TRANSFORMING HOW BUSINESS IMPACTS PEOPLE

Unlocking the Collective Power of Five Distinct Narratives

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Narratives are a ubiquitous feature of human life that both shape and are used to explain or validate events, societies and personal or group identities. The Oxford English Dictionary defines a narrative as, “a story or representation used to give an explanatory or justificatory account of a society, period, etc.” Nobel-prize winning economist Robert Schiller is renowned for his development of “narrative economics,” which demonstrates “how popular stories change through time to affect economic outcomes, including not only recessions and depressions, but also other important economic phenomena.”

Schiller considers the contagion that occurs when narratives go viral, and the power and extent of their resulting impact.

This paper examines the narrative of business and human rights in its relationship to five other established or emerging narratives: the narratives of sustainability, growing inequality, stakeholder capitalism, companies’ environmental, social and governance (ESG) performance, and social and human capital. It considers the opportunity and challenges for the business and human rights narrative to add value to and influence the course of the other narratives, in service of building a new global economy that better protects and respects the most vulnerable people in societies.

The modern language of business and human rights extends back at least to the Nike and Shell scandals of the 1990s and even to the Sullivan Principles for business devised in the 1970s in response to apartheid in South Africa. It continued through the development of various further sets of “principles” (e.g. the Ten Principles of the UN Global Compact, the Voluntary Principles on Security and Human Rights) and codes of conduct (from business or multi-stakeholder groupings such as the Electronics Industry Citizenship Coalition, Ethical Trading Initiative and Fair Labor Association).

Yet it is not until the development and subsequent United Nations endorsement of the UN Guiding Principles on Business and Human Rights (UNGPs) that business and human rights can reasonably be said to have moved beyond a “language” and emerged as a “narrative.” This narrative offered an organizing and explanatory or justificatory framework for initiatives that had grown up within the field (and the many more that were yet to come). It gave them both a normative legitimacy and at the same time required implicitly that they align sufficiently with the terms of the new narrative if they wished to be included in the storyline going forward. In turn, this drove convergence and coherence, creating much greater momentum behind changes in business practice.

The narrative of business and human rights has tremendous strengths. It encompasses almost all ways in which business may affect people, be it in relation to the labor rights of workers, impacts on freedom of expression and privacy, or on people’s health, access to clean water, adequate nutrition, housing or livelihoods, to name just some examples. At the same time, the narrative offers a way of navigating and managing this broad array of civil, political, economic, social and cultural impacts on people, by focusing on a particular level of impact: those that reach the point where they undermine people’s basic dignity and equality. It goes on to explain the nature and extent of companies’ responsibility for addressing those impacts, and how they can reasonably be expected to go about doing so.

The narrative of business and human rights also has limitations, which have constrained its potential for contagion. Most individuals have some preconception of what “human rights” entail. In some instances, these are narrow assumptions – for example, that it is just about child labor and forced labor; or that it is separate

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from labor rights. In other cases, there is a false assumption that human rights are the purview of governments and not relevant to business unless reflected in laws. And in many cases – particularly within business – there is a perception that this is first and foremost a narrative of violation, accusation, liability, grievance and risk. While those are certainly pieces of the narrative, reflecting painful realities, they have led many in business to miss the related story of how addressing these risks and negative impacts can lead to transformative positive impacts in people’s lives, as well as creating value for the business. Instead, company leaders have assumed that they need to look to entirely different narratives to find that language and those results.

Moreover, other narratives have taken off in parallel with that of business and human rights. Some predate it and some are more recent, but each responds to particular constituencies, areas of expertise, vocabularies of comfort or challenge, and moments in history. These include the narratives of sustainability (a development narrative adopted also as an environmental narrative), of growing inequality (a political narrative), of stakeholder capitalism (an economic narrative), of environmental, social and governance performance (an investment narrative), and of social and human capital (an accounting narrative). Each has reached some degree of contagion today, carrying increasing influence in policy-making and standard-setting arenas. Yet the main writers and tellers of these narratives are often unfamiliar with business and human rights or see it as being at most a niche area of some, but limited, relevance to their own. The same is often true in reverse among those who espouse the narrative of business and human rights.

