



VALUING RESPECT
— BY *Shift* —

The Current Use of Metrics in Company Human Rights Reporting South Africa

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About Valuing Respect

Valuing Respect is a global collaborative platform, led by Shift, to research and co-create better ways of evaluating business respect for human rights. Our aim is to develop tools and insights that can help both companies and their stakeholders focus their resources on actions that effectively improve outcomes for people.

Valuing Respect is generously funded by:



Norwegian Ministry
of Foreign Affairs



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About Shift

Shift is the leading center of expertise on the UN Guiding Principles on Business and Human Rights. Shift's global team facilitates dialogue, builds capacity and develops new approaches with companies, government, civil society organizations and international institutions to bring about a world in which business gets done with respect for people's fundamental welfare and dignity. Shift is a non-profit, mission-driven organization.

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A. EXECUTIVE SUMMARY

This report summarizes findings from research into the current use of metrics by South African companies in their human rights related reporting. The research is a contribution to the Valuing Respect project research stream, to **build empirical evidence for how businesses currently track the progress and effectiveness** of their efforts to respect human rights. The research was conducted from mid 2018 to early 2019, and has informed the direction and focus of the Valuing Respect project.

For this report, the Centre for Human Rights at University of Pretoria reviewed the non-financial reports of **top 100 companies (by market capitalization) listed on the Johannesburg Stock Exchange**.

The first part of the report provides an overview of the **Research aims and methodology**. The next section presents an **Overview of company disclosures analyzed**. The final section elaborates on the following **findings**:

- **One:** Companies mainly provide evidence for the fact that activities (such as training, assessments, audits) have been conducted and that outputs (i.e. new products or knowledge) have been achieved. **Activity and Output indicators make up 50% of all of the indicators identified** in the research. Even then, much of the information is reported without reference to the effect of activities and outputs on business practice/behavior or outcomes. This pattern was consistent across all of the industries analyzed.
- **Two:** **70% of all indicators and evidence provided in human rights related disclosures uses quantitative measures of things it is relatively easy to count.** There is a focus on coverage data for activities (i.e. numbers of actions or people reached), or numbers of problems/issues identified (e.g. numbers of complaints or number of non-compliances found) for activities and outputs.
- **Three:** The **lack of evidence and supporting narrative across the causal pathway – from input to activity to output and all the way to outcomes – is common even for areas where one assumes there might be relatively mature practice** e.g. on health and safety; diversity; child labor; or freedom of association.
- **Four:** There are some interesting, **positive outlier examples where indicators and information beyond inputs, activities and outputs are reported. These tend to be in case study form and narrate the full pathway to include outcomes for people and for the business.** The outliers pertain to: a) company/community relationships at specific operations; b) relocation and resettlement or c) data about compensation by the mining industry for historical human rights harms. It is possible that this more innovative and complete approach to tracking/indicators reflects a close tie between positive outcomes for people and positive social license benefits for business.



A. RESEARCH AIMS AND METHODOLOGY

Aims

Building evidence for how businesses *currently* track the progress and effectiveness of their efforts to respect human rights is an important starting point for the Valuing Respect project. It is part of ensuring that the project's research and future products are grounded in an empirical understanding of existing business practice, challenges and innovations.

Company disclosures regarding human rights, specifically in the format of public sustainability reports, offer some access to the types of indicators and metrics that companies currently use to track their own performance. They do not necessarily reveal the full gambit of data and information that companies track, just the subset of metrics that feature in reporting. Nonetheless, public reports are the best available source of evidence, especially when seeking to draw conclusions at some level of scale.

To this end, in 2018, project partners conducted analysis of human rights disclosures of over 500 listed companies around the world and across diverse sectors (see box below). The research teams sought to answer the following questions:

- What types of indicator appear **most typically** in companies' human rights related disclosure? Do companies use indicators of inputs, activities, outputs, or outcomes?
- Are efforts to address certain human rights issues **more evolved** than others in terms of the quantitative and qualitative information used to substantiate progress?
- Are there examples of **less typical** indicators, data or metrics in companies' human rights related disclosure that offer interesting or novel insight into companies' human rights performance?

