



VALUING RESPECT

— BY *Shift* —

VALUING RESPECT

Second Round of Expert Multi-Stakeholder Consultations

New York, 1 May 2019



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:



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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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1. Introduction

On 1 May, Shift held an expert, multi-stakeholder consultation in New York with participants from business, civil society, investors, government, academia and other expert organizations to share and seek feedback on its work on the Valuing Respect project. This three-year collaborative initiative aims to identify better ways to evaluate business respect for human rights. Further background on the project is available through its [online portal](#).

In 2018, the first year of the Valuing Respect project, research focused on:

- a. the empirical evidence of the current weaknesses in how companies' human rights performance is assessed, both from within companies and by external stakeholders.
- b. identifying a range of workstreams through which the project could deconstruct the challenge of evaluation and, working with other organizations, look for ways to reconstruct better approaches for testing and consultation.

The resulting workstreams are set out in Annex A, with a summary of the envisaged products from each.

This consultation was the first multi-stakeholder discussion in 2019 and an opportunity to share progress from four of the project's workstreams that are furthest advanced. In three instances – a 'theory of change' evaluation tool; 'red flag' indicators of human rights risk in business models; and indicators of rights-respecting leadership and governance – the consultation was aimed at sharing early-stage draft products and seeking feedback. In the fourth instance – models and methodologies for including affected stakeholders in evaluation – the consultation was an opportunity to share some examples and deepen the discussion about approaches that could be effective in different contexts.

The remainder of this summary report captures key points from those discussions. The meeting agenda and a list of participants are included in Annexes B and C.

2. Testing a Methodology for Better Evaluation

In the opening session, Shift presented initial work to develop a tool for evaluating business processes or interventions aimed at advancing respect for human rights. The methodology has been developed following research and wide-ranging consultations in 2018. It builds on long-standing methodologies from the development and public policy arenas while adapting them to the specific context of business and human rights. It is not intended to evaluate a company's entire approach to respect for human rights but to look at whether specific interventions or activities are leading to positive outcomes for people.

Shift had circulated an introduction to the methodology to participants ahead of the consultation, and further summarized this in the meeting. PepsiCo, which is the first company to pilot the methodology, shared some of their experiences with it. Participants raised various questions and reactions as part of the discussion. Key points included:



The methodology has the power not only to evaluate what has been done, but to shape what should be done.

Although a company may use the proposed approach to evaluate an existing intervention, participants underlined that the ideal would be to use it in designing an intervention from the start. It was felt that the methodology brought particular value by placing the focus on the intended outcomes for people, and then supporting a thought process about what intervention could successfully achieve those results.

Discussion also highlighted the need to embed the approach within human rights due diligence processes, to ensure that interventions are designed based on a proper assessment of risks to people, informed by good engagement with affected stakeholders and focused on salient human rights issues. There was seen to be an important opportunity then to apply this methodology not just at the point of ‘tracking’ the effectiveness of the intervention, but already in its design. Rather than showing ‘ex post’ if something worked or not, it could help companies assess ‘ex ante’ whether something is worth doing at all.

It was seen as important to promote this way of thinking with company leaders and decision-makers already when identifying or agreeing on a course of action. Many interventions are currently company-centric and framed around risk management, and the work-in-progress tool was seen as a way to adopt a different perspective and approach. It could help decision-makers look beyond a fear of risks to the opportunity to drive change; away from interventions designed to protect the company, and toward interventions designed to improve people’s lives.

There is a balance point to be found between simplicity and complexity

Human rights impacts from business typically arise in complex situations with many variables in play. That complexity can be overwhelming and the methodology is designed to help people start thinking differently and clearly about what they are trying to do and why, and how they can best achieve it and know if it is working. In practice, however, the progression set out – moving from inputs and activities to outputs, behaviors/practices and outcomes for people – is rarely linear and never insulated from other factors. Discussions explored this relationship between complexity and simplicity.

