VALUING RESPECT

BY *Shift*

VALUING RESPECT

Central and Eastern Europe Multi-Stakeholder Expert Consultations

Warsaw, October 17, 2019

in partnership with

Polish Institute
for Human Rights
and Business

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:

Learn more: valuingrespect.org

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.

Visit: shiftproject.org
Follow us at @shiftproject
© Shift Project, Ltd. 2020

About the Polish Institute for Human Rights and Business

The Polish Institute for Human Rights and Business (PIHRB) is an independent, non-profit think-and-do-tank offering advanced expertise on Business and Human Rights, labour law and relations, social unrest, stakeholder engagement and CSR, as well as monitoring and verification services. PIHRB's aim is to advance implementation of the UN Guiding Principles on Business and Human Rights in Poland and broader Central and Eastern European region.

Visit: pihrb.org
Follow us on: LinkedIn.com/company/pihrb

A. Introduction

On October 17 2019, Shift and the Polish Institute for Human Rights and Business (PIHRB) hosted an expert, multi-stakeholder consultation in Warsaw, as part ofo the Valuing Respect project. Valuing Respect is a three-year collaborative initiative to develop better ways of evaluating business respect for human rights. Further background on the project is available through the Valuing Respect online portal.

The consultation involved experts from across companies, non-governmental organizations, investors and academia from Poland, Slovenia, Ukraine and Croatia. The Central and Eastern Europe (CEE) consultation was the third multi-stakeholder discussion in 2019 with previous meetings taking place in New York and London. The meeting provided an opportunity for Shift and the PIHRB to introduce the project to participants in more detail, including 2018 research into the metrics that investors and companies currently use to measure business respect for human rights.

The objectives of the meeting were to:

- Understand the current state of practice in evaluating business respect for human rights in CEE, in order to identify opportunities for application of Valuing Respect resources.

- Seek expert input, guidance and advice about work-in-progress products in selected project workstreams: a 'theory of change' method to design indicators; "red flag" indicators of human rights risk in business models; and indicators of rights-respecting leadership and governance.

- Identify some of the regional economic and business and human rights dynamics that Shift and PIHRB should seek to take into account as project products are finalized.

All participants took part in their personal capacity and not on behalf of their organizations. Discussions were held under the Chatham House Rule in order to stimulate open and frank conversation. Accordingly, this summary reflects ideas expressed but does not attribute them to specific speakers.

Annex A provides an overview of the Valuing Respect focal areas.

Annex B includes the consultation agenda and the list of participants.

Session One: The Current Use of Metrics

The project team presented conclusions from its research into the current use of metrics to assess social aspects of responsible business. This encompassed research into company disclosures conducted by Shift and its regional partners in South Africa, ASEAN and Poland, and an analysis of indicators used in eight major Environmental, Social and Governance (ESG) rankings, ratings and indices. A two-page overview of this research can be accessed at this link.

Headlines from the review of company disclosures in Poland include that:

- Company reporting is focused on input, activity and output data, with 79% of all information falling into these indicator categories. Information about inputs and activities rarely contains any detail.

This holds true across all the industries analyzed, across issue areas that could be said to be more mature (such as diversity and health and safety) and company reporting that one might assume is more mature (for example, because they follow an international reporting standard). At the same time, it is important not to discount these types of information as they might be leading indicators of better business practices and good outcomes.

- With regard to outputs, which are the dominant category of indicators, about 88% of these are reported in numerical form. They are often presented as a snap-shot for the reporting period, without a narrative of what the company concluded or did as a result of that data. PIHRB considers that this might reflect that data included in monitoring and reporting is driven more by external requirements than by the perceived value of the data for business decision making.

- More data is gathered and reported on safety and diversity due to the regulations in those areas. While it was noted that Finance Sector and Consumption are doing somewhat better than other sectors, even in this sector the reports usually did not address one of the importan issue of mis-selling loans or other financial products to vulnerable groups.

- The most complete disclosures are those that show the connection across the pathway from inputs and activities all the way through to outcomes for people and business. This is not common but a few positive exceptions were found in the research.

Points raised by participants with regard to measurement, evaluation and reporting by companies in the region, included the following:

- The results of the research into non-financial reporting seemed accurate, with participants assessing the quality of non-financial reporting in the CEE region quality as rather low and of a snapshot nature, rather than aimed at identifying potential risks and trends over time in order to gain insight into company performance.

