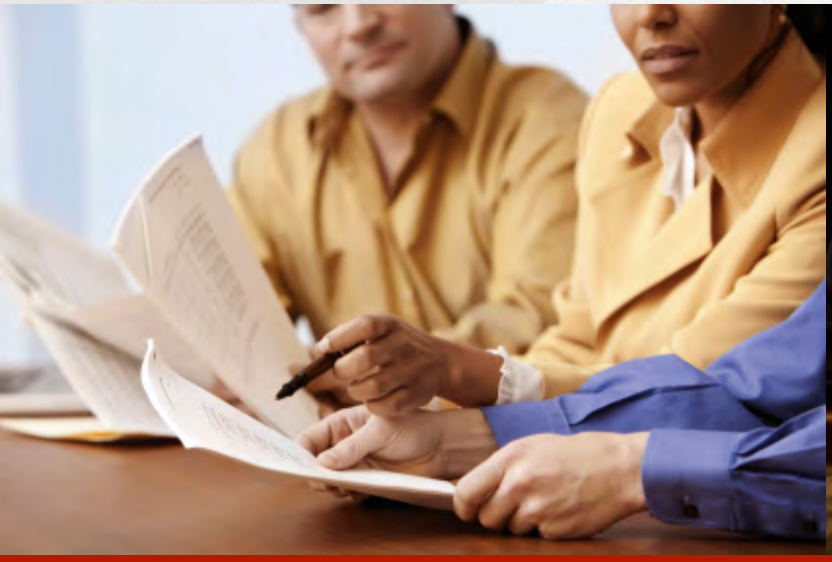
Shift

Putting Principles into Practice



Evidence of Corporate Disclosure relevant to the UN Guiding Principles on Business and Human Rights

June 2014

Rights and Permissions

Shift

Shift is an independent, non-profit center for business and human rights practice. It is staffed by a team that was centrally involved in shaping and writing the UN Guiding Principles on Business and Human Rights, and is chaired by the author of the Guiding Principles, Professor John Ruggie.

Shift provides the expert knowledge and guidance for businesses and governments to put the UN Guiding Principles into practice. Based on lessons from this work, Shift develops public guidance materials to support improved practices for the respect and protection of human rights globally.

Further information on Shift and its work is available at www.shiftproject.org or at the following contact details:

Shift
432 Park Avenue South, 4th Floor
New York, NY 10016
USA
email: info@shiftproject.org

Acknowledgements

Shift commissioned the underlying research for this report as a contribution to consultations on the Human Rights Reporting and Assurance Frameworks Initiative (RAFI), a project it is co-facilitating with the global auditing and accounting firm Mazars. Information about RAFI, including how to contribute to discussions, can be found at the RAFI portal on the BHRRC website. Shift is grateful to Jane Church, Master of Arts in Law & Diplomacy candidate (2014) at the Fletcher School at Tufts University for conducting the underlying research, which was advised by Beth Holzman of Shift. Shift is also grateful to the Institute for Global Leadership at Tufts University for its support.

Table of Contents

EXECUTIVE SUMMARY

The underlying research for this report was commissioned by Shift to build understanding of how leading companies across different sectors currently report on their human rights performance, and how this disclosure relates to the UN Guiding Principles on Business and Human Rights. The research was desk-based, using the information publicly reported during the period from October 2013 to March 2014 (or earlier) by the 43 companies in the research sample.

The findings summarized here indicate that many companies already disclose information about their human rights performance in relation to the key components of the corporate responsibility to respect human rights, as set out in the UN Guiding Principles. However, most disclosure on human rights is at present limited to relatively general statements about process, with little information disclosed about how these relate to specific risks or impacts, or company responses to them. That said, examples included within the research sample also illustrate that fuller and more specific disclosure on human rights performance is feasible.

General trends identified within the research sample are as follows:

- The majority of companies in the research sample have committed to the corporate responsibility to respect human rights and publicly disclose this commitment in a stand-alone Human Rights Policy, Code of Business Conduct, Supplier Code, or other company-provided statement.
- Many companies are reporting on human rights due diligence, although often providing information in high level statements rather then explaining their processes for implementing their commitment to respect for human rights.
- Many companies are disclosing information about Assessing Impacts, Integrating & Acting, and the importance of Grievance Mechanisms. However, companies are typically disclosing that they acknowledge the importance of these principles and do not necessarily provide further information about their specific processes and programs.
- Often, the most detailed disclosure within a report is related to disclosure on supply chain contexts. This information typically relates to tracking performance and details of compliance audits.
- Many companies disclose information about stakeholder engagement processes. However, they often describe processes that are led by corporate headquarters. Few companies disclose evidence of how they engage affected stakeholders in their processes for assessing impacts or tracking the effectiveness of actions taken.
- The companies' with the strongest disclosure in the research sample were fairly evenly divided between European- and North American-headquartered companies.
- The European companies tended to have stronger disclosure about their human rights policy commitment and overall human rights due diligence processes, while the North American companies were stronger in

disclosure about how they integrate and act on the impacts they identify and track their performance, albeit with a strong emphasis on supply chains.

- Regarding sectoral trends, the companies with the strongest disclosure tended to be in the extractive sector, followed by those companies whose disclosure focuses primarily on supply chain impacts – notably (and in order) the apparel; food, beverage and agriculture; and ICT sectors.

I. Introduction

This research was conducted to inform understanding of how companies currently report on their human rights performance. It was undertaken between October 2013 and March 2014 and covers public disclosure by 43 companies from across eight sectors.

The research analyzed the companies' disclosure against the key components of the corporate responsibility to respect human rights, as set out in the UN Guiding Principles (GPs) on Business and Human Rights, namely their:

- Human rights policy commitments
- Due diligence processes for:
  - Assessing impacts
  - Integrating and acting on findings
  - Tracking performance, and
  - Communicating on performance
- Remediation processes and grievance mechanisms

The purpose of the research was to:

- Understand to what extent current company disclosure covers key elements of the Guiding Principles;
- Understand which particular Guiding Principles tend to have stronger or weaker disclosure; and
- Identify examples of disclosure that represent the "leading edge" of reporting in this area.

Shift commissioned the underlying research as a contribution to consultations on the Human Rights Reporting and Assurance Frameworks Initiative (RAFI), a project it is co-facilitating with the global auditing and accounting firm Mazars. RAFI is a three-year initiative designed to develop a twin set of frameworks for what good reporting on human rights performance looks like and what good assurance of such reports would look like. Both frameworks will be based on the UN Guiding Principles and are being developed through an open, consultative process. The final products will be publicly owned and available. Information on this project, including how to contribute to discussions, can be found at the RAFI portal on the BHRRC website.

As a member of the RAFI project team, Shift hopes this research can further advance collective thinking about how the RAFI human rights reporting framework might advance viable and meaningful disclosure by companies of their human rights performance, in line with the UN Guiding Principles.

The report is composed of four sections in addition to this Introduction. Section II briefly sets out the research methodology and limitations. Section III summarizes a range of key findings. Section IV summarizes the research analysis of companies' human rights reporting in relation to each of the key components of the corporate responsibility to respect human rights, as articulated in the UN Guiding Principles. Section V offers a brief conclusion. Annex A lists out all companies included in the research, organized by sector. Annex B highlights a number of text excerpts from company disclosure, organized according to the different components of the corporate responsibility to respect human rights, and explaining the ways in which each excerpt appears to be particularly interesting or strong in relation to the research sample as a whole.

II. Research Sample and Methodology

43 companies' public disclosure was analyzed across the following industries: oil & gas/ extractives; fast moving consumer goods; apparel; food, beverage & agriculture; information and communications technology; banking & finance; automotive; and pharmaceuticals. Of the 43 companies, 54% were headquartered in Europe, 37% in North America, 2 companies in Australia, 1 in Japan, and 1 in South Africa. A listing of all companies in the research sample is included in Appendix A.

The research was exclusively desk-based, using the information publicly reported by the 43 companies in the research sample during the period from October 2013 to March 2014 (or earlier). Disclosure reviewed includes CSR reports, GRI reports, Global Compact reports, information disclosed on company websites (eg. policies, internal documents, or case studies), or information on company websites referring to additional company-produced resources focused on human rights (eg. financial filings, special human rights reports, etc.).

It is important to note that this research sample is not intended to be representative. Rather, companies were selected based on their known record of having formal human rights programs and/or strong disclosure of environmental, social, and governance performance. Preference was given to including a few companies from each of eight different sectors, rather than the covering all companies that report substantively on their human rights performance in a particular sector. Non-inclusion in the sample should therefore not be taken as a sign of poor human rights reporting practices; equally, inclusion should not be taken as any kind of endorsement of individual companies' reporting practices. Rather, the research seeks to highlight areas of relative strength and weakness when looking at the research sample as a whole.

Company disclosure was analyzed in two distinct categories:

> ***Scope of reporting*** – the extent to which company disclosure covers information relevant to the "headline statement" of each Guiding Principle. The opening "headline statement" to each Guiding Principle defines the overarching expectations of that particular Principle, and is then followed by bullet-pointed sub-elements that provide further detail on specific expectations. Most companies in the research sample provide disclosure only in relation to the headline statement, and therefore the focus in this report is at that level. This said, where meaningful trends relating to disclosure on the sub-elements of a Guiding Principle stand out, this is also highlighted in the analysis.

Robustness of disclosure – assessment of supporting evidence provided by the company for its performance in relation to each Guiding Principle. Supporting evidence includes information about specific processes or procedures, examples, and/or case studies that give the reader a clear sense of a company's approach and actions. Examples in boxes within the text illustrate leading practice in disclosure within the research sample.

