

KEY MESSAGES, TAKEAWAYS AND DISCUSSION HIGHLIGHTS

Prepared by the Working Group on Business and Human Rights further to its mandate to guide the Forum and reflect on Forum discussions.



Overview

Background

Since its first session in 2012, the annual Forum on Business and Human Rights has become the world's biggest event on business and human rights. It was established by the Human Rights Council (res. 17/4) with the mandate to discuss trends and challenges in the implementation of the UN Guiding Principles on Business and Human Rights; to promote dialogue and cooperation on issues linked to business and human rights, including challenges faced in particular sectors, operational environments or in relation to specific rights or groups; and to identify good practices.

The Forum is organized by the Office of the United Nations High Commissioner for Human Rights (OHCHR) and guided by the Working Group on the issue of human rights and transnational corporations and other business enterprises ("UN Working Group on Business and Human Rights"). The 2016 programme included three plenary sessions as well as 64 parallel sessions. The latter were organized by the Working Group, by OHCHR, and by external organizations, based on extensive consultations, as well as some 160 submitted session proposals.

Theme of the 2016 Forum

The title of the 2016 Forum was "Leadership and Leverage: Embedding human rights in the rules and relationships that drive the global economy". The programme reflected four key propositions:

- States should "lead by example".
- Leadership and leverage should be exercised by all enterprises that make up the value chain (including parent companies, suppliers and financial institutions).
- We need better models of action and accountability to drive business respect for human rights and companies' positive contribution to the Sustainable Development Goals (SDGs).
- We need to step up efforts to improve access to remedy for victims of human rights abuses and protect those in particularly vulnerable situations.

These propositions were captured across plenary and parallel sessions. The latter were broadly grouped under the following general headings or "tracks":

- State leadership and leverage
- Business leadership and leverage
- Money and finance
- New models
- Local action



Participation

The Forum was attended by more than 2,000 participants from 140 countries, up from some 1,000 registered participants from 80 countries at the first Forum in 2012. 55 percent of registered participants were women.

Category of participating stakeholders	Representation
Academic	12 %
Business enterprises, business/industry associations, consultancies, law firms, investors	24 %
Civil society organizations, affected stakeholders, trade unions and indigenous peoples groups	30 %
Multistakeholder initiatives	2 %
National human rights institutions	3 %
Professional association	1 %
State	14 %
UN/Intergovernmental organization	7 %
Other	6 %



Key messages from discussions on State leadership and leverage

Commitment and action by Governments are lagging

In order to advance implementation of the Guiding Principles, States need to put people and human rights at the heart of their development efforts. It was stressed that while Governments are critical to ensuring lasting progress, they have been the "weak link" in the business and human rights agenda from the very beginning. A "Government forum" was called for in order to shed light on what Government actors — across relevant ministries, departments and agencies — need to do to speed up and scale up implementation of the Guiding Principles.

Government leadership entails developing effective policies and regulation to embed corporate respect for human rights across investment, supply chains and economic. Policies on corporate tax and corruption also need further attention in order to create an environment

conducive to business respect for human rights. Stronger Government leadership and collaboration to embed human rights in multilateral contexts, such as bilateral and multilateral investment agreements and global economic governance fora like the G7 and G20, are critical.

There is an expectation that Governments lead by example in their own economic activities, not only as regulators but also in their capacity as business owners, investors and procurers.

Furthermore, Government leadership and leverage are called for to tackle major current challenges, such as forced labour and modern-day slavery in supply chains, and emerging ones, such as ensuring smart regulation of "Big Data" and massive collection of personal information by corporate actors.



National action plans (NAPs) provide a vehicle to step up implementation

States were reminded about the Human Rights Council's resolution 26/22, which invites all States to develop NAPs on business and human rights and to report on progress. Discussions highlighted recent progress in this area, and a number of States provided an update, including: Colombia, Chile, Finland, France, Italy, Greece, Japan, Kenya, Mexico, Mozambique, Norway, Poland, Republic of Korea, Slovenia, Switzerland, United Kingdom, and USA.

At the Forum, the Working Group launched the final version of its guidance for States to support development of NAPs. Other international actors are also supporting NAP processes, including UNDP which is currently undertaking a mapping of 21 countries in Asia to promote NAPs in that region.

While the recent progress is welcome, discussions emphasized that it is not the number of plans that matter, but rather their quality and translation into practice. Key points for real progress included the needs to:

- Make NAPs actionable and forward-looking, rather than just a summary of existing Government regulations, policies and activities;
- Allocate sufficient resources to enable implementation of NAPs;
- Conduct broad-based multi-stakeholder consultations;
- Integrate protection of human rights defenders;
- Integrate gender aspects;
- Learn from business efforts to implement the Guiding Principles;
- Provide a platform at the United Nations to drive State leadership and peer learning as well as stakeholder dialogue.

Forum discussions also highlighted that national human rights institutions (NHRIs) can play, and have been playing in some countries, an important role in initiating NAPs processes, formulating content and monitoring progress of NAP implementation.



Regulatory approaches to drive corporate respect for human rights are emerging

The Forum examined new developments in regulatory approaches that address human rights due diligence for companies, including:

- The 2016 recommendation by the Council of Europe, which includes a call on Member States to develop mandatory human rights due diligence requirements for companies, in particular in high-risk sectors.
- The EU Directive on disclosure of nonfinancial and diversity information from 2014, which Member States were required to transpose into national legislation by December 2016.
- The US Government executive order to address trafficking in persons in federal contracting, implementing zero-tolerance restrictions on trafficking both at home and abroad.
- The UK Government's Modern Slavery Act, which requires companies (above a certain threshold) to report annually on how they are addressing modern slavery in supply chains, with sign-off at the highest level in the company.
- The French draft law on duty of vigilance for parent and subcontracting companies, which would oblige large companies to carry out a "vigilance plan" to identify and prevent risk associated with their activities, throughout their supply chains.²
- The Swiss responsible business initiative, pending a possible referendum, under which

companies may be subject to mandatory human rights due diligence requirements.

While it remains too early to tell whether these and other developments represent a trend toward "mandatory" human rights due diligence and what impact recent regulatory and policy initiatives will have, discussions noted the importance of a "smart mix" of binding and non-binding measures.

