

A GUIDE TO HUMAN RIGHTS DUE DILIGENCE AND RECRUITMENT.

**With new legislation in place and more to come,
how can businesses make sure they are ready?**





EXECUTIVE SUMMARY.

Human rights due diligence is soon to be a legal requirement for large organisations.

This guide takes an in-depth look at the legislation which is coming across Europe and beyond and looks specifically at Germany as a case in point. Germany is ahead of the curve, having already implemented legislation — with further changes coming in January 2024 which will affect thousands of businesses.

Now is the time to act and ensure that you have the right team in place to handle this complex piece of legislation. It requires a good understanding of all areas of corporate governance, including ethics, compliance, ESG and legal.

Heads of Human Rights are understandably in high demand now. Our guide will help you to understand where you can find the best people, what their salary expectations are and what the typical role of a human rights leader entails.

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01.

INTRODUCTION.

Global organisations are under increasing scrutiny, when it comes to Human Rights due diligence.

Complying with human rights due diligence has always been best practice, and there is a compelling business case for taking proactive steps to build out an internal human rights function. Until very recently, it has been a voluntary action by companies wishing to preserve their corporate reputation. Now, things are changing.

New legislation is already underway in a number of EU countries, with Germany leading the way. Under Germany's Supply Chain Due Diligence Act, it is already mandatory – for any company with more than 1,000 employees in Germany – to employ a Human Rights leader and to demonstrate full compliance with the Act. Around 3,000 businesses are within this scope.

This is only the start — the EU is making plans to take Germany's example and extend it to all EU countries with its Corporate Sustainability Due Diligence Directive (CS3D), which is currently making its way through the European Parliaments.

The umbrella term for this type of legislation is **Mandatory Human Rights Due Diligence (mHRDD)**

The focus of this legislation is supply chains, which have for many years been left vulnerable to accusations of sweatshops, dangerous working conditions, child labour and trafficking. No industry sector is immune, although the focus to date has been largely on manufacturing, energy and construction.

The implications of being caught up in a human rights controversy are immense. As a minimum, this would mean damage to corporate reputation, sales and share values. However, under this new legislation, serious financial penalties are now also at stake.

In this report, we will summarise the key points in the legislation. We will then look at the role of a human rights leader specifically, including how, where and when to search for the right person to fill this niche and now crucial role within a business' corporate governance team.

Present and Future human rights due diligence — a shift from voluntary to mandatory

Pressure has been increasing on multinational companies to promote sustainable development in developing countries where they operate and to take responsibility for protecting local communities from any harm caused by their activities.



Global supply chains can be long and complex and can unintentionally lead to negative knock-on effects. Incidences of environmental disasters, land grabbing and violations of labour and human rights are often sadly reported. However, it's important to note that not all global businesses act irresponsibly. Indeed, many multinational organisations contribute positively to development, job creation and improved human and labour rights. But there has historically been no consistency in this, due to a lack of legislation.

Until now, companies have simply been encouraged and trusted to take responsibility through voluntary action. They are expected to conduct due diligence on their own accord, motivated by the desire to avoid reputational damage and maintain the trust of workers and customers. Several international frameworks, such as the UN Guiding Principles on Business and Human Rights have been established to provide guidance on preventing and addressing negative human rights impacts.

However, various research and activist groups have openly criticised this voluntary approach, claiming that most companies do not undertake human rights due diligence voluntarily. As such, international negotiations for a binding treaty on business and human rights have begun at UN level.

Meanwhile, the European Commission is already moving towards making big changes, having initiated consultations on a legislative initiative to make human rights and environmental due diligence mandatory for EU enterprises. Such legislation would be closely linked to the Green Deal and sustainability objectives.



02.

GERMANY'S SUPPLY CHAIN DUE DILIGENCE ACT (LKSG).

At a national level, many countries have individually begun implementing mandatory human rights due diligence legislation in specific sectors or addressing particular human rights violations. Germany is one such country.

Germany's Supply Chain Due Diligence Act — known locally as LkSG — came into force in January 2023. It initially affected companies with at least 3,000 employees in Germany – whether they are headquartered in Germany or have operations there – and this has recently changed to 1,000 employees, as of January 2024. Such businesses are obligated to appoint an in-house human rights specialist and demonstrate a clear process for carrying out supply chain human rights due diligence.

