and training, lack of R&D and innovation capabilities, popularity of traditional technology, high initial investment in latest technology and fear of extra workload and loss of flexibility. Source: Barriers and overcoming strategies to supply chain sustainability innovation. Resources, Conservation and Recycling, Gupta, H., Kusi-Sarpong, S., & Rezaei, J. (2020).



Non-standardised procedures or unclear guidance

- ❑ Lack of defined procedures for addressing concerns and investigating complaints,
- ❑ Absence of defined actions to be taken against particular types of complaints leading to inconsistency in remedial measures and disciplinary actions for addressing similar nature of concerns,
- ❑ Centralised grievance redressal mechanisms may not account for local conditions and issues,
- ❑ Lack of clearly defined roles and responsibilities within the organisation may lead to further inefficiency and lost person days,
- ❑ Treating all issues equally in the grievance redressal process may result in inefficient resource allocation, delayed resolution, and a lack of accountability,
- ❑ Undefined method of handling sensitive and confidential information can lead to information leaks that compromise the identity of the reporting person, and
- ❑ Types of concerns that can be addressed by the grievance redressal mechanism not defined leading to high volume of frivolous and out of scope complaints.

The aforementioned challenges garnered support from the working group members,²⁵ who further cited specific cases derived from practical experiences:








- ❑ Reporting persons often report concerns post resignation or securing a job elsewhere fearing retaliation from reporting managers,
- ❑ Low or no response rate from whistle-blowers post initial complaint due to fear of disclosure, which in turn increases turnaround time for resolution,
- ❑ There is a direct correlation between the distance of workers from primary office locations and their likelihood of reporting violations i.e., workers located further are less likely to report violations,
- ❑ Most suppliers refrain from reporting violations due to the drastic difference in their working environment as compared to multinational organisations (MNCs), and
- ❑ Suppliers primarily focus on business continuity and refrain from reporting violations that can hamper their business relations.

²⁵The results have been derived from 5 working group sessions conducted as part of a larger project FairVoice Inter-Company Grievance Mechanism in India: Pilot Programme wherein working group members were asked to provide their inputs on the challenges faced by companies in implementing grievance processes.

6. Value for organisations

An effective grievance redressal mechanism accessible across the supply chain is an important value addition to an organisation's ecosystem for the prevention, detection and remediation of misconduct. The Indian economy comprises of labour-intensive industries, complex supply chains, large share of vulnerable groups in the community and a significant share of blue-collar workers in the workforce.²⁶ The presence of an inter-company grievance redressal mechanism can therefore prove to be beneficial.

An industry-led inter-company mechanism seeks to practically address the diverse set of challenges explained and streamline various regulatory requirements has the potential to surpass conventional whistleblowing methods by addressing a broader spectrum of concerns including areas like discrimination, harassment, human rights violations, and environmental impacts, corruption and also provides a platform for resolving grievances related to these matters. This section illuminates the potential value of such a mechanism for businesses and supply chain members.

 Increased outreach <p>Extending the grievance redressal mechanism to the supply chain can increase supplier outreach by fostering better communication, connecting multiple suppliers which ultimately leads to improved supplier relationships and enhances supply chain resilience.</p>	 Building stakeholder relationships <p>Showcases the company's commitment to fair treatment and responsible business practices building trust among stakeholders such as investors, buyers and suppliers. Business partners gain confidence in the company's willingness to address issues.</p>	 Business relations <p>The implementation of the mechanism can enhance business opportunities within the Indo-German Corridor and tap into potential buyers from the EU and Germany by aligning with international standards.</p>	 Inclusivity and participation <p>By involving various stakeholders, such as employees, suppliers, workers and local communities, companies can gather information from a diverse range of perspectives. This ensures that all affected parties can voice their concerns and seek resolution.</p>
 Building block for risk management processes <p>Complaints about violations act as building blocks for risk management and due diligence, preventing small grievances from escalating into larger problems that could strain the supplier-company relationship. A macroscopic view of risk areas in supply chains and communities can help uncover interlinkages.</p>	 Easy access to technology <p>Organisations can have easy access to the platform and audit logs for all complaints thereby taking a technology-led approach to grievance redressal without having to purchase, build, operate, maintain costly technology and talent for operating an in-house grievance redressal mechanism.</p>	 Early detection <p>Facilitates early detection of potential issues and allows organisations to avoid serious harm. Further, it provides an opportunity to mitigate concerns at early stages within local jurisdictions, rather than undergoing a more complex and costly procedure in foreign jurisdictions where the company is headquartered.</p>	 Strengthening preventive measures and controls <p>Information about human rights and environmental violations received through the mechanism indicates the degree of effectiveness of existing preventive measures. On the basis of such information, organisations can improve or modify their prevention controls to avoid further violations of a similar nature.</p>

Operating a 'well-functioning' grievance redressal mechanism across supply chains is a common challenge faced by many organisations. Cultures, policies and procedures in different organisations rarely overlap, not only with how complaints are captured but also with respect to the procedure for investigation and resolution. Through common frameworks, reporting channels, and investigation methodologies based on global regulations, an inter-company grievance redressal mechanism can help streamline compliance approaches across various jurisdictions. This reduces the complexity of compliance for both SMEs and MNCs operating in different countries.

A third-party platform with standardised investigation procedures and managed by industry experts can aid the implementation of grievance redressal. 69 per cent of working group members concurred that a third-party grievance redressal mechanism would ensure confidentiality, transparency and avoid potential conflicts of interest. 54 per cent of working group members believed that additional investigative expertise would be advantageous for effective resolution of complaints.²⁷

Most working group members agreed that a grievance redressal mechanism is often a more cost-effective approach than executing compliance audits in support of risk management to fulfil due diligence obligations. Frequently, doubts arise regarding effectiveness and outcomes, coupled with fears of retaliation and either indifference or ignorance concerning the crucial balance between human rights and environmental standards, vis-à-vis economic interests. One primary motivation for suppliers to encourage the adoption of a third-party grievance redressal mechanism amongst their employees is the support they receive from buyers in implementing remedial action. This, in turn, enhances plant productivity and better working conditions for the workforce.

²⁶India's blue-collar sector is made up of approximately 450 million workers. Source: *THR World Contributor: Rise of the blue-collar gig economy*

²⁷The results have been derived from supplementary poll questions presented during 5 working group sessions conducted as part of a larger project FairVoice Inter-Company Grievance Mechanism in India: Pilot Programme wherein working group members were asked to provide their inputs on the following question, 'What would be the key advantages of using a third-party grievance reporting mechanism for your organisation'.

7. Identification of target groups or rightsholders

An essential component of a grievance redressal mechanism is meaningful engagement with rightsholders. Therefore, it is imperative to ensure easy accessibility to a grievance redressal mechanism for primary target groups or rightsholders.²⁸ Global regulations state that if individuals who are supposed to utilise the procedure are unaware of its existence or are unable to utilise it due to financial constraints or other barriers, the procedure has failed in fulfilling its purpose. Individuals who are not directly affected by risks or violations must also have access to the complaint's procedure.

Organisations should identify target groups with limited or no access to the complaints procedure, must build upon existing mechanisms and determine the scope for setting up additional channels. Multi-stakeholder initiatives such as an inter-company grievance redressal mechanism, are developed in consultation with a broad range of stakeholders from different industries. The diverse representation ensures that the mechanism is inclusive, adaptable, attuned to the needs of target groups it aims to serve and engages with its intended audience, whether it's vulnerable communities, workers, or other stakeholders. This section covers the process of effectively identifying target groups.

Step 1

Create a comprehensive list of all internal and external stakeholders of the organisation

The identification of target groups plays a crucial role in comprehending the impact of an organisation's operations. It enables them to recognise individuals who may be directly or indirectly affected by their actions. Furthermore, it offers valuable demographic information that can guide the customisation of grievance redressal mechanisms aimed at specific groups. Particularly, inclusion of certain vulnerable groups is paramount. These could include:

- ☐ Women and children,
- ☐ Elderly individuals,
- ☐ Persons with disabilities (physical, cognitive, or sensory),
- ☐ Ethnic or racial minorities,
- ☐ LGBTQ+ community,
- ☐ Low-income or economically disadvantaged individuals,
- ☐ Individuals with limited education or literacy,
- ☐ Indigenous communities,
- ☐ Migrant or seasonal workers, or
- ☐ Persons affected by conflicts or humanitarian crises.

²⁸Section 8 (4) of the LkSG prescribes that the complaints procedure must be accessible to potential parties involved. Target groups or rightsholders in supply chain due diligence are individuals or groups of people who are directly or indirectly affected by the activities of a company and its supply chain. They may include workers, suppliers, community members, indigenous persons, human rights defenders, and consumers. Persons who use the procedure are referred to as 'reporting persons' by analogy to the text of the Act.

²⁹The University of British Columbia defines marginalised groups as individuals or groups that are 'excluded from mainstream social, economic, cultural, or political life. Examples of marginalised groups include, but are by no means limited to, groups excluded due to race, religion, political or cultural group, age, gender identity or gender expression, sexuality, or socioeconomic or financial status'.