Similarly, developments in "emerging markets" were also addressed. Examples included:

- Section 135 of India's Companies Act, requiring companies above a certain profit or turnover threshold to spend 2% of their profit on CSR initiatives.
- The Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains, developed by China Chamber of Commerce of Metals, Minerals and Chemicals Importers & Exporters, in collaboration with OECD, and with the support of the Ministry of Commerce. This standard for responsible business in Chinese companies' supply chains abroad, borrowed several concepts from the Guiding Principles, and was the first of its kind from a developing country.
- Indonesia's regulation on human rights in the fisheries sector to address working conditions, human trafficking and forced labour. Inspired by the Guiding Principles, it included elements related to human rights due diligence, human rights certification and judicial and nonjudicial remedy mechanisms.

² Subsequently adopted by the National Assembly on 29 November 2016.



It was acknowledged that these developments signal progress in terms of more Governments being proactive and innovative in the regulatory field. Important aspects for further steps include the need to clarify:

- How to ensure accountability in practice;
- What these and similar regulations offer in terms of access to remedy for victims;

- Whether and how to apply extra-territorial accountability; and
- What human rights due diligence means in specific contexts, with a clear role for regulatory leadership to clarify concrete elements of corporate due diligence.



The role of the State as an economic actor: Governments need to "lead by example"

The role of the State as an economic actor is a key aspect of the State duty to protect human rights in a business context – and of State leadership and leverage in practice. In that regard, the current lack of attention paid to the human rights impacts and responsibilities of State-owned Enterprises (SOEs), and to the duty of Governments that own or control them, is striking. Unregulated, marred by conflicts of interests, many SOEs worldwide have dramatic adverse human rights impacts. Selected good practices discussed during the Forum illustrate that it is both possible and in the best interest of States and SOEs to strengthen corporate governance of SOEs, including to have robust requirements on human rights and sustainability. The Working Group's recent report on SOEs and State ownership offers detailed guidance for States to that end.3

In the area of public finance, a number of national Export Credit Agencies (ECAs) and Development Finance Institutions (DFIs), as well as multilateral development banks, have well-established approaches to reviewing the social and environmental impacts of transactions as part of their financing decisions, often guided by the International Finance Corporation's Performance Standards. However, it is only relatively recently that some have started to explore the implications of human rights due diligence (as understood in the Guiding Principles and OECD Guidelines for Multinational Enterprises) for their existing approaches.

The experience shows the need to look beyond the narrow physical footprint of a project at the business relationships involved and where they may pose human rights risks to stakeholders, and also prioritizing issues for attention where the risks are most severe. Human rights due diligence also means looking at the full spectrum of internationally-recognized human rights. It was noted that public financial institutions should pay greater attention to using their leverage to ensure that remedy is provided in practice, and generally many ECAs and DFIs are still lagging far behind in their policies and processes to prevent human rights harms, including to protect human rights defenders who raise concerns about the impacts of projects.

Forum discussions also addressed the role of public procurement, highlighting that transparency, and in particular supply chain transparency, is a key first step towards holding businesses accountable for their human rights impacts. Some local governments such as the Swedish County Councils and Madison, Wisconsin are already using their purchasing power to push for greater transparency. In order to increase the efficacy of public procurement to drive positive change in relation to human rights in supply chains, public bodies should collaborate more, for example through joint purchasing, standardization of requirements, and by affiliating with organizations like Electronics Watch.

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³ A/HRC/32/45



The sustainable development agenda is another driver for more responsible public procurement models, but there is a need for policy coherence and alignment with the Guiding Principles.

Experiences from Latin America of integrating human rights considerations in public procurement suggests that collaboration and the sharing of knowledge and experience between

Governments are key to scaling up effective practices. A common challenge that procurement officers and policy makers face includes the pressure to focus only on saving money. It is therefore important to create an institutional design that encourages and rewards procurement officers for looking at human rights concerns, instead of punishing them.



Human rights need to be integrated in investment

There is a growing realization on the part of States that they need to preserve more regulatory space for human rights in investment agreements. Different models are evolving as to how States can achieve this objective, with examples including integration of human rights and "CSR" standards in Brazil's Agreement on Cooperation and Facilitation of Investments and India's Model Bilateral Investment Treaty. However, it was clear that more concrete guidance and leadership are needed in this area.

"Transition contexts" present particular challenges and opportunities of implementing the Guiding Principles in investment. In any geography undergoing major social, economic or political transition, the private sector - and especially foreign investment - is seen to be an important actor for supporting those transitions. The experiences of Liberia and Colombia suggest that the success of those transition efforts hinges on the capacity of all actors, including investors, to recognize and react to the particular needs of the society in transition. The experience in particular in Colombia and Liberia, was the need for all actors to be willing to engage in a common

vision to build peace and trust-building with communities. The role of host governments in defining and communicating this common vision is key. For example, in the case of Colombia, the process that led to the NAP on business and human rights helped engage investors and other stakeholders to define and share this vision.

Home governments should also have a clear vision for what is the role of the private sector in helping a positive transition. In Liberia, the Government asked for, and got, several new clauses and requirements for investors in the State-Investor contracts, which both clarify the role of the private sector in pushing forward the transition to peace and provide needed protections to the State in recognition of its particular role in building peace.

As many investors now prepare to enter into Iran, for the first time in decades, understanding the needs of that societal transition will be key. The Guiding Principles help both frame the expectations of companies in transition contexts and offer a useful reference point as companies design their approach to understanding the needs of societies in transition.



Governments have a key role to address decent work in global supply chains

Forum discussions addressed the 2016
International Labour Conference and the ILO
Governing Body's plan of action, putting them in
a wider context of recent developments related to
responsible supply chain management and
human rights. Several aspects concerning the role
of Governments emerged:

- All States need to start at home with the task of addressing decent work in supply chains, including by developing NAPs to implement the Guiding Principles and incentivizing companies to exercise human rights due diligence.
- It is the responsibility of Governments to collaborate in creating a global "level playing field". G7 and G20, in particular, have a responsibility to do so.

- More funding to support initiatives geared to strengthen institutional frameworks such as labour inspectorates, including through the Zero Vision Fund, is necessary.
- ILO standards and the supporting role of the ILO are fundamental.
- There needs to be continued coordination with other actors that address responsible supply chains and provide accountability mechanisms (notably the OECD) and alignment with the Guiding Principles.
- Public procurement and the activities of State-owned enterprises have an opportunity to contribute positively to decent work in supply chains by implementing the Guiding Principles and ILO standards.