It should be noted that the research is based purely on information that is publicly disclosed by the companies in the sample group. Findings are therefore focused on disclosure practices, and should not be taken as judgments as to actual corporate practices, which may include a range of policies, processes and outcomes that are not reflected in disclosure. Equally, it is recognized that information disclosed about corporate practices may in some cases be contested by third parties.

III. KEY FINDINGS

The following section summarizes a range of key findings from across the research as a whole. Section IV identifies specific trends in relation to each component of the corporate responsibility to respect human rights.

1. Disclosure of management processes

The best examples of company disclosure regarding human rights risk management processes relate to Assessing Impacts (GP 18) and to Integrating Findings and Taking Action (GP 19). For instance:

- Rio Tinto, Anglo American, Nestle, and Coca-Cola all provide detailed disclosure about their company-wide processes for reviewing human rights risks. They disclose internal implementation documents or issue special reports that describe newly designed, holistic impact assessment processes.
- Rio Tinto and Anglo American's disclosure of internal guidance documents also provides supporting evidence that illustrates how they integrate identified impacts into decisions and actions across business activities.
- With regard to impacts in the supply chain, several companies (particularly in the apparel sector) disclose information about how they integrate findings into internal purchasing practices.
- A number of companies disclose their understanding of the need to address impacts that are directly linked to their operations, products or services, even where they have not contributed to those (eg. Ford, HP, Gap Inc., Coca Cola, and BP).
- However, very few companies disclose information about how they use their leverage in their business relationships to address these and other impacts.

2. Disclosure of human rights Impacts

Reporting on actual impacts with which a company is involved – as against on processes to address impacts in general – is typically the most challenging area for company disclosure. The research sample provides some examples, albeit companies' reporting in this regard varies significantly.

With the exception of specific examples noted below (and in Section IV), most companies do not indicate whether those impacts they disclose are seen as particularly significant human rights risks; whether they are present across core business activities and relationships; or how they were selected for disclosure. It is also

unclear from most companies' disclosure whether impacts reported are incorporated into the company's forward-looking management processes, or whether remedy to affected stakeholders has been provided.

When companies in the research sample do provide information on specific impacts, examples focus primarily on systemic issues and/or impacts where there is existing public scrutiny. For example, several companies in the agriculture, apparel, and ICT industries disclose information about systemic adverse impacts found in their supply chains, such as child labor, limits on freedom of association, excessive overtime, and conflict minerals. Some extractive companies in the research sample disclose impacts related to indigenous people's rights, land rights, and security – often providing specific case study examples of the company's response to particular situations; not all case studies are presented as representative of a company-wide approach, however. Finally, some ICT and pharmaceutical companies in the research sample disclose impacts about the right to privacy and the right to health, respectively.

The lack of disclosure on specific impacts is also evident in reviewing companies' reporting with regard to remediation (GP 22), as only 4 companies in the research sample (Rio Tinto, BHP Billiton, Coca-Cola, and Microsoft) provide strong disclosure about whether they are providing for, or cooperating in, remediation processes. While there are a number of companies that discuss general approaches to remediation, their statements are very limited; and there are just as many companies that provide no information on this issue.

3. Reporting on Engaging Affected Stakeholders

Many companies disclose information about stakeholder engagement processes. However, they often describe processes that are led by corporate headquarters - most frequently intended to inform policy commitments, engage internal employees, or seek expert input into the design or implementation of management systems.

Very few companies disclose evidence of how they engage affected stakeholders when assessing impacts (GP 18). Examples of relatively strong disclosure in this area come mainly from the extractives sector where engagement centers on communities around their operations. Conversely, there are few companies that disclose information about engaging stakeholders within their supply chain. Those that do include companies in the apparel and the food, beverage, and agriculture sectors – where many companies have long-established audit programs that incorporate interviews with local stakeholders.

Finally, over half of the companies in the research sample only disclose information about grievance mechanisms (GP 29) that are open to employees, with no mention of channels for non-employee stakeholders such as supply chain workers, local communities, etc. This may be because the channels open to employees are the dominant or sole channels in existence.

4. Trends by Geography and Sector

Half of companies in the research sample are headquartered in Europe, whereas more than one third are headquartered in North America. The companies' with the strongest disclosure in the research sample were fairly evenly divided between European- and North American-headquartered companies.

Companies headquartered in Europe in the research sample tended to have stronger disclosure about their Policy Commitment (GP 16) and overall Human Rights Due Diligence Processes (GP 17); the companies with the strongest disclosure on GP 16 and 17 in the research sample are within the extractives sector. North American apparel companies have the strongest disclosure in the research sample on processes for Integrating

& Acting (GP 19), while North American companies also had stronger disclosure than their European counterparts when it comes to reporting on their processes for Tracking (GP 20). Companies with the strongest disclosure on GP 20 tend to focus their disclosure on supply chain impacts.

When solely looking at sectoral trends, the companies in the research sample with the strongest disclosure in relation to the Guiding Principles tended to be in the extractive sector. Companies whose disclosure focuses primarily on supply chain impacts (in the apparel; food, beverage and agriculture; and ICT sectors) offered the next strongest examples of disclosure (in that order).

IV. ANALYSIS BY GUIDING PRINCIPLE

The following section represents a summary of reporting trends identified through the research in relation to each component of the corporate responsibility to respect human rights. Each section begins by restating the "headline statement" of the Guiding Principle in question. Excerpts from companies' disclosure (in boxes) illustrate the kinds of statement that are at the leading edge of current disclosure in the research sample. Citations for these excerpts can be found in Appendix B, which also contains a fuller set of leading examples of disclosure.

A. Policy Commitment & Embedding Respect for Human Rights (GP 16)

GP 16 - Headline Statement: As a basis for embedding their responsibility to respect human rights, business enterprises should express their commitment to meet this responsibility through a statement of policy.

Scope

- 88% of companies in the research sample disclose a general policy commitment to respect human rights that covers key elements of the headline statement, either by disclosing a stand-alone Human Rights Policy document or disclosing that this commitment is embedded in a Corporate Code of Business Conduct.
- The remaining companies' commitments cover only a limited number of human rights.

Robustness

- 26% of companies' disclosure stands out as relatively strong within the research sample because of the supporting evidence provided in relation to GP16. They typically provide information that explains how they are implementing the commitment in practice, including through disclosure of internal guidance documents and specific attention that is paid to issues relevant for their particular sector.

AngloGold Ashanti's *Human Rights Policy states: "We are aware that we have the ability to impact on human rights, and our commitment should include, as applicable, all internationally recognised human rights… in particular freedom from forced labour, the abolition of child labour, freedom to associate and organise and the right to collective bargaining, and the elimination of discrimination in employment and occupation. … We are aware that, included among our primary challenges, are: respect for the resources, values, traditions and cultures of local and indigenous communities; issues of access to land; environmental impacts including access to clean water; avoiding damaging as far as possible the right to livelihoods, including those whose livelihood has historically been reliant on artisanal mining; operating with respect for human rights in post-conflict and weak governance zones; ensuring respect for human rights in deployment of security forces through, among other things, compliance with the Voluntary Principles on Security and Human Rights, and consideration for societies' most marginalised individuals and groups. Risks and challenges may change, and this will be reviewed regularly."*

- Only a few companies spell out how they cascade their commitment to human rights throughout their business activities and/or stipulate how their commitment applies to their business relationships (eg. disclosing what expectations they set for suppliers and sub-suppliers).

In its Policy Letter 24: Code of Human Rights, Basic Working Conditions, and Corporate Responsibility, **Ford Motor Company** incorporates requirements about sustainability management, meaning the "prohibition of the use of forced labor, child labor and physical disciplinary abuse..." It states: *"All of our direct (Tier 1) suppliers are subject to our Global Terms and Conditions ['the contract to which every supplier doing business with Ford is subject'], which require that both our own suppliers and their sub-tier suppliers meet specific sustainability expectations. We also provide training to our Tier 1 suppliers to build their capability to manage sustainability issues, and we require that they cascade the training to their own suppliers."*

B. Human Rights Due Diligence Processes (GP 17)

GP 17 - Headline Statement: In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.

Scope

- 56% of companies' disclosure about Human Rights Due Diligence (HRDD) in the research sample substantively covers key elements of the headline statement for GP 17. These companies' disclosure varies from specifically using the term "human rights due diligence" to providing information about the many components that make up HRDD. Their disclosure either describes stand-alone HRDD processes, or how they integrate human rights into existing risk management processes.

- 30% of companies in the research sample disclose some aspects of HRDD, but with critical aspects missing – such as whether their approach covers all relevant business activities (including in relation to the company's value chain); whether it defines risk in relation to rights holders, as against risk to the business alone; or whether it encompasses all internationally-recognized human rights, rather than starting from a sub-set of human rights, such as labor rights.
- The remaining 14% of companies in the research sample do not discuss HRDD in their disclosure.

Robustness

- 16% of companies' disclosure in the research sample stands out as relatively strong because of the supporting evidence provided on their HRDD approaches and their application across business activities. These companies explain specific processes for implementing HRDD, and/or publish internal documents or special reports that outline expectations for HRDD implementation.

