

How Human Rights Reporting Can Help Companies Manage Risks

UN Regional Forum on Business and Human Rights
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The logo for Shift Project Ltd. features the word "Shift" in a bold, italicized sans-serif font. The letters "S", "h", "i", and "f" are white, while the letters "t" and "t" are red. A small red dot is positioned above the second "i".

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Putting Principles into Practice

Rachel Davis, Managing Director

UN 'Protect, Respect and Remedy' Framework

**State Duty to
Protect**

**Corporate
Responsibility
to Respect**

**Access to
Effective
Remedy**

What is expected of companies?

Corporate Responsibility to Respect Human Rights

- Prevent and address harm to people
- In own operations and in business relationships
- Focus on risk to people
- Cannot offset with philanthropy
- Move from 'name and shame' to 'know and show'



Policy Commitment and Embedding

Human Rights Due Diligence

Remedy and Grievance Mechanisms

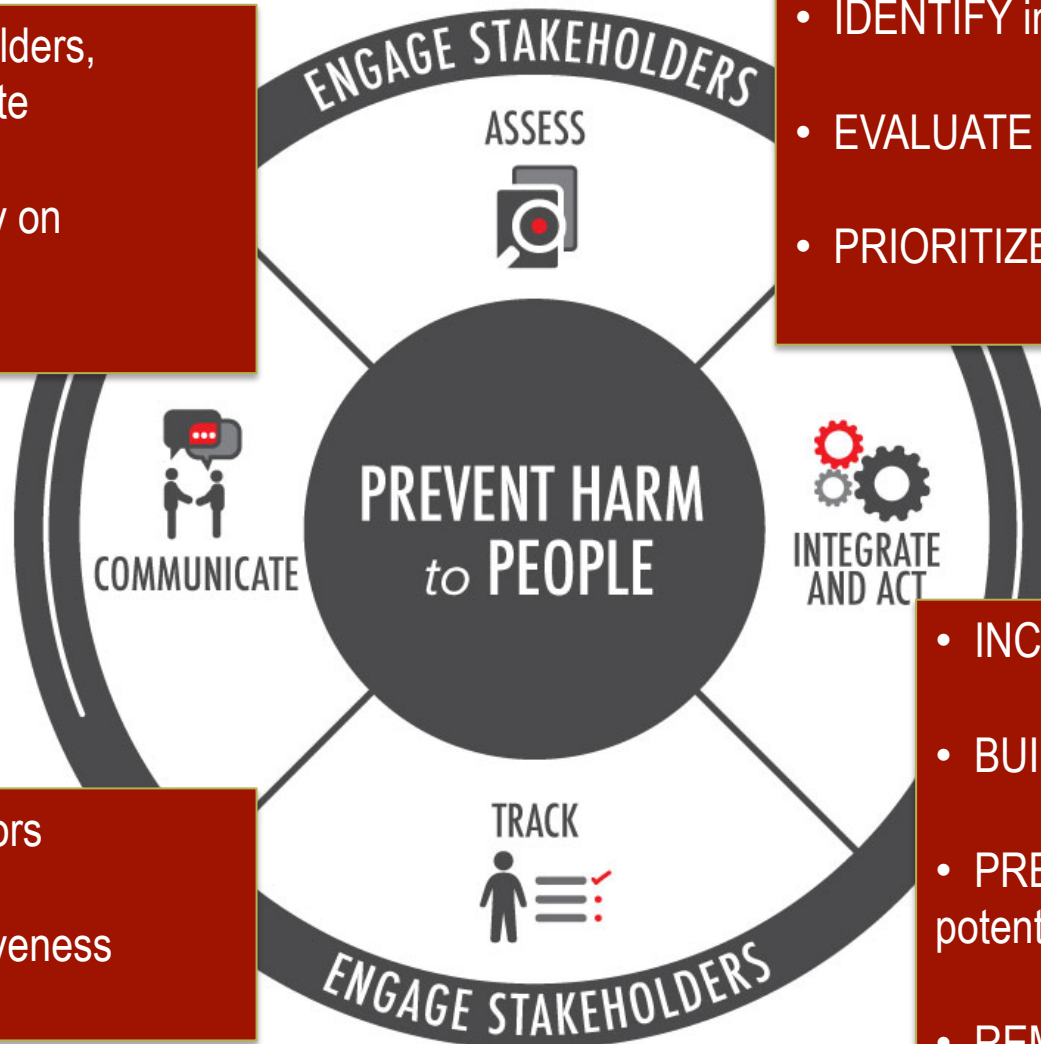
Human Rights Due Diligence

- INFORM stakeholders, wherever appropriate
- REPORT formally on significant risks