To tackle modern slavery in supply chains both multi-stakeholder partnerships and regulation are needed

The growing scale and complexity of modern slavery and trafficking, including in relation to the situation of migrants worldwide, was the focus of several Forum discussions.

Public-private partnerships to tackle this problem in cross-border supply chains are essential. One example discussed at the Forum was the Bali process, which provides an international platform for such dialogue and cooperation.

For collective responses to be effective they need to:

- Promote good governance, inclusive growth and rule of law;
- Translate commitments into political actions;

- Provide space for workers and trade unions to have a voice;
- Be built on ILO's two conventions on forced labour;
- Take into account ILO's guidelines for fair recruitment, as exploitation often occurs at the recruitment stage.

At a national level, the UK Modern Slavery Act in particular has received considerable attention. More such national initiatives are needed. The initiative by the Indonesian Government to implement the Guiding Principles in that country's fisheries sector — while still in the early days — can provide lessons for other countries at the "bottom of supply chains".



Issues of taxation and corruption are closely connected with business' human rights impacts

The 2016 Forum sought to shed light on the "money" side of business and human rights; two key issues included taxation and corruption.

Governments have positive legal obligations to mobilize resources for the realization of human rights, and taxation remains the main tool to do so. This implies the corollary obligation for States not to give away their rights and tools, contrary to what is currently witnessed through unjustified corporate tax incentives and the weakening of policy space in trade and investment agreements. If corporate tax policies are to live up to the spirit and purpose of the Guiding Principles, States should:

- Reform international tax rules to recognize multi-national companies as unified, not separate, entities in order to ensure that tax assessment is then done on a company-bycompany basis, rather than following a country-by-country approach.
- Conduct independent impact assessments of the spillover effects of their corporate tax or related financial policies and practices on human rights.

 Ensure respect for the principle of transparency and access to relevant information concerning tax systems and impact on human rights of trade and investment agreements.

The issue of corruption was raised throughout the Forum, demonstrating the extent to which corruption has significant and serious consequences for human rights. Discussions highlighted that often civil society and business have the same aspirations of strengthening the rule of law, improving transparency, and combatting corruption. Opportunities for enhanced multi-stakeholder collaboration and engagement should therefore be explored. A key issue is land investment, where corruption is rampant in many countries. Implementing the principle of free, prior and informed consent is essential. Where Government actors themselves are engaged in corruption, investors and companies must exercise heightened human rights due diligence and make sure that land deals are not tainted by corruption.



Key messages from discussions on business leadership and leverage

Leadership means willingness to listen, change practice and exercise leverage

Business leaders speaking at the Forum stressed that demonstrating leadership means exercising leverage over partners and stakeholders to ensure that human rights are protected and respected. To develop a culture where businesses understand that they serve society it is necessary to create a "learning organisation" that ensures executives and managers meet basic human rights expectations and learn from past bad news stories in particular when taking decisions on projects and business operations in different countries. A company embarking on a new venture should not approach affected communities by telling them how it thinks they will benefit from the business operation, but instead ask questions of the communities about what they want and respond accordingly. Exercising leverage over various stakeholders – including suppliers, contractors, retailers, Governments etc. – can be achieved by clearly demonstrating the company's core values. Furthermore, the company's leverage can be strengthened via strategic partnerships like with the UN and NGOs.

The way in which boards help set the culture and values of the company was also highlighted.

Boards can demonstrate leadership by listening to all relevant stakeholders, not just shareholders; ensuring that the executive is managing the company responsibly; and anticipating challenges such as human rights risks. For example, board

members can help create and/or actively participate in human rights taskforces/steering groups that draw in cross-sectional departments including global operations, compliance, legal, risk, policy, sustainability etc. to identify and respond to salient human right issues. While not many human rights issues percolate up to the board level because the company should have processes in place to respond to them at a lower and more immediate level, it is important to foster a culture whereby the board and the executive are comfortable with openness and hearing about problems. A key tool to guide boards on five steps that they need to take to ensure the company respects human rights was released in 2016.⁴

From the perspective of a board member of a large financial institution, in practice the amount of leverage that a financial institution has over clients will depend on four main areas: the amount that it invests; the tenure of the loan; the strength of the relationship with the client; and the number of other banks involved in the deal. At the same time, the hardest stakeholder to exert leverage over tends to be Government, and it takes time to build a relationship with the relevant ministry/department.

⁴ <u>The Equality and Human Rights Commission, "Business and human rights: A five-step guide for company boards" (2016)</u>



Dedicated, cross-functional teams help embed human rights within a company

Companies that follow domestic laws only and are focused narrowly on the local market are likely to face challenges when expanding their business operations to other areas. For example, one ICT company experienced this in its past and subsequently developed a company-wide policy and programme on human rights to bring in a dedicated, cross-functional team to help it to implement the Guiding Principles in different operating contexts via meaningful stakeholder engagement. It focused on building relations internally so that more staff in different functions would understand how human rights issues intersect with their work.

Simultaneously, the company strengthened its engagement with external stakeholders especially when commissioning human rights impact assessments and ensuring that it is aware of

outside trends and expectations and can increase its leverage by acting collectively.

A company operating in the extractive sector experienced that while some NGOs expect immediate results, in reality it takes time to properly embed human rights policies and practices across different company functions and operations. Rushing the process risks undermining the entire effort as the policies will not stick or have lasting value. Having a systemic approach can be more effective than taking an ad-hoc approach that responds to individual incidents/cases only.

Another company explained the increased focus on public disclosure/reporting has helped build awareness internally on the importance of identifying and managing human rights issues.



Boards, lawyers and accountants are key functions for internal leverage

The Forum put a spotlight on three key functions that are understood to have leverage inside a company: the board, lawyers (in-house and external counsel) and accountants (management and chartered).

For example, boards can no longer avoid addressing the issue of human rights. Boards need to ensure that they have an appropriate understanding of human rights risks, not least in situations where the company has a human rights policy commitment. This should inform decision-making processes and result in refreshed risk management systems to take this into account both at the outset and during the operational life of a business line.

The role of lawyers for uptake of the Guiding principles is considered critical. In-house and external counsel are currently adapting and evolving their role to help companies/clients to identify and respond to human rights issues and opportunities in the area of contracts, including a focus on employment practices and the supply chain; compliance and risk management; and dispute resolution. One idea explored was

businesses setting up specialised units within legal departments of corporate groups focussing on the prevention of human rights issues across the group's various business relationships and operations.