Step 2

Identify your primary target groups

While it is essential to recognise and consider the interests of all groups, focusing on primary target groups ensures that the organisation's resources and efforts are directed toward those who have the most significant influence and impact on its long-term sustainability. In terms of a risk-based approach, the most important target groups include people potentially affected by violations in the organisation's operations and supply chain. A risk-based approach can help tailor the selection criteria for primary target groups, such as:



Proximity and involvement: Primary target groups typically have significant influence on the organisation's success, reputation, or operations. Focus on target groups connected to specific products or services that pose a higher risk to people and the environment.



Supply chain presence: Prioritise target groups located in regions where the organisation's supply chain is most extensive such as high-risk regions with known human rights, labour or environmental violations.



Vulnerability and impact: Consider groups that are particularly vulnerable or susceptible to negative impacts from the organisation's activities, including marginalised communities and minority groups.²⁹



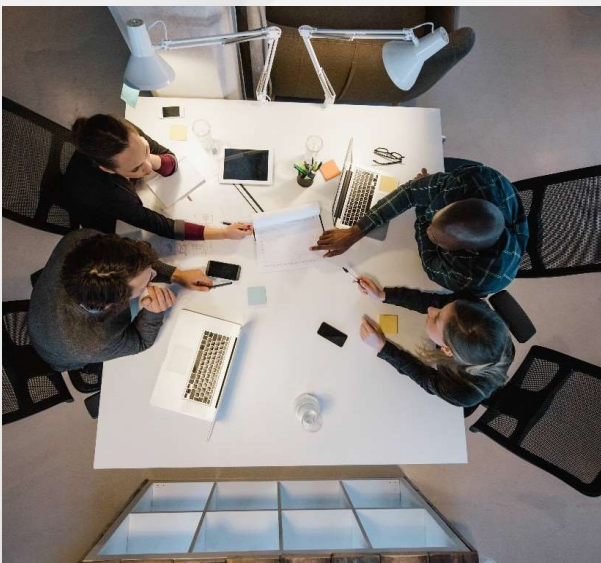
Legal implications: Account for any legal or regulatory obligations specifying grievance inclusion of certain groups in the grievance redressal mechanism. Improve accessibility in regions with stringent regulations to avoid legal risks.



Past incidents: Prioritise target groups in areas with a history of complaints, or concerns raised by specific target groups. Addressing recurring or systemic issues is essential for risk mitigation.

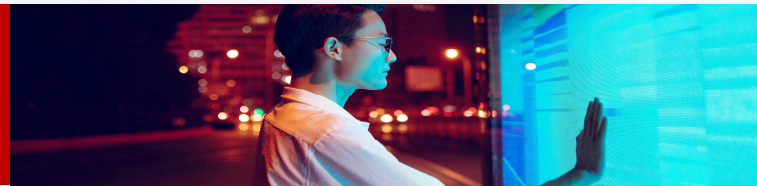


Resource requirements: Account for the organisation's financial resources, capacity, and ability to effectively handle complaints from various stakeholders. Consider participating in external mechanisms or multi-stakeholder initiatives offering a cost-effective, customised and ready-made solution.



The effectiveness of an inter-company grievance redressal mechanism highly correlates with the readiness and willingness of its target groups or rightsholders to participate. Engagement on the workforce level is crucial when it comes to the interlinkage of the **key drivers, confidentiality, accessibility, predictability, transparency, and independence**. Furthermore, it is equally crucial to address the awareness gap among workers or suppliers regarding the existence and benefits of the mechanism. The accessibility, especially for vulnerable and marginalised groups, needs to take into account the on-ground local and cultural conditions. Only 50 per cent of the working group members indicated that their respective organisations had extended their grievance redressal mechanisms to supply chain workers, employees of business partners, and consumers. Whereas, 21 per cent of the working group members stated that the mechanism was accessible to local communities near production sites.

Chapter III - Roadmap for a grievance redressal mechanism



8. Setup and design of a grievance redressal mechanism

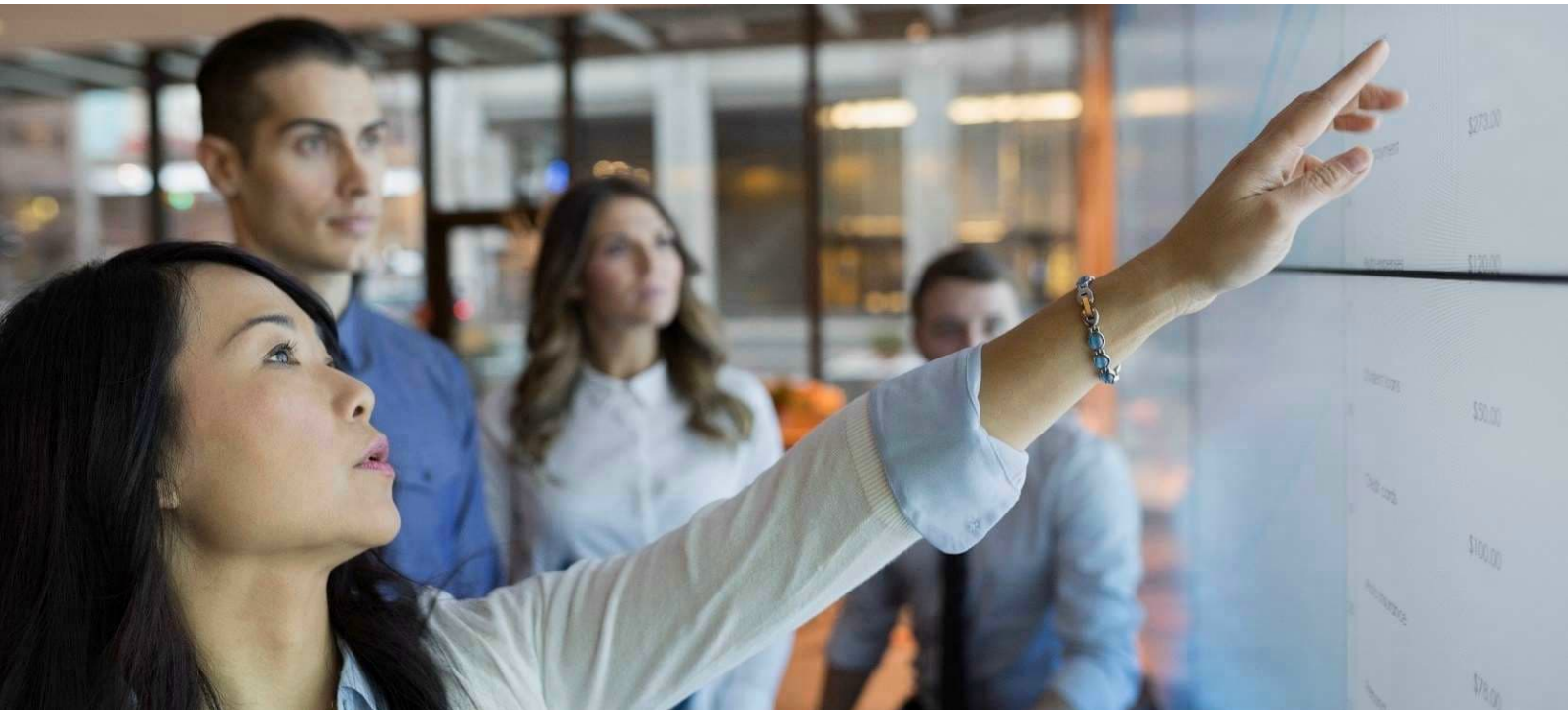
The Supply Chain Act places importance on establishing standardised written rules of procedure for grievance reporting and ensuring that such procedures are publicly accessible.³⁰ The rules should cover, at minimum, the following elements:

-  Types of complaints which will be addressed.
-  Roles and responsibilities of stakeholders involved in the process.
-  Reporting channels available to potential target groups.
-  Contact person(s) available to potential target groups.
-  Complaint process steps: investigation, turnaround time, update intervals, etc.
-  Option for consensual conflict resolution between the parties.
-  Measures for protection of reporting parties.
-  Process to ensure impartial investigation of complaints.

When designing the mechanism, it is essential to engage a wide array of stakeholders. An inter-company grievance redressal mechanism can provide a better alternative to standalone grievance redressal mechanisms because it taps into the collective expertise and varied viewpoints of diverse stakeholders. This collaborative approach is instrumental in formulating well-rounded solutions that effectively tackle intricate supply chain challenges encountered on-ground by organisations. In broad terms, these initiatives ensure that the following requirements are fulfilled:

- 1 → Proactively communicating the procedure to target groups,
- 2 → Adequately trained professionals handling the complaint process,
- 3 → Confirming receipt of complaint, communicating next steps and procedure's schedule,
- 4 → Clarifying facts of the complaint,
- 5 → Setting the right expectations with the reporting person about resolution,
- 6 → Maintaining confidentiality of reporting person's identity and personal data,
- 7 → Informing reporting persons about their rights in relation to protection from retaliation or disadvantage, and
- 8 → Communicating limitations of the procedure.

³⁰Section 3.3 of the BAFA guidelines describe the requirements for designing a complaints procedure. These apply both to internal complaints procedures and to external procedures in which organisations participate in addition to or instead of an internal procedure.