Coca-Cola's 2013 *Responsible Investment in Myanmar* report states: "*Our workplace and human rights due diligence work plan incorporated the following components: Understand the overall human rights landscape through country level research and stakeholder engagement; Assess actual and potential human rights impacts through workplace and community due diligence; Develop remediation to act upon findings and track progress; Develop local level capacity to integrate prevention over time; Adapt Company grievance mechanisms to meet local customs.*"

C. Assessing Impact (GP 18)

GP 18 - Headline Statement: In order to gauge human rights risks, business enterprises should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships.

Scope

- 47% of companies in the research sample disclose information that substantively covers key elements of the headline statement on "assessing impact" in GP 18. However, some disclosure is limited to a single statement, which only offers limited insight into a company's processes for identifying and assessing actual impacts. Alternatively, some companies describe fuller information regarding human rights in their disclosure about broader impact assessment processes.
- 23% of companies in the research sample do not cover all key elements of the headline statement for GP 18, but do provide some information about assessing impacts. This disclosure tends to focus on endemic risks that have been the subject of public scrutiny, without explanation of how these issues were selected for inclusion; or risks that are related to one part of a company's business activities (e.g. supply chain operations), without explanation of how risks are assessed across the company more broadly.
- 30% of companies in the research sample do not disclose information about assessing impacts.

Robustness

- 12% of companies' disclosure within the research sample stands out as relatively strong because of the supporting evidence provided on assessing impacts. They typically explain which functions within the company are involved in assessing impacts, or how the company involves internal and external expertise in the process.

> **Nestlé** states in its *Talking the Human Rights Walk* white paper: *"Assessments are conducted by a joint DIHR-Nestlé team consisting of 1 or 2 DIHR members and the Human Rights Specialist of Nestlé International Headquarters. The assessment is carried as a facilitated self-assessment, where DIHR plays a coordinating role and Nestlé provides company specific input" and covers 8 Functional areas: "Human Resources, Health and Safety, Security Arrangements, Business Integrity, Community Impacts, Procurement, Sourcing of Raw Materials and Product Quality and Marketing Practices."*

- Several companies disclose that they consult with affected stakeholders (GP 18b); however, only a few provide much supporting evidence.

> **Timberland** states that it *"put[s] workers at the heart of the assessment and remediation process"* by involving them in "*opening/closing meetings, … ensuring workers feel comfortable sharing their thoughts", "worker discussion in group sessions", "formal trainings… ensur[ing] workers have an understanding of their full rights and responsibilities in the factory, including identifying issues and seeking resolutions", and "Internal Social Performance Teams… that allow factory workers to conduct their own… assessments" – all of which "enable workers to identify the rights and problems they see as important".*

D. Integrating Findings & Taking Action (GP 19)

GP 19 - Headline Statement: In order to prevent and mitigate adverse human rights impacts, business enterprises should integrate the findings from their impact assessments across relevant internal functions and processes, and take appropriate action.

Scope

- 44% of companies in the research sample disclose information about Integrating & Acting across a full range of business activities. However, many companies only provide general statements about integrating findings from assessments across the enterprise.
- A further 40% of companies in the full research sample disclose information about their processes for integrating findings and taking action on impacts, but only in relation to their supply chains.

Robustness

- 16% of companies' disclosure in the research sample provides relatively strong supporting evidence about their approach to Integrating & Acting. The information provided typically explains how they integrate findings from their impact assessments into different functions' business decisions, or gives specific examples of the actions companies have taken.

In **Anglo American's** *SEAT Toolbox* (its internal social performance management guidance document), it states that: *"once the significance of an issue or impact has been assessed and understood, appropriate management actions can be developed and included in the [Social Management Plan] SMP… It is critical that senior managers provide their input into the development and finalization of any management and monitoring plan. The Business Unit head of social performance (or equivalent) should sign-off on all SMPs... SMPs should provide sufficient detail for the effective implementation of management actions. This is particularly important for: annual budgets, including staff resourcing; and monthly outputs and milestones for program activities."*

In its CSR report, **PVH** describes improved processes for integrating human rights findings in its supply chain into business decisions: "*We now engage factories in corrective action planning (CAP) development earlier in the assessment process so more time is spent on implementing the action plans. During this process, our team works with factories to identify root causes, offer suggested actions, and develop feasible remediation plans. This dialogue also provides an opportunity to understand how our purchasing practices may hinder our factories abilities' to comply.*" PVH also provides an illustrative example of this approach: "*For example, if we have last minute style changes, factory workers might have to work additional hours to meet delivery deadlines. As such, we work with our Global Sourcing Chain teams on any role we may play in non-compliance issues, such as working hours. Our Global Sourcing Chain team is likewise engaging with factories to help ensure our business practices do not adversely affect social compliance.*"

- Among the companies in the research sample, only a few disclose information about the use of leverage to effect change in the behavior of business partners in order to mitigate human rights risk.

Ford Motor Company states: "*We have less control in suppliers' facilities than in our own, particularly at the sub-tier level, where the risk for substandard working conditions is often heightened. Ensuring sound working conditions in the supply chain is ultimately our suppliers' responsibility…. As customers, however, we have an active role to play in supplier development… We work with others in our industry to develop common expectations and guidance for suppliers and to provide consistent training. We have developed an Aligned Business Framework (ABF) with our most strategic suppliers… to align and enhance approaches to a range of sustainability issues.*"

E. Tracking Performance (GP 20)

GP 20 - Headline Statement: In order to verify whether adverse human rights impacts are being addressed, business enterprises should track the effectiveness of their response.

Scope

- 26% of companies in the research sample disclose substantive information that covers key elements of the headline statement of GP 20. They typically provide broad descriptions of efforts to track whether impacts are being addressed across their business activities.
- 67% of companies in the research sample only disclose information about tracking human rights performance in their supply chain auditing processes. Of those companies that disclose information about tracking performance beyond the supply chain context, many are in the extractives industry, which has traditionally focused more on community-related social and human rights risks.
- 7% of companies in the research sample do not provide any information about tracking the effectiveness of their responses.

Robustness

- 9% of companies within the research sample disclose relatively strong supporting evidence on tracking the effectiveness of their responses to human rights impacts. They typically provide examples of internal reporting, monitoring and assurance processes. They also describe processes for including stakeholder feedback in tracking mechanisms and/or examples of indicators used across business activities.

> In the *Anglo Social Way* (an internal management document), **Anglo American** states: *"corporate assurance programmes have been developed as a means of ensuring that fundamentally sound, risk-based management systems that are responsive to the concerns of local stakeholders are in place at all operations."* Additionally, it states in its *SEAT Toolbox*: "*in cases where an impact is assessed as a significant risk or opportunity, it may be necessary for the internal assurance function to conduct an arm's length review of the management approach to ensure that it is being implemented as designed and achieving the desired outcomes. In cases where an impact is assessed as a high risk to the company or stakeholders (e.g. resettlement), it may be necessary to commission independent external assurance to provide comfort to internal and external stakeholders alike that the impact is being managed effectively.*"

- 72% of companies in the research sample only provide supporting evidence for tracking the effectiveness of responses specifically within their supply chains, but not in relation to other business areas or activities. However, this is noteworthy because in these instances, the supporting evidence provided often exceeds what appears within the rest of those companies' entire disclosure. The evidence provided can include detailed information about indicators used, stakeholders involved, improvements made, and case study examples.

HP states *"since 2009, we have required supplier sites in China with major non-conformances related to working hours to report monthly KPIs that track the amount of overtime and the number of days each worker has off per week. The data we have received have shown that the proportion of people working less than 60 hours in 2012 was 70%, an improvement of 15% over the past three years. In particular, we have seen positive results when a facility's management has acknowledged the benefits of reporting and monitoring these KPIs. These positive results are not necessarily yet reflected in our audit findings because although improvements have been made, the results may not meet the thresholds required by our audit processes."*

F. Communicating Performance (GP 21)

GP 21 - Headline Statement: In order to account for how they address human rights impacts, business enterprises should be prepared to communicate this externally… Business enterprises whose operations or operating contexts pose risks of severe human rights impacts should report formally on how they address them.

Scope

- Given the nature of this research, all companies in the sample obviously use formal reporting to convey information about their human rights performance. They do so through a combination of media such as their own websites, sustainability reports, and special human rights reports (eg. Nestlé's 2013 report on Human Rights Due Diligence). One unique example in the research sample is Coca-Cola's communication about human rights risks in its 2013 Annual Form 10-K Financial Filing.
- 77% of companies in the research sample disclose substantive information about externally communicating human rights performance through means other than formal reporting alone (eg. direct communications with external stakeholders). However, they often only provide high-level statements that describe engagement processes led by corporate headquarters.
- Two companies in the sample (Rio Tinto and Anglo American) disclose information about how they consider risks to affected stakeholders when communicating about how they address impacts (GP 21c).

Robustness

- 60% of companies in the research sample provide some supporting evidence in their disclosure about communicating performance. However, this only includes limited, high-level information about general approaches to communicating about human rights impacts.
- 9% of companies in the research sample disclose relatively strong supporting evidence on communicating outside of formal reporting. They do so by explaining how they communicate specific processes for addressing impacts, often through the use of case studies. In particular, Rio Tinto and Anglo American provide strong supporting evidence on communicating with affected stakeholders.

In its internal guidance document *Why Human Rights Matter* (which is publicly disclosed) **Rio Tinto** states: *"for human rights issues and allegations at site-level, the focus should be on local-level communication with stakeholders" and that "findings from the knowledge base should also be shared with affected communities in a transparent and accessible manner. This can serve as a starting point for discussions on community priorities and concerns."*

- 7% of companies in the research sample provide supporting evidence about communicating only through select examples, which do not provide a clear sense of the how the company approaches communication more generally. Nonetheless, these examples provide relatively robust information about the company's communication in relation to a specific risk or impact.