Narratives can co-exist yet they also tend to compete for attention. Those that dominate among political, economic and other decision-makers have a critical influence that cannot be ignored merely on the premise that one’s own feels more compelling or in some way more accurate. The narrative of business and human rights is, in practice, of central relevance to the five narratives named above. Yet it requires conscious effort and application to render that apparent to those who shape or direct these parallel stories. The price of failing to do so is that the intrinsic value of the business and human rights story – grounded in global normative standards and already embedded in so many other frameworks and initiatives – will be left by the wayside. The likely result of such a course is that these alternative, influential narratives will be unnecessarily diluted or diverted away from their full potential to improve outcomes for people affected by the conduct of business and the global economy.

COVID-19 has shone a light on the vulnerability of many people in company workforces and value chains to impacts from business decisions and actions. It has also shown up the dependencies that companies have on many of these same
INTRODUCTION

The historical moment we are living through presents a particularly compelling opportunity to bring narratives together in ways that can be mutually strengthening.

This short paper is a first effort to connect the business and human rights narrative to the narratives of sustainability, inequality, stakeholder capitalism, ESG, and social and human capital. It looks at the ways in which the latter five narratives already have strong links to business and human rights through shared understandings of the challenges we face and a shared vision for what needs to change. It looks also at barriers to convergence between the narratives due to factors such as their history, scope, language or application. Above all it highlights the value to be gained from a more conscious convergence between the business and human rights narrative and these sister narratives, with the former providing much-needed historical explanation, diagnostic clarity and normative reinforcement, in support of the systemic changes needed in our global economy today. It concludes with some ideas for what this implies for the metrics and indicators that can best provide insight into whether the shared vision of these narratives is being achieved.
The narrative of business and human rights took form through the UN Guiding Principles on Business and Human Rights (UNGPs), developed by Professor John Ruggie in his role as the UN Secretary-General’s Special Representative for Business and Human Rights, and endorsed by the UN in 2011. The impact of the UNGPs was to move from disparate claims and counter-claims as to what should be expected of companies – if anything – when it came to their impacts on people, to a clear proposition that all companies have a responsibility to respect human rights. That responsibility entails taking reasonable steps to understand how people may be affected by the company’s operations and through its value chain, to mitigate any risks that would infringe on people’s basic dignity and equality, and to take a role in providing remedy where the company’s actions or decisions lead to harm in practice. The UNGPs articulate those reasonable steps in the form of a human rights due diligence process, underpinned by appropriate policy commitments and governance, and complemented by processes to enable the provision of remedy for actual harms.

While there are far more elements to the UNGPs than can be summarized here, the business and human rights narrative it engendered has a number of important features worth highlighting, due not least to the particular value they can bring to the other narratives around responsible business conduct that are discussed in the remainder of this paper.

First is the very fact that the business and human rights narrative is underpinned by the soft law standard of the UNGPs: a standard that increasingly is being codified into hard law in different jurisdictions as well as embedded into multiple other standards espoused by governments, industry groupings, investors and professional organizations. As a result, it is not a narrative that is subject to endless barter on its terms, but one with an authoritative foundation and clear guardrails constraining its interpretation.

...it is a narrative that encompasses all forms of impact that a company may have on people. It therefore provides a comprehensive way of approaching the human dimension of responsible business. This avoids the need to go from issue to issue – forced labor to privacy to health and safety and onwards – re-establishing what is expected of companies in each instance.