9. Roles and responsibilities of all actors

Well defined roles and responsibilities of all stakeholders in a grievance redressal mechanism helps in establishing accountability, ensuring that each stakeholder understands their duties and contributes to the overall functioning of the mechanism. Additionally, assigning roles helps streamline communication channels and coordination among different stakeholders, preventing confusion and delays in the resolution process. According to the Supply Chain Act, organisations that employ an external or third-party complaints procedure should clearly outline the roles and responsibilities of all participants involved and appoint designated contact persons to facilitate coordination.

The following roles should be assigned to stakeholders in the process and predetermined, i.e., before the procedure goes live and becomes available for use:

- ❑ Designated individual from the human resources, compliance or legal department responsible for establishing policies and guidelines for handling complaints.
- ❑ Case manager, or compliance officer responsible for:
 - receiving, reviewing and investigating complaints,
 - providing updates and feedback to reporting persons, and
 - tracking case progress, and
 - determining appropriate actions for resolution.
- ❑ Designated individual from the human resources department responsible for:
 - facilitating communication between the parties involved,
 - providing support and guidance to reporting persons, and
 - training employees on complaint handling procedures.
- ❑ Designated individual from the legal or compliance department ensuring compliance with legal and regulatory requirements and monitoring effectiveness of the procedure.

Organisations should employ adequately trained professionals who have sufficient knowledge, expertise and resources to understand and evaluate incoming complaints. This could include individuals with specialised training or previous professional experience in the field of mediation and conflict resolution, dealing with sustainability issues across supply chains, or having experience in investigating and processing complaints. Inter-company grievance redressal mechanisms typically have access to a wide pool of such experts, this additional support can empower reporting persons and increase the chance for effective resolution.

Additionally, such mechanisms operate as neutral and independent third-party facilitators. This layer of impartiality is paramount in building trust among reporting persons, as they are more likely to believe their complaints will be addressed fairly and objectively. With their built-in transparency and accountability mechanisms for regular reporting and disclosure of findings, such mechanisms encourage a higher level of accountability with respect to recommended actions.

Scenarios wherein independent third-parties may be engaged:

- ❑ If a female factory worker raises a complaint against a garment brand for unsafe working conditions or denial of overtime pay, an independent third-party expert operating the grievance redressal mechanism can objectively investigate the complaint without being influenced by the brand's interests, and
- ❑ In case of an environmental violation, an independent subject matter expert with in-depth knowledge of environmental regulations and sustainability practices would ensure a detailed evaluation and credible findings when investigating the issue.

10. Human rights and environmental standards

As stated previously, global regulations on due diligence state that organisations must make reasonable efforts to ensure that there are no violations of human rights and environmental standards specified within their own business operations and across the supply chain. This section lists down protected legal positions in line with internationally recognised standards,³¹ particularly the International Labour Organisation's core labour standards and details human rights prohibitions covering the following broad categories:

- ❑ All forms of slavery,
- ❑ Various forms of child labour,
- ❑ Forced labour,
- ❑ Any form of domination or oppression in the workplace,
- ❑ Occupational health and safety concerns,
- ❑ Forms of harassment,
- ❑ Unequal treatment in employment,
- ❑ Restriction on Freedom of Association,
- ❑ Denial of registration with labour unions/trade unions,
- ❑ Employment of underage workers,
- ❑ Withholding an adequate living wage,
- ❑ Negative impact on the environment affecting livelihood of people,
- ❑ Hiring security forces for protection of a organisation's project, and
- ❑ Unlawful eviction and unlawful land, forest, waters acquisition.

Further, environmental standards drawn from a range of sources, including international conventions, industry guidelines, and leading sustainability frameworks such as the Minamata Convention, the Stockholm Convention and the Basel Convention have been stated herewith. Each standard seeks to address key environmental concerns, promoting practices that not only comply with legal requirements but also go above and beyond in minimising environmental impact.

- ❑ Prohibition on manufacture of mercury-added products,
- ❑ Prohibition on the use of persistent organic pollutants,
- ❑ Improper waste management, and
- ❑ Restrictions on the import and export of hazardous waste.

Human rights: global trends and uncertainty³²

- ❑ Cases of human rights violations in India have increased by 37 per cent between 2020-2021 and 2021-2022.
- ❑ More than one in four children in poor countries was involved in child labour in 2019.
- ❑ One-third of women and girls experienced some form of violence during COVID-19 lockdowns.
- ❑ More than 152 million children worldwide are taking part in child labour.
- ❑ Approximately 85 per cent of countries limited workers' right to strike in 2020.
- ❑ Joint and individual efforts by governments, workers, and employers have helped 94 million children engaged in child labour since 2000.

79 per cent of working group members stated that the most common violations reported by internal and external organisation stakeholders pertained to discrimination and harassment issues whereas **72 per cent** stated that corruption, fraud and business integrity issues were more frequently reported.³³

Environmental standards and human rights are closely intertwined.³⁴ Environmental degradation such as misuse of resources, pollution, deforestation impacts the standard of living and society's enjoyment of fundamental rights. Additionally, human rights violations can contribute to environmental harm, as marginalised communities face disproportionate impacts and lack the means to protect their environment.

Dealing with a wide range of interconnected issues can be quite daunting for organisations, especially SMEs. Internal complaint procedures may struggle to effectively handle a diverse array of violations, often due to constraints in terms of human and financial capital. In contrast, multi-stakeholder initiatives take a holistic approach towards grievance redressal, acknowledging the interrelationships between human rights, environmental sustainability, and business integrity. Such mechanisms are managed by a team of experts, equipped to handle multi-faceted complaints within stipulated timelines

³¹Section 2 (1) of the LKSG defines 'protected legal positions' based on eleven Conventions on the protection of human rights as listed in the Act. A human rights or environmental risk has been defined as a situation wherein factual circumstances suggest that there is sufficient probability for the violation of any of the listed prohibitions, and is imminent.

³²Source: Top 40 Captivating Human Rights Statistics (legaljobs.io) and NewsClick: Human Rights violations increased by nearly 37% in less than a year.

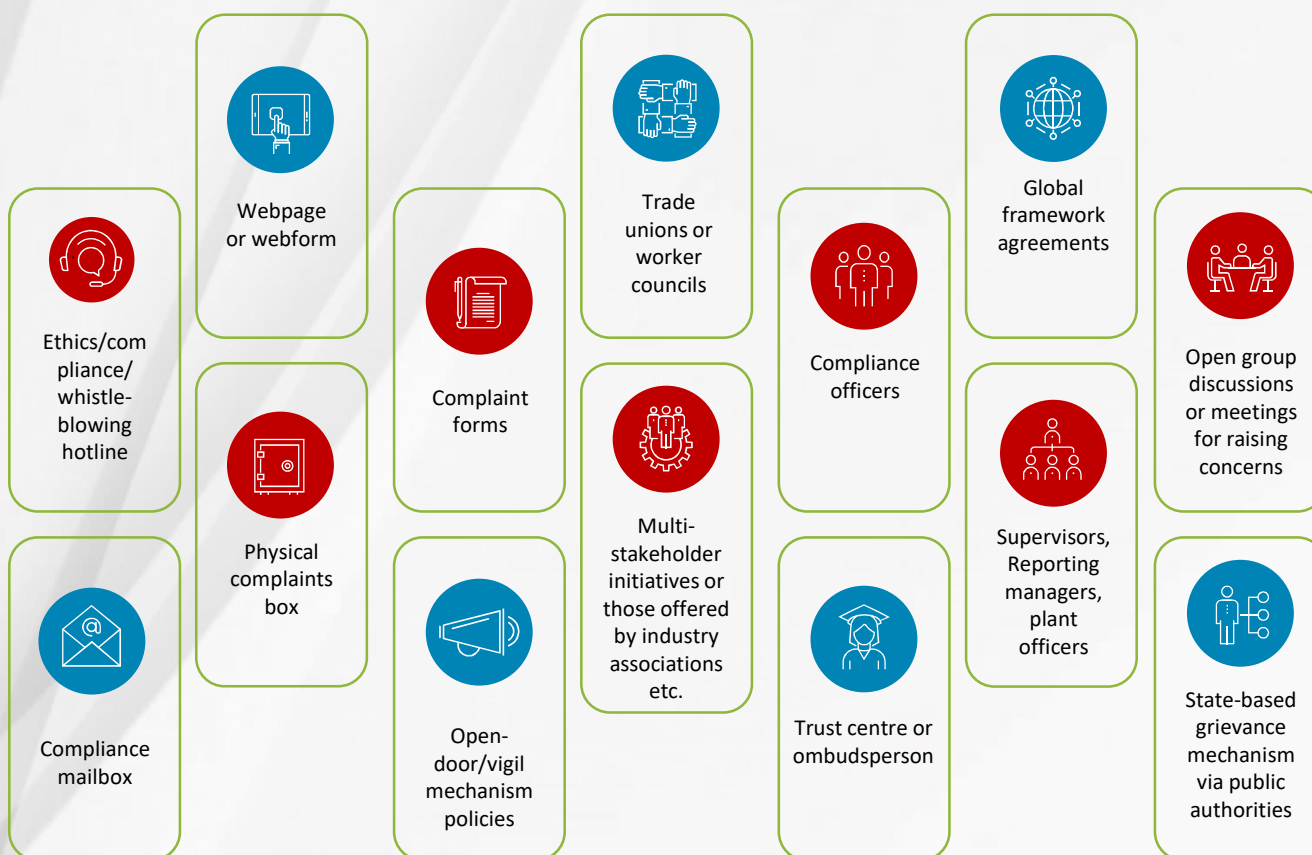
³³The results have been derived from supplementary poll questions presented during 5 working group sessions conducted as part of a larger project FairVoice Inter-Company Grievance Mechanism in India: Pilot Programme wherein working group members were asked to provide their inputs on the following question, 'What are the most common violations reported by your stakeholders'.