Over 500 company reports analyzed

- Global – **130** companies included in the UNGPs Reporting Database**
- South Africa –The top **100** listed companies on the Johannesburg Stock Exchange.
- ASEAN - The top 50 market capitalized companies in Malaysia, Singapore, and Thailand i.e. **150** companies in total
- Poland – The top **100** companies by market cap listed on the Warsaw Stock Exchange (WSE), plus 7 companies which have lower capitalization than the top 100, but are either signatories of the UN Global Compact or/and are listed on the WSE Respect Index.

** <https://www.ungpreporting.org/database-analysis/>

Methodology

In order to answer the research questions, researchers in North America, Poland, Singapore and South Africa applied the following methodology:



STEP ONE: For the companies whose disclosure was selected for the focus of the research (see box above), researchers identified the primary means through which those companies report on issues relevant to their human rights performance (e.g., through an integrated report, or through a sustainability report).

STEP TWO: Researchers read the primary sources of disclosure, and any relevant written resources that it directly references to identify excerpts that concern how the company *assesses the effectiveness* of one or more aspects of its human rights performance. In other words, researchers **highlighted instances where the company used qualitative or quantitative information** to signal change over time.

To qualify as relevant, content did not need to be labeled “human rights”. For example, information on how the company assesses the success of its health and safety, diversity and inclusion, worker treatment policies or processes were included even if not framed in human rights terms. Other areas such as product stewardship, community engagement and environment were included if the focus of the excerpts was on addressing impacts on people of the company’s business operations and activities.

STEP THREE: The teams inserted the highlighted content into a Microsoft Excel database and tagged the information based on whether: a) the indicator being used is an input, activity, output, practice/behavior, outcome for people or outcome for business indicator (see table below); and b) the information provided quantitative or qualitative.

Inputs	The financial, human and material resources used for an activity or set of activities.
Activities	Actions undertaken or work performed through which inputs are mobilized to produce specific outputs or outcomes. These may be, but need not be, part of a formal process or system.
Outputs	The tangible and intangible products that result from the activities.
Practices/ Behaviors	The effect of the activities or outputs on the behaviors of people that are relevant to the achievement of outcomes.
Outcomes for People	The positive or negative effects on affected rights holders that flow from practices and behaviors.
Outcome for Business	The positive or negative effects on the business that flow from: a) the outcomes for people; or b) practices and behaviors.

STEP FOUR: Once the databases had been completed, reviewed and updated, researchers then sought to address the research questions by identifying:

- those types of information that are most prevalent in the disclosure;
- any patterns or trends in the types of information disclosed, for example related to type of issue or industry sector;
- types of information that are less typical but provide some valuable insight into the company's human rights performance.

Research Series

Industry Factsheet	Country / Regional Reports
<p>Four factsheets providing an overview of findings from research into the following industries:</p> <ul style="list-style-type: none"> • Finance • Palm Oil • Oil and Gas • ICT / Electronics 	<p>Three summary reports with findings from research into the following geographies</p> <ul style="list-style-type: none"> • ASEAN (Thailand, Malaysia and Singapore) • Poland • South Africa

Challenges and Limitations

Very few companies reviewed for this research series have standalone human rights reports or information hubs. Rather, human rights or human rights related content appears throughout a range of reports and information sources. For example, a single company might have evidence or indicators related to human rights performance in a sustainability report, an annual report, an individual human rights impact assessment, or in online code of conduct materials.