This includes screening suppliers for risks related to forced labour, child labour, environmental impact, discrimination, unethical employment and unsafe working conditions.

The law not only requires companies to identify and assess these risks but also to prevent and address any adverse impacts.

Furthermore, eligible companies must publish an annual report outlining their approach to risk identification and mitigation.

Non-compliance with the Act can result in harsh financial penalties. These may include

finest of up to 2% of the company's average annual global revenue or up to €400,000,000.

In addition to this, individuals can be liable to pay up to €800,000 and the company may face a temporary ban on applying for public contracts.

Germany's legislation sets a precedent for global, mandatory due diligence. The Act applies not only to German-headquartered companies but also to companies with branches in Germany and German subsidiaries of foreign companies that meet the employee thresholds.

Group companies are included in the calculation of the number of employees of the parent company and the Act considers employees as "any worker with an employment contract for longer than six months."

WHAT EXACTLY IS REQUIRED TO COMPLY WITH LKSG?

The Supply Chain Act outlines nine specific due diligence obligations that apply to companies with significant operations in Germany:

1. **Risk Management:** Companies must establish an appropriate and effective risk management system to ensure compliance with the due diligence requirements stipulated in the Act.
2. **Human Rights Officer:** Companies must designate an individual responsible for monitoring risk management and appoint a human rights officer.
3. **Risk Analysis and Assessment:** Companies must conduct an annual risk analysis of both their own operations and direct suppliers. Additionally, they must perform ad hoc risk assessments when necessary.
4. **Policy Statement:** Senior management is required to issue a policy statement outlining how the company fulfils its due diligence obligations under the Act. This statement should include the risks identified during the analysis and the human rights and environment-related expectations imposed on employees and suppliers.
5. **Preventive Measures:** In the event of identified risks from the analysis, the company must promptly implement appropriate preventive measures within its own business area (e.g., through training) and towards direct suppliers (e.g., by seeking contractual assurances related to human rights and environmental expectations).
6. **Remedial Action:** If a violation of human rights or environmental obligations occurs or is imminent within the company's business area or at a direct supplier, the company must take appropriate remedial action.
7. **Complaints Procedure:** Companies must establish an appropriate internal complaints procedure or participate in an external procedure to receive reports on human rights and environment-related risks.
8. **Indirect Suppliers:** Companies are also obligated to adhere to the due diligence requirements of the Act (albeit in a less strict form) concerning their indirect suppliers.
9. **Documentation and Reporting:** Companies must continuously document their fulfilment of the due diligence obligations and prepare an annual report. This report must be made publicly available on the company's website and submitted electronically to the German Federal Office for Economic Affairs and Export Control (BAFA).



With regard to point 2, appointing a human rights officer: it is possible to assign duties to an existing member of your compliance team. However, given the scope of the due diligence requirements, it is highly unlikely that any one person could add these responsibilities onto their existing workload. To ensure full compliance, organisations are strongly recommended to appoint a Head of Human Rights to focus solely on all matters relating to human rights due diligence.

It is also important to understand that the legislation is only the beginning of this journey towards a more ethically-focused corporate world. As founder & CEO of Unseen UK, Andrew Wallis OBE told us:

“Legislation never stands still and neither should it. I don’t think mHRDD is the final piece. I think there is a structural problem which still hasn’t been addressed. What does ‘sustainable profitability’ look like? In procurement, the only incentive is profit margins, which puts pressure down the supply chain — but that should not be the only driver.

We’ve got to transition to a sustainable profit model of procurement where social metrics are just as important as the financials. So this legislation is a step, but there are more systemic issues to tackle — and so more legislation is likely to follow. ”



WHAT ARE THE CONSEQUENCES OF NON-COMPLIANCE?

Business which do not comply with the obligations under the Act not only risk reputational damage — there are also significant financial penalties for violations.

- **Fines:** Penalties of up to EUR 8 million, depending on the nature and gravity of the violation. Companies with an average annual turnover of over EUR 400 million can be fined up to 2% of their turnover.
- **Ban from public tenders:** No-compliance with the Act can lead to companies being excluded from winning public contracts in Germany for up to three years.

03.

MHRDD — WHAT ARE OTHER COUNTRIES DOING?