³⁴The analysis of a cross-national data set for developing nations revealed significant correlations between social inequality, poverty, external debts, demographics, health, and solid waste. Source: Adeola, F. (2001). *Environmental Injustice and Human Rights Abuse: The States, MNCs, and Repression of Minority Groups in the World System*, 3-23.

11. Reporting channels

The accessibility of the grievance redressal mechanism is of utmost importance. Possible access barriers and measures to tackle them have been mentioned further in this document. One of the most important aspects of a grievance redressal mechanism is the provision of formalised, trusted and confidential reporting channels.³⁵ The objective is not just to have a mechanism in place but have one that works effectively and reaches the intended target groups. We have already considered the possibility that every organisation has a diverse set of target groups. International guidelines recommend that organisations should create multiple reporting channels to cater to the need of different target groups to overcome accessibility barriers.³⁶ The focus is not on a 'one-size-fits-all' approach but rather a 'fit-for-purpose' approach such that the mechanism is aligned with the relevant goals and requirements of target groups.

An Indicative list of reporting channels has been provided to assist organisations in identifying appropriate channels fit for their purpose:



Insights from the working group on the most relevant and efficient mode of reporting grievances:

Provision of a single reporting channel cannot be effective. The classic intake channels are an (1) email inbox, (2) registration or webform and a (3) Complaints hotline. The latter is most preferred as an anonymous option and essential to close the technology gap with blue-collar workers who might not have access to a smartphone or laptop. The digital literacy of these same groups might also be low, hence an effective and accessible hotline serves as a direct link for vulnerable groups in the entire value chain. FairVoice, as an inter-company grievance redressal mechanism offers a variety of reporting channels to accommodate the needs of target groups with varying levels of familiarity and comfort with different communication methods. **Multiple reporting channels enable the mechanism to respond more swiftly to complaints by offering options that align with the urgency of the issue.** Further, a study on external vs internal reporting channels suggests that third-party administered channels can contribute to enhanced procedural safeguards of anonymity and avoid the appearance of impropriety.³⁷

³⁵The findings from a study involving a diverse sample of 46 unionised companies in the private sector suggested that implementing more formal grievance procedures is associated with higher resolution rates at the initial step. Source: Davy, J., Stewart, G., & Anderson, J. (1992). *Formalisation of grievance procedures: A multi-firm and industry study*. *Journal of Labour Research*, 13, 307-316.

³⁶Please refer to: *United Nations Guiding Principles on Business and Human Rights*, and *Federal Office for Economic Affairs and Export Control: Organising, implementing and evaluating complaints procedures*.

³⁷Refer to Gao, J., Greenberg, R., & Wong-On-Wing, B. (2015). *Whistleblowing Intentions of Lower-Level Employees: The Effect of Reporting Channel, Bystanders, and Wrongdoer Power Status*. *Journal of Business Ethics*, 126, 85-99.

12. Classifying incoming complaints

Classifying complaints accurately is crucial for organisations to effectively address and resolve grievances. Emphasis should be placed on the need for caution and clarification to avoid misjudgement and ensure appropriate resolution. Multi-stakeholder initiatives work towards alignment with international standards, facilitating standardised classification of complaints based on multiple factors such as complexity, priority, severity, nature/level of impact and so on. Multiple perspectives from various stakeholder contribute to a deeper understanding of the issue at hand. A few important factors have been stated below to assist organisations in selecting the approach most relevant to their organisational structure and business environment:



Nature of the complaint: Identify the main concern or problem raised in the complaint. Determine what issues would have a bigger financial, legal or reputational impact on your organisation. However, this may not be a mandatory criteria for complainants who have not been educated or informed about different types of possible violations.

Severity: Assess the level of severity.³⁸ Is it a minor inconvenience, a serious concern, or a critical issue that requires immediate attention and resolution.

Event has occurred or is imminent: In a situation where the event has not occurred yet, the reporting person might need protection or immediate action. Such complaints become more crucial than others as they act as early warnings and can help the organisation prevent potential damage.

Frequency and patterns: Identify any patterns or trends among similar issues. Are multiple individuals experiencing the same issue or have similar concerns been reported in the past? Examining frequencies can help prioritise and tackle systemic problems.

Underlying concerns: Even seemingly simple complaints may be manifestations of wider underlying concerns. It is essential to evaluate whether the complaint is indicative of broader issues, such complaints are complex and should take precedence over others.

Additional parties: While a complaint may be raised by a single party, there could be others with similar or competing concerns or involve those who would be affected by a proposed remedy. The potential impact on all relevant stakeholders must be taken into account.

FairVoice, operating as an inter-company grievance redressal mechanism, employs a multifaceted approach to classify complaints based on the parameters listed above. Each complaint undergoes a thorough evaluation, considering its human rights, environmental, ethical, legal and financial implications. The mechanism employs a standardised categorisation methodology, rooted in industry best practices, to ensure that the most urgent or severe complaints are prioritised over others. Additionally, minimum standards have been defined to distinguish valid complaints from those that may be malicious or frivolous. To address each type of complaint effectively, FairVoice has defined procedures that factor in the complaint's nature, complexity, as well as its potential financial and reputational impact.

³⁸Section 3 (2) of the LkSG states that the organisation must prioritise identified risks and determine appropriate due diligence procedures based on the severity and probability of occurrence of violations and the number of affected individuals.

13. Stages in the investigation process

From the initial submission of complaints to the final resolution, each step plays a vital role in addressing concerns and fostering a positive work environment. Organisations should define procedural steps in the complaint resolution process, turnaround time for resolution and highlight stages when the reporting person will be informed about the progress of their complaint. The following process flow highlights the end-to-end process for investigating and resolving grievances.³⁹



³⁹Refer to Figure 2: Exemplary Sequence of a complaints procedure from the BAFA Guidelines; adapted from the UN Global Compact 2019, Worth Listening – Understanding and Implementing Human Rights Grievance Management: Global Compact Network Germany.

⁴⁰Refer to Section 19: Consensual Conflict Resolution for more information.

⁴¹Refer to Section 17: Redressal for more information.



Standard operating procedure

A standard operating procedure outlining the step-by-step process of investigating complaints should be created in line with the process flow highlighted previously. Clear guidelines on how to conduct investigations, evidence gathering, interviews and documenting findings should be established.



Scope of investigations

A well-defined scope clarifies the objective and sets boundaries of an investigation. Investigators can focus on the relevant issue at hand and disregard irrelevant information and tangential issues. This ultimately leads to a more streamlined and effective process.



Professional scepticism

Professional scepticism plays a vital role in conducting investigations. It involves maintaining an independent and questioning mindset, critically evaluating evidence, and challenging assumptions. By embracing scepticism, investigators can uncover hidden information, detect fraud or misconduct, and ensure the integrity and validity of their findings. It contributes to unbiased and thorough investigations with reliable outcomes.



Fact-based and legally tenable

Investigations should be fact-based, relying on documentary evidence to ensure accuracy, reduced bias, and establish a strong evidentiary foundation. Additionally, the collection, preservation, and presentation of evidence must comply with legal standards and requirements laid down by the EU Directives, ICAIs Forensic Accounting and Investigation Standards, etc. allowing for its credibility and admissibility in legal proceedings thereby safeguarding the rights of all parties involved.



