DISSECTING HUMAN RIGHTS DISCLOSURE
A TOOL FOR INVESTORS

DRAWING FROM COMPANY REPORTING ON:

SETTING TARGETS AND TRACKING PERFORMANCE
ACKNOWLEDGEMENTS

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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 of experts works across all continents and sectors to challenge assumptions, push boundaries and redefine corporate practice in order to build a world where business gets done with respect for people’s dignity. We are a non-profit, mission-driven organization headquartered in New York City.

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It is important for investors to know that the companies in which they invest understand, prioritize, manage and report on the risks connected with their business. COVID-19 has highlighted the many ways in which people across a company’s workforce and value chain can be at risk of harm from business decisions and actions. It has also brought into sharp relief companies’ own dependence on these same people in their workforce, supply chain, retail outlets, delivery providers, customer base and local communities.

Companies’ disclosure in relation to targets they set for human rights risk management and how they track their performance provides investors with an important insight into how well these issues are likely to be managed in practice. However, this aspect of companies’ disclosure often falls short. Based on Shift’s review of the human rights reporting of over 150 companies, we see many failing to provide insightful disclosure in relation to this important aspect of human rights due diligence.

This report examines five excerpts from reporting by five different companies in relation to their target setting and tracking of performance in relation to human rights impacts. Our focus is not on profiling the latest or leading practices in addressing human rights risks – though many do reflect such leadership; rather, we aim to highlight facets of reporting that can provide readers with some confidence that a company is thinking in meaningful ways about human rights challenges and its role in addressing them. The excerpts are selected for their relative strengths in this regard, and a brief analysis in each case highlights the insights a reader can glean from the disclosure, and therefore what to look for in other companies’ reporting.
None of the excerpts is put forward as a perfect model nor should be taken as guaranteeing that all human rights risks are being managed in alignment with the UNGPs by the companies concerned. Reporting is a window into performance, not a mirror of that performance. Moreover, some of the companies concerned have taken further action, and indeed published further reporting, since the publication of the disclosure excerpted here. Readers who are interested in the latest developments should check the companies’ websites for any updates.

A lot of company reporting today falls below the quality demonstrated in these excerpts. With regard to reporting on setting targets and tracking performance in relation to human rights issues, particular red flags to look out for are:

• **Targets set and tracked in reporting are limited to activities or outputs**, rather than outcomes for people. Many companies’ disclosure describes activities or outputs such as the number of people trained or the development of a new policy. On its own, this type of information does not provide evidence about whether the company’s activities result in improved outcomes for people.

• **The company does not follow up on the extent to which all of targets set in one reporting period were met in the next.** This omission can leave readers wondering whether the company intentionally omitted the results because they were perceived to be unfavorable, or because the company is failing to keep track of progress against the targets it discloses.

• **Data on human rights performance is aggregated such that meaningful insights cannot be drawn from the disclosure.** Many companies only disclose aggregated statistics, such as the total number of supplier non-conformances identified in the reporting period. This type of disclosure gives readers little insight or detail that could facilitate analysis and tracking of trends and patterns over time, such that they might hone in on issues of interest to them.
UNILEVER
Reporting disaggregated data and narrative explanation of audit findings

OUR SUPPLIER AUDIT FINDINGS: HEALTH AND SAFETY
Data is taken from audit results relating to the RSP [Responsible Sourcing Policy] Fundamental Principle 9: “Workers’ health and safety are protected at work”. There were 9,739 non-compliance issues identified.
Health and safety is the most common non-conformance found in our supplier audits. This is largely due to the fact that they are usually the most easily identified...
Overall 92% of non-conformance cases in 2016 where we have complete audit data were closed out with a satisfactory action. This is up from 83% in 2015. […]

NON-CONFORMANCES VERSUS MANDATORY REQUIREMENTS
Numbers of non-conformances during 2015 and 2016
Fire safety: 1,315
Training and understanding of workers: 1,291
Records are correctly maintained: 1,245
General health and safety: 948
Chemical and electrical safety: 879
Medical facilities and practices: 870
Risks are assessed and managed: 790
Local legal requirements are respected: 668
Water and sanitation: 583
Emergency exits: 559
Fire alarms: 312
Policies and procedures in place: 279