The methodology calls out clearly the need to examine assumptions that sit at each step in the process. This targets many of the factors – within or outside the company’s control – that may prevent the theory of change from working in practice. An examination of those assumptions may lead to a conclusion that the theory of change should be amended, that some parallel intervention (by the company or others) is needed to strengthen the theory of change, or that the theory of change breaks down under the weight of the assumptions and an alternative approach should be taken.



Participants reinforced the importance of examining assumptions. While ‘assumptions’ are frequently themselves an articulation of a risk, it was noted that there may be other risks that would be missed under this framing. For example, an assumption that suppliers engage positively with information about workplace abuses is another way of expressing a risk that they will not do so. But a risk of an intervention having unintended consequences – for example, for a particular ethnic group – would not so easily be identified through the lens of ‘assumptions’. So additional risks may need to be called out as well.

Further conversation explored the challenges in attributing outcomes to specific company efforts, particularly when many other actors and variables are involved. And discussions highlighted the need to show within the next iteration of the work how it can be used for multi-layered interventions that may involve parallel activities and feedback loops. At the same time, the relative simplicity of the basic construct was seen as valuable in helping to break things down and enable clearer thinking about what an intervention is intended to deliver, the likelihood that it will do so, and the indicators that can test whether it does.

The Shift team noted that this feedback would be taken on board in revisions of the tool and through supporting resources that would be developed over the coming months. The team would continue testing the methodologies with companies, as part of its ongoing refinement throughout 2019, and sharing the lessons.

3. Red Flag Indicators of Human Rights Risks in Business Models

The Shift team presented a first draft of a range of ‘red flag’ indicators of human rights risks inherent in certain business models.

The team noted that the indicators were aimed primarily at companies’ senior management and boards, as well as investors. They were designed to be concise and help leaders quickly see how certain features of a business model that may be under discussion, and which might make good sense from a purely economic perspective, also raise critical risks to human rights that they should equally take care to address.

Participants were asked to consider whether the categorization of the indicators – according to ‘Commodities’, ‘Operational partners’, ‘Cost-saving measures’ and ‘Sales-maximizing measures’ – made sense or could be improved. They discussed in small groups the specific red flag indicators in each category and the types of information included for each red flag, and were asked for feedback on what was missing or could be improved. Key discussion points included:



There is distinct value in calling out these risks at the level of the business model

Discussions highlighted that where human rights risk is embedded in a business model, there is a huge barrier in getting from the outputs of any mitigation measure to improved practices and outcomes for people. Senior leaders could not expect these issues to be fixed at the operational level. It was seen as particularly important to call this out.

Language was seen as important to capture senior level attention. It was suggested that the red flags might be framed initially in more neutral language, and only at a second step highlight the risk feature contained within them. This might help senior leaders intuitively recognize their company and be drawn into further examination of the risk components. Another suggestion was to reframe the language about the 'risk to business' associated with each red flag more in terms of the 'opportunities' to be realized by removing or mitigating it.

There was a request for more clarity on how the business model features relate to a company's 'salient human rights issues' – would the two overlap, be the same or somehow different? It was also noted that regulations in the US (and elsewhere) already address some of the business model features. At the same time, the significance of the red flags was seen in the fact that they go beyond the narrow constraints of regulation, which varies by jurisdiction, to highlight a wider set of business model risks.

The red flags resource also has operational-level value

The specificity of the red flags was seen as very helpful, and it was noted that there may be multiple red flags in one single company's business model. One comment suggested that many of the red flags would be valuable for a buyer to have in mind when making purchasing decisions. Another suggestion was that they would be highly relevant to consider in the context of a merger or acquisition.

Various suggestions were made for further strengthening the supporting information for each red flag, such as the inclusion of information about possible mitigation measures and about resources where more could be found out about such measures.