- The legal framework lags behind the market realities and this may undermine the possibility to obtain and verify data on risks to people that is needed for meaningful evaluation.

- Low awareness among top management may be one of the reasons why non-financial reports focus on corporate governance and the environment rather than human rights. It was noted that when top management discusses human rights the discussion is often diverted towards philantrophy. This adversely affects the implementation of activities aimed at improving the human rights performance of the company, the measurement and evaluation of social or human rights impacts, and the ability of lower/middle management to lead effective programs, even when they have the expertise to do so. Overall, changing mindsets and mentality was seen as the most challenging element of advancing the UNGPs.

- Companies tend to focus on issues that are well known, regulated and are understood as posing a risk to business. For example, in construction the focus is on health and safety – for which there are legal requirements on data collection – rather than other important human rights issues such as legal forms of employment, sub-contracting, and respect for the rights of migrant workers. Similarly, the IT and Insurance industries pay most attention to sexual harassment and bullying.

- One frequent obstacle is the lack of value chain data analysis due to a still low understanding of the scope of the corporate responsibility to respect human rights under the *UN Guiding Principles on Business and Human Rights* (UNGPs. The result is that limited attention is paid to addressing risks in the value chain, particularly by companies outside the traditional manufacturing industry. At the same time, a lack of reported data does not always mean that the company is not addressing such risks – companies might simply choose not to disclose such information for various reasons.

- Limited demand for such data from stakeholders, coupled with a perceived high risk of disclosing it, leads to a lack of incentives for companies to be transparent about their progress and performance. This is slowly changing due to pressure from investors and from multinational companies subject to binding regulations in other countries, such as on modern slavery.

- There were diverging opinions concerning the cost of data gathering within the company, and whether it is more of an excuse or real obstacle. In certain situations, the cost of data collection and in-depth evaluation could lead to trade-offs between funding this work or further implementation of projects. However, this dilemma seemed potentially more relevant to philanthropic projects than strategic investments based on human rights due diligence.

- Companies face particular difficulties in tracking impacts where a product is sold to another company.

- While locally gathered data often feeds into global reports, local staff frequently get little feedback about their performance on human rights and lack both an awareness of the issues and the ability to analyze the data gathered.
- A generally bureaucratic culture leaves little if any time to deal with additional issues, particularly if they require more than a check-list approach.

Session Two: New Thinking and a New Tool to design meaningful Indicators

The project team presented the theory of change method fpr developing meaningful indicators to evaluate initiatives that address human rights impacts, with illustrations of its application. Participant discussions focused on:

- Lessons from applying analogous methodologies to indicator design in more mature issues areas such as diversity or health and safety;
- Strengths of the methodology and the range of ways it could be applied in practice;
- Possible limitations and weaknesses of the approach, and how the project team might address them.

Key points of feedback and discussion included the following:

- The Theory of Change approach feels very simple, intuitive and natural. The fact that it has a strong history from the field of international development was perceived both as an advantage (i.e. it is credible, tested and professional). Participants suggested ensuring the narrative introduction is as simple as possible.

- The method could support vry dynamic thinking by business. Some company participants indicated that the approach they take in their work has a number of overalps with the Theory of Change method. For example, the Bowtie method for risk evaluation can be used to analyse and demonstrate causal relationships between conditons/drivers and events in high risk scenarios. It was suggested that other existing methods(such as LEAN, AGILE and Bow-Tie) could usefully inform further development of the Valuing Respect tool.
- Participants noted that there may be a considerable time-lag between the outputs of an initiative, and resulting changes in practices/behaviors and outcomes. In addition, companies will tend to focus on the short term impacts, due to the short timeframes that dominate the business sector, including through the annual or even quarterly expectations and requirements of boards and executives. It can therefore be difficult to set goals that affect long-term change. As a result, credible leading indicators of good human rights outcomes were seen as particularly critical.
- The method and tool should stress the importance of paying attention to causation and correlation, which is perhaps under-emphasized in the introductory materials. The long time gap between implementation of some actions and evidence of their results means that the attribution of results to company actions can be particularly difficult if tracking is only focused on annual results or trends. Also, some outcomes may be 'collateral' and therefore neither recognized nor measured.
- The tool will be useful for a company that has energy and resource commitment to change something and, ideally has allies. Yet in CEE this is rarely the situation. It was felt that unless a crisis / emergency situation happens it may be hard to get wide uptake of the tool. Participants wondered whether the tool could itself be used to create this kind of urgency.
- The importance of an open culture was seen as particularly important for a company to get value from the tool. Some noted that this is not common in CEE. Companies generally reward success, not learning from mistakes. They also tend not to measure or analyze something that might result in knowledge they do not want to have.
- Sometimes a company and its immediate partners might be unaware of important assumptions that are critical to the success of the Theory of Change model. Sufficient knowledge and diverse thinking were seen as key to making the right assumptions. In addition, an openness to engagement with stakeholders at every stage of the process was seen as crucial.
- Participants suggested using proxy indicators to address the frequent lack of direct data about outcomes for people. For example, if we know that children going to school are being given one basic meal, we can check the number of children attending school and use this knowledge to assess the minimal level of nourishment of this group.