Second, it is a narrative that encompasses all forms of impact that a company may have on people. It therefore provides a comprehensive way of approaching the human dimension of responsible business. This avoids the need to go from issue to issue – forced labor to privacy to health and safety and onwards – re-establishing what is expected of companies in each instance. At the same time, the narrative provides boundaries to make that broad framing of “impacts on people” workable and reasonable for companies. The first boundary is that of human rights – companies’ responsibility does not extend to every way in which people may be affected by their business, but focuses specifically on situations where those impacts rise to the level of undermining people’s basic dignity and equality. Not only does this human rights threshold focus companies on impacts of a certain severity, but these tend also to

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be the impacts that bring risk to the business itself, whether reputational, operational, legal, financial or other. The second boundary is the need for a connection between a human rights impact and the company’s own operations, products or services. This excludes from the responsibility situations where the company works with an actor – business, government or other – that abuses human rights in its wider practice but not in connection with the company’s own value chain.

Third, for all that human rights set a threshold in terms of the severity of impacts on people for which companies carry a responsibility to take action, this is not a narrative about the exceptional or just the manifestly egregious – such as loss of life or modern-day slavery. On the contrary, business impacts on human rights such as non-payment of living wages, discrimination, breaches of privacy, limiting access to clean water or freedom of association are just some of the issues that are common and routine. The business and human rights narrative normalizes the reality that doing business is complex and routine business decisions can lead to vulnerable people suffering harm. While there are incidents that generate shock and scandal, this is a narrative about the need for day-to-day scrutiny and stewardship.

Fourth, the business and human rights narrative starts from the standpoint of affected stakeholders – those people who are vulnerable to harm from how business gets done. It narrows down the broad categories of stakeholders that are frequently cited alongside shareholders as being relevant for business – employees, suppliers, consumers and communities – to tell us that what really matters are the people within these groups who are at risk of having their basic dignity and equality undermined as a result of how business gets done. These tend to be the most vulnerable and marginalized individuals and groups in our societies – those on the losing end of today’s growing inequalities.

Fifth, the UNGPs create a narrative that focuses on conduct first and foremost, rather than outcomes. That is not to say that outcomes – the ultimate effects on people of business conduct – are not a primary concern. They are. Rather, it reflects that there can be many complex factors in play that lead to those outcomes, over which any one company will have varying degrees of influence. The responsibility to respect human rights is about using that influence – termed leverage in the UNGPs – to generate change, and about getting creative in generating and building leverage, including through collaboration with other companies and stakeholders. But it avoids pretending that companies can always control the relevant factors and ensure all final results. This sets up a “reasonableness” test for what companies do and for assessing whether they have taken the appropriate steps to play their part in addressing risks to people.

Sixth, and complementary to the “reasonableness” leitmotiv in this narrative, is the leitmotiv of accountability. While human rights due diligence focuses on the prevention of harm to people’s basic dignity and equality as human beings, the third of the three pillars of the UNGPs is dedicated to remedy. This sets out the imperative that those who do suffer harm can access effective means of claiming remedy, with both companies themselves and states having key roles to play in ensuring that the needed avenues to remedy – judicial and non-judicial – are available. Moreover, the overarching proposition of the UNGPs as a whole is that companies should both “know and show” that they are working to respect human rights in practice. The idea that companies should show what they are doing and the results they are achieving – providing clear accountability – is integral to the business and human rights narrative.

Finally, the business and human rights narrative does not lean on companies alone, but recognizes the essential role of states in addressing business
impacts on people. The duty of states to protect people from any harms to their human rights from business practices has long been enshrined in various types of domestic law, from labor law to environmental law to consumer protection laws and so forth. The first pillar of the UNGPs is dedicated to this duty of states, which engages the full range of state tools from policies through regulation to legislation, the adjudicative powers of courts and administrative processes, and also governments’ own due diligence where they do business with business through procurement, export credit, trade support, development finance and through state-owned businesses. This breaks clearly away from the idea that companies’ responsibilities for their impacts on people sit uniquely in the realm of the voluntary, and underlines the important role also of mandatory measures that are enforceable by the state.

Moreover, this aspect of the narrative recognizes that while companies’ responsibility to respect human rights does not change in time or place, it becomes much easier to meet this responsibility when and where states fulfill their own duty to protect human rights.