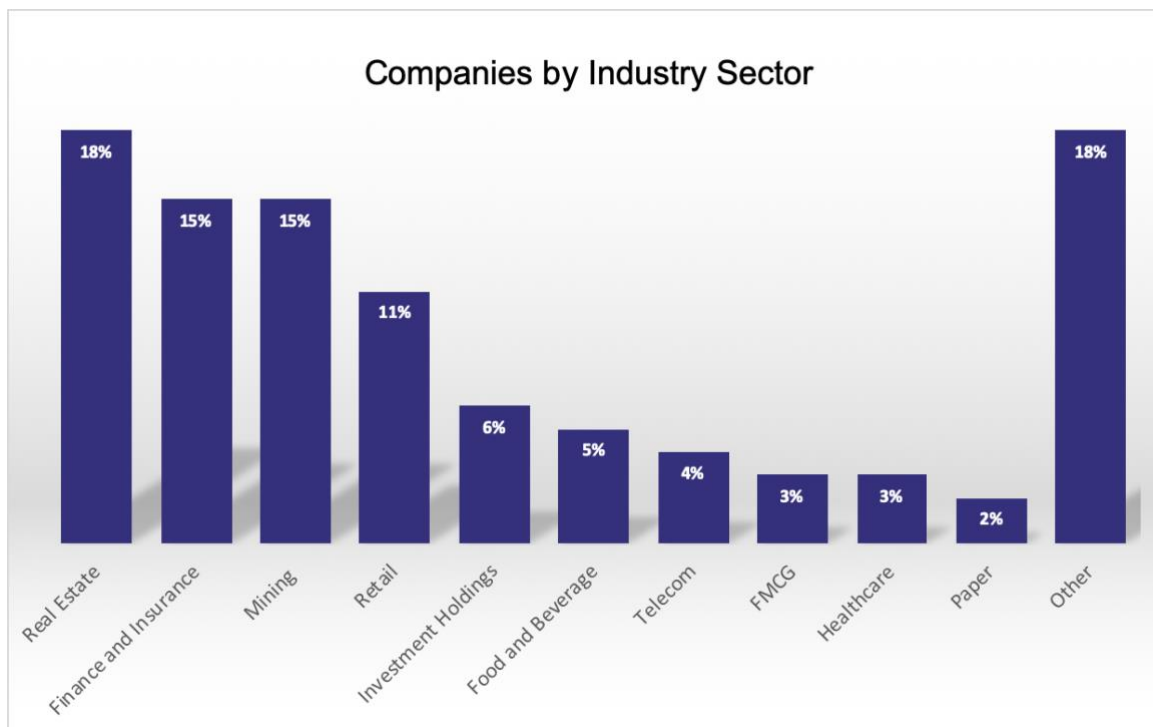
In order to ensure the scope of work was manageable, the research teams therefore focused the study on each company's most recent annual reports and sustainability reports (or whatever report that company uses as a vehicle for human rights related updates) These boundaries on information sources and data means that the resulting findings are not exhaustive.

Furthermore, the research team was dependent on information that was being disclosed by the respective company under review, hence further limiting the exhaustiveness of the findings. It might be that companies internally track aspects of the effectiveness of their performance that they choose not to disclose. However, these limitations do not undermine the purpose of this project: to attain a high-level baseline regarding how company's around the world communicate their effectiveness in human rights.

B. OVERVIEW OF COMPANY REPORTS ANALYZED

For this report, the Centre for Human Rights at University of Pretoria reviewed the non-financial reports of the **top 100 companies (by market capitalization) listed on the Johannesburg Stock Exchange**. The Johannesburg Stock Exchange (JSE) is the largest stock exchange in Africa and among the 20 biggest bourses in the world. Ranked as one of the best-regulated markets in the world by the World Economic Forum, the JSE is an attractive venue for some global enterprises. There are over 400 shares listed on the exchange, covering about 40 sectors – an indication of South Africa’s broad-based economy.

Twenty-four different sectors are represented in the top 100 companies that form part of this research. However, of those 24 sectors, three were heavily represented: mining (15%), finance and insurance (15%), retail (11%), and real estate investment trusts (REITs) (18%). For the purposes of this research, real estate companies and REITs were grouped into one category.



The preponderance of mining companies is a reflection of the principal role the sector plays in South Africa’s economy. With some of the world’s biggest reserves of minerals, both local and foreign-domiciled companies operate in the country and are listed on the Exchange. As a result, human rights reporting by global mining companies such as Anglo American Plc, Glencore Plc and South32 Ltd is influenced by regulatory requirements from various other jurisdictions, and this could be seen in their disclosure.