Germany's efforts to address human rights compliance are certainly not isolated, as various other countries and organisations have also taken action in this regard.

- **European Union:** The European Council approved a Corporate Sustainability Due Diligence Directive in November 2022. This directive mandates companies operating within EU states to ensure that their activities, as well as those of their suppliers, align with human rights and environmental sustainability criteria.
- **Netherlands:** The Child Labour Due Diligence Act of 2019 requires companies selling or supplying to Dutch consumers to investigate whether child labour was involved in the production process.
- **France:** The Duty of Vigilance Law of 2017 requires large French companies or French-based subsidiaries to identify risks and prevent severe impacts on human rights and the environment arising from their operations and those of their suppliers.

Several other countries are contemplating introducing similar human rights due diligence requirements on businesses in the near future too, including:

- **United States:** The Slave-Free Business Certification Act, currently under consideration in the US Senate, proposes that businesses with significant revenue must conduct annual audits to identify any use of forced labour within their supply chains.
- **Hong Kong:** Discussions are underway to implement mandatory climate reporting for financial institutions and listed companies by 2025.
- **All EU member states:** When the Corporate Sustainability Due Diligence Directive takes effect, all EU countries will have to adapt or adopt laws similar to Germany's approach.



04.

WHY NOW IS THE TIME TO ACT.

The drive to increase company accountability for human rights standards is accelerating and it is likely that more and more regulators and jurisdictions will impose human rights legislation in the near future. Therefore, businesses should prepare for compliance now, rather than wait for the final legislation, and ensure that company leadership is fully briefed on what is involved in being compliant — with Germany being the ideal case study.

Implications of not taking action now

Translating human rights due diligence legislation and governance standards into practical steps for any business is complex and time-consuming. As a result, organisations are advised to act now, in advance of legislative duties. The first step is to appoint a Head of Human Rights*. Doing this now will allow adequate time to address inevitable complexities, cultural differences and competing objectives.

If left too late, then the post-holder will not have sufficient time to prepare for full compliance and this brings with it the risk of financial penalties.

**Leonid can help with finding you a human rights leader within one month of instruction.*

Beyond mHRDD

It is worth remembering that there are a number of other benefits to building a human rights function within a business, including:

- Improved stakeholder relations
- Improved employee recruitment, retention, and motivation
- Improved risk assessment and management
- Reduced risk of consumer protests
- Enhanced corporate reputation and brand image
- Strengthened shareholder confidence
- More sustainable business relationships with governments, business partners, trade unions, sub-contractors and suppliers.

WHAT ARE THE CORE RESPONSIBILITIES OF A HUMAN RIGHTS LEADERSHIP ROLE?

POLICY

Commit to respect human rights

Embed human rights policy in the company's culture

HUMAN RIGHTS DUE DILIGENCE

Identify potential and actual human rights impacts

Act upon the findings

Track company's performance on preventing and mitigating impacts

Communicate the company's efforts

REMEDiation

Establish operational-level grievance mechanisms

Provide for or cooperate in remediation





05.

PAST, PRESENT & FUTURE HIRING TRENDS FOR HUMAN RIGHTS ROLES.

Past

Prior to mHRDD being in force, the role of a human rights leader sat within a range of internal functions. Typically, this was within either Audit, Legal or Supply Chain teams. It was also a fairly uncommon appointment, only really evident in companies where ethics were a driving force for the business.