Gap Inc. states: *"The Sumangali scheme is a violation… and we do not approve apparel factories that use this practice. Knowing that addressing systemic issues requires an industry-wide, locally inclusive approach, we took a leadership role in establishing an industry working group through the Ethical Trading Initiative…. we helped create an initial roadmap with the Tamil Nadu Working Group and the Ethical Trading Initiative to address the Sumangali issue. The roadmap is built on a three-pronged strategy: 1. Work with the Ethical Trading Initiative, the International Labour Organization, non-governmental organizations, and local government to develop locally based programs. 2. Support local NGOs to educate local communities to aid in prevention. Implement an outreach and awareness plan at the community level in Tamil Nadu to highlight the problems associated with Sumangali schemes and brands' expectations toward their abolition. This includes setting up orientation and training for schools, teachers, parents, health workers, and factory managers to promote rights awareness for female garment workers in the region. 3. Support government involvement to aid enforcement..."*

G. Remediation of Impacts that Have Occurred (GP 22)

GP 22 - Headline Statement: Where business enterprises identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in their remediation through legitimate processes.

Scope

- Only 9% of companies in the research sample disclose substantive information that covers key elements of the headline statement of GP 22. They do so by describing processes in place to provide remedy to affected stakeholders.
- 44% of companies in the research sample do not disclose information about how they provide for or cooperate in legitimate remediation processes. Instead, they tend to provide limited, high-level statements about the importance of remediation processes, without reference to the provision of remedy to specific stakeholders that have experienced human rights harms.
- The remaining 47% of companies in the sample disclose little to no information regarding how they provide remedy for impacts that they have caused or contributed to.

Robustness

- Companies in the research sample that provide relatively strong supporting evidence on remediation disclose specific details about their processes to provide remedy to affected stakeholders, or they disclose illustrative examples where the company has provided remediation when it caused or contributed to adverse impacts. Only 3 companies in the research sample do so (Rio Tinto, Coca-Cola and Nike).

In *Why Human Rights Matter*, **Rio Tinto** discloses a case study about impacts on stakeholders in Kelian, Indonesia and the remedy provided: *"The human rights-related claims submitted by members of the Kelian community related to three areas: 1. The ill-treatment of persons during the relocation of settlers in the mine area, causing loss of livelihoods. Some claims involved allegations of serious physical abuse by security forces carrying out the relocation. 2. The ill-treatment of protesters by company security personnel and police. 3. Sexual harassment and sexual abuse of women by Kelian Equatorial Mining employees… [Rio Tinto] publicly acknowledged that human rights abuses had occurred during the early development of the mine and undertook to use the reports by the commissions as the basis for compensatory settlement…"* It also issued *"a public expression of regret, as well as a traditional reconciliation ceremony with communities" and is "carrying out external audits of social, community and environmental reports and conducting human rights training for all employees and contractors."*

H. Operational-level Grievance Mechanisms & their Effectiveness (GP 29 & 31)

GP 29 - Headline Statement: To make it possible for grievances to be addressed early and remediated directly, business enterprises should establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely affected.

Scope

- 40% of companies in the research sample disclose substantive information relevant to establishing or participating in operational-level grievance mechanisms (GP 29), mostly by providing information about whistle-blowing policies and/or other hotlines.
- 58% in the research sample only disclose information about particular stakeholder groups' access to and use of these mechanisms (most frequently employees). They do not disclose information about whether mechanisms are accessible to other relevant constituencies (eg. non-employee workers, supply chain workers, local communities).
- Nike is one of very few companies to disclose information about setting expectations for business partners to implement effective grievance mechanisms. The expectations it discloses are defined as recommendations for supplier mechanisms.

Nike states that stakeholders should have *"the ability to raise concerns confidentially (or anonymously), subject to the requirements of country law, if the employee so desires without fear of retaliation."* It also states there should be *"effective communication of the grievance policy to employees so that [factory] employees are aware of the grievance process and their right to raise concerns"* and have multiple channels to do so.

Robustness

- 16% of companies in the research sample disclose some information relevant to the Effectiveness Criteria outlined in the sub-elements to GP 31, although their disclosure typically provides high-level statements and does not cover every criterion. Rio Tinto is the only company to disclose information that covers all eight Effectiveness Criteria.

In *Why Human Rights Matter*, **Rio Tinto** states: *"To maintain good relationships with communities, it is vital that the site has formal processes for managing and, where necessary, escalating complaints to disputes and grievances… they should all include consultation with stakeholder groups to ensure that it meets their needs and that they will use it in practice. This includes facilitating community participation in resolution processes, where appropriate."* Regarding its operations in the Weipa, Australia community, Rio Tinto discloses a case study that states: *"The Weipa community feedback system reflects the… overarching principles for non-judicial grievance processes – legitimate, accessible, predictable, equitable, transparent, and rights-compatible. To promote local awareness of the feedback system, the process is advertised in the local newspaper, site newsletters, community noticeboards and informally when CSP personnel visit local communities… the feedback procedure includes provisions for engagement and dialogue with the affected persons… [Rio Tinto] report[s] back to the community on how complaints are received and addressed"* through a community forum.

V. Conclusion

This paper has summarized some emerging findings and trends regarding disclosure on human rights performance provided by a cross-sectoral group of multinational companies. It has highlighted, in particular, the extent to which their current disclosure covers key elements of the Guiding Principles; which Guiding Principles are most extensively covered in disclosure, and which least; and some examples of "leading edge" reporting.

Although this research reviewed a limited group of companies, it is hoped that it may provide a stimulus to discussions regarding how company disclosure on human rights in general might be further improved, learning from and building on examples of current leading practice. Already, there are some advances to be seen in human rights disclosure as we enter into the 2014 reporting cycle. This may be, in part, due to increasing pressure from shareholders and other stakeholders for improvements in company transparency about their policies and practices. For instance, it is becoming more frequent for companies to publicly respond to shareholder inquiries or resolutions by disclosing internal management reports, policy documents, and

procedures. One recent example is McDonalds' disclosure of a management report to the Sustainability and Corporate Responsibility Committee of its Board of Directors on the company's process for identifying and analyzing human rights risks in its operations.[1]

We can also anticipate an increase in the quantity of human rights disclosure due to regulatory developments, as new non-financial reporting requirements come into force, or are anticipated. For instance, the European Union recently passed a Directive under which listed companies will have to report in annual disclosures on their human rights policies, outcomes and risk management processes (among other topics).[2] Further, the U.S. State Department now requires US companies investing in Myanmar to publicly disclose information on their human rights policies and procedures.[3]

Stock exchanges are also increasingly requiring listed companies to publicly disclose environmental, social and governance (ESG) information, which can include human rights information. This includes the eight exchanges that belong to the Sustainable Stock Exchanges Initiative[4], as well as individual exchanges in India, Indonesia, Thailand, Malaysia, Brazil, and South Africa.[5]

With a growth in these diverse market drivers for human rights reporting, it can be anticipated that attention to the quality of companies' disclosure on their human rights performance will increase. It is in response to this trend, that Shift, with its partner Mazars, is facilitating the Reporting and Assurance Frameworks Initiative (RAFI). It is hoped that this research will also contribute positively to those debates.

---

[1] http://www.aboutmcdonalds.com/content/dam/AboutMcDonalds/Investors/Investor 2014/Human Rights.pdf

[2] The plenary of the European Parliament adopted Council Directives 78/660/EEC and 83/349/EEC on 15 April 2014 regarding disclosure of non-financial and diversity information by certain large companies and groups. See http://ec.europa.eu/internal_market/accounting/non-financial_reporting/index_en.htm.

[3] See U.S. Department of State, Reporting Requirements on Responsible Investment in Burma, available at http://www.humanrights.gov/wp-content/uploads/2013/05/Responsible-Investment-Reporting-Requirements-Final.pdf. This requirement also applies to companies investing with the country's energy monopoly, Myanmar Oil and Gas Enterprise.

[4] The eight exchanges that belong to the Sustainable Stock Exchanges Initiative include the NYSE Euronext and NASDAQ OMX in the U.S., the MCX Stock Exchange Ltd. MCX-SX and Bombay Stock Exchange BSE Ltd. in India, and the Egyptian Exchange EGX. See information about the Sustainable Stock Exchanges Initiative at http://www.sseinitiative.org.

[5] For further information about recent development related to stock market disclosure requirements, please refer to the "Update to John Ruggie's Corporate Law Project: Human Rights Reporting Initiative" (November 2013), part 2.

Appendix A: Companies Included in Research

43 companies in research sample

Apparel

- H&M
- Gap Inc.
- Timberland
- Nike Inc.
- PVH

Automotive

- BMW
- Ford

Banking

- Aviva
- Barclays
- Citi
- Société Générale

Fast-moving Consumer Goods

- Carrefour
- Henkel
- L'Oréal
- P&G
- Unilever

Food, Beverage, Agriculture

- Associated British Foods
- Chiquita
- Coca-Cola
- McDonalds
- Nestlé
- PepsiCo
- SABMiller
- Starbucks

Information & Communications Technology

- Ericsson
- Hitachi
- HP
- Philips
- Microsoft
- Nokia Solutions and Networks (NSN)
- Vodafone

Oil, Gas & Extractives

- Anglo American
- AngloGold Ashanti
- BHP Billiton
- BP
- Randgold Resources
- Rio Tinto
- Shell
- Total

Pharmaceuticals

- GlaxoSmithKline
- Merck
- Novartis
- Novo Nordisk

Appendix B: Further Examples- Disclosure at the "Leading Edge" within the Research Sample

The excerpts from company disclosure included in this Appendix have been selected either as examples of the most robust information found within the research sample or because they are particularly unusual or interesting in the nature of the information provided. They are organized according to the particular component of the UN Guiding Principles to which the information relates. They should not be taken as necessarily representing ideal reporting, as this research does not seek to make absolute judgments in that regard.