The large number of REITs, also seems to reflect South Africa’s position as a favourable climate for foreign-domiciled companies. Fully 55% of the real estate companies on the list are foreign-domiciled



with no properties in South Africa, or are primarily listed elsewhere. This had implications for their disclosure, as they are exempt from certain regulatory requirements which apply to companies listed on the JSE. In particular, many did not report on their performance in relation to diversity and inclusion, or other issues that are typical of South Africa-based companies. While a few REITs reported on human rights-related issue, there is some indication that this is not considered a material issue for the sector. One company noted:

“This report does not contain specific information on human rights issues as this is not considered necessary for an understanding of the development, performance or position of the Company’s business. However, Capco has adopted a CR policy and a supply chain policy which reflect a responsible approach to human rights.”

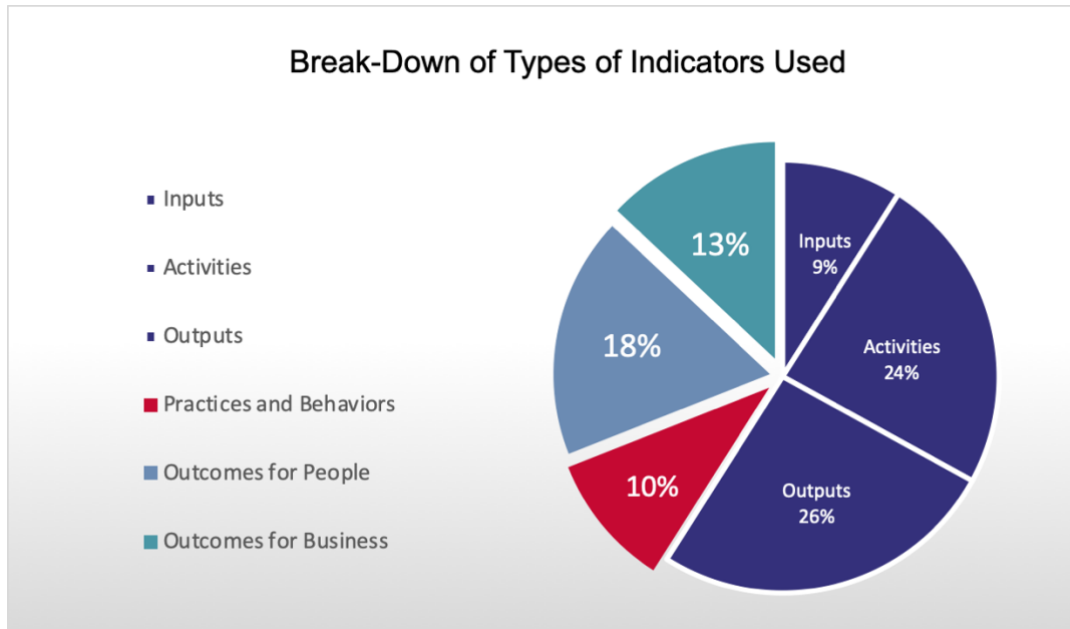
State-owned companies are a small minority, representing only 2% of all companies researched. For the purposes of the research, State-owned companies are defined as those in which the South African government directly has a stake. This does not include equities managed by the Public Investment Corporation (PIC) on behalf of workers and public entities.

There was **significant variation in the type and detail of reporting** among the companies researched. While differences were most glaring across sectoral lines, there appear to be strong differences in the maturity of human rights reporting by individual companies, even within the same sector. Disclosure ranged from non-existent to strong, such that while some companies made no references to human rights-related matters, others provided, in great detail, what they consider to be the effect of their efforts to respect human rights on people and the business itself.

The human rights issues most frequently reported on were **Occupational Health & Safety; Diversity; and Freedom of Association**. The researchers also noted that **training** and **addressing grievances** were the human rights related business activities for which company reports included indicators. Financial Services companies and Investment Holding companies reported on ESG Screening by indicating that they screen investee companies on social issues.

C. FINDINGS

One: Companies mainly provide evidence for the fact that activities (such as training, assessments, audits) have been conducted and that outputs (i.e. new products or knowledge) have been achieved. **Activity and Output indicators make up 50% of all of the indicators identified** in the research. Even then, much of the information is reported without reference to the effect of activities and outputs on business practice/behavior or outcomes. This pattern was consistent across all of the industries analyzed.