Session Three: Leadership and Governance Indicators of Rights-Respecting Culture

The project team presented the draft 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. It was stressed that 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.

Participants were invited to:

- 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.
- Share examples of companies and senior leaders taking actions that align to the draft indicators, while also commenting on any obvious tensions between the draft indicators and national business cultures across CEE.
- Discuss options for how to present the final output to support uptake and use by investors, business leaders and civil society.

Key points of feedback and discussion included the following:

- It is crucial to have a strong and aware leadership. Yet it is equally imporrant to ensure that culture in this area is not reliant solely on individual senior leaders or employees. Some participants' companies were trying to tackle the problem of continuity by engaging representatives of different departments, and by building a community of champions around sustainability issues.
- It is very important to ensure that senior leaders want to hear about issues concerning human rights. Performance evaluation related to social and human rights impacts can aid with this. Leadership and management remuneration should be linked to the ethical performance of the company, and certainly to specific KPIs in this area. It was suggested that KPIs focus on the number of issues that are solved or improved rather then a lack of new issues. Zero cases on corruption is a common metric for leaders, but should perhaps be modified to include progress towards respect for human rights
- While leaders were seen as crucial, it was noted that people also follow their peers.
- In relation to the set of indicators in the category 'Respect and Empathy' participants suggested adding something on the role of senior leaders in raising awareness about impacts on human rights across the business. This includes holding meetings with employees – "meeting without sugar" – during which workers should have an opportunity to ask questions of managers. At the same time, it was noted that engagement by top management with workers assumes a certain level of openness that is not necessarily present in the region.
- It was noted that there is low awareness in CEE that grievance mechanisms provide an opportunity to solve problems before they escalate into a major conflict, and that there is a cost to not having grievance mechanisms that are trusted and used. It was also noted that grievance mechanisms can aid in learning and teaching.
- A major challenge raised was the ingrained belief that "jakoś to będzie" (that with some luck the situation will solve itself), which makes it difficult to change attitudes from being reactive to situations and crisis, to being more preventive.

- It was pointed that the indicators may not apply easily to SMEs, which make up 90% of companies in the CEE region. For example, lobbying may matter less for SMEs, and SMEs may not have "middle management". Others noted that overall the indicators could be an inspiring resource to

drive new behaviors. And some noted that not all indicators have to be applicable in every country for every company to have the educational or awareness raising impact.

- It was noted that the ownership structure of a business sometimes sets the basis for ethical and strong leadership – for example in cooperatives where all key decisions are discussed and taken by voting involving employees and members. By contrast, state-owned enterprises were seen as some of the companies with the worst reputation.

- The hope was expressed that if investors start using the indicators and other outputs from the Valuing Respect project, this might positively affect the motivations and thinking of business leaders.

Session Four: Identifying Human Rights Risks in Business Models

The final substantive session was dedicated to exploring 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 of this workstream is to facilitate an early discussion of these risks with, and within, business, in order to support actions that avoid or mitigate these risks. Following a brief introduction of the initial draft typology by Shift, participants were asked to provide inputs about:

- A draft typology with examples of business model risk indicators;
- Weaknesses, gaps or additional red flags that are especially important in CEE;
- Use cases for such indicators – for business leaders, investors and civil society.

Key points of feedback and discussion included the following:

- The future of work is tightly linked with the future of human rights, with technology having potential to have both good and bad influence.