It should be noted that the examples presented here also include those found in Section IV of the main report, to ensure that readers see the full list of examples that have been identified. Citations for each of the examples are included in hyperlinks within the excerpts.

A. Policy Commitment (GP 16)

Why company disclosure is interesting	Excerpt
Anglo Gold Ashanti's disclosure of its policy commitment is tailored to the mining sector's key human rights issues, including risks faced by vulnerable peoples and impacts related to the mining operations (eg. consideration of local resources, conflict-prone areas, etc).	**AngloGold Ashanti**'s *Human Rights Policy* states: "*We are aware that we have the ability to impact on human rights, and our commitment should include, as applicable, all internationally recognised human rights… in particular freedom from forced labour, the abolition of child labour, freedom to associate and organise and the right to collective bargaining, and the elimination of discrimination in employment and occupation. … We are aware that, included among our primary challenges, are: respect for the resources, values, traditions and cultures of local and indigenous communities; issues of access to land; environmental impacts including access to clean water; avoiding damaging as far as possible the right to livelihoods, including those whose livelihood has historically been reliant on artisanal mining; operating with respect for human rights in post-conflict and weak governance zones; ensuring respect for human rights in deployment of security forces through, among other things, compliance with the Voluntary Principles on Security and Human Rights, and consideration for societies' most marginalised individuals and groups. Risks and challenges may change, and this will be reviewed regularly.*"
Rio Tinto provides specific information about its approach for addressing human rights impacts by publicly disclosing its internal human rights policies and processes.	In its resource guide *Why human rights matter*, **Rio Tinto** states: *"We know that our decisions and actions,.. can result in adverse human impacts. We also recognise that respecting human rights is a continual process which we will always strive to improve. … the complexity of our interaction with local communities, and the human rights issues which arise as a result, requires a systematic approach and expert guidance. This guide focuses on what due diligence, risk assessment and community engagement mean in a human rights context, examines why human*

	rights matter in Communities and Social Performance (CSP) work, and illustrates how our processes and systems align with international standards and expectations, using real-life examples we have encountered in our business. The guide is written primarily for our CSP practitioners who interact daily with our host communities and want to 'do the right thing' in the face of the dilemmas they encounter. But we hope that it will be of use to all Rio Tinto employees, and of interest to our stakeholders who want to understand how we meet our 'responsibility to respect human rights'."
Ford Motor Company's disclosure explains how it cascades expectations for respecting human rights beyond own operations.	In its *2012/2013 Sustainability report*, **Ford** incorporates requirements about sustainability management, meaning the "prohibition of the use of forced labor, child labor and physical disciplinary abuse..." It states: *"All of our direct (Tier 1) suppliers are subject to our Global Terms and Conditions ['the contract to which every supplier doing business with Ford is subject'], which require that both our own suppliers and their sub-tier suppliers meet specific sustainability expectations. We also provide training to our Tier 1 suppliers to build their capability to manage sustainability issues, and we require that they cascade the training to their own suppliers."*

B. Human Rights Due Diligence (GP 17)

Why company disclosure is interesting	Excerpt
Coca Cola discloses a comprehensive overview of its approach to HRDD in Myanmar, specifically detailing due diligence activities conducted as a basis for its investment decisions in that country.	**Coca-Cola**'s 2013 *Responsible Investment in Myanmar* report states: *"Our workplace and human rights due diligence work plan incorporated the following components: Understand the overall human rights landscape through country level research and stakeholder engagement; Assess actual and potential human rights impacts through workplace and community due diligence; Develop remediation to act upon findings and track progress; Develop local level capacity to integrate prevention over time; Adapt Company grievance mechanisms to meet local customs."*
Nestlé's special report about its approach to HRDD outlines the company's process for evaluating human rights risks in key countries. Nestlé provides information about how it assesses human rights risks and impacts throughout its operations including business units and participants involved, as well as details and results regarding its human rights due diligence methodology.	**Nestlé** states in its special report *Talking the Human Rights Walk*: *"Nestlé and the Danish Institute for Human Rights have been collaborating since 2010 in conducting… HRIAs. The objective is to assess the actual and potential impact Nestlé's business activities (operations and supply chain) have on the human rights of employees, third party staff, suppliers' employees, consumers and local communities. So far, assessments have been carried in 7 countries: Colombia, Nigeria, Angola, Sri Lanka, Russia, Kazakhstan and Uzbekistan. Five additional countries (Vietnam, Pakistan, China, Saudi Arabia and Egypt) will be covered by 2015."* (p. 12) *"Assessments are conducted by a joint DIHR-Nestlé team consisting of 1 or 2 DIHR members and the Human Rights Specialist of Nestlé International Headquarters (Nestlé HQ). The assessment is*

	carried as a facilitated self-assessment, where DIHR plays a coordinating role and Nestlé provides company specific input." (p. 13) *"Each HRIA goes through a 4-step process for which specific tools have been developed: 1. Scoping human rights risks at the country level…; 2. Assessing actual and potential human rights impacts…; 3. Integrating and acting upon the findings…; 4. Tracking responses and communicating how impacts are addressed."* (p. 7)
Nokia Solutions and Networks publicly discloses a "fact sheet" that explains how it carries out HRDD, specifically related to including human rights risks related to its products or services.	**NSN's** *Human Rights Due Diligence Fact Sheet* states: "*To implement our… Human rights policy Nokia Solutions and Networks is...carry[ing] out human rights due diligence specifically addressing human rights risks relating to privacy and freedom of expression." It also states that "Nokia Solutions and Networks aims to identify sales cases where potential for misuse of Nokia Solutions and Networks technology for human rights violations is high; make a detailed analysis and risk assessment of those cases by various internal and external experts; to apply mitigation tools to minimize or eliminate those risks; decline an offer where mitigation is not possible and risks remain high."*
BMW's and **PepsiCo**'s disclosure includes specific, albeit high level, information about human rights risks being included in existing risk management processes.	In its *2013 Sustainable Value Report*, **BMW** states that: *"human rights requirements are also integrated into our risk management process as well as investment and location decisions."* (p. 18) **PepsiCo** discloses in its *2011/ 2012 GRI Report* that its Human Rights Operating Council has incorporated "*human rights due diligence questions into [PepsiCo's] Global Risk Tool*" which includes "*country-level risk identification and assessment processes.*"

C. Assessing Impacts (GP 18)

Why company disclosure is interesting	Excerpt
Nestlé's special report about its approach to HRDD outlines the company's full process for evaluating human rights risks in key countries, and specifically discloses which internal functions are involved in the assessment process.	**Nestlé** states in its *Talking the Human Rights Walk* white paper: *"Assessments are conducted by a joint DIHR-Nestlé team consisting of 1 or 2 DIHR members and the Human Rights Specialist of Nestlé International Headquarters. The assessment is carried as a facilitated self-assessment, where DIHR plays a coordinating role and Nestlé provides company specific input*" and *covers 8 Functional areas: "Human Resources, Health and Safety, Security Arrangements, Business Integrity, Community Impacts, Procurement, Sourcing of Raw Materials and Product Quality and Marketing Practices*."
Anglo American provides specific information about its approach for assessing human rights impacts by publicly	**Anglo American's** *Good Citizenship: Business Principles* states: "*When considering the development of a project, we will proceed on the basis of a full assessment of potential impacts*

disclosing key human rights policies and processes, including its internal performance management guidance documents.	*and through free, prior and informed consultation*." Anglo American states in its *SEAT Toolbox:* "*Any human rights issues or impacts should be assessed alongside other issues and impacts*." In the *Anglo Environment Way* (which includes the company's Social and Environmental Impact Assessment Standard or ESIA), it states that "*a systematic and structured approach should be adopted to identify, predict and evaluate the significance of potential impacts, which may result from the social and environmental aspects, within the project's zone(s) of influence*." These impacts include "*positive and negative environmental and social impacts and socio-political risks, including the potential for human rights abuses*." It further states in the *SEAT Toolbox:* "*impacts are identified primarily during engagement with internal and external stakeholders. It is important to engage with internal and external stakeholders alike*" and that projects undertaking ESIAs must "*ensure that stakeholder engagement: begins early in the S&EIA process and continues on an ongoing basis; enables stakeholders to provide meaningful inputs at the scoping, impact assessment and mitigation/ compensation design stages of any impact assessment*."
H&M provides information how about its risk and impact assessment processes are implemented across company operations, which includes stakeholder dialogue.	**H&M** states in its *Human Rights Policy* that it uses *"Risk and impact assessments… for identifying actual and potential human rights impacts from our business activities, which are then managed by the relevant business functions."* With regard to its supply chain, H&M states: *"engagement is manifested through our Code of Conduct and managed through applicable follow-up procedures. As appropriate, we use tools for human rights risk and impacts assessments to identify actual and potential human rights issues… Actions to manage and address human rights risks and impacts are guided and carried out through dialogue and collaboration with relevant stakeholders."*
Timberland provides details about how it consults potentially affected stakeholders in its assessment process.	**Timberland** states in its online disclosure that it "*put[s] workers at the heart of the assessment and remediation process*" by involving them in "*opening/closing meetings … worker discussion in group sessions"* and *"formal trainings… ensur[ing] workers have an understanding of their full rights and responsibilities in the factory, including identifying issues and seeking resolutions."* It also helps suppliers establish *"Internal Social Performance Teams… that allow factory workers to conduct their own… assessments.*" Timberland states that all of these mechanisms "*enable workers to identify the rights and problems they see as important*".