Present

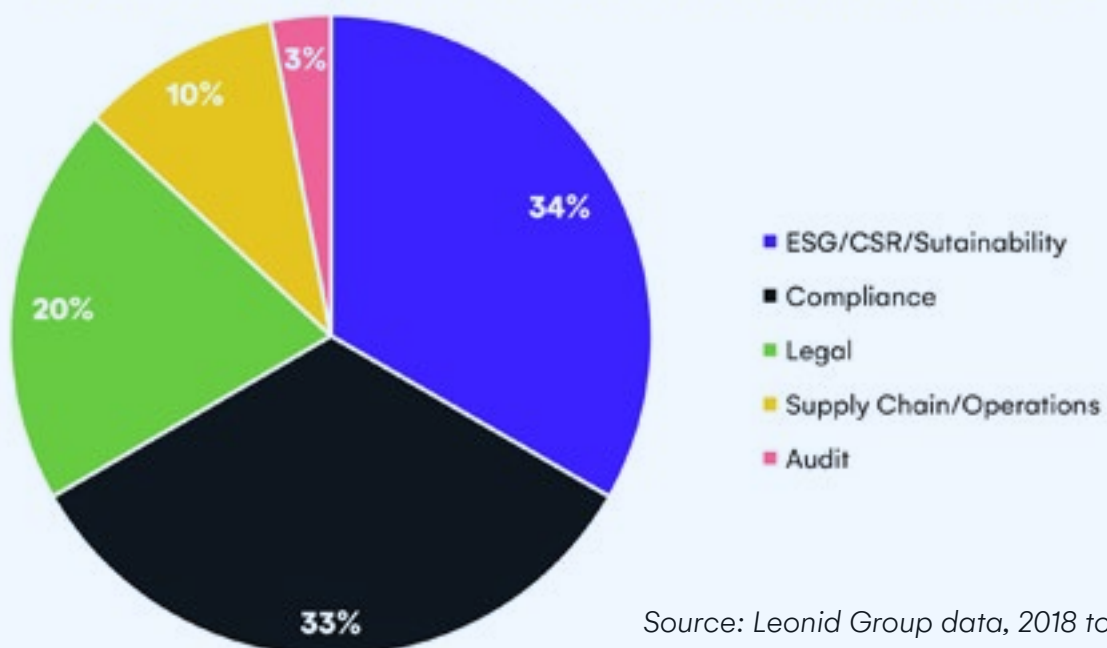
Businesses with German operations and more than 3,000 employees are adding a 'Head of Human Rights' to their existing corporate governance teams. There is still some variation regarding where the role typically sits; this can be within Compliance, Legal or ESG/CSR teams.

Many companies with more than 1,000 employees and a German base have already begun and — and in many cases completed — their search for a Human Rights leader, so that they have someone in place and ready to hit the ground running in January 2024.

Future

We expect to see a steady increase in hiring for a Human Rights leader from all European businesses with more than 1,000 employees, as well as more global businesses with complex supply chains and significant customer bases across the European Union. The roles may sit within Compliance, Legal or ESG/CSR teams.

WHERE HUMAN RIGHTS SITS WITHIN AN ORGANISATION



Source: Leonid Group data, 2018 to 2023

06.

RECRUITING FOR HUMAN RIGHTS LEADERSHIP ROLES.

Where do you find the best people?

There isn't a straightforward answer to this, as the human rights recruitment market is still in its nascence and there is a scarcity of candidates with a pure human rights corporate background. As such, companies need to keep an open mind with respect to candidates' background, skills and experience

The good news is, there is a lot of crossover with existing roles and many skills are transferable. Where you look for candidates really depends on the structure and aims of the hiring company.

At Leonid, we are connected to all of these key stakeholder groups and have identified the best sources of human rights talent.

Here are some considerations when it comes to candidate background:

ESG background

There is a lot of synergy between human rights and ESG, particularly with respect to stakeholder management. ESG professionals will also have a strong overview of sustainability practices and legislation, which will be crucial for understanding any vulnerabilities in a supply chain.

Legal background

A Head of Human Rights will need to work very closely with legal teams, so having a legal background can be highly beneficial. The only potential area of knowledge gaps would be around the intricacies of supply chains in private sector companies.

Consultancy background

Many global business have been employing consultants to advise on human rights strategy, so anyone who has worked in this capacity will have a good, holistic approach and experience in implementing specific regulations.

Audit/regulatory reporting background

Depending on the ambition of the hiring company, the key driver may be to comply with reporting regulations; in which case, an audit or regulatory reporting background will ensure efficient delivery in this area.



07.

SALARY GUIDE FOR HUMAN RIGHTS LEADERSHIP ROLES.

The following information is a guide to base salaries only.
There will be variations in bonuses, benefits and geographical weighting.