- It would be interesting to explore how this specific tool could be used alongside, or integrated with, other tools used by investors and companies to make strategic decisions. It will also be helpful to be clearer about how companies can use the tool for self-assessment, as well as to what level of maturity the company would need to have to do so. Can it be used by people who are not really familiar with business and human rights issues, who are just starting to learn? Will they be able to implement it without having a deep knowledge? What is the evidence that it is worthwhile for them to invest time in learning more about this field in order to be able to use it? The impression of the participants was that it would make sense to tailor the business model red flags into a tool aimed at top management, including CEOs – namely, those who are are responsible for the overall strategy of the company.

- There was some concern that business models red flags are not a set of metrics, perhaps reflecting a confusion about whether the red flags are indicators.

- Participants flagged a range of components of business models and queried whether they were all – or sufficiently – reflected in the three categories used for this tool

- If practitioners in CEE are to use this resource then it would be worth considering:

- At the moment the language is too sophisticated for most audiences. If it is to be useful not just for CSR/human rights experts, it needs to be understandable to people from other units (HR, compliance, logistics, procurement etc), for whom human rights is new.
- More detailed explanations would be useful. Some participants noted that the long-form tables with resources on each red flag was the most useful to them.
- More examples – rooted in the regional context - are also needed, including some suggestions for action.

Participants also provided specific inputs to each of the three sections of the draft Red Flags: **Value Proposition, Value Chain,** and **Revnue Model**. These will be reviewed in the next iteration of the red flags resource.

Closing Session: Reflections, Recommendations and Next Steps

During the final session participants were invited to share reflections from the consultation and provide guidance to the project team going forward. Recommendations included to:

- Set out how the various focal areas and resources relate to each other, including how companies and their stakeholders can find the entry points into the work that meet their own needs.

- Focus more strongly on the user experience. It should be professional but needs to strike a balance between a theoretical and practical approach. At present the outputs it look complex, particularly for those unfamiliar with business respect for human rights.

- Provide examples that address downstream human rights risks, where customers and the end use of products and services are of key concern.

- Share more practical examples of innovations, since real life examples are much more convincing and are more likely to reduce the barrier to entry.

- Take into consideration the regional specifics, its size and geography (also political geography), which have a strong impact on the level of human rights awareness and readiness to engage.

- Develop more practical tools and sets of indicators that can be applied immediately, and not only methodologies on how to develop such tools / indicators. Indicators have to be clear and more specific.

The project team noted also that similar multi-stakeholder consultations were already held in New York and London, and will be also organized in Sub-Saharan Africa and Southeast Asia. Summaries of these discussions would be also available on the project portal. Participants were also informed that, based on the feedback received, the products from each workstream would be iteratively refined, improved and retested with stakeholders until they are ready for finalization.

The team welcomed any additional feedback participants may wish to share bilaterally over the months ahead and encouraged them to engage with the project, by testing/piloting some of the tools/methodologies developed.

ANNEX A: Overview of Focal Areas

FOCAL AREAS	KEY QUESTION	POTENTIAL OUTPUTS
#1 Current evaluation practice	Are we right that most metrics are fairly superficial and remote from outcomes?	Results of analysis of ratings, rankings, benchmarks and disclosure
#2 Business model risk	What features of business models carry significant and inherent human rights risks?	Summary overview for investors and top leaders, with mitigation options and guidance for teams
#3 Leadership and governance	How do leadership and governance support a culture that respects human rights?	A menu of indicators of rights-respecting leadership and governance
#4 Quality of processes	How can we best devise indicators that go beyond the existence of a process to its quality in delivering results?	Guidance/methodologies/recommendations for improved ways of developing indicators of good human rights policies and processes
#5 Theory of Change Method	How can companies structure robust approaches to evaluating the effectiveness of their efforts to mitigate human rights risk?	A practical and piloted tool that companies can apply to their human rights interventions, individually or collectively with others
#6 Behavioral Science	What lessons can we learn from behavioral science for ways to design and evaluate interventions aimed at embedding key behaviors for respecting human rights?	A range of insights, approaches and results of experiments using behavioral insights that can support effective behavioral change
#7 Stakeholder voice	How can and should stakeholder voices be included in processes of evaluating business respect for human rights?	Case studies and pilots showing ways in which stakeholder voice has been effectively integrated into evaluation processes
#8 Accounting models	How can and should accounting models capture value associated with respect for human rights?	Proposals/recommendations; possibly a tested model around e.g. living wages.