By way of illustration:

- In relation to training, it is common for companies to provide evidence that training has occurred by listing the data about coverage i.e. numbers of people trained. For example, some companies reported on how many hundreds of employees, contractors, private security providers, or relevant public officials participated in security-related human rights training. In some instances, the coverage numbers reported were close to 2000 individuals in a given geography which appears to denote a good level of commitment by the company on these matters. Nonetheless, not one company provided evidence of the impact of training in terms of new awareness, skills and know-how, much less practices/behaviors or outcomes.
 - With regards to addressing human rights related grievances, of the 32 instances of company reporting on grievances only 5 provided any information about how grievances were resolved in order to deliver human rights outcomes. About 80% of grievance data simply offered information about the number of grievances logged, numbers that had been resolved and numbers still being dealt with. One might be tempted to infer outcomes for people or for the business, but this is no more than an inference without data to back it up. Some companies describe the processes or systems put in place to address grievances or prevent their recurrence, but no company provides evidence of them leading to improved practices or behaviors, nor how satisfied affected/aggrieved stakeholders were with these steps.
- By way of an anonymized example:

“Our grievance mechanism process received 440 complaints from local communities. Following, investigation and follow-up steps, 175 of these were valid concerns. 80% of the complaints received related to impacts from construction activities during two infrastructure



projects. Following unexpected heavy rainfall, flooding took place during the construction phase of the [redacted]. During a project to repair a [anonymized] road, contract workers accessed land outside of our license and caused slight damage to the ground and trees. [We] fully addressed and remedied the issues raised and put in place measures to avoid similar occurrences in the future. The actions taken included:

- Attendance by our stakeholder relations teams at construction meetings when building activities are communicated to impacted communities*
- Ongoing meetings with the construction contractors to ensure that they are aware of [our] expectations of their behaviour, especially when their activities take place near to local communities*
- The implementation of a ‘community incident notification report’ process, which assists in the early identification and response to incidents as well as establishing roles and responsibilities to address concerns*
- The ongoing recruitment and training of community liaison officers. The officers engage with local community representatives and are key in identifying appropriate measures to address the issues raised”*

Two: 70% of all indicators and evidence provided in company human rights related disclosures uses quantitative measures of things it is relatively easy to count. This is consistent with a focus on coverage data for activities (i.e. numbers of actions or people reached), or numbers of problems/issues identified (e.g. numbers of complaints or number of non-compliances found) for activities and outputs.

Reflection: Output indicators can sound like outcomes for people

The Valuing Respect project is concerned with outcomes for people *that flow from company action*. Information about diversity or health and safety (for employees or in the supply chain) do intimate the degree to which certain outcomes for people are in place. However, for our research where such data is presented in a vacuum with no explanation of the connection to the company’s efforts, we categorized the information as evidence of an “output”.

One example would be a company that simply states that they have found a number of people in situations of child labor or forced labor from an assessment of impacts at a remote mine deep in their supply chain, but does not include a claim of any change in that number due to the company’s own initiatives on child labor. If it now undertakes an initiative to improve things, and then goes back and finds a decrease (or lack of decrease) in numbers of incidents, then that’s an outcome for people. But without that causation (or implied causation) it is just a finding from an assessment.

In the analysis of South African companies, reporting on child labour featured in about 12% of the reports but most were simple statements to say no occurrence of child labour had been found. Companies whose sector had some agricultural component specified that they conduct assessments against the risk of child labour in their operations. But again, offered limited information about how they were driving better outcomes.



Three: The lack of evidence and supporting narrative across the causal pathway – from input to activity to output and all the way to outcomes – is common even for areas where one assumes there might be relatively mature practice e.g. on health and safety; diversity; child labor; or freedom of association.

In relation to Diversity and Inclusion, most companies are required to report on the racial (as per South Africa's Black Economic Empowerment regulations) and gender balance across the organization. While some contextualize their reporting by referring to issues of discrimination and the company's diversity and inclusion goals - or by referencing the government's requirement to reverse imbalances - others provide one sentence, with quantitative descriptions of the level they achieve. Regardless, companies tend not to show evidence of how their own investments and interventions have led to any changes in the race or gender make-up of their workforce over time.