This, then is an overview of some key aspects of the business and human rights narrative. The following sections look in turn at the five narratives of sustainability, inequality, stakeholder capitalism, ESG, and social and human capital to consider both challenges to narrative convergence and the ultimate added value that the business and human rights narrative has to offer.
The terms “sustainable development” and “sustainability” are widely used interchangeably and the definition of both is generally tied back to the 1987 report to the UN of the Brundtland Commission, which stated that: “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

The Brundtland report explicitly and carefully laid out the interwoven nature of the economic, social and environmental dimensions of sustainability. It looked at how environmental harm compounds inequalities: “As a system approaches ecological limits, inequalities sharpen. Thus when a watershed deteriorates, poor farmers suffer more because they cannot afford the same anti-erosion measures as richer farmers. When urban air quality deteriorates, the poor, in their more vulnerable areas, suffer more health damage than the rich, who usually live in more pristine neighborhoods.” The Commission also emphasized the reverse dynamic by which tackling inequalities is itself often a prerequisite to achieving environmental sustainability: “A world in which poverty and inequity are endemic will always be prone to ecological and other crises.”

KEY CONSTITUENCIES
The concept of sustainability has long been central for development practitioners, but perhaps was leveraged most effectively by the environmental movement to build political and popular support for urgent action to reduce natural resource exploitation and address climate change. Today it has wide traction in political, business, investor, academic and civil society circles, and has gained further profile through the Sustainable Development Goals, which set a range of economic, social and environmental targets to be met by 2030.

CHALLENGES TO NARRATIVE CONVERGENCE
There are two key challenges to convergence of the sustainability narrative with the business and human rights narrative. The first stems from the decoupling of the environmental and human dimensions of sustainability; the second from the decoupling of human rights from the language of positive impacts.

A. DECOUPLING OF THE ENVIRONMENTAL AND SOCIAL DIMENSIONS OF SUSTAINABILITY
Long before the advent of the UNGPs, companies’ uptake of the concept of sustainability was predominantly focused on its environmental dimensions. Sustainability conferences and organizations grew up around this focus and were the domain primarily of environmental experts. Sustainability departments within companies were similarly staffed first and foremost by environmentalists, while the labor rights of employees would come under human resources, and risks faced by workers in supply chains or by local communities (for example in the extractive and agriculture sectors) were handled by other functions, if at all. Increasingly, companies are bringing more of these human impacts of business under the sustainability umbrella, headed by a Chief Sustainability Officer, though they often remain less well staffed and resourced.

There are signs that for many in the environmental movement, justifiably motivated by the urgency of tackling climate change and biodiversity loss, decoupling the social dimensions of sustainability was seen as welcome or necessary. The more qualitative, less scientifically underpinned and often poorly defined and articulated human impacts of business activities risked holding back
progress and diluting and diverting attention from the greater progress that could, at the time, be made on environmental issues.

This did not mean that human dimensions of sustainability were dropped altogether, and the “ESG” narrative in the investor arena maintained awareness of a “social” component to sustainability. However, social outcomes were increasingly seen as a corollary of the more foundational and important objective of tackling environmental impacts. Through this view, preserving the planet has to come first since nobody has a life, let alone a life of dignity and equality, if we don’t have a planet to live on; and as we tackle environmental impacts, so people will benefit through more sustainable access to clean water, good food, resilient livelihoods, better health and so forth. Even in the time of COVID-19, this narrative has held that the “original sin” lies in the erosion of biodiversity such that diseases spread from animals to humans, and that the avoidance of future outbreaks, and protection of human health, therefore depends on the protection of ecosystems and habitats. It does not generally include an analysis of the human poverty, inequalities and issues with taxation and corruption that enable or incentivize the erosion of biodiversity.