Chartered and management accountants and auditors should also become more firmly engaged in the human rights agenda. Ethical behaviour is the cornerstone of every professional accounting body's code of conduct and as such finance professionals should be incorporating respect for human rights in all of their various roles. When they collect, analyse, communicate and assure information, accountants can have enormous influence regarding the organisation's actions in relation to human rights. Data, information and KPIs in relation to human rights need strengthening in order to better inform the organisation's stakeholders, including management, investors, employees, consumers, suppliers and wider society, given the growth in demand for transparency. This will enable business to better identify their salient human rights issues.



Effective leverage in global supply chains requires collaboration

The Forum explored the human rights challenges that companies face when sourcing raw materials, addressing how traceability of a product's origin from manufacture to the source of its component materials is of increasing importance to society. This shift in societal awareness means that interest in issues such as human rights in the extractives sector are associated not just with mining communities but increasingly with the everyday objects in which the materials produced play a vital part. Transparency and access to information from the supply chain are key to consumer-facing

companies; however achieving these objectives takes the cooperation of multiple supply chain nodes, including intermediate industries and materials processers. Discussions highlighted collaborative solutions from a variety of stakeholders, industry (both mining and downstream), investors and civil society to understand and mitigate the salient social and environmental impacts of the extraction and processing of raw materials in supply chains. Given the multiplicity of initiatives, working collaboratively to make an impact for local communities is essential.



Operations in conflict contexts require heightened due diligence

Despite the heightened risk of human rights abuses in conflict areas, companies are still unclear how to implement the Guiding Principles in such settings. A mining company CEO emphasized the need for businesses to understand and support the vision of local communities where they operate. A company that imports dried fruit and nuts from farmers in conflict areas, including Afghanistan, stressed the challenges that businesses face when trying to do

the right thing in these settings, citing that "conflict is not black and white, it is a series of greys, and creates space for immoral entrepreneurs to gain ascendency." To ensure that business does no harm, it must implement a robust human rights due diligence process. This includes integrating considerations on the conflict context, the challenges of engaging with stakeholders, and the inclusion of conflict analysis in human rights impact assessments.



Exercising leverage in situations of direct linkage and disengagement – necessary to consider severity and specific context

The Forum explored practical experience and lessons from business and civil society practitioners on the operationalization of direct linkage and the use of leverage. The main lesson is that by increasing shared understanding of the complexities that characterise situations of direct linkage, we could better realize the potential of direct linkage and leverage to drive positive outcomes on the ground. One practical step would be to generate case studies, evidence of outcomes and lessons learned from efforts to address situations of direct linkage by diverse stakeholders.

A specific "leverage challenge" was when and how to consider ending business relationships. As the Guiding Principles clarify, disengagement — and the threat of disengagement — should be credible options when exercising leverage to prevent and address human rights abuses linked to a company's operations.

The commentary to Guiding Principle 19 explains that in instances where the business "lacks the leverage to prevent or mitigate adverse impacts and is unable to increase its leverage" it should "consider ending the relationship, taking into account credible assessments of potential adverse human rights impacts of doing so." A key consideration is the severity of the impact, meaning that the more severe the abuse, the more quickly the business should demand to see change before it takes a decision on whether to end the relationship.

Discussions emphasized that it is important to consider the specific context of different

disengagement decisions. The point was also made that there is no legal framework regarding the question on disengagement.

Participants discussed a single case in which a fast-moving consumer goods company (FMCGs) decided to end a business relationship with a packaging supplier in Pakistan after discovering child labour in its supply chain. Both companies explained how they had to respond to the situation, including carefully examining how the allegations of child labour affected the FMCGs company and the severity of the abuse, and how the packaging supplier should best address the harm.

The FMCGs company left open the prospect of reestablishing the relationship with the packaging supplier if the abuse was adequately addressed. As a result of this, as well as other pressures, the packaging company terminated its contract with its supplier that used child labour and it sped up its child labour remediation action plan to move affected children from work into schools and compensate parents for loss of income with skills development for additional income. As a consequence, the business relationship was restored.

Another example related to the Accord on Fire and Building Safety in Bangladesh (the Bangladesh Accord), where combining collective leverage with the credible threat of disengagement proved effective.



More responsible land-based investments are possible

The path forward for achieving responsible land-based investments, involves not only the Guiding Principles, but also land-rights specific instruments and guidance (e.g. the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries, and Forests in the Context of National Food Security; New Alliance Analytical Framework for Responsible Land-Based Agricultural Investments; Free, Prior, and Informed Consent etc.). Experience suggests that communities and companies are able to benefit share, so long as there is clear recognition of and respect for communities' land and natural

resource rights, as well as mutual trust between all stakeholders. Some companies have committed to avoid 'land grabs' and are recognizing the importance of land rights throughout their supply chains and raising the bar for industry standards. Whether responsible investments in land are achieved will depend on the uptake, capacity, and cooperation of all stakeholders.



Using the business case to advance human rights can be effective

The Forum examined the different arguments that various stakeholders – including NGOs, staff in different company functions, financiers and Government representatives – use to persuade, convince and pressure those in leadership positions to exercise their leverage to prevent or mitigate a negative human rights impact. This included when and how to effectively and appropriately use "the business case" for companies to respect human rights.

The business case argument can be made in both negative and positive terms. On the one hand, causing or contributing to human rights harm can create significant costs to business – that are often not aggregated – such as delays to operations caused by strikes or protests, lost productivity, lost staff time in managing human rights-related disputes, reputational harm and, most significant of all, lost business opportunities. On the other hand, a positive case can often be made for companies to respect human rights, especially over the medium to long-term. Doing so can help with hiring and retaining the best staff and can enable companies to create opportunities in terms of increased value linked to future projects, expansion plans, or sales that may otherwise not go through if a business is mired in a human rights scandal.

The "business case" argument gives rise to a legitimate concern about suggesting that companies should only respect human rights when it is in their narrow financial interests to do so. However, making the business case is not the same as engaging in a pure "cost-benefit" analysis. Experience shows that when combined with an appeal to a company's values, the business case can be effective in bringing human rights to the attention of decision-makers within a company (including the C-Suite, and financial and legal teams) as well as investors.