It is helpful, but challenging, to focus just on features integral to a business model

While there is no single definition of what constitutes a 'business model', there was a need to distinguish between features that might reasonably be understood as part of a business model and other sources of human rights risk. Without this boundary, it was recognized that the tool would become a long list of every risky business practice or context.

The tool talks about a company's value proposition (the core of any business model) 'depending on' one or more of the risk features. It was suggested this language of dependence may be too strong, since it might imply relevance only if the company would fail without that feature.



One or two suggestions were made for additional red flag categories, such as ‘corporate structure’. There were more suggestions regarding additional features of business models, which included: requiring a large land footprint; sourcing non-mobile commodities; using homeworking artisans; automating production or delivery; conducting large-scale mining; using untraceable cotton; using hazardous chemicals; relying on zero hours contracts; putting binding arbitration in employee terms and conditions; sourcing from just one market; working with highly fungible commodities; having high market concentration; and labor recruitment by operational partners. Again, discussions explored which of these were simply (if importantly) problematic practices and which could at times form a feature of a business model and should therefore be included in this particular set of indicators.

4. Indicators of Rights-Respecting Leadership and Governance

In the session on leadership and governance indicators, the Shift team first summarized the research they conducted into corporate culture, particularly in the context of business ethics and health and safety. While typical indicators of governance look at formal systems that dictate what *should* happen within an organization, the team’s interest had been in looking at indicators that give an insight into culture – an organization’s pervasive values and norms – since culture reflects what *actually* happens. The team had shared with participants in advance of [the consultation a paper identifying those values and norms](#) that appear to be particularly significant for ensuring respect for human rights. In the meeting, they shared a first draft of Leadership and Governance Indicators for a rights-respecting culture, categorized according to these values and norms.

Participants provided feedback on the identified values and norms themselves and then broke into small groups to review and discuss the individual draft indicators within each category. Key discussion points included:

The framing in terms of culture resonates for companies

Business participants underlined that there is growing attention within companies to the ‘purpose’ of the company as well as its culture, values and ethics. Therefore, the language of culture in relation to respect for human rights resonated well. It was noted that it would be important to get beyond the kinds of indicator that can be addressed superficially – for example by introducing a new job position or committee with a particular title – and which are therefore often not a good signal of the underlying culture.

A number of factors in the internal hierarchy may affect culture and be relevant to leadership and governance indicators

Discussions explored the ways in which the structure of a company may affect its culture – for example whether it is hierarchical or very decentralized – as well as the reality that sub-cultures typically exist within any large organization, and may be poorly or well-aligned with the intended or desired overarching culture. Participants highlighted the particular phenomenon of ‘founder syndrome’ where the behaviors of



a dominant founding figure are typically highly determinant of culture. They also noted the critical role played by middle management, which can either reinforce or fundamentally undermine a culture that top leadership is seeking to embed. It was therefore suggested there should be indicators that explicitly speak to their actions and behaviors.

Some greater clarity and refinement of the categories of values and norms would be helpful

With regard to the values and norms, it was noted that the empowerment of individuals within a company – reflected in the ‘empowerment and responsibility’ norm – could also be negative where that empowerment is used to fight against ideas, attitudes and practices aimed at ensuring respect for human rights.

With regard to the norm of coherence, there was discussion about the different possible interpretations: coherence between top level policy and operational actions; consistency of actions across functions and business units; consistency in internal and external communications; or – as is the current focus of the draft indicators – coherence of decision and action when respect for human rights comes into tension with other business interests. There was discussion of the need to ensure indicators do not just look at superficial signs of consistency but are crafted to get at an underlying culture of striving to be coherent with respect for human rights.

With regard to the norm of openness and learning, there was some discussion about disclosure: the projection of openness and learning beyond the walls of the company. It was felt that this could both be particularly important in demonstrating this norm; while it was also noted that the act of disclosure could be particularly challenging around sensitive information – even where lessons are genuinely learned and embedded. At the same time, it was seen as particularly important to see how a company shows it has learned from a crisis or scandal, which tends, by its very nature, to be a public event.