B. DECOUPLING OF HUMAN RIGHTS FROM THE LANGUAGE OF POSITIVE IMPACTS

The development-based underpinnings of the sustainability narrative focus on measures to improve people’s lives, advancing equality and opportunity. It is an inherently positive framing, albeit one that starts from a focus on the enormous poverty and lack of access to resources and opportunities suffered by millions. Similarly, the history of “corporate social responsibility” in the second half of the twentieth century centered on positive actions by companies, voluntarily using some of their profits to improve people’s lives. Even where the initiatives and projects funded were addressing negative impacts on workers in their own supply chains, the negative impacts themselves were seen as the result of outside forces and not part of the company’s own responsibility nor influenced by its own business conduct. This positively-oriented narrative helped provide some balance to the inescapably negative impacts of business on natural capital, by showing the inherent benefits to society that also came with private sector activity. But it left out any scrutiny of the quality of jobs provided, let alone other negative impacts from business on workers or communities, or the impacts of companies’ taxation and lobbying practices on wider societal welfare.

As a result of these dynamics, when the UNGPs crystallized the concept of companies’ responsibility to respect human rights, starting from the negative impacts on people generated by business activities and through business relationships, it did not fit neatly into this understanding of the positive “social” dimensions of sustainability. In an effort to accommodate this new global standard of the UNGPs without challenging the existing narratives, respect for human rights was depicted as a basic, entry-level expectation of business, comparable with obeying the law. It was often articulated as being about “doing no harm”: a basic goal that companies should accomplish before moving on to more beneficial practices that contribute positively to people’s development and well-being.

This took the reality that respect for human rights is a “baseline expectation” of all companies, and misinterpreted it as being a basic task that could be easily dispatched. It ignored the challenging and on-going nature of understanding and addressing human rights impacts: for example, even something as seemingly simple and within a company’s control as removing gender and racial discrimination in the workplace, represents a significant challenge in changing implicit biases and embedded behaviors and practices.
This interpretation of the UNGPs also underestimated the extraordinary, transformative positive effects on people’s lives that can result from companies tackling the human rights risks connected with their business. For example, the ripple effects in people’s lives of raising their wages from a legal minimum to an actual living wage can be extraordinary in terms of health, housing, nutrition, education for children and more. Lifting children out of child labor and migrant workers out of bonded labor in company supply chains can transform their life prospects and those of their families. These positive impacts flow directly from tackling risks to human rights.

**THE ADDED VALUE OF THE BUSINESS AND HUMAN RIGHTS NARRATIVE**

The original narrative of sustainability has always had people at its heart and recognized the problem of business activities and business power that exacerbate and exploit inequalities. While the Brundtland Commission used the language of development, referring to basic needs, equity, equality, social justice and poverty, this language overlaps substantially with key concepts underpinning human rights, not least human dignity and equality. Moreover, the specific inequalities that the Commission highlighted in relation to incomes, housing, water, sanitation, health and so forth all become human rights issues where their absence or denial meets the threshold of undermining basic human dignity.

The mutual dependence of human development – above all, the advancement of human dignity and equality – and environmental sustainability creates an important bridge between two often distinct disciplines of practice. The recent rise in political and business attention to the problem of gross inequalities and their erosion of social cohesion and stability, provides an opportunity to reconnect the two halves of the equation. Moreover, many allies in the environmental movement recognize these interdependencies and are aware of the need for greater understanding that the welfare of the most vulnerable workers, smallholders, communities and other stakeholder groups must be integral to any sustainability ambition.

At the time of the Brundtland report, there was no agreed framing for what the “people part” of sustainable development means for business. With the UNGPs and the formation of the business and human rights narrative, that now exists. With its authority as a normative standard, the alignment of multiple other standards with the UNGPs and the growth in regulations mirroring the same expectations, there is now clarity and predictability regarding expected business conduct.