Furthermore, such arguments should be strengthened with better concrete evidence of the connection between human rights risk and the value of the business asset (such as a plantation or a road), and more examples of the effectiveness of deploying the business case in different sectors and operating contexts. Leading work has been done in the extractive sector and in relation to the quantification of land-related human rights risks, but other areas have received less attention. One field to learn from in this regard is in the implementation of occupational health and safety standards in recent decades.



The investment eco-system is complex but each actor has an important role to play

The 2016 Forum gave increased focus on the role of financial actors in driving corporate respect for human rights. Participants from the investment community explored the concept of the "investment cycle" - from the perspective of asset owners, asset managers and private equity to the role of brokers, stock exchanges and rating agencies - and explained how investors currently intersect with human rights issues, such as through the traditional environmental, social and governance (ESG) lens and through new efforts to better understand supply chains.

The investment cycle is very complex, in terms of both participating actors and topics. Shedding light on who each of these groups represent is just the beginning of the solution. What is really needed is increased collaboration between these groups and for them to find synergies by which to increase transparency. This transparency is key in order to ensure that human rights abuses are avoided. On the question of how asset managers can help asset owners understand the work that is part of the due diligence mechanisms that they put in place and ensure that they are solid enough, the role of civil society is critical to help uncovering risks and impacts. Regulators can and do – also help. However, ultimately business does not wait for input once they are capable of devising interesting collaborations. The Sustainable Stock Exchange Initiative is an example of that. It allows companies to be praised for their sustainable practices and brings forward the value of collaboration among different players, directly involving also asset owners. Financial education for citizens at large and the importance of understanding how

investors work and taking into consideration the vested interests at stake in the debate was also raised.

Another question was the leadership role and leverage of institutional investors to help foster business respect for human rights, addressing issues such as:

- how institutional investors can actually screen for human rights due diligence and performance in practice;
- what obligations investors themselves have and whether it matters how much of a share they have in the company (the question of minority shareholders);
- what the emerging trends around the concept of fiduciary duty are;
- and how institutional investors can drive change in the board room.

There are a number of challenges facing investors, largely concerning access to credible and meaningful information and the poor understanding of investors to human rights concerns. It is difficult to quantify the benefits of responsible investment because it is very hard to quantify human rights risks. Similarly, a huge number of investors and lawyers are not informed about human rights issues and therefore cannot apply standards meaningfully. Responsible investment should be understood as making "prudent" investment decisions not just "ethical" decisions and that in the case of ensuring the interest of beneficiaries, research shows that failing to integrate ESG factors in decision-making is a failure of fiduciary duty.



Banks need to engage more with civil society

Among issues relating to the banking sector, the Forum examined commercial banks' human rights due diligence policies and processes that allow them to identify and respond to negative human rights impacts and how they can communicate their efforts internally (e.g. across units) and externally in a meaningful way. Discussions also addressed national-level developments that are incentivising better action and public reporting by banks.

One key challenge is reporting publically and maintaining client confidentiality. It is often not possible for banks to disclose any information about a client without their consent.

It was suggested that banks have become disconnected from the "real" world and that they

need to re-engage with their original purpose, which is to provide a public service. One implication was the need for greater inclusion and engagement with those people affected by human rights impacts on the ground. For example, banks should collaborate more with other banks, NGOs and affected individuals/communities, and they should consult more with experts, NGOs and human rights defenders on the ground. In a discussion on the role of investors in ensuring responsible business in occupied territories, an investor stressed the importance of collaborating with NGOs in collecting and sharing information on human rights issues and companies in order to make responsible investment decisions.



There is scope for more focus on the influence of insurance companies

For the first time, the Forum explored the role of the insurance industry—risk managers, risk carriers (insurance providers), and investors—in promoting sustainable development and human rights. Participants discussed how insurers manage ESG issues, including human rights issues, in their core business operations, and how they advance human rights in their business relationships. They explored the role of

Governments to drive respect for human rights and ensure oversight of the insurance industry and they learned about the links between the Guiding Principles and UN Environment's Principles for Sustainable Insurance (PSI), a global sustainability framework and the largest collaborative initiative between the UN and the insurance industry.



Key messages on the need for new models of action and accountability

Respect for human rights is essential to private sector contribution to the SDGs

A key message on the relationship between the SDGs/Global Goals and the Guiding Principles was that "for business to maximize its contribution to sustainable development, it must put efforts to advance respect for human rights at the heart of the people part of sustainable development."⁵

The Guiding Principles articulate how businesses are expected to contribute to the social components of the SDGs; however, currently there is a risk in some SDG narratives within the business community that may weaken or possibly sever the SDG/Guiding Principles link. For example, when business is encouraged to think that advancing respect for human rights involves merely doing no harm, and that to do positive good they need to go beyond respecting rights. Instead, "when companies drive respect for human rights across their own operations and their global value chains, they generate an unprecedented large-scale positive impact on the lives of people who may be most in need of the benefits of sustainable development."

Five specific concerns were highlighted:

• there is a false impression that because the General Assembly's 2015 resolution to adopt the Global Goals only mentioned the Guiding

- Principles in passing then they are less important than getting business to engage in the SDGs on any terms;
- the limitations of the Creating Shared Value paradigm that a large number of companies are drawing on to contribute to the SDGs as it rests on the notion of compliance with law and ethical standards, which in reality does not happen enough in practice;
- the risk that that companies plan to "cherry-pick" which of the 17 SDGs they will contribute towards using the lens of materiality (business risk and opportunities) rather than carefully assessing the importance of all SDGs through the lens of risk to people (salience) in their operations;
- emerging strategies paint a false impression that to make a "mature" and "transformative" contribution to the SDGs involves looking for new business opportunities while acting responsibly on issues such as human rights is less "disruptive" or impactful;
- there is an incorrect assumption that respecting human rights is merely about stopping a negative practice (largely through compliance) and that doing so lacks the more inspirational virtue of making a positive contribution (actions that traditionally fell under the CSR model of voluntary efforts to promote human rights).

http://www.ohchr.org/Documents/Issues/Business/ForumSession5/Statements/JohnRuggie.pdf

⁵ See in particular



Respecting human rights under the Guiding
Principles means both doing no harm – such as
not discriminating against people on the grounds
of gender, race, sexuality etc. – and bringing a
affirmative change to people and workers – such
as a culture of inclusion and diversity to empower
workers on issues such equal pay and
opportunity. Furthermore, one of the UN Guiding

Principles' most transformative contributions is "the requirement that companies' responsibility to respect human rights is not limited to their own operations, but extends to human rights impacts connected to their products and services throughout their network of suppliers and other business relationships."