Global / Group Head of Human Rights (10+ years' experience)

Germany	LQ — EUR 120,000 Median — EUR 175,000 UQ — EUR 240,000
Switzerland	LQ — CHF 180,000 Median — CHF 250,000 UQ — CHF 300,000
France	LQ — EUR 100,000 Median — EUR 145,000 UQ — EUR 200,000
UK	LQ — GBP 120,000 Median — GBP 160,000 UQ — GBP 225,000

Human Rights Officers / Managers / Specialists (3–7 years' experience)

Germany	LQ — EUR 70,000 Median — EUR 100,000 UQ — EUR 125,000
Switzerland	LQ — CHF 80,000 Median — CHF 125,000 UQ — CHF 150,000
France	LQ — EUR 60,000 Median — EUR 95,000 UQ — EUR 120,000
UK	LQ — GBP 50,000 Median — GBP 90,000 UQ — GBP 110,000

ESG/Supply Chain Reporting Managers (5+ years' experience)

Germany	LQ — EUR 80,000 Median — 115,000 UQ — 140,000
Switzerland	LQ — CHF 100,000 Median — CHF 130,000 UQ — CHF 160,000
France	LQ — EUR 80,000 Median — EUR 95,000 UQ — EUR 120,000
UK	LQ — GBP 65,000 Median — GBP 90,000 UQ — GBP 115,000

Source: Leonid data and LinkedIn

08.

CASE STUDY — A SUCCESSFUL SEARCH FOR A HEAD OF HUMAN RIGHTS.

A Swiss pharmaceutical company with extensive operations in Germany, was looking for a Head of Human Rights, in order to comply with the Supply Chain Due Diligence Act. The role was to be based in Munich, partly remote but with regular visits to the office.

The client understood that the candidate pool for senior leaders with specific human rights experience was very small, so they were open to recruiting candidates with either an ESG or Legal background.

There was also an urgent need to fill this role, so the company turned to Leonid, which pledged to find their ideal candidate within one month from instruction, using the ‘Magic Month’ methodology.

Leonid proactively contacted a number of suitably qualified candidates and delivered video shortlists to the client within the agreed timeframe of 14 days.

These video interviews — ‘LeonidLive’ — enabled the client to quickly gain a deep understanding of each candidate’s personality and communication skills. This format also made it easy for other internal stakeholders to view and assess the videos, leading to a quick and efficient decision-making process.

The results

The Head of Human Rights role was successfully filled within the 30 day/Magic Month timeframe, with the client receiving video interviews of shortlisted candidates within the agreed 14 days and a final decision on chosen candidates was made before 30 days.

The speed of the process was largely down to our consultants’ extensive personal networks and specialist knowledge of the compliance, ESG and human rights markets.

What did the client think?

“The need for a speedy hiring process was something that Leonid took very seriously. They hit the Magic Month which they promised as part of their value proposition. Another impressive aspect of Leonid’s service is their almost telepathic ability to fully read what you really need as a customer and how they instinctively knew how to source the right people for our roles in a quick and seamless fashion. The rapport they built and their communication throughout the process made working together a joy.”

P. C., Global Head of Compliance & Ethics (client confidential)



09.

HOW MANY HUMAN RIGHTS LEADERS HAVE BEEN APPOINTED?

GERMANY (3,000 + employees)	
2021	38
2022	110
2023 (H1 data only)	95
GERMANY (1,000+ employees)	
2021	18
2022	125
2023 (H1 data only)	120
EU & UK (3,000+ employees)	
2021	15
2022	48
2023 (H1 data only)	204
EU & UK (1,000+ employees)	
2021	8
2022	27
2023 (H1 data only)	85

Source: LinkedIn

What this means for your business

Leonid has experienced tremendous growth in Human Rights in the last 12 month alone. Some businesses who previously believed they could hire internally and nurture Human Rights and/or Supply Chain Due Diligence from existing employees have struggled to operationalise their Human Rights programmes and meet the ever-growing regulatory requirements.

The explosion in hiring these professionals means both a scarcity in the talent market and a premium for qualified professionals. This will only get worse as more businesses are pulled into the LkSG and CS3D.

What is the proportion of internal vs external hires?

Internal candidates — 55%
External candidates — 45%

Which backgrounds do the external candidates have?*

ESG/Sustainability — 35%
Legal — 20%
Compliance — 25%
Consultancy — 20%
Supply Chain / Operations — 5%

Leonid has seen a shift in the talent market for sustainability, human rights and ESG professionals over the last year. As regulatory requirements become more complex and obligatory, we've seen a move away from appointing external consultants and a significant sway towards hiring a permanent, senior, in-house employee.

**Data from the Leonid database, covering the first half of 2023*

10.