Identifying the root cause

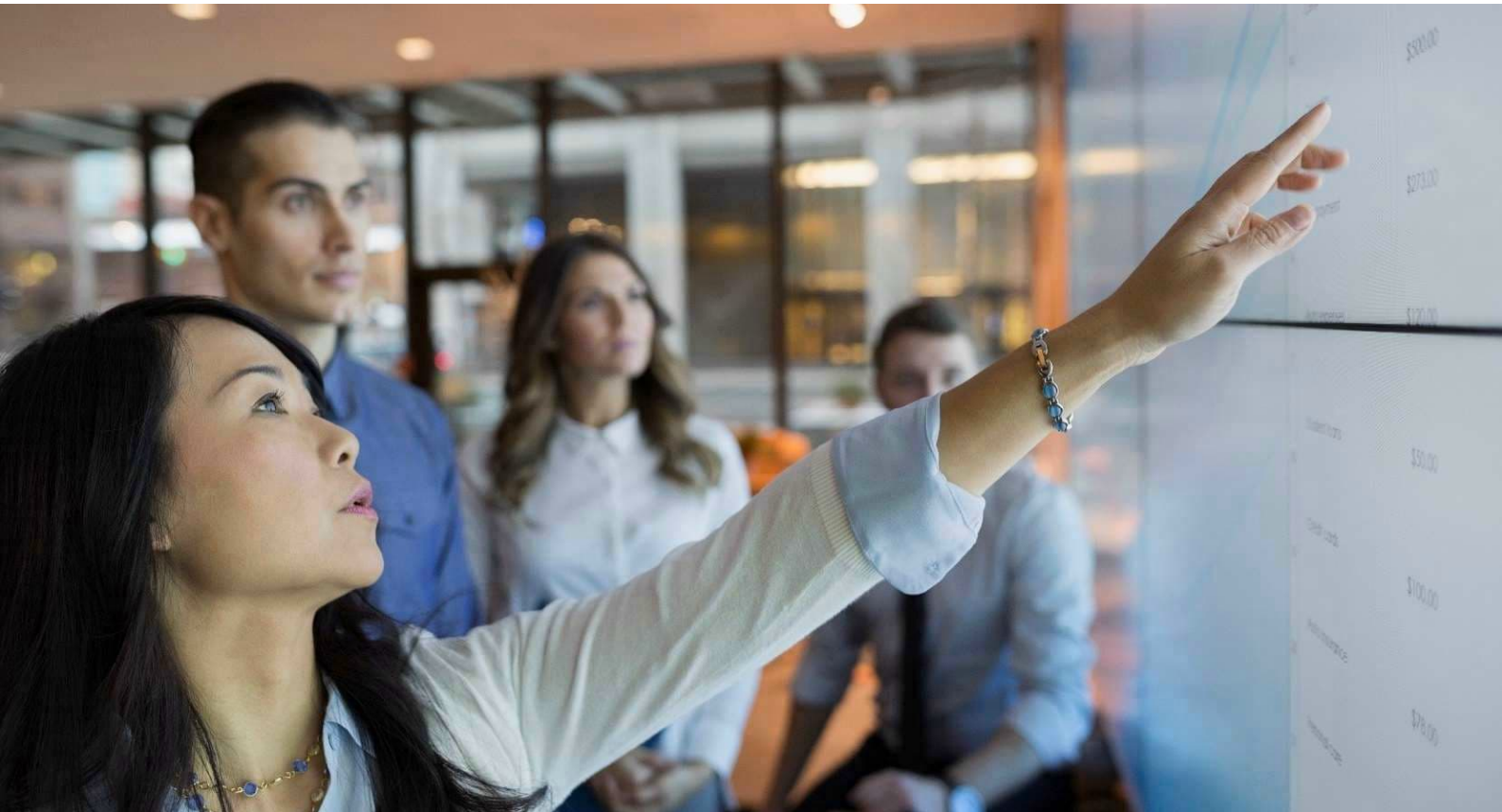
Organisations need to establish the underlying concern or root cause of the violations to effectively address them and prevent reoccurrence. This could involve examining broad factors such as organisational culture, adequacy of policies or procedures, risk management processes, existing controls and analysing relevant data and metrics to identify trends or patterns. A good root cause analysis can unearth previously unknown risks and/or violations.



Impact assessment

Organisations should assess the impact of violations when conducting an investigation, based on several factors such as severity of the complaint, reputational damage, financial implication and the degree of disruption it may cause to business operations.

Subject-matter experts on human rights and environmental due diligence as well as business integrity and corruption with knowledge of local conditions, are essential to conduct investigations adequately and professionally. An inter-company grievance redressal mechanism ensures that investigations are conducted under the guidance and support of experts who adhere to a standard operating procedure. As discussed, such mechanisms are operated by neutral and independent third-parties who bring in extensive knowledge and experience, reduce the potential for bias and are well-versed in best practices for conducting investigations, including the proper collection of evidence, interviewing techniques, and documentation procedures.



14. Impartial actions

An independent and impartial team with diversified skills sets should be responsible for operating an inter-company grievance redressal mechanism. The designated individuals should be professionally trained, possess necessary qualifications and certifications such as:

- ❑ Lawyers with knowledge of labour rights, employment and environment law, due diligence laws including criminal and civil statutes,
- ❑ Certified Fraud Examiner who possess specialised knowledge about investigative techniques, evidence gathering, interview techniques etc.,
- ❑ Chartered Accountants with financial acumen to detect financial anomalies, inconsistencies or red flags indicative of fraudulent activities, and
- ❑ Experts in compliance and ethics, human rights standards, sustainability, supply chain management etc.

There is significant potential for conflicts of interest when individuals employed by the organisation are responsible for investigating and handling allegations against the same organisation.

Therefore, individuals overseeing the complaint resolution process must be able to act impartially, be independent in the performance of their duties, should not be bound by instructions and sworn to secrecy.⁴² This is crucial to protect both the rights of the reporting person and the integrity of the investigation. Measures that organisations can implement for conducting fair and unbiased reviews are mentioned below:

1 Independent third-party provider

Employing an independent third-party provider to manage the grievance redressal mechanism can ensure impartiality. The third-party can receive, evaluate, and investigate incoming complaints objectively and independently, free from internal influence or bias.

2 Anonymous reporting

Establishing a secure and confidential platform for individuals to anonymously report their concerns will safeguard their identities and promote impartiality by eliminating any bias or prejudice linked to personal identities.

3 Conflict of interest disclosure

Individuals involved in the process such as investigators or decisions makers should formally disclose any personal or professional conflicts of interest to maintain objectivity and impartiality. The organisation should also outline steps to be taken if a conflict of interest arises.

⁴²Section 8 (3) of the LkSG states that the persons entrusted with the conduct of the proceedings must offer a guarantee of impartiality; in particular, they must be independent and not bound by instructions but will be bound to secrecy.

15. Protection of reporting parties

The rules of procedure should provide information on how organisations will tackle retaliation and protect reporting parties against disadvantage or punishment.⁴³

Multi-stakeholder initiatives prioritise the protection of reporting parties. Firstly, such mechanisms safeguard identities and encourage reporting by creating a safe environment for individuals to express their concerns without fear of reprisal. Secondly, they prevent victimisation that reporting persons may face as a result of filing a complaint. Thirdly, such mechanisms maintain fairness and impartiality in the process by avoiding bias or prejudice that could arise from disclosure of identities and build trust and confidence in the procedure. Lastly, they ensure compliance with legal and ethical obligations and preserve the reputation of the organisation. The following measures have been developed in line with other multi-stakeholder initiatives to ensure the protection of reporting parties:



Access controls

Implement strict access controls to limit data access to authorised individuals directly involved in the investigation, preventing unauthorised viewing or copying of personal and sensitive information. Additionally, in cases of a physical complaint box being placed ensure there are no cameras in the vicinity of the complaint box, restrict user access through lock and key mechanisms, and implement restricted entry to complaint handling areas.



Confidentiality

Maintain strict confidentiality throughout the process and assure the reporting person that their identity will be kept confidential unless explicit consent is given by them or disclosure is permitted by law. Limit access of physical records to authorized individuals directly involved in the redressal process, implement secure storage and handling procedures for physical documents and designate confidential spaces for investigation of complaints.



Option for anonymity

Offer anonymous reporting channels to allow individuals to submit complaints without revealing their identity. This can include anonymous hotlines, online reporting forms, or designated individuals for handling anonymous complaints.



Non-retaliation policy

A non-retaliation policy should be in place to protect reporting persons from discrimination or punishment when using the complaint procedure. Such procedures should safeguard individuals from direct and indirect retaliation. For example, organisations can establish a zero-tolerance policy towards retaliation, outline disciplinary actions, specific consequences for retaliation or establish contractual provisions that explicitly prohibit retaliation against reporting persons and working group members as a result of reporting violations



Supportive environment

Create a supportive environment where individuals feel safe and comfortable to report their concerns. Offer emotional support services, such as counselling or access to assistance programs to individuals who may require assistance in dealing with the stress or emotional toll of reporting violations.⁴⁴

Confidentiality highly interlinks with the legitimacy of the grievance redressal mechanism. It maintains the integrity of investigations by preventing unwanted interference or tampering from parties involved in the allegation and strengthens the willingness to report. Confidentiality becomes essential to protect reporting persons as disclosure of personal sensitive information would allow conclusions to be drawn about their identity. 88 per cent of working group members stated that sensitive information should be protected through secure platforms for data transfers and password protection whereas 75 per cent working group members recommended encryption of data.⁴⁵ Third-party platforms offer secure databases for information storage with login based access restricted to designated individuals.

Confidentiality becomes critical when dealing with external parties. Information has to be handled carefully and in compliance with relevant data privacy and data protection regulations. There was a general consensus amongst the working group members that contractual clauses and confidentiality agreements (such as non-disclosure agreements) are the most beneficial tool when safeguarding sensitive information and proprietary data.

⁴³Section 8 (4) of the LkSG states that complaints procedure must ensure effective protection against disadvantage or punishment as a result of a complaint being filed.

⁴⁴BAFA guidelines recommend organisations to remain in contact with the reporting person even after completion of the procedure to ensure that they are not subsequently endangered by retaliatory measures.