Transparency and innovative collective approaches have potential to deliver better protection and respect for labour rights in global supply chains

The Forum began its focus on supply chains with an assessment of rankings of certain sectors - including ICT, food and beverage, and apparel and footwear - under the KnowTheChain⁶ initiative, which helps companies and investors to understand and address forced labour risks within their supply chains. The main messages included:

- Exploitation of workers happens all along supply chains.
- Companies need to have the courage to look for the problem (a paradigm shift that has already started to happen in the food and beverage sector).
- Companies need to understand their workforce supply chain: who are the workers at risk, where are people coming from, which routes do they take?
- Companies should also be transparent along their entire supply chain.

Discussions linked to the 2016 International Labour Conference reiterated the central question of how to manage the tension between global supply chains' important contribution to economic development (including through their promotion of the transition of informal work to formal work; their role in job creation and skills development, especially for women and young people and their promotion of technology transfer) and their contribution to "decent work"

deficits" (in areas like health and safety, wages, and working time). The five key tenets of the "programme of action" to eliminate decent work deficits, include a focus on building and strengthening: (1) knowledge; (2) capacity-building; (3) advocacy and communications; (4) advice and technical assistance, and (5) partnerships and policy coherence.

Discussions also examined specific collaborative approaches to ensure respect for human and labour rights in supply chains. One approach by a FMCGs company involves a partnership with a leading NGO to address human rights issues in high-risk countries and commodities in Africa and Asia. The company-NGO partnership in the tea sector in Malawi and a factory in Vietnam allowed issues to surface and be addressed. However, both sides emphasised that, even with very high levels of trust and commitment between them, remediation remains a constant challenge.

Another example was The Dunlop Commission on the Future of Worker-Management Relations that brought together all the actors in a particular supply chain to negotiate a collective agreement regulating wages and working conditions in that chain. This approach of creating safe spaces for bargaining councils has been operating for thirty years and now covers multiple commodities in multiple states of the USA. A key factor needed to ensure successful partnerships or agreements is "external pressure" in order to get all the supply chain

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⁶ https://knowthechain.org/



actors into the partnership and to achieve critical mass. Progress, however, often depended on visionary leadership and effective mediation. Transparency was also stressed as key to the legitimacy and credibility of NGO-company partnerships and as having an important disciplining effect on the process. Overall, it was felt that the "industrial relations" model exemplified by the Dunlop Commission should be a source of experience and lessons that could be applied in the human rights sphere.

A key issue was the challenge of ensuring a living wage in various geographies and different sectors. In particular, there was a session on the ACT (Action, Collaboration, Transformation) initiative on ensuring a living wage in garment

supply chains. ACT is the first initiative on living wages in the garment sector that brings together international brands and retailers, manufacturers, and trade unions; identifies the role and responsibilities of each actor; and how, if taken together, they can support living wages in a scaled-up, sustainable, industry-wide approach. It aims to improve wages in the industry by establishing industry collective bargaining which is legally binding and enforceable – in key garment and textile sourcing countries, supported by world class manufacturing standards and linked to responsible purchasing practices. Industry-wide agreements set a benchmark that applies to all manufacturers, while still allowing for individual manufacturers to offer higher pay and conditions.

The need to engage better with small and medium-sized enterprises (SMEs) on business and human rights

Findings from a survey suggested that awareness of human rights risks by SMEs is growing and they are hungry for support with regard to meeting their responsibilities. However, better engagement is needed, including:

 more capacity building especially at the regional and national level

- more support from governments
- more efficient communication with SMEs
- clearer and more compelling presentation of human rights issues and expectations in an understandable language.



Multi-stakeholder partnerships can help tackling human rights challenges and issues more effectively

The Forum also explored existing and new partnerships between governments and business on the one hand, and a wider panoply of actors on the other hand to tackle systemic issues such as abuses concerning security forces, human trafficking and human rights issues associated with mega-sporting events.

• There was a session on human rights and model clauses between Government security forces and companies under the Voluntary Principles Initiative (VPI). This new guidance tool helps governments and businesses understand how to include human rights in public security agreements. It aims to tackle the serious human rights harms involving companies and States that can be directly linked to security services provided by public security forces. Promoting and entrenching respect for human rights can be a key challenge for Government agencies, especially in fragile environments, and firms

- are increasingly seeking security agreements to more effectively protect site investments.
- Participants learned about the new Bali
 Process Business Forum, a public-private
 sector partnership which aims to tackle
 human trafficking and slavery in the Asia
 Pacific. The opportunity for bringing
 committed companies together, to go
 through the tough work of addressing and
 discovering issues, and going through the
 remedial action needed as a consequence,
 were highlighted as advantages of such
 international multi-stakeholder approaches.
- Another example was the 2016 Principles for Human Rights in Mega-Sporting Events, based on the common goal of ensuring that mega-sporting events showcasing the best in humanity are built on respect for human rights throughout their lifecycle; and also highlighting the need for independent assessments and collective action and accountability in this area.



Key messages on access to remedy and the need for protecting affected persons in vulnerable situations

The voice of affected stakeholders and human rights defenders is essential

Discussions on access to remedy and the issue of human rights defenders included perspectives of directly affected stakeholders. This is deemed critical to the Forum because victims' stories allow the target audience (States and businesses, in particular) to become more sensitive to the

experiences of rights-holders. In turn, communities can feel that they are being heard and engaged with by participating in the Forum. This engagement may help in changing the political will that is needed to remove barriers in access to remedy.

There is a pressing need for collective action to address the crackdown on human rights defenders

The Forum heard the moving personal story of Laura Cáceres, the daughter of Council of Popular and Indigenous Organizations of Honduras (COPINH) leader Berta Cáceres, who was murdered because of her fight to defend life in the context of the Agua Zarca Dam hydro-electric project. Berta Cáceres was jailed, dismissed, threatened and finally killed for protecting the land of indigenous people. Her daughter, Laura, asked how many more deaths communities would have to suffer before their rights would be respected and access to justice secured.