Some indicators carry particular pitfalls that should be avoided

With regard to specific indicators, feedback included that the team should take care with any indicators that could be addressed with ‘yes/no’ answers that may lead to superficiality or ‘gaming’. In this context, it was felt that certain indicators – for example those about what company leaders say publicly – could be prone to a human rights equivalent of ‘greenwashing’. Other suggestions included the inclusion of indicators focused on the allocation of resources for addressing human rights issues; on the company’s process for identifying stakeholders through a human rights lens; and on the company’s openness to discussing human rights-related challenges it is facing.

There was some discussion of the relevance of performance incentives for motivating staff to pay attention to human rights issues. The point was raised that studies have shown that many extrinsic performance incentives are ineffective in practice, and sometimes even counterproductive. However, it was felt that greater attention to the alignment of incentives across different business functions would



strengthen the indicators, given that respect for human rights is in practice often subordinated to other, incompatible business considerations that are more highly rewarded or more deeply embedded.

It was also suggested that the team review the indicators to see how they align with the UNGP Reporting Framework developed by Shift and Mazars, given the growing number of companies using that framework to improve their human rights disclosure. It was seen as helpful to review how the two might fit together, particularly with regard to those indicators that draw on information that is necessarily public or which would lend itself to disclosure by a company.

5. Engaging Affected Stakeholders in Evaluation

In the final session, the Shift team outlined research they had been conducting into the field of participatory evaluation, and its application to a business and human rights context. The team summarized the five distinct phases in evaluation in each of which affected stakeholders could play a valuable role, although in practice they are often seen just as a source of data. The team outlined their ongoing work to identify methodologies and models being applied by companies – often in collaboration with for-profit or non-profit partners – to involve affected stakeholders in a broader array of roles to evaluate the effectiveness of the company’s efforts to tackle human rights risks.

In the remainder of the session, participants presented two such cases:

Randomized Control Trial for Improved Treatment of Workers by Line Supervisors

- In the first case, a company had conducted a Randomized Control Trial to discover what kind of difference in-depth training for line supervisors at their supplier factories could make in practice. As a baseline, they conducted worker surveys on health and safety, wages, cultural dynamics and other relevant factors in relation to their human rights and welfare. They selected line supervisors to attend the training on a randomized basis.
- The training ran over several months and included stress management, conflict resolution and skills in adapting management styles to different individuals and situations. It was evaluated on several levels, and most critically through follow-up feedback from workers themselves.
- Initial results from this first trial were just coming in and appeared to be very positive, with subsequent feedback from workers showing measurable improvement in how they were treated by their line supervisors. More detailed results were still awaited. If they confirmed the positive results, the plan was to triple the size of the program going forward.

‘Most Significant Change’ Methodology in a Context where Child Labor is Prevalent

- In the second case, an organization was working with a company buying an agricultural product in which child labor had been historically prevalent. They had collaborated over a number of years to put key building blocks in place, including engagement with the relevant union, building



direct relationships between the buying company and farmers, rather than via intermediaries, and ongoing monitoring and work to improve the quality of data captured. Monitoring included looking both for evidence of children working – or ceasing to work – on farms and for data on those children attending school.

- They were now piloting an additional method to capture insights from farmers using the ‘Most Significant Change’ methodology. This involved a group of trained interviewers engaging farmers to ask them what the most significant change was that the company’s program had made in their lives. These interviews were then followed up with focus groups with the farmers where they listened to the narratives and discussed their appropriate interpretation and patterns or connections between them.
- It was noted that while the pilot had shown extremely positive results, it had also involved farmers who were selected by suppliers and therefore may not be representative of farmers as a whole. The next stage of piloting would seek to redress this imbalance.