- IDENTIFY impacts on people
- EVALUATE their severity
- PRIORITIZE for attention

- DEVELOP indicators
- MEASURE effectiveness

- INCORPORATE findings
- BUILD leverage
- PREVENT and MITIGATE potential impacts
- REMEDY actual impacts



Why human rights reporting matters

1. Regulatory developments in the EU/US that:
 - Apply to non-EU/US companies doing business in those states
 - Lead companies covered by that legislation to request disclosure of their suppliers and partners in other states
2. Stock exchange developments, including:
 - Sustainable Stock Exchange Guidance
 - Leadership in Southeast Asia, e.g. Bursa Malaysia; SEBI in India

Why human rights reporting matters

3. Investor expectations and decisions:

- Growth in socially-responsible investing
- Investors' own exposure to risk – complaints about investors in OECD system
- Recognition of risk to business from severe human rights impacts and reduction in shareholder returns through costs, e.g. financial, operational, lost business opportunity, legal, recruitment and retention

Why human rights reporting matters

4. Stakeholder interest and attention:

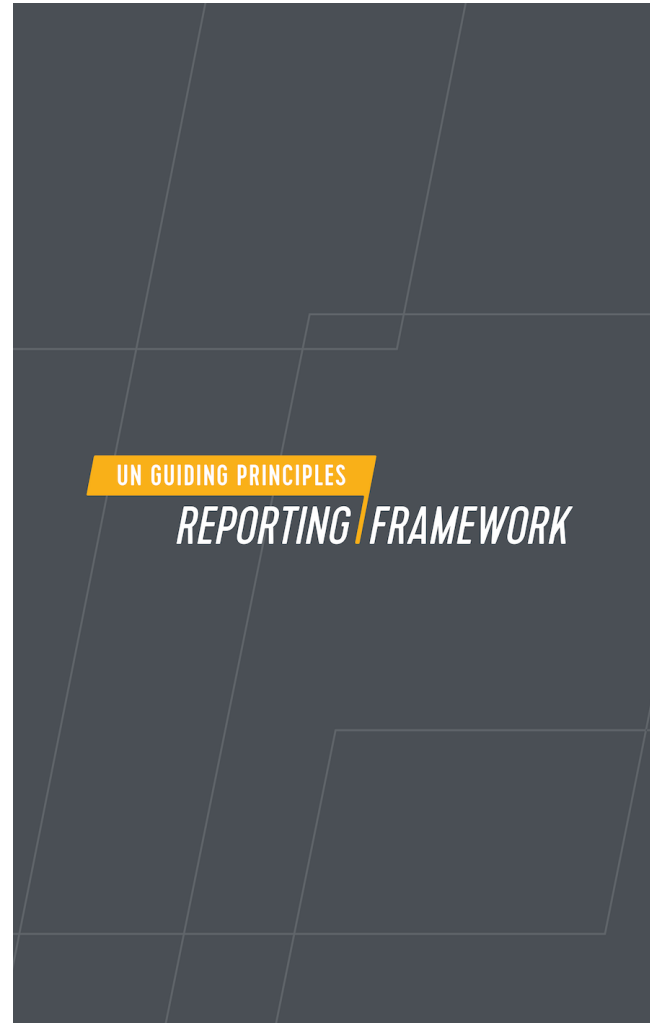
- In era of high-speed communications and social media, major impacts on people tend to become known
- Lack of disclosure leads to assumption that a company doesn't know or doesn't care
- Good disclosure can support stakeholder understanding of challenging contexts and constructive discussions

UNGP Reporting Framework

The first comprehensive framework for companies to report on how they respect human rights, in line with the UNGPs.