The High Commissioner for Human Rights, and other speakers, underlined that the story of Berta Cáceres is not an isolated incident, referring to documentation by Global Witness that in 2015 alone, 185 people who were defending human rights in the context of development projects in

16 countries were murdered. The industries involved included mining, agribusiness, hydroelectric dams, and logging. Almost 40 percent of the victims were indigenous people.

While the issue is being raised by a number of actors — including by the Human Rights Council, Special Procedures and civil society across the world — Forum discussions highlighted that it is time to think critically about how to bring together the collective power of business, civil society and Governments to address the crucial need of protecting human rights defenders. More engagement between a range of actors is needed at all levels, even if discussions at times are difficult. In this regard, the examples of corporate actors that are willing to take action when human rights are under threat in the countries where they operate were encouraging.



More effective mechanisms to protect the rights of persons in vulnerable situations are needed

Key points emerging from discussions on the protection of human rights of persons in particularly vulnerable situations included:

As highlighted by indigenous peoples representatives speaking at the Forum, in order to effectively protect the rights of indigenous peoples affected by business activity, it is crucial to ensure recognition of land rights; the right to self-governance; free, prior and informed consent; and full and effective participation of affected communities.

The Forum addressed not only impacts of agribusiness and extractive industries, but also the apparent paradox where investments geared toward fighting climate change such as renewable energy projects are having adverse impacts on indigenous peoples. The creation of hydro-electric dams and wind farms on indigenous lands were pertinent examples. Experiences of engagement between indigenous organizations and State actors in Malaysia and collaboration between indigenous communities and business through contractual arrangements in Canada were highlighted as potential good practice models by indigenous speakers at the Forum.

There is an urgent need for States to build effective mechanisms for consultation and participation of indigenous peoples, including indigenous women, in line with their international obligations. The role of the governments in this regard is essential, while the private sector,

indigenous people's representative institutions, and trade unions also have key roles to play. In order for progress to be made, capacities of stakeholders must be enhanced and trust among them built.

The gender perspective is missing from the business and human rights discourse generally and from NAPs in particular. The Guiding Principles clarify that business enterprises should respect the rights of women where they may have adverse impacts on them. However, the Guiding Principles do not include specific guidance in this regard, so further guidance is needed, including from the Working Group.

With 74 countries currently having legislation that criminalizes same-sex relations, business can play a positive role in supporting civil society actors and addressing the gap between international standards for protecting and respecting dignity of LGBT persons and domestic practice. Discussions highlighted the importance of engagement and consultation when developing a global corporate policy to avoid this being viewed as a "Western" position. Examples of companies standing up for the rule of law, such as the "Red Pepper" case, demonstrated the leadership business can show on this issue. At the same time one company cannot tackle the issue alone. It is important for companies to work with peers to become a lever towards government. Among examples was the Charter of LGBT Commitment in France or the "Open for Business" coalition. Currently specific guidelines for companies on this issue are being



developed, with basic principles being: a policy commitment to respect LGBT rights; elimination of discrimination; access for all to products and services; support to staff groups and guarantee privacy.

The references to persons with disabilities in the 2030 Sustainable Development Agenda contributes to the momentum of private sector engagement in disability inclusion, including in

developing countries. Forum speakers highlighted that peer-to-peer company support is crucial for the promotion of disability rights by business and the benefits of collaboration between the private sector and civil society. Participants emphasised that there is a need for companies to comply with legislation but that they should also go beyond legal requirements to benefit from the business advantages of including persons with disabilities.



Greater efforts are needed to step up access to remedy for business-related human rights abuse

The Forum discussed some of the main initiatives to address the continued struggled of victims of business-related human rights abuses to get access to effective remedies, including deliberations on a new internationally-binding instrument and the outcome of OHCHR's Accountability and Remedy Project that was presented to the Human Rights Council in June 2016.⁷

OHCHR's guidance on addressing barriers to judicial remedy and enhancing the effectiveness of domestic legal systems was designed to take into account different legal systems, cultures, traditions and levels of economic development and contribute to the implementation of the third pillar of the Guiding Principles. Stakeholders from Government, national human rights institutions, civil society and business underlined the opportunities presented by the policy recommendations in the guidance for bringing about the necessary changes in law, policies and practice to make domestic legal systems more effective in responding to business-related human rights cases, including in cross-border cases.

Many speakers noted that that the main barrier to accountability and access to remedy remains in the implementation of already existing judicial protection of human rights and the Guiding Principles, while others stressed the need for an international legally binding instrument to hold business accountable.

Experiences from cross-border cases seen through the lens of victims' perspectives discussed at the Forum suggested among other things that:

- There is inadequate enforcement of local laws;
- Persecution of victims tends to discourage victims from coming forward;
- Access to legal representation is a big barrier for victims;
- Operational-level grievance mechanisms are inappropriate mechanisms for cases dealing with situations of serious human rights violations; and
- Provisions in the Rome II regulation that damages should be assessed according to local levels may pose problems, as if only local levels are applied, they are unlikely to be sufficiently high to be a deterrent in situations involving transnational corporations.

The Forum provided an opportunity for updates on the process of the Open-ended Inter-Governmental Working Group (IGWG) mandated to elaborate an international legally binding instrument to regulate, in international human rights law, the activities of transnational corporations and other business enterprises. The third IGWG session from 23 to 27 October 2017 is expected to prepare elements for discussion for a legally binding instrument. Key messages included:

 It was noted that in the programme of work of future sessions, IGWG would focus not only

⁷ A/HRC/32/19



- on transnational corporations, but on all business enterprises.
- Parties agreed that efforts to elaborate a legally binding instrument and implementation of the Guiding Principles are complementary.

Common points of understanding for the way forward included:

- The importance of involving more States in the process.
- The need to ensure inclusion of a broad range of stakeholder perspectives, including directly affected persons and representatives of business.
- The ultimate goal of the process to strengthen protection of human rights.

The challenge of complex corporate structures highlights the importance of looking at business relationships

The Forum addressed the degree to which corporate group structures protect companies from the consequences of adverse human rights impacts, including legal accountability. The discussion took place in the context of the challenges facing victims of corporate-related human rights abuses in many countries when seeking judicial remedy through claims against subsidiaries. This is a well-recognized problem, and the concept of separate legal personality can be a factor which prevents such victims from bringing human rights-related claims against parent companies in their home States.