Discussions

In discussions, participants explored the ethical questions around randomized control trials (RCTs), if some workers were left without the benefits gained through the training. It was noted that the RCT was critical for the company to know whether the program was responsible for any positive change in the test group through comparison with the control group. This was important in order to know whether applying the resources at a larger scale was worthwhile in terms of the intended benefits for workers. Now that there appeared to be clearly positive results, the remaining line supervisors would receive the training so that all workers could benefit. At the same time, it was recognized that in any RCT it is important to examine the ethical implications of including and excluding certain populations.

Participants also highlighted the importance of trade unions as a critical means of giving voice to workers. Further discussion looked at how the two cases discussed were paying attention to marginalized voices, including the involvement of women. There was also discussion of how to build the trust needed to gain honest feedback from workers (or other affected stakeholders), and how each of the models were supporting that aim.

Participants discussed the fact that interventions of this kind can be resource-intensive. At the same time, by involving affected stakeholders in the evaluation process, companies and their partners can gain much more robust and nuanced evidence of which programs and processes are driving positive change in people’s lives, and which of their characteristics are most important in achieving those results. That then enables the confidence to scale the most impactful programs and processes more widely, without needing to invest in the same in-depth feedback in every instance.

The Shift team noted that they would be learning further from these and a range of other models and methodologies they had identified. Some would become case studies, while others may lend themselves to new pilots. The aim would be to highlight models that others could learn from and which may lend themselves to replication or adaptation in other contexts.



6. Conclusion

The Shift team noted that they would be holding a similar multi-stakeholder consultation in London on 2 July, before moving on to consultations with partners in Sub-Saharan Africa and Southeast Asia before the end of the year. Summaries of these discussions would all be available on the [project portal](#). Based on the feedback received, the products from each workstream would be iteratively refined, improved and retested with stakeholders, until they appeared ready for finalization. The team welcomed any additional feedback participants may wish to share bilaterally over the months ahead.

ANNEX A: OVERVIEW OF WORK-STREAMS

FOCAL AREAS	RESEARCH	OUTPUTS
#1 Current evaluation practice	Current use of metrics and indicators in (a) company reporting;(b) ESG/human rights indices, rankings, ratings and benchmarks	Research findings affirming key patterns and trends
#2 "Theory of Change" evaluation	Evaluation models and methods across the development, public policy and business arenas	A practical tool for company managers and their collaborators
#3 Business model risk	Features of business models that carry inherent human rights risk	Red flag indicators of human rights risks in business models
#4 Leadership and governance	Lessons from the study of corporate culture in relation to ethics and health and safety	Indicators of rights-respecting leadership and governance
#5 Quality of processes	Key characteristics of (a) robust human rights due diligence processes; (b) rights-respecting company processes	Guidance/methodologies of value to the evaluation of processes central to business respect for human rights
#6 Behavioural change	Lessons from behavioural science and behavioural economics in public policy and diversity and inclusion	Insights/methods for enhancing and evaluating rights-respecting behaviours by business
#7 Stakeholder voice	literature, practices and innovations for including stakeholder voices in evaluation	Case studies and pilots for integrating stakeholder voice in evaluation
#8 Accounting models	Literature, practices and emerging innovations to account for non-financial aspects of corporate performance.	Proposals/recommendations for reflecting human rights in accounting methods

ANNEX B: AGENDA

0845 Arrivals and Refreshments

0900 Welcome, Introductions and Progress

In the opening session, Shift will present our takeaways from the first year of the Valuing Respect project. We will share an overview of key messages from multi-stakeholder consultations in 2018 and how insights from these conversations have informed the direction of the project. We will provide an overview of the research we have completed, our initial outputs and planned products.

0930 A Tool for Better Evaluation of Business Respect for Human Rights

Throughout 2019, Shift will be field-testing the first Valuing Respect project product - a theory of change tool to develop meaningful indicators for initiatives to prevent and mitigate human rights impacts. In this session, we will present the methodology, demonstrate the tool's application and hear from a company that has started to pilot its use.