Developed by Shift and Mazars.

www.UNGPRreporting.org



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Putting Principles into Practice

UNGP Reporting Framework

- Based on the authoritative global standard, the UN Guiding Principles
- Enables human rights reporting that:
 - Is **meaningful** for stakeholders to read;
 - Is **feasible** for companies to produce;
 - Helps companies improve their **internal human rights risk management systems**
- Fits seamlessly with broader reporting frameworks (e.g. GRI) and industry/issue-specific initiatives

THE UN GUIDING PRINCIPLES REPORTING FRAMEWORK

PART A: GOVERNANCE OF RESPECT FOR HUMAN RIGHTS

POLICY COMMITMENT

A1 What does the company say publicly about its commitment to respect human rights?

- A1.1** How has the public commitment been developed?
- A1.2** Whose human rights does the public commitment address?
- A1.3** How is the public commitment disseminated?

EMBEDDING RESPECT FOR HUMAN RIGHTS

A2 How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?

- A2.1** How is day-to-day responsibility for human rights performance organized within the company, and why?
- A2.2** What kinds of human rights issues are discussed by senior management and by the Board, and why?
- A2.3** How are employees and contract workers made aware of the ways in which respect for human rights should inform their decisions and actions?
- A2.4** How does the company make clear in its business relationships the importance it places on respect for human rights?
- A2.5** What lessons has the company learned during the reporting period about achieving respect for human rights, and what has changed as a result?

PART B: DEFINING THE FOCUS OF REPORTING

B1 **Statement of salient issues:** State the salient human rights issues associated with the company's activities and business relationships during the reporting period.

B2 **Determination of salient issues:** Describe how the salient human rights issues were determined, including any input from stakeholders.

B3 **Choice of focal geographies:** If reporting on the salient human rights issues focuses on particular geographies, explain how that choice was made.

B4 **Additional severe impacts:** Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed.

PART C: MANAGEMENT OF SALIENT HUMAN RIGHTS ISSUES

SPECIFIC POLICIES

C1 Does the company have any specific policies that address its salient human rights issues and, if so, what are they?

- C1.1** How does the company make clear the relevance and significance of such policies to those who need to implement them?

STAKEHOLDER ENGAGEMENT

C2 What is the company's approach to engagement with stakeholders in relation to each salient human rights issue?

- C2.1** How does the company identify which stakeholders to engage with in relation to each salient issue, and when and how to do so?
- C2.2** During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why?
- C2.3** During the reporting period, how have the views of stakeholders influenced the company's understanding of each salient issue and/or its approach to addressing it?

ASSESSING IMPACTS

C3 How does the company identify any changes in the nature of each salient human rights issue over time?

- C3.1** During the reporting period, were there any notable trends or patterns in impacts related to a salient issue and, if so, what were they?
- C3.2** During the reporting period, did any severe impacts occur that were related to a salient issue and, if so, what were they?

INTEGRATING FINDINGS AND TAKING ACTION

C4 How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?

- C4.1** How are those parts of the company whose decisions and actions can affect the management of salient issues, involved in finding and implementing solutions?
- C4.2** When tensions arise between the prevention or mitigation of impacts related to a salient issue and other business objectives, how are these tensions addressed?
- C4.3** During the reporting period, what action has the company taken to prevent or mitigate potential impacts related to each salient issue?

TRACKING PERFORMANCE

C5 How does the company know if its efforts to address each salient human rights issue are effective in practice?

- C5.1** What specific examples from the reporting period illustrate whether each salient issue is being managed effectively?

REMEDIATION

C6 How does the company enable effective remedy if people are harmed by its actions or decisions in relation to a salient human rights issue?

- C6.1** Through what means can the company receive complaints or concerns related to each salient issue?
- C6.2** How does the company know if people feel able and empowered to raise complaints or concerns?
- C6.3** How does the company process complaints and assess the effectiveness of outcomes?
- C6.4** During the reporting period, what were the trends and patterns in complaints or concerns and their outcomes regarding each salient issue, and what lessons has the company learned?
- C6.5** During the reporting period, did the company provide or enable remedy for any actual impacts related to a salient issue and, if so, what are typical or significant examples?