It was noted that there are a number of commercial reasons why seemingly complex corporate structures might be used which are not connected to a desire on the part of a parent company to avoid liability for human rights-related abuses. Many of the key business

relationships will be contractual rather than corporate in nature, and, as companies are alert to their reputation, they are unlikely to rely on legal structures if a subsidiary was alleged to be responsible for human rights abuses.

This highlighted the importance of focusing on the broader concept of business relationships (as advocated by the Guiding Principles) when looking to attribute responsibility for human rights harms, rather than solely on the parent/subsidiary dynamic. This should not detract from the point that victims do often struggle to access justice through domestic courts because of corporate structures. Efforts to improve access to effective remedy through other means (including claims in foreign courts) should have regard to the fact that many economic actors can carry responsibility for human rights issues in a particular jurisdiction.



Non-judicial grievance mechanisms have important roles to play in scaling up access to remedy

Key points regarding State-based non-judicial grievance mechanisms included:

- There are existing models to draw from in terms of thinking about State-based nonjudicial remedy mechanisms for business and human rights cases, including ombudsmen offices, ILO conciliation, and dispute resolution via government data protection authorities.
- We need to think about these existing models when trying to design next-generation mechanisms for providing State-based access to remedy outside of the judicial system. The Forum heard about one recent initiative to design model legislation for creating independent human rights ombudsperson for the international extractive sector in Canada.
- The OECD national contact point (NCP) system incorporates key elements of the Guiding Principles through the OECD Guidelines on Multinational Enterprises and experience suggests that the mechanism has resulted in positive outcomes such as changes in company behaviour, strengthened relationships amongst civil society and the private sector, and use of leverage by financial institutions on their investee companies as well as companies on their suppliers. However, stakeholders emphasized that the NCP system has not yet proven to be a robust State-based non-judicial mechanism for the majority of business and human rights instances.

 The OHCHR project to identify and analyse lessons learned, best practices, challenges and possibilities to improve the effectiveness of State-based non-judicial mechanisms, requested by Human Rights Council resolution 32/10, would be a key initiative to examine these aspects addressed by the Forum.

Experiences from operational-level grievance mechanisms and remedy frameworks were also featured and highlighting in particular elements of effectiveness and legitimacy of such processes. This included the needs for:

- Never excluding access to judicial remedies;
- Enabling continuous engagement with victims, as their participation in designing such mechanisms is critical;
- Enabling affected communities to have fast access and support from third parties if direct communication with the company is difficult, for various reasons;
- Managing expectations carefully, explaining clearly the outcomes to the affected communities, putting in place checks that claimants understand the outcomes, and ensuring expedient delivery of remedies; and
- Ensuring that remedial solutions which involve monetary compensation be handled very carefully and be based on deep understanding of cultural sensitivities and the local context.

Discussions also highlighted the complexities that parties face on the ground in situations of alleged



human rights abuses, with one challenge being the issue of identifying the victims when allegations involve series of abuses. Related to this, discussions showed there is a need for better coordination between various actors, both international and local ones. Another element that adds to the complexity of functioning operational-level grievance mechanisms (and of course addressing human rights abuses in the first place) is when rule of law is weak — and in this regard the missing perspective of Government actors in this debate was noticeable.

Many speakers, including the Working Group, called for the need for developing further guidance on how to design an operational-level grievance mechanism that is consistent with the Guiding Principles.

The Forum also sought to bridge two of the main themes of the agenda by exploring the "leverage of money" in supporting more effective access to remedy. Discussions stressed the importance of:

 Pushing companies that are linked to adverse human rights impacts to increase their leverage (under Guiding Principle 19) through innovative ways, including through increasing their financial contributions, applying their intellectual and managerial expertise, and invoking their convening power to bring other relevant stakeholders to the table;

- Awareness raising amongst communities, including providing more information about the range of entities in the investment chain, and relevant safeguard policies where development banks are involved;
- Transparency on the part of lenders, as increasingly, multilateral development banks are funding projects through financial intermediaries, and it is very difficult for communities to trace the money;
- Grievance mechanisms becoming more accessible for communities;
- Seeking creative ways to engage with investors, lenders and buyers, including by reaching out through third parties, like the Business and Human Rights Resource Centre's Company Response Mechanism;
- Innovative strategies in cases where the money has already been disbursed by a lender. While lenders may have ceased a particular loan for the project under question, they might continue to hold leverage due to their funding of the same company in other projects. Civil society speakers suggested that ways of applying forward looking remedies that involve "blacklisting" companies and improving future behaviour should be explored.



Overall key takeaways

The level of interest and participation in the Forum signals the importance of the agenda. A range of stakeholders welcomed in particular the increased participation and engagement of business, which is seen as important for moving the agenda forward. Yet, it is critical for the business and human rights movement to engage with a much wider business audience.

At the same time, business and civil society stakeholders alike call for Governments in particular to engage much more actively in the agenda, pointing to the fact that Governments are critical for the business and human rights agenda to succeed and that Governments currently are lagging in their implementation of the Guiding Principles. In this regard, there is an opportunity to use the 2017 Forum to drive stronger engagement by Governments. A case in point is the need for strengthening protection of human rights defenders, which was a key message across several Forum sessions – where a broad coalition of Governments, business, civil society and international organizations is called for in order to effectively tackle one of the most serious business-related human rights challenges of our time. Related to the capacity of stakeholders to address critical challenges, the Forum discussed new and innovative ways of funding for civil society organizations and others working in this area, including from the private sector, without compromising stakeholder independence. In this regard, it was noted that Government funding to implementation efforts needs to increase. Business speakers also

specifically called for Governments to increase funding to the Forum.

Another overall observation was that the business and human rights agenda is closely linked with the wider global debate on sustainable development and "ethical globalization". However, the field of business and human rights needs to connect better with a wider audience, not least in the current political climate.

It was encouraging to see increased participation by new business actors and more participants from the Global South, and in particular from Asia. Another encouraging sign was the participation by business executives, who are critical to the success of "mainstreaming" the Guiding Principles within the private sector. Forum discussions also highlighted that there is an untapped potential for learning from other fields

The announcement that the 2017 Forum (27-29 November) will include a major focus on the third pillar of the Guiding Principles – access to remedy for victims – was welcomed by a range of stakeholders. It provides a great opportunity for strengthened multi-stakeholder dialogue around practical solutions and innovations in realizing the human rights of people affected by business activity.