⁴⁵The results have been derived from supplementary poll questions presented during 5 working group sessions conducted as part of a larger project FairVoice Inter-Company Grievance Mechanism in India: Pilot Programme wherein working group members were asked to provide their inputs on the following question, 'How does your company ensure protection of sensitive information'.

16. Redressal

Taking appropriate steps after a violation has occurred demonstrates that individuals will be held accountable for their actions and sends a clear message to all stakeholders about the company's commitment towards ethical business practices. If the organisation has information that a human rights or environmental violation has occurred or is imminent, appropriate remedial action should be taken to prevent, end or minimise the violation.⁴⁶

Although most organisations have a defined set of disciplinary actions for internal stakeholders, it becomes tricky to apply the same standards when dealing with the supply chain. Based on discussions with industry representatives, a few remedial measures have been identified that prove to be effective and allow organisations to address concerns without disrupting their supply chain:



Dialogue and communication

Initiate a dialogue with the supplier to address the issue and understand their perspective. Each supplier must be given a chance to remedy the situation. Provide a written warning to inform them that their actions, conduct, or performance has fallen short of expectations or violated established rules or policies.



Capacity building or handholding

Undertake activities aimed at enhancing the capabilities, skills, resources, and overall capacity of the supplier. Focus on strengthening the supplier's ability to comply with legal and contractual obligations, improve their performance, and mitigate the risk of future violations. Digital or virtual tools can be utilized to conduct interactive sessions with suppliers in local languages.



Corrective action plan

Work with the supplier to develop a corrective action plan that outlines specific steps they need to take to rectify the violation and prevent future occurrences. This can also be done by collaborative efforts such as sector initiatives and setting up standards to increase the ability to influence the suppliers.⁴⁷



Performance improvement

Implement a performance improvement plan that specifies the standards and expectations the supplier must meet. This may include additional training, audits, or enhanced monitoring to ensure compliance.



Temporary suspension or substitution

Assess the possibility of diversifying your supplier base to reduce dependency on a single supplier. Create a list of possible substitutes and gradually replace the existing supplier or temporarily suspend the business relationship while efforts are being made to minimise the impact of violations.⁴⁸



Contractual remedies

Review the contract with the supplier to identify any provisions or clauses that may allow for penalties, indemnity, termination, or other remedies in case of non-compliance. Enforce these contractual remedies if applicable.

Terminating the business relationship with the supplier should only be considered in serious situations after all other measures have failed to resolve the problem. The working group members opined that backlisting seldom proves to be beneficial as it disrupts the supply chain and has a significant financial and reputational impact on daily operations. The Act makes provisions for situations wherein organisations should consider terminating their relationship with the supplier.⁴⁹

- ☐ In serious cases of human rights and environmental violations,
- ☐ When the implementation of remedial measures fails to remedy the situation within the stipulated timeline,
- ☐ When the company does not have other less severe measures at its disposal, or
- ☐ If the prospect of increasing the ability to exert influence does not seem successful.

It is important to note that FairVoice as an inter-company grievance redressal mechanism does not exclude the use of alternative remedies, such as access to judicial or other non-judicial (governmental) reporting mechanisms. FairVoice primarily focuses on providing organisations with practical remedies that can be implemented without disruption in operations. Constructive solutions to identified problems empower supply chain members to adhere to compliance standards.

⁴⁶Section 7(1) of the LkSG states that the violation needs to be put to an end in Germany and business areas abroad. In case of violations committed by direct suppliers that cannot be resolved in the foreseeable future, organisations must implement measures for ending or minimising the violation without undue delay.

⁴⁷Section 7(2) of the LkSG states that while drawing up and implementing an action plan, joining forces with other enterprises, sector initiatives and sector standards can be done to increase the ability to influence the entity that has caused or may cause harm.

⁴⁸Section 7(2) of the LkSG which states that organisations can temporarily suspend the business relationship while making an effort to minimise the risk associated with the violation.

⁴⁹Section 7(3) of the LkSG which states the situations under which organisations can terminate the business relationship.

17. Tackling access barriers

The accessibility of a grievance redressal mechanism is of utmost importance for its efficacy.⁵⁰ If the grievance redressal procedure remains unknown or inaccessible to the intended target groups, its purpose is defeated. By prioritising and actively addressing accessibility concerns, organisations can cultivate trust and credibility among their stakeholders. Some common access barriers and possible measures to tackle them have been mentioned in this section.

Barriers ⁵¹	Possible measures
 Lack of awareness	<ul style="list-style-type: none"> ❑ Conduct awareness and training sessions at regular intervals. ❑ Communicate grievance redressal channels through informative posters, video clips, induction programmes, emails etc.
 Poor infrastructure	<ul style="list-style-type: none"> ❑ Create appropriate channels (mailbox, hotlines, suggestion boxes, internet links) to cater to preferences of intended target groups. ❑ Designate direct contact persons for reporting complaints in addition to establishing anonymous systems.
 Inaccessibility	<ul style="list-style-type: none"> ❑ Determine reporting channels based on demographics, cultural background, and work environment. ❑ Details of contact persons on visiting cards of personnel who regularly visit suppliers or other third-parties. ❑ Dispensing brochures containing easily understandable information.
 Ineffective management of complaints	<ul style="list-style-type: none"> ❑ Ensure independent and impartial investigations by hiring qualified and trained professionals possessing specialized knowledge in investigation procedures. ❑ Ensure transparent communication regarding the redressal procedure. ❑ Provide timely updates on the status/progress of enquiry proceedings.
 Retaliation against reporting person	<ul style="list-style-type: none"> ❑ Define and communicate measures to protect reporting persons against disciplinary action or discrimination. ❑ Outline consequences for employers and suppliers in case of retaliation. ❑ Designate an immunity period for reporting persons, implement a strict no transfer policy to protect individuals from being transferred to undesirable positions or locations. ❑ Hire security personnel or implement security measures at the company's cost, in case there is a risk of physical harm or intimidation.
 Confidentiality	<ul style="list-style-type: none"> ❑ Disclose identity on a 'need-to-know basis' and with prior approval of the reporting person/concerned authority. ❑ Provide anonymous reporting channels to safeguard the identity of reporting parties.
 Lack of incentive	<ul style="list-style-type: none"> ❑ Conduct regular campaigns on grievance reporting and its value to the organisation. ❑ Promote reporting from top down by senior management.
 Language barriers	<ul style="list-style-type: none"> ❑ Translate information into languages relevant to target groups and location of work. ❑ Graphically represent information in the form of illustrations, posters at locations frequented by the target groups.
 Cost associated with process	<ul style="list-style-type: none"> ❑ Offer free of charge procedures such as a toll-free hotline number. ❑ Outsource the grievance redressal process to third-party service providers with adequate training and investigative expertise.
 Lack of legal awareness	<ul style="list-style-type: none"> ❑ Offer informational resources or workshops to educate individuals about their rights and the complaint process. ❑ Collaborate with legal organisations or pro bono services to provide guidance and support for complex complaints.

⁵⁰As per the *UN Guiding Principles on Business and Human Rights*, Principle 31: A complaints procedure is accessible if it is known to all target groups for which the procedure is intended and if it provides sufficient support for those who have particular access barriers.

⁵¹Adapted and translated from the Federal Office for Economic Affairs and Export Control: *Organising, implementing and evaluating complaints procedures* - Guidance on the complaints procedure under the German Supply Chain Due Diligence Act: I: Exemplary measures to design accessibility in the complaints procedure.



18. Consensual conflict resolution

Organisations can provide an option to parties' to resolve complaints through amicable dispute resolution procedures. This step encourages open dialogue and aims to reach a mutually acceptable resolution with the assistance of a neutral third-party.⁵² Such procedures must address power imbalances between the parties involved in the procedure, specifically those responsible for the grievance procedure must ensure that the agreed remedial measures match the identified interests of reporting persons. The focus on actively listening to parties' interests and needs within the framework of conflict resolution can play a pivotal role in developing tailor-made, sustainable and future-oriented preventive and corrective actions for specific grievances. Organisations should identify qualified individuals or organisations who provide mediation and conciliation services. Suggested forms of consensual conflict resolution have been mentioned in this section.⁵³

Legal aid authorities in India may provide mediation and conciliation services, assisting parties involved in a dispute to resolve their conflicts through facilitated dialogue and negotiation.

Individuals can qualify for free legal aid based on the income thresholds set by respective State Governments.

- ❑ **Negotiation:** A mutually beneficial settlement wherein both parties make efforts to come to an agreement. In this form of dialogue-based redressal, disputants themselves attempt to resolve the concern.
- ❑ **Mediation:** When disputing parties are unable to come to an agreement via negotiation, they may seek the help of a mediator or third-party to help them overcome the obstacles. The aim is to enable both parties to develop effective and rights-compatible remedial and preventive measures with the assistance of a neutral third-party.
- ❑ **Conciliation:** Both parties stay in their respective rooms while the mediator moves back and forth between them. The mediator may allow the parties to trade proposals or hold private discussions to obtain information that could help them resolve the conflict.

19. Need for in-depth investigation

In some cases, organisations may want to go one step further and deep dive into uncovering the root of the concern. This can prove to be helpful in cases where a single concern might be the starting point for underlying systemic issues in the company. It is advisable for organisations to conduct an in-depth investigation in certain situations, preferably by involving external investigators or other professionals who are adequately trained and experienced in the field.