D. Integrating & Acting (GP 19)

Why company disclosure is interesting	Excerpt
Anglo American discloses how it uses the *SEAT Toolbox* to engage senior managers in plans to address risk through social management plans and their implementation.	**Anglo American's** *SEAT Toolbox* states: "*once the significance of an issue or impact has been assessed and understood, appropriate management actions can be developed and included in the [Social Management Plan] SMP… It is critical that senior managers provide their input into the development and finalization of any management and monitoring plan. The Business Unit head of social performance (or equivalent) should sign-off on all SMPs... SMPs should provide sufficient detail for the effective implementation of management actions. This is particularly important for: annual budgets, including staff resourcing; and monthly outputs and milestones for program activities."*
PVH describes its improved processes for integrating human rights findings in its supply chain into business decisions, and provides illustrative examples of its approach in practice.	In its *2012 CSR report*, **PVH** states: "*We now engage factories in corrective action planning (CAP) development earlier in the assessment process so more time is spent on implementing the action plans. During this process, our team works with factories to identify root causes, offer suggested actions, and develop feasible remediation plans. This dialogue also provides an opportunity to understand how our purchasing practices may hinder our factories abilities' to comply. For example, if we have last minute style changes, factory workers might have to work additional hours to meet delivery deadlines. As such, we work with our Global Sourcing Chain teams on any role we may play in non-compliance issues, such as working hours. Our Global Sourcing Chain team is likewise engaging with factories to help ensure our business practices do not adversely affect social compliance."* (p.32)
Gap Inc. provides disclosure acknowledging that its purchasing processes may contribute to adverse human rights impacts, and describes what internal actions it is taking to evaluate and prevent such occurrences, including embedding responsible purchasing into operational decision-making.	**Gap Inc**. states in its *2011-2012 Social & Environmental Report*: "*We recognize that decisions made by production and sourcing teams at Gap Inc. can have significant impacts on workers in our supply chain. In 2011, we created a Brand Integration and Vendor Performance project team at Gap Inc. to help our company better leverage vendor data to drive business decisions, including order placement."* Gap Inc. further states that Social and Environmental Responsibility staff is "*meeting with leaders in the Gap Inc. Sourcing department to examine any issues related to working conditions that may have stemmed from our decisions at headquarters; developing a virtual training tool that can be used by our employees globally to understand our company's social and environmental responsibility efforts, with a focus on how our purchasing decisions can impact local communities around the world; [and] training all new hires in inventory management, merchandising, production, and sourcing on the importance of responsible purchasing practices; and highlighting case studies and tools to ensure that factory orders are made with a full understanding of their potential impact on workers*."

H&M states that it is integrating audit results into its purchasing practices, and prioritizing orders with better performing suppliers.	**H&M** states in its *Human Rights Policy* that it "*strives to prioritise the management of the human rights impacts of our business activities based on the operational context, our leverage and business relationships. As a result, we concentrate on our own operations and suppliers, although we aim to also prevent and mitigate adverse human rights impacts in the whole value chain*." H&M also states in its *2012 Conscious Action Sustainability Report*: *" We have integrated the performance score (ICoC) for each supplier factory into our planning and order systems, aiming to place more and bigger orders with the better performing factories. In order to measure how well we perform in terms of this ambition, we compare the ICoC scores of our supplier factories weighted by order volume with scores weighted against the available capacity in our factory base. … We have also integrated sustainability closely in our supplier relationship management, offering long-term strategic partnerships with our best performing suppliers. Such strategic partnerships provide mutual benefits, for example by securing stable business through long-term capacity planning up to five years ahead. Out of our 785 suppliers, currently 148 strategic partners (19 percent) make 53 percent of our products*." (p.36)
Ford Motor Company provides detailed disclosure about its process and decisions for using leverage to address human rights impacts in the supply chain.	**Ford** states in its *2012-13 Sustainability Report*: "*We have less control in suppliers' facilities than in our own, particularly at the sub-tier level, where the risk for substandard working conditions is often heightened. …Ensuring sound working conditions in the supply chain is ultimately our suppliers' responsibility…. As customers, however, we have an active role to play in supplier development… Our view is that all participants in the automotive supply chain – from the original equipment manufacturers (OEMs) such as Ford, to the suppliers themselves, to the government agencies that set and enforce the regulations governing operations – must be involved to make these efforts sustainable in the long run. Such collective action will not only minimize costs and increase efficiency for OEMs [original equipment manufacturers] and suppliers alike, but will lead to better results than if individual companies take steps in isolation.*"
HP provides some information about its engagement across functions and business units to address human rights impacts and about vertical accountability.	**HP** states in its *2012 Global Citizenship report* that its "*human rights program management office works closely with HP's business units and global functions to address human rights impacts across a wide range of business activities including supply chain management, labor relations, employee health and safety, global trade, and consumer and employee data privacy*." HP also discloses that it includes the results of its human rights impact assessments "*in updates to the Office of the General Counsel and Global Citizenship Council on the status of human rights management across our business*."
HP's disclosure describes a specific instance where it used its leverage to promote the correct use of student	**HP's** *2012 Global Citizenship report* provides examples of adverse impacts within is supply chain and explains how it is addressing them. For example: "*The NGO China Labor Watch released a*

workers by suppliers. This disclosure is noteworthy because it illustrates how the company uses leverage to address an impact in which it was not involved.	*report in 2012 describing underage, student, and temporary labor at several electronics manufacturing locations in China. This report was released during a time when a first-tier HP supplier admitted publicly to using underage student workers. HP confirmed that neither of these incidents related to facilities in which HP products or components are made. Nonetheless, we have taken steps to promote the correct use of student workers by our suppliers. In response to the growing focus on student labor management violations in the electronics industry supply chain, HP has developed specific student and dispatch worker guidance for supplier facilities in China. … HP has asked suppliers to conform to the guidelines immediately. We will measure their conformance through our audit and key performance indicator programs and will provide training through a series of in-country events in 2013. HP developed the guidelines in consultation with key stakeholders, including the Center for Child Rights and Corporate Social Responsibility in China."*
Coca-Cola's disclosure provides examples of specific actions taken regarding different impacts, including case studies on action taken re: child labor, labor rights, forced labor and human trafficking to demonstrate how it integrates and acts on findings.	In **Coca Cola**'s *2011/2012 Sustainability report* it states: "*While there is no child labor in our Company-owned operations, we are aware that child labor persists on the farms that grow cane for our sugar suppliers… as a major buyer of sugar and other agricultural ingredients, we are taking action and using our influence to help end child labor in agriculture." Examples of action taken include its statements about eliminating child labor in Honduras: "As part of our Little Red Schoolhouse project, we continued our work with the ILO-IPEC director for the Philippines, the government of Bukidnon province and the Sugar Industry Foundation to eliminate child labor in Bukidnon and enroll child laborers in schools. A grant from The Coca-Cola Foundation funded the construction of a high school in Bukidnon, which has the country's highest incidence of child labor and the highest number of school-aged children not working or attending school*." It also states: "*We helped Honduras's Sugar Association Board of Directors arrange for all the country's sugar refineries to commit to addressing child labor. The initial plan calls for evaluation, intervention and education, benchmarking and contracting as well as enforcement and monitoring activities to be implemented on a long-term basis starting with the 2011-2012 harvest."*

D. Tracking Effectiveness (GP 20)

Why company disclosure is interesting	Excerpt
Anglo American discloses how it uses a risk-based system to manage internal tracking of human rights impacts and responses to stakeholder concerns.	**Anglo American** states in the *Anglo Social Way* (a publicly disclosed internal management document, p. 6): "*corporate assurance programmes have been developed as a means of ensuring that fundamentally sound, risk-based management systems that are responsive to the concerns of local stakeholders are in place at all operations.*" Additionally, it states in its *SEAT Toolbox (p.*