While discussion around the SDGs initially placed emphasis on the positive “social” impacts business could have through new products and services reaching underserved populations, the business and human rights narrative has shown the insufficiency of this vision for the “people part” of sustainable development. It has highlighted the need for every company to address the negative impacts of their operations and value chains – their human “footprint” – just as they need to address their environmental footprint. The convergence of these narratives offers a further realization: that addressing risks to people is far from just an exercise in reducing negatives. On the contrary, the evidence already...
demonstrates the transformative positive impacts that can result. Shift’s joint publication of case studies with the World Business Council on Sustainable Development provides a range of illustrations of these positive outcomes, based on examples of companies tackling living wages, child labor, forced labor and land-related human rights issues.³

A growing number of organizations are now picking up on the point that companies’ greatest contribution to the human dimensions of sustainability development, and the SDGs in particular, will generally not come from new products or services nor from philanthropy, but from changing business practices in ways that reduce the risks and impacts borne by vulnerable workers and communities. This offers new ways of thinking about the role of innovative finance in delivering the SDGs: how blended finance or “SDG” bonds could be applied to both individual company initiatives and the kinds of collaborative undertakings that are desperately needed to tackle systemic human rights challenges. Such initiatives have grown substantially in recent years yet face perennial financial constraints that need to be unlocked. Some could also be natural candidates for social impact investing if that discipline could embrace the great opportunity for social change that lies in addressing human rights challenges within current commodity value chains and market dynamics, rather than limiting itself to new social enterprise models with all the limitations of scale they typically face.

Inequalities of outcome reflect material aspects of human well-being, including both economic inequality and inequalities in terms of education, health, nutrition and so forth. Economic inequalities in turn encompass both income inequality and wealth inequality and have been summarized as “the fundamental disparity that permits one individual certain material choices, while denying another individual those very same choices.” The European Bank for Reconstruction and Development defines inequality of opportunity as occurring “when people living in the same society do not have access to the same opportunities, with people’s circumstances at birth – their gender, the place where they were born, their ethnicity or their parental background –determin[ing] to a significant degree the educational qualifications they obtain, the type of job they get and, ultimately, their level of earnings.” Inequalities of opportunity can affect outcomes attained, just as inequalities of outcome can in turn affect opportunities.

**KEY CONSTITUENCIES**

The language of inequality has gained particular traction in political discourse over recent years, with a growing focus from governments and international organizations on the rapid growth in inequality within societies, in particular in developed and emerging market economies since the start of the century. The focus has been primarily on income inequality, yet with COVID-19, the #MeToo movement and, most particularly, Black Lives Matter, the broader, structural inequalities of opportunity and outcome that both cause and result from economic inequality have been pushed into greater prominence. Following the social and political backlash in many countries, business leaders have also increasingly acknowledged the challenge of inequality as critical to business interests. This has been the primary driver behind the turn away from shareholder primacy theory and towards a broader concept of stakeholder capitalism. That said, few in the business world have engaged with the deeper questions that any decision to tackle inequality raises with regard to many business models and taxation practices.

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development terms. Those leading the discussions are often relatively unfamiliar with the concepts of human rights and, when presented with this framing, consider it a narrow sub-set of broader “social” issues, which is to be addressed largely through compliance. They look elsewhere for how business should respond to inequality, preferring propositions about how products and services can be developed or adapted to meet the needs of underserved populations, or the old resort of philanthropy or “social investment.” As such, the discussion rarely touches on how companies – including through their core business models and strategies – contribute to inequalities, other than in discussions of paying a living wage to employees. This is very similar to the view taken by many of how companies can contribute to the Sustainable Development Goals, positioning these opportunities as separate and distinct from respect for people in the conduct of business.

THE ADDED VALUE OF THE BUSINESS AND HUMAN RIGHTS NARRATIVE

Human rights impacts, simply put, are the most acute impacts a company can have on people. That threshold of becoming a human rights impact is defined in terms of when something undermines someone’s basic dignity and equality. In short, tackling inequality means enabling people to enjoy their human rights – and vice versa.

The breadth and range of human rights – from the civil and political through the economic and social to the cultural – embraces the full range of ways in which business decisions and actions can lead to results that generate or exacerbate inequalities. As a result, implementing the policies, processes and practices required to ensure business respect for human rights is the single most coherent approach to addressing the role of business in rectifying inequalities. The UNGPs provide the blueprint for what this entails in practice. Moreover, since the UNGPs also address the duties of states to protect human rights, they reflect critical aspects of the wider systems change, beyond the private sector alone, that is needed to reverse the current trend in inequalities.