CONFORMANCES BY BUSINESS AREA
Issues recorded during 2015 and 2016, listed by business area
Packaging: 3,172
Chemicals: 2,267
Operations: 1,089
Ingredients: 1,012
Commodities: 813
Third-party manufacturing: 670
Other*: 716
[^ Marketing & business services 280, Third-party logistics 159, Capital expenditure & Maintenance 154, Re-packer 7]

LOCATIONS OF NON-CONFORMANCES
Non-conformances during 2015 and 2016 by region
South Asia: 2,394
SEAA [South East Asia and Australasia]: 2,407
Latin America: 1,928
North Asia: 1,113
NAMET: 869
[North Africa Middle East and Turkey] and RUB [Russia, Ukraine and Belarus]
Europe: 275
North America: 169

Non-conformances per country by salient issue 2016...
This [chart] shows an increase in the number of non-conformances compared to 2015, which is directly linked to the number of audits conducted (an average of 900 more audits for the first top four countries: India, Indonesia, China and Brazil). Importantly, these four countries are part of the top six countries with the highest number of sites globally, which impacts the number of audits. The data needs to be interpreted with this caveat taken into account.

2017 Human Rights Progress Report, p. 51, 79

ANALYSIS
Among companies that disclose some data on their supplier audits, many provide aggregated and vague statistics, such as the total number of non-conformances in the reporting period. This type of disclosure gives readers little insight that could facilitate analysis and tracking of improvements or setbacks over time. In this excerpt, the company breaks down supplier non-conformances based on the specific mandatory requirement that was not met, the business area and the region, which provides readers with confidence that it is tracking its audit results across all of its salient human rights issues in a way that facilitates analysis and the identification of trends. Disclosing this disaggregated data provides insight into how the company systematically tracks developments in its supply chain, helps readers to understand the breakdown of issues and focus in on those of greatest interest to them and suggests the company is able to find cross-cutting insights about needed improvements, beyond the correction of individual non-conformances.

Many companies present supply chain audit data not only in aggregate form but also with little or no context to support its interpretation. In this excerpt, Unilever shares a brief narrative about why health and safety
issues are such a high proportion of the non-conformances found in its supplier audits. This provides an honest reflection that in practice the non-conformances may be as great or greater in relation to other, harder-to-identify issues. It helps the reader understand how to interpret the data, provides confidence that the company is being transparent and suggests that it is using the data for meaningful internal analysis.

Similarly, many companies report that the number of non-conformances identified through audits has decreased, and conclude or imply that this indicates that performance among suppliers has improved. However, that conclusion does not necessarily follow from the data, as fewer non-conformances might indicate a range of other factors.

Here, the company openly shares that non-conformances identified increased year-over-year, while placing that in the context of a substantial increase in the total number of audits, particularly in high-sales markets. This helps readers understand better what they can and can’t read into this data.

**ANALYSIS**

**QUESTIONS FOR INVESTORS**

- Does the disclosure provide data on human rights performance that is **sufficiently disaggregated** to allow readers to see trends and patterns and hone in on issues of interest to them?
- Does the disclosure put **data into context**, helping readers understand both what they may and may not reasonably infer from it, and provide confidence that the company is itself using the data to conduct meaningful analysis that can support improvements in practice?
In some companies’ disclosure, human rights performance-related targets are set but the next year’s reporting does not follow up on the extent to which all of those targets were met. This omission can leave readers wondering whether the target was met, whether the company is not keeping track of progress against the targets it discloses or whether the results were not favorable and it chose not to disclose them. Nestlé provides transparency about its progress towards the targets it has set for itself, which range across targets at the level of governance, processes, specific programs addressing specific human rights issues and review and improvement efforts. It shares that one goal was not met in the original timeframe. This openness provides some degree of assurance that where circumstances change and those targets must be amended, the company will be transparent about both that fact and the circumstances.

Many companies’ disclosure only includes high-level, one-off or time-bound targets. By sharing a target that involves setting up systems to measure the number of workers in agricultural supply chains having benefited from our interventions on selected salient labor rights issues, the company suggests it will share data in its future disclosure that relate to outcomes for workers. Where companies report on why they chose certain metrics to report on, how those measurements are determined and what the anticipated human rights outcomes for stakeholders will be, this →
ANALYSIS

provides additional insight into the extent to which the target or metric reflects actual positive outcomes for people.

This disclosure outlines the company’s past and planned activities regarding its grievance mechanism in the context of continuous improvement.