This suggests that practice is not as evolved as one might hope, or that a decoupling exists between what is tracked by companies for compliance and reporting purposes, and what is used internally to drive business decision-making.

Turning to health and safety, there is a strong focus on this issue especially when it comes to reporting injuries and fatalities. Most companies report changes – usually improvements – over time. When companies went beyond quantitative safety statistics and provided qualitative comments on their performance, there was often only an implied causality between activities and better safety outcomes even when not explicitly stated. For example:

"[Company X] this year again allocated 70% of the annual safety short-term incentive (STI) target to pro-active, leading indicators against which performance is rewarded or penalised, as the case may be. A senior executive safety workshop was conducted as a necessary intervention to evaluate industry best practices and strengthen the standardised approach to prevent fatalities and high severity injuries (HSI) across the Group. It is encouraging to report that the Group recordable case rate (RCR) has improved to 0,27 from 028, our lowest level yet. The lost workday case rate improved to 0,11 from 0,12. We had six high severity injuries in 2018 which is equal to the 2017 results."

Four: There are some interesting, **positive outlier examples where indicators and information beyond inputs, activities and outputs are reported. These tend to be in case study form and narrate the full pathway to include outcomes for people and for the business.** The outliers pertain to: a) company/community relationships at specific operations; b) relocation and resettlement or c) data about compensation by the mining industry for historical human rights harms. It is possible that the more innovative and complete approach to tracking/indicators reflects a close tie between positive outcomes for people and positive social license benefits for business.

The following excerpts are good examples of a) and b).

"In 2015, Sappi Forests was faced with two key challenges: fires on our plantations which were sometimes deliberately started by disenfranchised, unmotivated communities living near our plantations. Accordingly, together with DevCom, a development communications specialist



company, we launched the Abashintshi ('Changers' in isiZulu) programme. The aim was threefold: Decrease intentional fire; Establish closer engagement with communities; and Achieve social change. The programme which began in KwaZulu-Natal, has now been expanded to Mpumalanga and has grown from 18 young volunteer men and women (the Abashintshi) in nine communities to 87 Abashintshi in 44 communities. The results have been extremely positive:

- Fires have declined by 89% since 2015
- 234 small businesses have either started up or have been rejuvenated...
- Perceptions of Sappi have shifted: More than 50% of the community participants in the follow-up audit indicated that they were very satisfied with their relationship with Sappi, and
- Communities have a better self-help attitude: only 9% expect donations from Sappi compared to 51% in 2014."

And...

"We continue to carefully manage the relocation of the Dingleton community to Siyathemba, a new purpose-built suburb in Kathu (30 km away) to facilitate the expansion of Sishen mine. This process has been undertaken in close collaboration with the people of Dingleton, the The Anglo American Responsible Sourcing Standard for Suppliers articulates easy-to-understand performance requirements. The standard addresses supplier compliance with local and applicable international regulations and with Anglo American requirements regarding safety, wellness, the environment, business integrity, human rights, labour practices and economic development. Our standard contract terms require acceptance of our standard and supplier submission Dingleton resettlement working group, the Gamagara local municipality and the Northern Cape provincial government.

The resettlement began in 2014 and has involved 517 households accommodating approximately 3,500 people. The project has included building new homes and providing additional schools and public facilities. We have worked with the local municipality and the Northern Cape government to address housing and public service challenges. During 2017, we resettled 10 further households mostly as a result of a facilitated negotiated settlement with a human rights lawyer. A further 14 families have yet to move to their new homes and negotiations are ongoing with the purpose of agreeing on mutually acceptable terms for the resettlement. Sishen mine continues to focus on sustainability and integration issues for the more than 500 homeowners who have already been moved to Siyathemba. To promote social stability and strengthen relations with the affected community we have established a post-resettlement working group for Siyathemba community and continue to work with the Gamagara local municipality. The mine has received the authorisation for the inclusion of Dingleton and other properties in the Sishen mining right."

Finally, among mining companies, reporting on historic human rights issues, like progress in converting multiple occupant hostels into single rooms or family housing featured fairly often. Several of the mining companies also provide update on compensating workers suffering from silicosis, following the end of the class action suit against them.



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