Meaningful questions

- Open enough that any company can respond
- Targeted enough to focus the response on meaningful information
- Enables progress from 8 basic questions to the full 31 questions
- Cross-references industry-level indicators and requirements
- Encourages use of company-level indicators to support narrative responses

Practical Implementation Guidance

- / Determination of Salient Issues
- / Choice of Focal Geographies
- / Additional Severe Impacts

PART C

Management of Salient Human Rights Issues

- / Special Policies
- / Stakeholder Engagement
- | **Assessing Impacts**
- / Integrating Findings and Taking Action
- / Tracking Performance
- / Remediation

Objective



Supporting guidance



Relevant information



Relevant information for the company's answer could include:

- Processes through which the company identifies changes in the type or level of risk to human rights associated with its salient human rights issues (e.g., periodic repeat impact assessments; engagement with relevant stakeholders; patterns and trends in complaints received; responsiveness to political developments; due diligence as part of mergers and acquisitions);
- Any role that internal or external audit or assurance processes play in informing assessments of changes in the type or level of risks involved;
- Any key performance indicators or metrics that help the company identify changes in the nature of its salient human rights issues.

The robustness of the reporting company's response to this question will be improved to the extent that it is able to answer the supporting questions that follow.

Cross-references to 9 other reporting initiatives

1. **DJSI** (RobecoSAM - Corporate Sustainability Assessment)
2. **FTSE ESG** (FTSE ESG Ratings Methodology and Usage Summary)
3. **GNI** (Global Network Initiative)
4. **GRI** (Global Reporting Initiative G4 Sustainability Reporting Guidelines)
5. **ICMM** (International Council on Mining and Metals)
6. **OECD** (OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas)
7. **UNGC** (UN Global Compact Advanced COP Self-Assessment)
8. **VPSHR** (Voluntary Principles on Security and Human Rights)
9. **<IR>** (Integrated Reporting) Framework