This type of disclosure provides readers with some confidence that the company is tracking its progress in relation to particular processes, mechanisms, outputs and outcomes as a means to strengthen these areas of its human rights performance. This example also reflects that external stakeholders will be involved in that process, providing some insight and assurance as to its likely rigor. Where reporting on such review processes includes information on whether and how potentially affected stakeholders will be engaged in the process, this can offer valuable additional evidence that conclusions will be well-informed.

QUESTIONS FOR INVESTORS

- Does the disclosure demonstrate the company has a serious approach to tracking performance over time by following up on targets set in previous reporting cycles, including where targets have not been met?
- Does the disclosure demonstrate that the company uses data from tracking and review processes in support of continuous improvement?
**Setting goals and tracking progress**

Many companies’ forward-focused reporting reflects planned activities or outputs as determined by the company. Here, on the other hand, the company’s disclosure shows that its 2020 Sustainability Strategy Goals related to community engagement are focused on setting targets jointly with the stakeholders concerned. This suggests its activities are focused on outcomes deemed meaningful by those stakeholders and that the related activities should therefore build effective relationships and mitigate risks to both communities and the company.

The specific Key Performance Indicators demonstrate the company prioritizes avoiding significant disputes and making efforts to materially improve communities’ resources and employment. Notably, the company provides a specific definition of the term “significant community disputes” which makes the target hard to game. Where company targets include specific outcomes for people, disclosure on these can be particularly insightful for investors assessing whether a company’s activities and initiatives are achieving the intended results.
### Key Performance Indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>Planned Activities</th>
<th>Progress</th>
<th>Targets</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>3</td>
<td>36%</td>
<td>72%</td>
<td>$19 million (1.17%)</td>
</tr>
<tr>
<td>2018</td>
<td>0</td>
<td>33%</td>
<td>71%</td>
<td>$22 million (1.69%)</td>
</tr>
<tr>
<td>2017</td>
<td>0</td>
<td>26%</td>
<td>72%</td>
<td>$13 million (1.71%)</td>
</tr>
</tbody>
</table>

This disclosure also provides some evidence of progress through its year-over-year benchmarking against internal targets, as well as transparency around challenges to progress: namely that after a couple of years without significant community disputes, the company was involved with three during the reporting period. The disclosure demonstrates the company has opened itself up for external accountability regarding how it progresses against its goals and targets over time, including where the results are not those that were desired. This enables a more meaningful dialogue with investors regarding what led to the three community disputes and what progress has been made towards their resolution.

### QUESTIONS FOR INVESTORS

- Does the disclosure share how planned activities or targets are selected in order to achieve desired outcomes for people?
- Does the disclosure indicate that the company sets goals that cannot be manipulated through flexible interpretation?
- Does the disclosure enable a discussion with investors and other stakeholders regarding the company’s human rights performance, challenges and lessons learned?
- Does the disclosure suggest the company doesn’t solely aim to paint a positive picture of its progress?
Many workers in our supply chains have had little education. They find themselves living in challenging situations at home, locked in a cycle of poverty with few opportunities to develop new skills, gain promotions or establish their own business ventures. This in turn prevents them from saving towards their families’ healthcare and education or support their communities. In 2013, M&S partnered with the NGO Emerging Leaders to deliver leadership training for more than 35,660 people in six countries. In 2016/17 the partnership was rolled out to India, Senegal and Ivory Coast. Whilst the course wasn’t developed to tackle human rights issues, it became very clear from witnessing the programme that the materials did help address some of these. We therefore commissioned an independent assessment to explore how the Emerging Leaders programme supported our Human Rights Strategy and found that it had a positive impact on four of the salient issue areas, as well as other significant benefits for workers and suppliers’ businesses.

Many companies’ disclosure describes capacity building activities the company undertakes in the supply chain, but typically any data provided on those activities is limited to the number of people trained or hours of training. On its own, this data does not provide insight into how effective the training programs are in achieving improved outcomes for people. Few companies provide background on the context of the capacity building efforts that would demonstrate whether and how those efforts can improve outcomes for people. This excerpt, however, provides context to the reader that indicates both that the company has an understanding of the lived realities of its supply chain workers, and that it had a particular theory of change in mind for how the training could improve their lives.