INSIDER PERSPECTIVES — WHAT OUR CANDIDATES ARE TELLING US.

With human rights being a relatively new area of specialism, there is not currently a huge amount of open discussion about what the role of a human rights leader involves and what challenges they face, day-to-day. Here are a few comments from Leonid candidates who are currently working in human rights leadership roles.

“Stakeholder engagement is one of the most challenging aspects as there is still a lot of work to do in educating businesses about why we need to take decisive action in this area.”

“The regulatory landscape is constantly changing, which means it’s essential to keep tuned in to what is going on and to plan ahead for what will come next.”

“Sustainability is still a buzz word for many and sadly, it still isn’t receiving the level of attention, funding and budgeting that it needs within many organisations.”

How Senior should a Head of Human Rights be?

We discussed this in conversation with Unseen UK, which works with companies of all sizes to mitigate risk and tackle exploitation in their business and supply chains. As one of the leading experts in the Human Rights sphere, we sought its opinions on best practice organisational structure:

“There is a danger that the Head of Human Rights is seen as ‘niche’, but it really needs to be a board-level role; to liaise with shareholders, investors, markets...it’s the first step to ensuring human rights due diligence trickles down every part of the organisation.”

— Andrew Wallis OBE,
Founder & CEO of Unseen UK





11.

HOW TO RETAIN GREAT PEOPLE IN HUMAN RIGHTS LEADERSHIP ROLES.

With a limited pool of suitably experienced candidates for human rights leadership roles, it is vitally important to retain those who you do hire. Taking into account the complexity of the role and the internal challenges which post-holders typically encounter, there are a number of factors which will increase the chances of employee retention.

1. An effective recruitment strategy

It sounds obvious, but if you hire the right person, they are far less likely to leave. To this end, it is worth starting the hiring process as early as possible. Write a detailed job description and ensure that all the right internal stakeholders are involved in the process. At Leonid, we work on a search basis, using multiple research techniques and our wide network to source the very best talent. We then conduct short video interviews with shortlisted candidates, which not only helps speed up the recruitment process, it also enables multiple colleagues at the hiring company to assess the candidates in a highly efficient manner.

2. A tailored onboarding

The onboarding process for any new employee is a crucial time for setting expectations and making someone feel welcome in their new role. As a human rights leader is most likely to be a newly created post, it's important to ensure your new recruit feels instantly welcomed and positive about the role they are embarking on. With fewer worries around admin tasks and acclimatising, it will enable them to become productive far more quickly.

3. Set out a path for progression & support

A lack of opportunities for progression is commonly cited as a key reason for leaving a business. The human rights leadership role is likely to offer little room for progression in the mid-term; however, training and mentorship can be of great value in a role such as this.

4. Strong stakeholder engagement

For human rights to be taken seriously, it is important that all areas of the business understand the reason for the function and the part they each need to play to ensure a successful implementation.

5. Internal training and education

It is strongly advised that businesses offer company-wide education on human rights legislation and the importance of compliance, even for those individuals who may not appear to be directly affected. The more visibility the team has, the more support it will gather internally.

6. Set out a plan for growing the department

The demands on any human rights function are only going to increase over time, so your new recruit should feel supported and know that they will have scope to grow the team accordingly, when the time is right.

12.

CONCLUSION.

Our research and conversations with industry stakeholders has proved that there is a very real and urgent need for large organisations to ensure they are fully prepared for mHRDD. The degrees of preparedness vary at present; some industries such as pharmaceuticals which are already heavily regulated, have led the way and appointed their human rights leader with sufficient time to prepare for full compliance.

Many EU businesses are now implementing their plans to bolster the team ahead of CS3D, which is expected in 2025/6.