We will invite participants to share their reflections regarding:

- Lessons from applying analogous methodologies to indicator design;
- Strengths of the tool and the range of ways it could be applied in practice;
- Limitations and weaknesses of the tool, and how we might address them;
- Opportunities for further field-testing in 2019.

1100 Break

1120 Identifying Human Rights Risks in Business Models

This Valuing Respect workstream explores the possibility of furnishing business leaders, investors and civil society with indicators of risks to people that are inherent in certain features of business models. The goal is to facilitate an early discussion of these risks with, and within, business in order to support decisions that avoid or mitigate them.

Following a brief introduction of our initial draft typology, we will seek inputs about:

- A draft typology with leading examples of business model risk indicators;
- Weaknesses, gaps or better ways of framing the issues;
- Use-cases for such indicators – for business leaders, investors and civil society;
- Recommendations for how we can best progress this work.

1245 Lunch

1330 Indicators of Rights-Respecting Leadership and Governance



The Valuing Respect workstream is developing a set of indicators for rights-respecting leadership and governance that signal a company's seriousness in making respect for human rights part of how they do business. Shift will present the draft of these indicators as a basis for dialogue among participants to:

- Explore which aspects of leadership and governance are most important to determine whether the right culture, commitments and incentives for progress on human rights are in place;
- Propose edits to the indicator set, considering both indicators of greatest utility inside a company, and those best suited to evaluation from outside a company;
- Discuss options for how to present the final output to support uptake and use by investors, business leaders and civil society.

1500 **Break**

1520 **Engaging Stakeholder Voice in Evaluation: Opportunities, Methods and Key Ingredients**

Evaluating the human rights outcomes of business interventions that aim to address human rights risks will – almost always – demand engaging with the experience and perspectives of the people who' human rights those efforts seek to advance. Identifying how to do this in practice and apply lessons/approaches at scale is a critical part of the Valuing Respect project agenda.

In this session, Shift will represent a simple framework – drawing on the discipline of participatory evaluation - for the different ways that affected stakeholders can be involved in the evaluation of business respect for human rights. We will hear from a few practitioners who have been engaging stakeholder voice in the monitoring and evaluation of company programs. The group will then focus on:

- Avenues to build capacity and capability to engage stakeholder voice in evaluation;
- Reactions and recommendations about case studies and stakeholder voice pilots that Shift may undertake over the next year.

1640 **Reflections, Recommendations and Next Steps**

5pm **End**



ANNEX C: PARTICIPANTS

Amol Mehra	Freedom Fund	Kilian Moote	Humanity United / Know the Chain
Anna Pot	AOPG	Kindra Mohr	Accountability Counsel
Ariel Meyerstein	Citi	Marcela Manubens	Unilever
Ashleigh Owens	Indep	Marti Flacks	BHRRC
Brendan LeBlanc	EY	Meg Roggensack	ICAR
Bruce Moats	GoodWeave	Kelly Steffen	Microsoft
James Gyenes	DOL, U.S Government	Paloma Munoz	IAHR/ICCR
Marcia Eugenio	DOL, U.S Government	Rick Relinger	PVH
Sarah Zoen	Oxfam US	Shoko Sekiguchi	Domini
Dan Bross	Indep	Susmita Kamath	B-Lab
Dan Osusky	B-Lab	Caroline Rees	Shift
David Spitzley	Mars	Daniel Berezowsky	Shift
Doug Nystrom	Walmart	Erika Piquero	Shift
Elizabeth Garland	Verite	John Sherman	Shift
Faris Natour	Article One	Mark Hodge	Shift
Georgina Galloway	GAC	Nora Mardirossian	Shift
Hamlin Metzger	Best Buy	Rachel Davis	Shift
Jaren Dunning	PepsiCo	Tawny Tidwell	Shift
Jeff Gitterman	Gitterman Wealth		



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