ANNEX B: Agenda and Participants

0900   **Arrivals and Breakfast**

0930   **Welcome, Introductions and Project Overview**

In the opening session, the project team will introduce the purpose and goals of the Valuing Respect project. The team will position the project in relation to business implementation of the UN Guiding Principles on Business and Human Rights. We will provide an overview of the research we have completed, our initial outputs and planned products. The session will allow time for participants to ask questions and share their own initial ideas about the challenge of measuring company progress and performance when it comes to respecting rights.

1015   **The Current Use of Metrics: How do we currently measure and evaluate progress?**

In the first year of the project, Shift and its regional partners in South Africa, ASEAN and Poland conducted research to understand the current use of metrics in ESG products and companies in relation to respect for human rights. In this session, the team will present the global research findings and the analysis of over one hundred company disclosures in Poland. This will lead into a dialogue about the strengths and challenges of how we measure progress on the social aspects of responsible business.

1045   **Break**

1100   **New Thinking and a New Tool to design meaningful Indicators**

Throughout 2019, the project team has been field-testing an initial version of the first Valuing Respect product - a theory of change method to develop meaningful indicators for initiatives to prevent and mitigate human rights impacts. In this session, we will present the methodology, demonstrate its application and hear about progress made by companies filed-testing the approach.

We will invite participants to share their reflections regarding:

- Lessons from applying analogous methodologies to indicator design (especially in specific and more mature issues areas such as diversity or health and safety).
- Strengths of the methodology and the range of ways it could be applied in practice;
- Possible limitations and weaknesses of the approach, and how we might address them;

1230   **Snapshot Update: Behavioral Science and Stakeholder Voice**

Before lunch, the team will share snap-shot updates about two Valuing Respect work-streams that complement the Theory of Change methodology: 1) Drawing on lessons

---

from behavioral science to evaluate behavior change interventions; and 2) Engaging affected stakeholders in the design and monitoring of indicators.

1300   **Lunch**

1345   **Indicators of Rights-Respecting Leadership and Governance**

This 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.

1515   **Break**

1530   **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 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.

1700   **Reflections, Recommendations and Next Steps**

1730   **End**

Participants

Joanna Alasa	NN Investment Partners TFI Poland
Liliana Anam	CSRinfo
Elżbieta Bonda	Nat West / RBS
Tomasz Gasiński	Lotos Group

Barbara Głowala	Skanska
Joanna Gorczyca	PZU Group
Tomislav Ivančić	UN Food and Agriculture Organization
Mirosław Kachniewski	SEG (The Polish Association of Listed Companies)
Piotr Kaźmierkiewicz	CDM Pekao S.A.
Danuta Kędzierska	TÜV Rheinland Polska Sp. z o.o.
Karolina Kędziora	PTPA (Polish Association of Antidiscrimination Law)
Monika Kulik	Orange Polska
Rostyslav Kurinko	Ukrzalisnytsa (Ukrainian Railway)
Bartosz Kwiatkowski	Fundacja Frank Bold Polska / PIHRB
Łukasz Lasek	Wardyński & Partnerzy
Jernej Letnar Černič	New University (Slovenia) / IUSE, Turin
Beata Markowska	IBM Sp. z o.o.
Anna Miazga	LPP S.A.
Magdalena Mitraszewska	Grupa ANG
Agata Rudnicka-Reichel	University of Łódź
Dominika Sadowska	Strefa Różnorodności (Diversity Sphere)
Konrad Sadurski	Forbes
Maryna Saprykina	Centre for CSR Development (CSR-Ukraine)
Dorota Strosznajder	Henkel
Zuzanna Szmelter	BUDIMEX S.A.
Joanna Szymonek	Polish Institute for Human Rights and Business (PIHRB)
Joanna Unterschütz	Wyższa Szkoła Biznesu i Administracji / PIHRB
Olena Uvarova	Yaroslav Mudryj University in Kharkiv (Ukraine)
Jacek Wojciechowicz	PKP Energetyka
Mark Hodge	Shift
Beata Faracik	Polish Institute for Human Rights and Business (PIHRB)
Anna Szlezinger	Polish Institute for Human Rights and Business (PIHRB)

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.

www.valuingrespect.org