	260): "*in cases where an impact is assessed as a significant risk or opportunity, it may be necessary for the internal assurance function to conduct an arm's length review of the management approach to ensure that it is being implemented as designed and achieving the desired outcomes. In cases where an impact is assessed as a high risk to the company or stakeholders (e.g. resettlement), it may be necessary to commission independent external assurance to provide comfort to internal and external stakeholders alike that the impact is being managed effectively*."
BP provides strong supporting evidence in its disclosure about how it draws upon external feedback in its processes to track performance, including providing a case study to illustrate how it does so.	**BP** states in its *Annual Voluntary Principles Report (2012)* that *"In certain locations independent monitoring provides an important source of assurance on security and human rights risk management. In Indonesia, the Tangguh Independent Advisory Panel (TIAP), which advises BP on the economic, political and social impacts of the Tangguh LNG project in West Papua, published its eighth report in March 2011. The panel's scope includes providing external advice on BP's performance in identifying and managing human rights risk relating to security arrangements*." (p. 10)
Rio Tinto's disclosure describes how the company tracks the effectiveness of actions taken, and how information from tracking processes is integrated into revised plans and responses.	In its resource guide *Why human rights matter*, **Rio Tinto** states *"The Rio Tinto Communities standard requires us to monitor and evaluate our social performance. As part of this we aim to integrate human rights monitoring and evaluation into existing processes. Monitoring involves tracking, in a systematic way, how operational activities affect communities and other stakeholders, both positively and negatively. Lessons from monitoring and evaluation, including from our complaints, disputes and grievance processes, should be integrated into revised plans, objectives and targets. Corrective action should be taken where needed. Evaluation usually takes place once the work or programme has been completed and asks the question: 'How did we do' … Monitoring and evaluation of human rights impacts and performance is essential in order to: measure progress against our commitments; … identify whether impact and risk mitigation measures are effective; determine the cause, and provide a basis for corrective actions if our procedures, plans and activities are ineffective; identify any unanticipated human rights issues and impacts that have occurred, their consequences, and the response taken..."* (p. 72).
Nike's disclosure provides robust details about the systems and specific indicators it uses to track overtime in its supplier factories. Nike also discloses information about how it uses the data obtained from these tracking processes to drive supplier reviews and improvements.	**Nike**'s *FY10/11 Sustainable Business Performance Summary* relevant to tracking effectiveness of responses solely focuses on the supply chain. It provides a specific example, including qualitative and quantitative indicators used within its tracking process: "*Excessive overtime is a serious issue [that represents] the greatest proportion of… violations in our supply chain... we are focusing on… continued analysis of root causes, which has led us to identify and address key business processes upstream from the factory. We will continue to track our impact on excessive overtime at*

	factories and believe that the inclusion of excessive overtime in our Sourcing & Manufacturing Sustainability Index… help us to recognize where and when these issues arise." (p.53). Nike also discloses relevant indicators used to track human rights harms in its factory auditing processes, such as: "number of incidents of excessive overtime"; "% of factories reporting no incidents of excessive overtime"; "% Nike-influenced incidents and description of those incidents."
H&M provides information about tracking compliance within its supplier factories, including a detailed listing of KPIs within its Full Audit Programme and information about its additional focus on management systems.	**H&M** states in its *2012 Conscious Action Sustainability Report: "There are around 100 sustainability experts based in our production offices who regularly audit our supplier factories' compliance with our Code of Conduct and support improvements. Our audits follow a constantly updated list of around 300 questions and include an inspection of the factory, management interviews, document checks and interviews with workers. Audits are complemented with thorough management system analysis, aiming to prevent any non-compliance in a sustainable manner… Additional independent verification audits conducted by the Fair Labor Association (FLA) ensure the quality of our audit programme and help us to constantly improve our methods as we strive to tackle root causes of non-compliance in a transparent, trustful and sustainable manner."* (p. 32-33) Examples of KPIs include: "Average number of Sustainability activities at strategic factories vs. all factories"; "Progress in Factory ICOC Scores" (Sustainability performance, over time); "No. of workers who know how their wages has been calculated"; "Average monthly minimum wages vs. average wages" (p. 32-43). H&M also provides a detailed listing of the KPIs (and performance results) for tracking supplier compliance of its Full Audit Programme. In its online disclosure, H&M provides additional details about its focus on management systems: *"Some workers' rights issues such as freedom of association, forced labour and discrimination can be hard to identify in standard audits, so we have developed our approach further in response to this. Instead of only looking for instances of these issues, today we systematically assess whether factories have management systems in place that are aimed at preventing violations, and how effective these systems are. The management system evaluation covers: Policy; Organisation; Routines and procedure; Feedback and control mechanisms. Each area receives a score depending on how well it is functioning. This provides the management with a gap analysis that helps them develop internal systems to prevent non-compliance in the future."*
HP's disclosure provides information about key performance indicators and their use in internal tracking processes for addressing working hours issues in China.	**HP** states in its *2012 Global Citizenship report*: "*since 2009, we have required supplier sites in China with major non-conformances related to working hours to report monthly KPIs that track the amount of overtime and the number of days each worker has off per week. The data we have received have shown that the proportion of people working less than 60 hours in 2012 was 70%, an improvement of 15% over the past three years. In particular, we have seen positive results*

	when a facility's management has acknowledged the benefits of reporting and monitoring these KPIs. These positive results are not necessarily yet reflected in our audit findings because although improvements have been made, the results may not meet the thresholds required by our audit process." (p. 76-77)

E. Communicating Performance (GP 21)

Why company disclosure is interesting	Excerpt
Coca-Cola, McDonald's and Nestlé communicate about their human rights performance in public disclosure other than their sustainability reports.	**Coca Cola** states in *2012 Form 10-K financial filing*: *"Through our Human Rights Statement and Workplace Rights Policy and Supplier Guiding Principles, and our participation in the United Nations Global Compact and its LEAD program, as well as our active participation in the Global Business Initiative on Human Rights and Global Business Coalition Against Human Trafficking, we made a number of commitments to respect all human rights. Allegations that we are not respecting any of the 30 human rights found in the United Nations Universal Declaration of Human Rights, even if untrue, could have a significant impact on our corporate reputation and long-term financial results."* **McDonald's** has publicly disclosed an internal report in January 2014 that was prepared for its Board of Directors about its approach for managing human rights risks. This includes a statement from its Sustainability and Corporate Responsibility Committee regarding its assessment of the internal report, in which it states: "*the Committee is uniquely situated to evaluate the overall human rights risks within McDonald's business, as the Committee is charged with overseeing the Company's human rights activities, as well as other areas of the Company's business that intersect with human rights. Thus, we have reviewed management's report and are satisfied that management has taken reasonable steps to comprehensively identify, analyze and address the human rights impacts of its business. Furthermore, we are confident that the Company's policies and processes are designed to allow for continuous improvement as circumstances and expectations change. In the interest of responding to potential interest in this topic, the Committee has decided to publish management's report… along with this assessment so as to inform shareholders of the Company's efforts*." **Nestlé** published a white paper entitled '*Talking the Human Rights Walk'*, in which it discusses its approach to human rights due diligence in detail. For more on this, see GP17 above.
Rio Tinto's disclosure of its internal guidance document provides strong supporting evidence of its process for	**Rio Tinto** states in its internal guidance document *Why Human Rights Matter*: "*for human rights issues and allegations at site-level, the focus should be on local-level communication with*

communicating with stakeholders, including affected stakeholders and local communities.	*stakeholders*" and that "*findings from the knowledge base should also be shared with affected communities in a transparent and accessible manner. This can serve as a starting point for discussions on community priorities and concerns.*" (p. 36, 86. 81).
Anglo American discloses in its internal guidance documents that requires communication with affected stakeholders in its social performance management guidance process.	**Anglo American** states in the *SEAT Toolbox* that *"Involving stakeholders in the SEAT process (e.g. obtaining an understanding of key issues, accessing baseline data, discussing potential management responses, etc.) inherently brings with it the responsibility to provide feedback. Such reporting is an integral part of the SEAT process and provides a continuing basis for accountability — for monitoring the progress being made in delivering on management commitments. …Because feedback is so important, the SEAT process is not considered complete until feedback has occurred — a report has been produced and distributed to stakeholders… the particular circumstances of the operation and the associated issues must be taken into account when determining an approach [to engaging stakeholders]. For example, if earlier rounds of engagement identified emotive or high conflict issues, it would be wise to avoid large public meetings, and instead arrange small group or one-on-one feedback on the particular issues concerned."* (p. 281-282).
Timberland discloses processes for how it communicates with and involves potentially affected stakeholders (eg. workers in supply chain) in its processes for reviewing findings from assessments and corrective action plans.	**Timberland** states in its online disclosure that it conducts opening/ closing meetings that are *"important for outlining goals and objectives, sharing results and setting clear expectation for next steps. We make a point of inviting floor workers to these meetings—and ensuring that workers feel comfortable sharing their thoughts."* It also "*requires all Timberland suppliers [to] implement an Internal Social Performance Team—a multi-departmental team of management and worker representatives to continually assess worker needs and the factory's social/labor management system."*
Gap Inc. provides information about how it is communicating with stakeholders in the process of, or to inform approaches for, taking action.	**Gap Inc.** states in its *2011-2012 Social & Environmental Report*: "*The Sumangali scheme is a violation… and we do not approve apparel factories that use this practice. Knowing that addressing systemic issues requires an industry-wide, locally inclusive approach, we took a leadership role in establishing an industry working group through the Ethical Trading Initiative…. we helped create an initial roadmap with the Tamil Nadu Working Group and the Ethical Trading Initiative to address the Sumangali issue. The roadmap is built on a three-pronged strategy: 1. Work with the Ethical Trading Initiative, the International Labour Organization, non-governmental organizations, and local government to develop locally based programs. 2. Support local NGOs to educate local communities to aid in prevention. Implement an outreach and awareness plan at the community level in Tamil Nadu to highlight the problems associated with Sumangali schemes and brands' expectations toward their abolition. This includes setting up orientation and training for schools, teachers, parents, health workers, and factory managers to*

	promote rights awareness for female garment workers in the region. 3. Support government involvement to aid enforcement..."
H&M provides information about how it engages stakeholders on human rights topics on a regular basis, including the creation of and participation in stakeholder forums for supply chain workers and its own employees.	**H&M** states in its *2012 Conscious Action Sustainability Report*: *"Cambodia has a long history of collective bargaining and trade union representation. 100 percent of our supplier factories in the country have trade unions in place. However, negotiations in the sector are often confrontational, resulting in dead ends. Together with the Swedish trade union IF Metall, and several other stakeholders, we have set up a unique project aiming to educate trade unions and employers on the importance of solution-oriented, fair negotiations. We hope that this results in more stable market conditions with better results for the workers in Cambodia*." (p. 41). H&M also states in its report: "*Respecting human rights has always been vital to us both as an employer, business partner and corporate citizen. This is reflected for example in our values, our business principles our Global Framework Agreement with UNI Global Union and our Code of Conduct… We strive to have good relations with all our colleagues, employee associations and the trade unions that represent them. Since 2004, we have had a Global Framework Agreement with UNI Global Union in place. …This includes our commitment to workplace representation and across all of our operations, 60 percent of our colleagues are covered by collective bargaining agreements. Employees are also represented at the board level and two of the ten board members are employee representatives (additionally there are two deputy employee representatives). Besides various engagements on the local level, our global Employee Relations Manager holds regular meetings with representatives of the European Works Council (EWC). This forum was set up as part of our collaboration with UNI Global Union and comprises of employee representatives from some of our most important sales countries including Germany, UK, France and Sweden*." (p. 51-53)