A few indicative scenarios where an in-depth investigation should be conducted are mentioned below:

- ❑ High-risk or high severity complaints,
- ❑ Complaints determined to have significant legal, financial or ethical implications for the organisation,

- ❑ Cases wherein findings are inconclusive or raise additional questions or indicate the involvement of additional parties,
- ❑ Complex or multi-faceted complaints with multiple individuals, departments, locations or spread across various time periods,
- ❑ Sensitive cases involving high profile individuals, top management, sensitive matters etc., or
- ❑ Repeated or systemic complaints.

Organisations should consider enlisting the support of external investigators who possess the requisite skills and expertise for conducting professional inquiries. This proactive approach ensures impartiality, independence, and transparency; that internal investigations may occasionally fall short of achieving.

⁵²Refer to Section 8(1) of the LkSG and Section 3.4 of the BAFA guideline which states that organisations may offer a procedure for amicable settlement. Also see: *Non-judicial Grievance Mechanisms in Global Supply Chains: Recommendations for Institutionalisation, Implementation and Procedural Design* by the Federal Ministry of Justice (BMJ).

⁵³Refer to Annexure A in the *Alternative Dispute Resolution Terms: Corporate Social Responsibility Initiative* John F Kennedy School of Government Harvard University (January 2008); *Rights-compatible Grievance Mechanisms: A Guidance Tool for Organisations and Their Stakeholders*.

20. Information management

Set procedures should be established by organisations for collecting and storing information pertaining to reported complaints, possibly by creating a dedicated database or using a case management software. Persons responsible for handling information should ensure:

- ☐ Original records of complaints, including any physical documents or original digital files should be retained for a period of 7 years,⁵⁴
- ☐ Any documents, data, or evidence collected during the investigation of complaints should be handled and preserved securely. Treat it with the assumption that they may be presented as evidence in a court of law,
- ☐ Strict access controls, confidentiality protocols and security measures should be implemented to prevent unauthorised tampering or disclosure,
- ☐ Records should be stored in a secure and controlled environment with restricted login based access and monitoring systems should be in place to avoid unauthorised access, and
- ☐ All information, documentation and data should be handled and processed in accordance with the General Data Protection Regulation (GDPR) guidelines to ensure the protection and confidentiality of personal data.⁵⁵

21. Effectiveness criteria

Organisations are recommended to review their grievance procedures at least once a year and on need basis. The UN Guiding Principles on Business and Human Rights provide a set of eight effectiveness criteria to guide organisations in designing and operating effective grievance redressal mechanisms. Determining the most suitable methods for implementing the criteria within particular sectors, legal frameworks, and corporate structures is the responsibility of organisation management. Two key principles can be used as the stepping stone to determine the effectiveness of a complaints procedure:⁵⁶

- ☐ To what extent does it enable and encourage relevant target groups to raise a concern even before a violation has occurred, and
- ☐ To what extent does it help to avert damage from reporting persons or to take appropriate remedial action when a violations has actually occurred.

The following table sets out the criteria in the UN Guiding Principles (Principle 31) and offers a list of guiding questions which can be used by organisations as a checklist to assess their grievance redressal mechanism.⁵⁷

Criteria	Sl. No.	Guiding questions and process requirements ⁵⁸
Legitimate	1	Has a process been established for addressing grievances? Does the process include a governance structure defining the roles and responsibilities of each stakeholder?
	2	Has adequate training and necessary resources been provided to personnel responsible for grievance redressal?
	3	Are anti-retaliation policies in place that clearly mention individuals will not be punished or disadvantaged for reporting grievances?
	4	Are controls in place to ensure protection of personal and sensitive data?
Accessible	5	Are potential target groups aware of grievance processes?
	6	Are reporting channels easily accessible by potential users? Are multiple channels available to cater to different target groups?

⁵⁴Section 10 (1) and (2) of the LkSG states that documentation pertaining to due diligence obligations under Section 3 must be retained for a period of 7 years. Organisations must prepare an annual report on the fulfilment of their due diligence obligations and make it publicly available on the organisation's website free of charge for a period of seven years.

⁵⁵Please refer to the General Data Protection Regulation.

⁵⁶Refer to Section 4.3 of the BAFA Guideline which states the principles based on which the effectiveness of the procedure can be determined.

⁵⁷The criteria is based on the UN Guiding Principles on Business and Human Rights, Principle 31 which states that Operational-level grievance mechanisms should reflect certain criteria to ensure their effectiveness in practice.

⁵⁸Adapted from CSR Europe MOC-A Results (2013) and BAFA Guideline: II: Key questions regarding the effectiveness criteria of the UN Guiding Principles, taking into account the specific requirements of the Supply Chain Due Diligence Act; See also OHCHR B-Tech Foundational Paper: Designing and implementing effective company-based grievance mechanisms.

Criteria	Sl. No.	Guiding questions and process requirements
Predictable	7	Has the organisation communicated the process for reporting grievances, turnaround time for resolution and potential avenues to find a solution, with potential users?
Equitable	8	Are potential users being provided necessary support and assistance to effectively use the grievance redressal mechanism?
	9	Do potential users have access to the expertise, guidance, and information required to participate in the process in a fair, informed, and respectful manner?
Transparent	10	Are potential users being informed periodically about the status or progress of their complaint?
	11	Is the effectiveness of the mechanism being reviewed? Are internal and external stakeholders being informed about its effectiveness?
Rights-compatible	12	Are serious human rights and environmental violations being prioritised and escalated to senior management as and when necessary?
	13	Are remedial measures being developed keeping in mind the needs of those impacted and in line with globally recognised human rights standards?
Source of continuous learning	14	Are the lessons learned from using the mechanism being applied to other risk management and due diligence processes and improving their functionality over time?
	15	Is the process reviewed periodically and/or on an ad-hoc basis to measure its effectiveness?
Dialogue-compatible	16	Are potential target groups utilising the mechanism also involved in its performance evaluation?
	17	Were primary target groups consulted in the design and setup of the mechanism?
	18	Is a dialogue-based approach being used for handling complaints? ⁵⁹
	19	Has a feedback loop been created with the potential users of the mechanism to survey their satisfaction with the process and its outcomes?

Additionally, organisations should develop key performance indicators (KPIs) to identify and evaluate trends and patterns of incoming complaints.⁶⁰ This will allow them to measure the performance of developed procedures, identify gaps and create a solid structure for continuous improvement. It is advised to start small by reporting a few KPIs and scale up as and when needed.

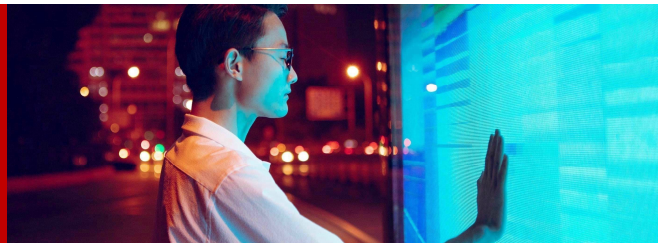
A few suggested KPIs have been listed below:

- ☐ Number of complaints received (opened/closed).
- ☐ Trends in complaints by category, reporting channel, department, severity of violation etc.
- ☐ Complaint resolution rate (as a percentage of total number of complaints).
- ☐ Number of complaints withdrawn, rejected, remedied/not remedied etc.
- ☐ Legitimate vs false or malicious complaints.
- ☐ Number of cases where legal action was taken.
- ☐ Number of redress measures implemented.

The involvement of multiple stakeholders in an inter-company grievance redressal mechanism helps to foster effectiveness and responsiveness of the mechanism according to real market conditions. Ensuring the key principles and drivers of an all-encompassing grievance and whistle-blowing mechanism have been identified as the foundation and the success factors at the same time. **Those are: confidentiality, accessibility, predictability, transparency and independence.** Since the various effectiveness criteria and key drivers are interlinked and correlate with each other, it leads to different levels of engagement and involvement of stakeholders. A feedback loop with the reporting persons and participating companies has been created to ensure that FairVoice, as an inter-company grievance redressal mechanism, can be developed and improved based on the input of the individuals it aims to serve.

⁵⁹A dialogue-based process refers to a process that involves direct engagement with stakeholders which are directly impacted by the procedure.

⁶⁰The suggested KPIs have been developed in line with Section 4.3 of the [BAFA guideline](#).



22. Next steps for implementation

Complying with the everchanging legal regime is never an easy task especially when the structure, complexity of operations and business capacity of some organisations such as SMEs, is very different from MNCs and other large organisations. Operating a well-functioning grievance redressal mechanism across supply chains is a challenge for many entities. Identifying the fundamental principles and drivers of a comprehensive grievance and whistle-blowing mechanism has been recognised as both the cornerstone and the concurrent factors contributing to its success. These are: **confidentiality, accessibility, predictability, transparency and independence.**

The results of our research combined with the mandates of the German Supply Chain Act and other global regulations on Supply Chain Due Diligence and Business Integrity yield a straightforward conclusion: **Organisations should employ an ‘inter-company grievance redressal mechanism’ that addresses human rights, environmental, business integrity and corruption issues through a joint grievance redressal mechanism accessible to both internal employees, the supply chain and vulnerable communities formulated by synergising the core elements of traditional whistleblowing and grievance redressal mechanisms.** This would provide a confidential, transparent, independent, accessible and efficient channel for reporting concerns. Further, it would promote knowledge-sharing amongst stakeholders and peer-learning, provide greater visibility to the company with respect to their supplier’s operations, ensure that the voice and perspective of community members is heard and provide access to remedy to those most affected by human rights and environmental violations.