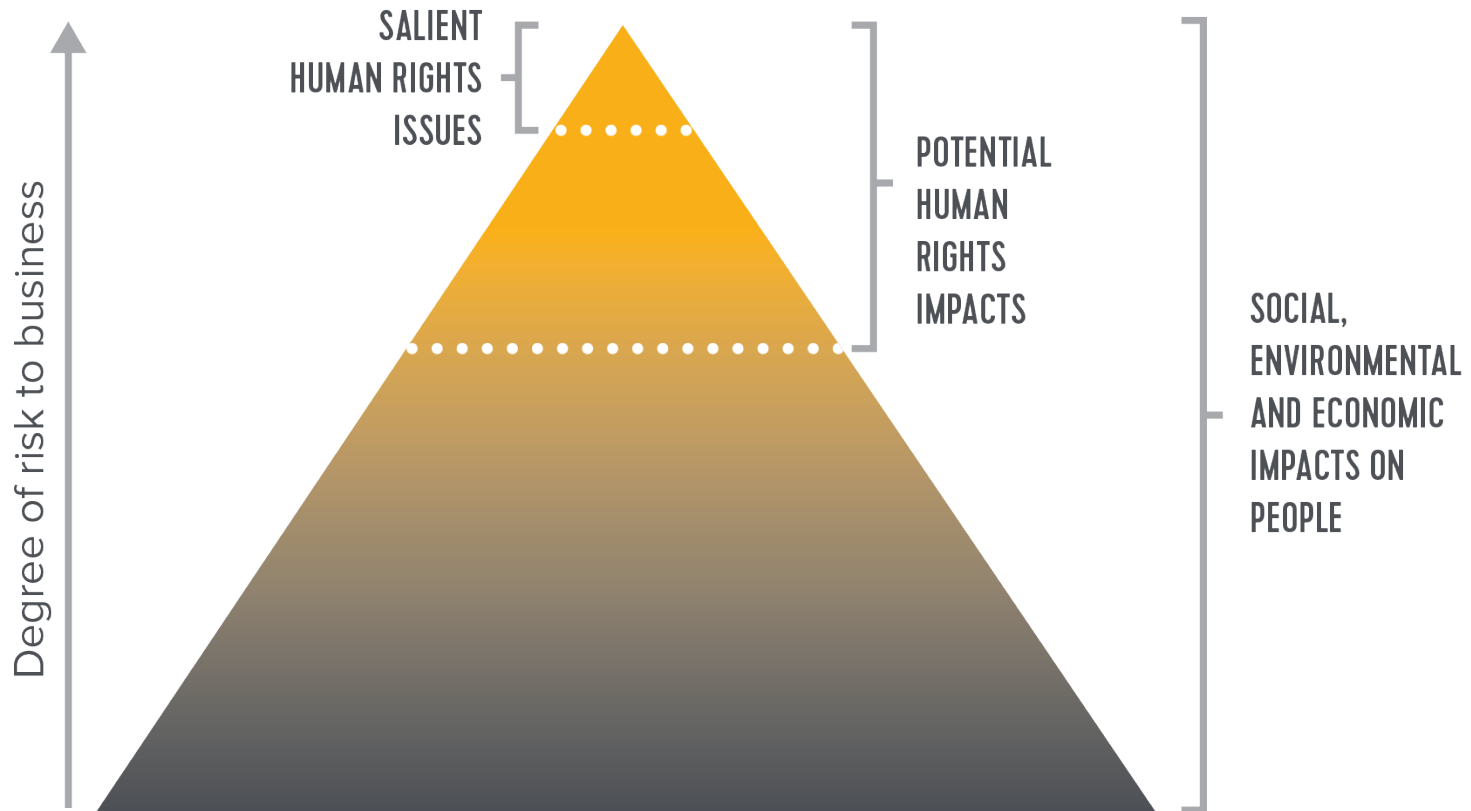
Principled focus of reporting

SALIENT HUMAN RIGHTS ISSUES

The human rights at risk of the most severe negative impacts through a company's operations and value chain.

- The severity of an impact in the UNGPs is defined by:
 - Scale (or gravity);
 - Scope (or number of people affected);
 - How hard it would be to remedy.

Risk to people, risk to business



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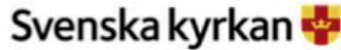
Putting Principles into Practice

Uptake of the Reporting Framework

- First full reporting cycle now underway – dozens of companies using it
- Reports out from Ericsson, H&M, Nestlé, Newmont, Microsoft, Electrolux, Unilever and others
- Others using it internally to improve human rights due diligence:
 - Gap analyses: where do we lack answers?
 - Explaining the issues for senior management
 - Training for staff or suppliers

Uptake of the Reporting Framework

- UN Working Group sees it as “an opportunity for convergence around a tool that is based directly on the UNGPs”
- Highlighted in:
 - Swedish and Norwegian National Action Plans on UNGPs;
 - US Government guidance on social sustainability for procurement agents;
 - UK Government guidance on new Modern Slavery Act;
 - Sustainable Stock Exchange Initiative’s Sustainability Guidance;
 - Supply chain due diligence guidance of UN PRI.



“The undersigned investors, with \$4.8 trillion assets under management, support the UN Guiding Principles Reporting Framework. We hope it will incentivize improved disclosure and see it as an **essential tool that enables investors to review companies’ understanding and management of human rights risks.** It will also guide us in our engagement with companies going forward.”

- Statement of support for the Reporting Framework, signed by 82 investors

Lead signatories of statement of support

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Putting Principles into Practice

The Reporting Framework in Asia

- Developed with focus on consultations in Southeast Asia
- Eminent Persons Group included leading regional figures
- Translation into Chinese forthcoming
- Bursa Malaysia guidance; SEBI reporting requirements
- Uptake by consultancies in the region, e.g. PWC Thailand
- Multinationals reporting on Asian activities (e.g. Ericsson in Myanmar; Nestlé in Thailand, China and Myanmar; Unilever in multiple countries)
- Investors highlighting it with Chinese and other Asian companies
- 3 Asian companies in UNGP Reporting Database – and more coming!

Room exercise: What makes reporting meaningful?

- Look at excerpts from company reports on their investments in Myanmar
- US reporting requirements explicitly address human rights due diligence
- Provides insight into how companies can approach human rights reporting
- Purpose: at a “gut level”, as a reader of disclosure, what do you think makes reporting meaningful?

Questions

In relation to one of the 4 examples, take 20 mins to discuss:

1. What are the comparative strengths and weaknesses of the different reports?
2. Which weaknesses most concern you as a reader?
3. Which strengths most reassure you as a reader?
4. How might using the Reporting Framework have helped address weaknesses?
5. What barriers might hold companies back from stronger reporting?

Take-aways?

- Good disclosure is distinct from good performance; but good disclosure can help improve performance
- Human rights reporting should clearly focus on risk to people (“salient human rights issues”)
- Reporting can be strengthened by:
 - being specific,
 - using examples,
 - talking about what’s hard,
 - explaining what is planned for the future.

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