To determine whether an existing program to benefit supply chain workers was also serving its aims to address the company’s salient human rights issues, the company reports that it initiated an independent assessment. This suggests that people within the company are attuned to finding, evaluating and taking advantage of opportunities to improve the situation of workers in their supply chain based on their salient human rights issues.

Few companies share data that specify how they know their activities achieve improved outcomes for people. In this excerpt, M&S shares data that indicate that workers perceive certain elements of their workplace experience have improved since the intervention (including the sense of an improved culture of respect and increased ease of raising issues with management). This information provides confidence that the company seeks out workers’ perspectives in determining the success of its supply chain efforts. By reporting on how a capacity building effort was assessed for its relevance to the company’s salient human rights issues, and accompanying this with data on perceived outcomes for people, this disclosure suggests the company is focused on measuring what matters to evaluate its human rights performance.

**QUESTIONS FOR INVESTORS**

- Does the disclosure provide confidence that the company has a theory of change behind its efforts to improve outcomes for people and tracks whether that bears out in practice?
- Does the disclosure provide insight into whether and how the company evaluates the outcomes for people’s lives that result from its processes and initiatives, as opposed to just the processes and their outputs?
- Does the disclosure demonstrate a readiness to seek the perspectives of affected stakeholders about the effectiveness of the company’s human rights efforts?
C&A
Setting targets and tracking progress through active participation in a multistakeholder initiative

“Case study: Improving building and fire safety in Bangladesh

Approximately 35% of C&A suppliers are in Bangladesh. All of C&A's suppliers’ cut-and-sew factories in Bangladesh have been inspected and corrective action plans (CAPs) have been developed for each of them. To support the complex and highly technical aspects of the corrective actions and remediation, we developed a strong technically expert team in Bangladesh. We've also arranged training sessions for Accord engineers to share their knowledge with suppliers.

To date, 96% of the issues identified across C&A’s operations have been corrected, up from 92% in 2017, with the remaining CAPs in the process of remediation [Official data from the Accord may vary because they must verify the corrective actions before their numbers gradually match ours.]. The main reason for those still in the process of remediation is the addition of several new production units to our supplier list in 2017. Their remediation plans are at an earlier stage than the rest of our suppliers. Read more on the Accord website.

Accord 2.0
The Bangladesh Accord has now been in place for nearly six years. C&A has been recognised as one of the brands that has made a dedicated effort to making this initiative successful, having been part of its steering committee since inception. In 2017, we were one of six organisations selected to help define how the agreement should be extended past its five-year anniversary.

Together, we agreed that the Accord has made great progress in raising awareness on important safety measures, empowering and involving workers, and driving real change in fire and building safety in the Bangladesh garment industry.

ANALYSIS
While many large companies engage in some industry or multistakeholder initiatives, few disclose in their own reporting how those efforts form part of the company’s efforts to set targets and track progress in relation to their human rights performance.

By providing some information on progress and links to the Accord’s website, which includes more detailed data, this excerpt provides some confidence that the company is actively utilizing its participation in the Bangladesh Accord to track the safety performance of its supplier factories.
Additionally, few companies disclose in their own reporting those targets within collective initiatives that are relevant to strengthening their own human rights performance — and that of their peers. By describing the importance of the Accord, how the company worked with the other parties of the Accord to set targets for the initiative and what those targets are, the company provides confidence that its participation in the initiative is a meaningful part of its forward-looking efforts to track and achieve progress.

After describing the Accord’s role in the company’s own tracking processes, the company uses its reporting to amplify its concern about the future of the Accord. This provides further confidence in the company’s commitment to leveraging collective efforts based on mutual accountability and collective target setting to drive industry-wide progress.

Questions for Investors

- Does the disclosure suggest the company views its participation in industry and multistakeholder initiatives as a means to set shared targets and support mutual accountability for progress?
This report is part of Shift’s Dissecting Disclosure Series. Other resources in the series are:

- Dissecting Disclosure: Drawing from Company Reporting on Engagement with Vulnerable Stakeholders
- Dissecting Disclosure: Drawing from Company Reporting on Efforts to Tackle Gender-based Impacts
- Dissecting Disclosure: Drawing from Company Reporting on Taking Action on Risk Identification
- Dissecting Disclosure: Drawing from Company Reporting on Taking Action on Systemic Human Rights Challenges
- Dissecting Disclosure: Drawing from Company Reporting on Examples of Targeted Action

To learn more, go to: shiftproject.org/dissecting-disclosure-series/