Many organisations already have a functioning whistleblowing or grievance redressal mechanism; **therefore it is advisable to adapt and build on existing mechanism** to comply with the law. It is crucial that an **independent and impartial** team runs the mechanism. Subject-matter experts well-versed in human rights, environmental due diligence, business integrity and anti-corruption measures should be utilised to conduct investigations adequately and professionally.

Global regulations state that organisations should use their resources in a targeted and effective way and participate in sector-specific or cross-sectoral initiatives to improve their outreach to target groups, particularly sections of the supply chain. Engaging an independent third-party to manage the grievance redressal process would be a practical solution, offering scalability enabling organisations to handle fluctuations in caseload without straining internal resources, bring an unbiased perspective to conflict resolution, promote fairness and increase outreach.

Looking for support?



If your organisation is affected by the new legislation and needs assistance in complying with the provisions of the Act, consider becoming a part of ‘FairVoice Inter-Company Grievance Mechanism in India: Pilot Programme’. FairVoice as an inter-company all-encompassing grievance and whistleblowing mechanism connects organisations with their suppliers in India and helps to ensure compliance with the German Supply Chain Due Diligence Act as well as international best practices. As a third-party mechanism, FairVoice provides independence and thereby, prevents conflicts of interest, enhances confidentiality, transparency and offers subject matter expertise on efficient complaint redressal.

FairVoice in its current state follows the methodology of piloting a business-led multi-stakeholder Initiative. The involvement of the private sector throughout the entire project and its components has been essential to foster the effectiveness and responsiveness of the mechanism according to real market conditions. In its testing phase, the pilot program aims to unveil a proof of concept that will serve as the foundation for refining the mechanism based on the insights gained. FairVoice will enter the market phase once the pilot phase has concluded.

The Initiative is being **carried out by the Indo-German Chamber of Commerce (IGCC) SustainMarkets and Alliance for Integrity** in collaboration with the Business Scouts for Developments programme of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and is **funded by the German Federal Ministry for Economic Cooperation and Development (BMZ).**

If you are interested and would like to participate, please register [here](#) or contact us at sustainmarkets@indo-german.com.

Annex 1: List of abbreviations

Sl. No.	Abbreviations	Full form
1	BAFA	Federal Office for Economic Affairs and Export Control
2	BAFA guidelines	Organising, implementing and evaluating complaints procedures - Guidance on the complaints procedure under the German Supply Chain Due Diligence Act
3	BRSR	Business Responsibility and Sustainability Reporting
4	EU	European Union
5	ESG	Environmental, Social, and Governance
6	GDPR	General Data Protection Regulation
7	KPI's	Key Performance Indicators
8	LGBTQ+	Lesbian, gay, bisexual, transgender, queer or questioning persons or the community
9	LKSG	Lieferkettensorgfaltspflichtengesetz or The German Supply Chain Due Diligence Act
10	MNC	Multinational Corporation
11	MSI	Multi-stakeholder initiatives
12	NGBRC	National Guidelines on Responsible Business Conduct
13	NGO	Non-governmental organisation
14	POPs	Persistent Organic Pollutants
15	SEBI	Securities and Exchange Board of India
16	SME	Small and medium-sized enterprise
17	UNGP	United Nations Guiding Principles on Business and Human Rights

Annex 2: References

1. Legislations

- [Lieferkettensorgfaltspflichtengesetz or Act on Corporate Due Diligence in Supply Chains](#)
- [General Data Protection Regulations](#)
- [United Nations Conventions against Corruption](#)
- [United Nations Guiding Principles on Business and Human Rights](#)
- [The Protection of Human Rights Act 1993](#)
- [India's National Guidelines on Responsible Business Conduct](#)
- [India's Business Responsibility Sustainability Reporting \(BRSR\) framework](#)
- [DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on Corporate Sustainability Due Diligence and amending Directive \(EU\) 2019/1937](#)
- [SEBI LODR Regulations, 2015](#)
- [EU Whistleblowing Directive](#)
- [Companies Act 2013](#)
- [The Evidence Act 1872](#)
- [UK Modern Slavery Act](#)
- [Australia's Modern Slavery Act](#)

2. Multi-stakeholder initiatives

- [Amfori Speak for Change - Grievance Mechanism](#)
- [Ethical Trading Initiative](#)
- [Fair Wear Foundation - Complaints Procedure](#)
- [Fair Labour Association](#)
- [Minerals Grievance Platform](#)
- [RSC: Occupational Safety and Health Complaints Mechanism](#)
- [IPIECA Community Grievance Mechanisms in the Oil and Gas Industry](#)
- [Workers Rights Consortium](#)
- [Bonsucro Grievance Mechanism](#)

3. General guidelines on grievance mechanisms

- Federal Office for Economic Affairs and Export Control: [Organising, implementing and evaluating complaints procedures](#) - Guidance on the complaints procedure under the German Supply Chain Due Diligence Act
- Federal Ministry of Labour and Social Affairs, Business and Human Rights: [Supply Chain Act, Frequently Asked Questions](#)
- CAO Advisory Note "A Guide to Designing and Implementing Grievance Mechanisms for Development Projects"
- United Nations Office of the High Commissioner for Human Rights, 'Accountability and Remedy Project Part III: Non-State-Based Grievance Mechanisms: Enhancing Effectiveness of Non-State-Based Grievance Mechanisms in Cases of Business-Related Human Rights Abuse' (19 November 2019)
- Rasche, A. (2012). Global policies and local practices: Loose and tight coupling in multi-stakeholder initiatives. [Business Ethics Quarterly, 22\(4\), 679–780](#)
- [Input and Output Legitimacy of Multi-Stakeholder Initiatives](#)
- Corporate Social Responsibility Initiative John F Kennedy School of Government Harvard University (January 2008): [Rights-compatible Grievance Mechanisms: A Guidance Tool for Organisations and Their Stakeholders](#)
- [UN Global Compact 2019, Worth Listening – Understanding and Implementing Human Rights Grievance Management: Global Compact Network Germany](#)
- [UN Guiding Principles on Business and Human Rights](#)
- [Assessing the effectiveness of organisation grievance mechanisms: CSR Europe's Management of Complaints Assessment \(MOC-A\) Results](#)
- [OHCHR B-Tech Foundational Paper: Designing and implementing effective company-based grievance mechanisms](#)
- [Non-judicial Grievance Mechanisms in Global Supply Chains: Recommendations for Institutionalisation, Implementation and Procedural Design by the Federal Ministry of Justice \(BMJ\)](#)

Annex 2: References

4. Articles and miscellaneous guidelines

- <https://www.sciencedirect.com/science/article/pii/S2212420920313285>
- [The distinction between a Grievance and Whistleblowing | Opt For Learning](#)
- [Rasche, A. \(2012\) Global policies and local practices: Loose and tight coupling in multi-stakeholder initiatives](#)
- [Seeds Law: The EU Supply Chain Act \(Part 2\)](#)
- [EU Supply Chain Law Obliges Organisations to Operate in a Fair Manner \(eqs.com\)](#)
- [ETHR World Contributor: Rise of the blue-collar gig economy](#)
- [Equity and inclusion glossary of terms: The University of British Columbia](#)
- [Legal Jobs.io: Top 40 Captivating Human Rights Statistics](#)
- [NewsClick: Human Rights violations increased by nearly 37% in less than a year](#)
- [Establishing an Effective Grievance Mechanism: Challenges & Solutions \(ahk.de\)](#)
- [Expansion of the Practical Implementation of Grievance Mechanism in India \(ahk.de\)](#)
- [Incorporating human rights into the corporate domain: due diligence, impact assessment and integrated risk management](#)
- [A Handbook for Value Chain Research.](#)
- <https://www.thomasnet.com/insights/what-is-upstream-downstream-supply-chain-management/>
- [Gupta, H., Kusi-Sarpong, S., & Rezaei, J. \(2020\). Barriers and overcoming strategies to supply chain sustainability innovation. Resources, Conservation and Recycling.](#)
- [Adeola, F. \(2001\). Environmental Injustice and Human Rights Abuse: The States, MNCs, and Repression of Minority Groups in the World System, 3-23.](#)
- [Davy, J., Stewart, G., & Anderson, J. \(1992\). Formalization of grievance procedures: A multi-firm and industry study. Journal of Labour Research, 13, 307-316](#)
- [Gao, J., Greenberg, R., & Wong-On-Wing, B. \(2015\). Whistleblowing Intentions of Lower-Level Employees: The Effect of Reporting Channel, Bystanders, and Wrongdoer Power Status. Journal of Business Ethics, 126, 85-99.](#)