F. Remediation (GP 22)

Why company disclosure is interesting	Excerpt
Rio Tinto provides specific information about its approach to remedy, as well as case studies that illustrate its approach in practice.	In *Why Human Rights Matter*, **Rio Tinto** discloses a case study about impacts on stakeholders in Kelian, Indonesia and the remedy provided: "*The human rights-related claims submitted by members of the Kelian community related to three areas: 1. The ill-treatment of persons during the relocation of settlers in the mine area, causing loss of livelihoods. Some claims involved allegations of serious physical abuse by security forces carrying out the relocation. 2. The ill-treatment of protesters by company security personnel and police. 3. Sexual harassment and sexual abuse of women by Kelian Equatorial Mining employees… [Rio Tinto] publicly acknowledged that human rights abuses had occurred during the early development of the mine*

	and undertook to use the reports by the commissions as the basis for compensatory settlement…" It also issued *"a public expression of regret, as well as a traditional reconciliation ceremony with communities"* and is *"carrying out external audits of social, community and environmental reports and conducting human rights training for all employees and contractors*." (p. 82-83).
Coca-Cola provides information about specific human rights violations found in its assessment process in Myanmar, and remediation provided. Some of the actions described might be better understood under the Guiding Principles as related to mitigation, while others convey a form of remedy to those directly impacted.	**Coca-Cola**'s 2013 *Responsible Investment in Myanmar* report states: *"In order to bring the high level risk assessment to an operational level, human and workplace rights assessments were organized in October 2012. Follow-up audits were conducted in April and November 2013. …Issues identified included gender and age based discrimination. Violations of current and in-process Myanmar workplace laws were also detected. …The October 2012 bottling plant assessment findings included: Discrimination- There was an indication of discriminatory hiring and payment practices. At the time of the assessment women were paid approximately 11% less than male colleagues…The remediation strategy includes detailed steps for corrective action to be taken within 3 months of the assessment, medium term (3-15 months) and long term (15+ months) plans to ensure continual capacity building. The issue of age and gender discrimination exemplifies how the tiered remediation planning works. Age and gender was removed as a criterion from job requirements and vacancy advertising as an immediate corrective action; in the medium term, workplace rights training in August – October focused on discrimination and diversity, with ongoing training at set intervals in 2014 onwards to ensure this is embedded in the culture and day to day business practices… Further improvements were documented during the November assessment. …Discrimination: Eliminated pay discrimination against women by moving pay to same level as men in the same job grade/ classification; as well as the elimination of age and gender as a job criteria… Follow-up assessments will be scheduled every six months until all standard gaps are corrected and annually thereafter until the sites can demonstrate sustained compliance over time*." (p. 14-16)
Nike discloses its internal standard for suppliers, which includes details about documented processes for providing remedy in instances where child labor is found.	**Nike**'s *Code Leadership Standard* states: "*When a contractor is found to have employees who are under the minimum age standard, consistent with the overall best interests of the employee and within the requirements of the laws of the manufacturing country, the contractor will be required to take the following actions: i. Remove the underage employee from the workplace. ii. Provide adequate, financial and other support to enable such underage employee to attend and remain in school or a vocational training program until age 16 or the minimum legal working age, whichever is higher. iii. If the underage employee is able to provide documentation that he or she is enrolled and attending school classes or vocational training program, the contractor must continue to pay the underage employee the base wage until the time he or she either finishes school/training or reaches age 16 or the minimum legal working age, whichever is higher. iv.*

	When the underage employee reaches age 16 or legal minimum working age, whichever is higher, he or she must be given the opportunity to be re-employed by the contractor. v. If the underage employee voluntarily chooses not to participate in a school education or vocational training program, he or she will forfeit the right to receive continued financial compensation from the contractor. This decision must be documented. c. The contractor and auditor may agree upon an additional or different program of remediation appropriate to the situation and the best interests of the employee." (p. 6)
Microsoft's disclosure provides supporting evidence about the company's response to an identified impact, and the remediation provided	**Microsoft** states in its *2013 Corporate Citizenship* report that *"In the four instances over the past two years where we found an underage worker in a factory, we worked with the supplier to ensure they provided the individual full compensation for their work and a safe journey back home*." (p. 86)

G. Grievance Mechanisms (GP 29 & 31)

Why company disclosure is interesting	**Excerpt**
Rio Tinto provides detailed information about its requirements for site-level grievance mechanisms and also discloses a case study about grievance mechanisms in practice. Rio Tinto is also the only company in the research sample that covers effectiveness criteria for effectiveness in its disclosure.	In *Why Human Rights Matter*, **Rio Tinto** states: "*To maintain good relationships with communities, it is vital that the site has formal processes for managing and, where necessary, escalating complaints to disputes and grievances… [C]omplaints, disputes, and grievances processes… should all include consultation with stakeholder groups to ensure that it meets their needs and that they will use it in practice. This includes facilitating community participation in resolution processes, where appropriate*." Regarding its operations in the Weipa, Australia community, Rio Tinto discloses a case study that states: "*The Weipa community feedback system reflects the… overarching principles for non-judicial grievance processes – legitimate, accessible, predictable, equitable, transparent, and rights-compatible. To promote local awareness of the feedback system, the process is advertised in the local newspaper, site newsletters, community noticeboards and informally when CSP personnel visit local communities… the feedback procedure includes provisions for engagement and dialogue with the affected persons… [Rio Tinto] report[s] back to the community on how complaints are received and addressed*" through a community forum. (p. 76, 79-80)
Anglo American provides detailed information about its policies, procedures, and implementation of grievance mechanisms by publicly disclosing key internal performance management guidance documents.	**Anglo American** states in the *Anglo Social Way*: *"The Social Management System [at each AA operation/project] shall include a complaints and grievance procedure for receiving, managing, investigating and responding to stakeholder complaints in a timely and respectful manner."* This document also provides detailed information that sets expectations for sites to implement the effectiveness criteria outlined in the Guiding Principles. (p. 11).

	Anglo American's *SpeakUp mechanism* *"provides a confidential and secure means for our employees, contractors, suppliers, business partners and other external stakeholders to report and raise concerns about conduct which is contrary to our values and standards..."* In its *SEAT Toolbox*, Anglo Americans states that its objective *"is to provide guidance on the development and implementation of a complaints and grievance procedure for the recording, handling and resolution of complaints submitted by stakeholders. Within Anglo American, every exploration site, project and operation is required to have a complaints and grievance procedure. This provides a mechanism for addressing stakeholder concerns before they escalate."* The company states that complaints and grievance processes *"should be a transparent, clearly structured, simple and locally appropriate process whereby stakeholders can submit their complaints and grievances free of charge and, if necessary, anonymously, or via third parties"* and outlines how grievance procedures are shared with stakeholders: *"it is critical that the complaints and grievance procedure is clearly communicated to stakeholders. A set of clear timeframes within which the complainant(s) can expect the complaint or grievance to be resolved should also be communicated. It is essential that this mechanism be developed before issues arise and that stakeholders can be assured of the predictability and transparency of the process…. this timeframe needs to be practically feasible, whilst at the same time respecting the stakeholder's need for a response and resolution of the issue."* (p. 71-80).
Microsoft's disclosure provides information about how it uses grievance mechanisms as a means to track human rights violations that need to be remediated.	**Microsoft** states in its *Global Human Rights Statement* that it "*regularly review[s] and strengthen[s] anonymous grievance reporting mechanisms that allow our employees and others affected by our operations to report suspected incidents of human rights abuse. We investigate and, where appropriate, take remedial action to address reported violations."*
Nike's disclosure provides information about setting expectations for business partners to have grievance mechanisms, which are framed as recommendations for suppliers (not requirements). It also provides information that is relevant for some (although not all) of the effectiveness criteria for grievance mechanisms.	**Nike** states in its *Code Leadership Standards* that stakeholders should have "*the ability to raise concerns confidentially (or anonymously), subject to the requirements of country law, if the employee so desires without fear of retaliation."* It also states there should be "*effective communication of the grievance policy to employees so that [factory] employees are aware of the grievance process and their right to raise concerns*" and have multiple channels to do so.
PVH provides information about how it works to establish grievance mechanisms in its supply chain, and uses its assessment process to evaluate their effectiveness/	**PVH** states in its *2012 CSR report*: "*during capability-building visits, our team worked with factories to establish robust internal grievance mechanisms so workers can feel comfortable to freely raise concerns. On a very basic level, during our assessments, we evaluate how factories receive and communicate back to workers about grievances*." (p. 33)