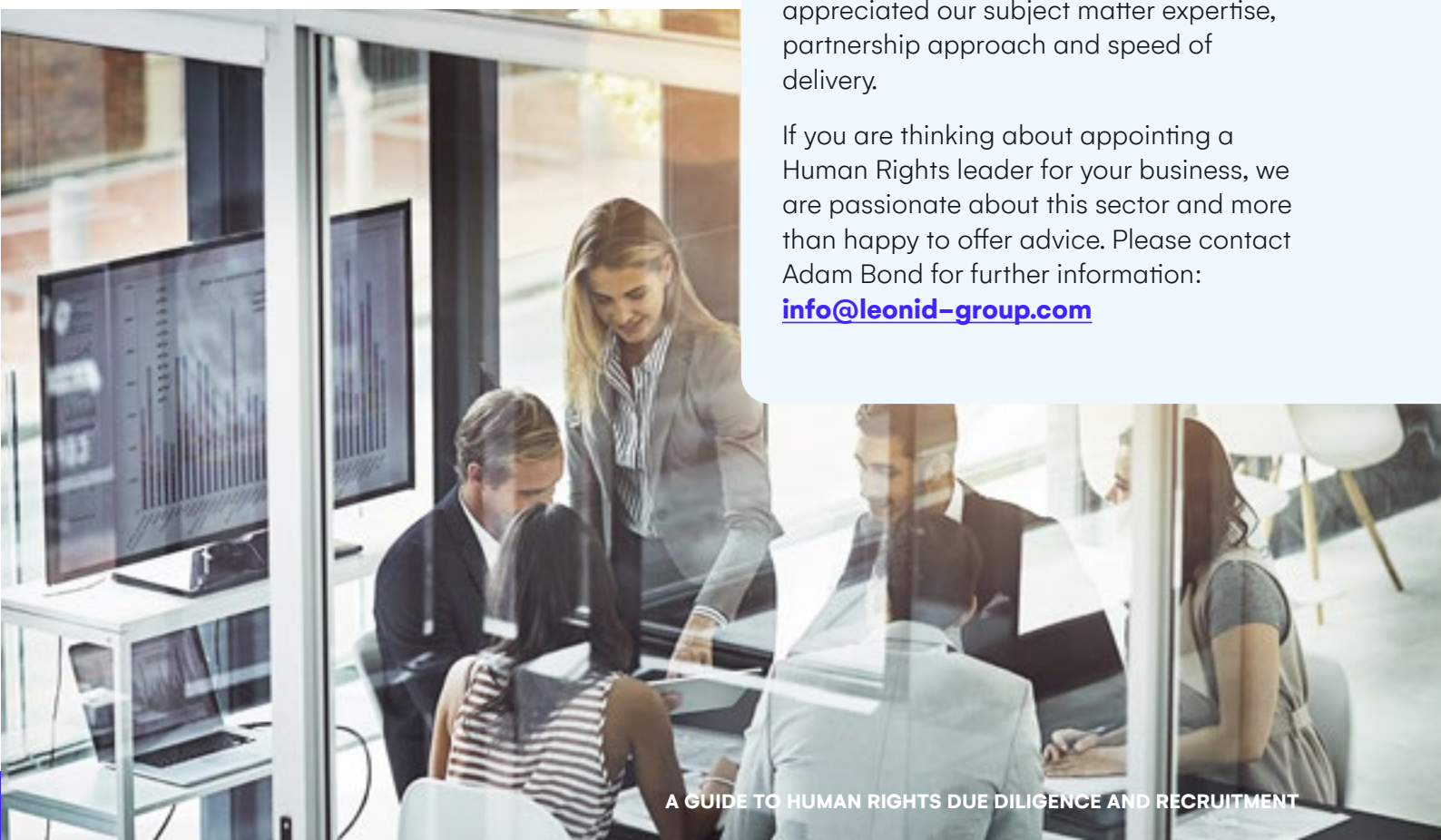
Others are adopting more of a ‘wait and see’ attitude, but this runs a high risk of financial penalty and we hope that raising awareness through information like our guide here will help people to better understand the implications of not taking action soon enough.

The human rights recruitment market may be an emerging one, but the availability of talented individuals with relevant backgrounds and transferable skills must not be underestimated. An open-minded approach to the background of candidates will certainly help to ensure a high quality shortlist of candidates.

LEONID’S APPROACH

Leonid works solely on a retained search basis. Our tech stack and strong candidate network mean that we can source the very best talent on the market smoothly and efficiently, resulting in your ideal candidate being hired within 30 days. This is around **three times faster than the industry average**. We have a 98% success rate on all accepted mandates and a high level of repeat custom from clients who have appreciated our subject matter expertise, partnership approach and speed of delivery.

If you are thinking about appointing a Human Rights leader for your business, we are passionate about this sector and more than happy to offer advice. Please contact Adam Bond for further information: info@leonid-group.com





leonid



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