The framing of inequality highlights the need to focus on those people who are most vulnerable, marginalized, poor or otherwise disadvantaged in societies. For companies, it reinforces the need to focus on these stakeholders when considering potential risks to people in company operations and value chains: a focus that is central to the business and human rights narrative. As explored in the context of the sustainability narrative, it is through driving respect for people into the core of how business gets done, that companies will make their greatest contribution to reducing inequality and achieving the human dimension of the Sustainable Development Goals.
Stakeholder capitalism has been proposed as a model to replace the shareholder primacy theory that has dominated the last 50 years of economic thinking, whereby the sole purpose of the corporation is seen as the maximization of profits. This has generated powerful incentives for business to externalize costs onto vulnerable people and the planet in service to that profit-maximization goal. Stakeholder capitalism proposes an alternative vision whereby, “The purpose of a company is to engage all its stakeholders in shared and sustained value creation. In creating such value, a company serves not only its shareholders, but all its stakeholders – employees, customers, suppliers, local communities and society at large.”

**KEY CONSTITUENCIES**

Stakeholder capitalism has gained support in reaction to the growing inequalities generated by shareholder-centric capitalism and the increasing political and social backlash that has resulted. It has been espoused by leading academics and commentators on the “purpose of the corporation,” as well as by some leading investors and regulatory bodies. After gathering momentum over a number of years, business commitments to “stakeholder capitalism” arguably gained critical mass in 2019, notably with the Business Roundtable Statement, British Academy Principles and Davos Manifesto 2020.

**CHALLENGES TO NARRATIVE CONVERGENCE**

The categories of stakeholder that are repeated in all definitions of stakeholder capitalism – “employees, customers, suppliers and local communities” – enable interpretations that would change little in practice from how large companies currently operate. The category of “employees” excludes workforce members on contract and in precarious forms of work, such as the nominally “self-employed,” and “supplier” can be taken to mean the management, not the workers, of those entities. Meanwhile “local communities” can still be approached in terms of social investment and staff volunteering, rather than the negative impacts they may suffer from business activities; and definitions can exclude more remote communities that may be impacted by supply chain practices.

Critics of the Business Roundtable Statement have observed that the companies whose CEOs signed up to it have themselves done nothing to change the sole focus on shareholders in their own

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by-laws and board documents, suggesting that this shows it was largely a PR exercise. Indeed the Business Roundtable’s Chief Executive stated that most companies in the group “believe that that’s the way they’re [already] trying to run their company now,” unintentionally reinforcing the impression that many of the leaders involved have a limited grasp of what it really means to conduct business with respect for people. That said, a number of the companies involved in the Business Roundtable are indeed developing good practices; and both the concept and the potential impact of stakeholder capitalism extend well beyond the statement or intentions of one group of companies.

THE ADDED VALUE OF THE BUSINESS AND HUMAN RIGHTS NARRATIVE

In order for stakeholder capitalism to mark more than a change in terminology and offer a real pathway to reduced inequalities, the definitions of stakeholders need to focus on those within the workforce and across the value chain who are most vulnerable to negative impacts of business. The business and human rights narrative brings this “lens of vulnerability” and offers the blueprint for business to identify the people whose dignity and equality are most at risk in connection with the company’s operations and value chain, and to take action to improve their situation.

Importantly, the lens of vulnerability is not about defining one or other group (women, indigenous peoples, people of color etc) as being, by their nature, vulnerable; rather, it is about asking which individuals in any particular situation are at greatest risk of being harmed by business activities and decisions. And it recognizes that where individuals suffer one human rights abuse – being in a situation of forced labor, unable to exercise freedom of association, discriminated against based on their race, or removed from their land and livelihoods – they are made vulnerable to multiple other abuses.

The UNGPs highlight the central importance of engaging with affected stakeholders throughout the process of human rights due diligence that they prescribe. In short this is not about companies engaging in paternalistic approaches based on assumptions about what people are experiencing or what will improve their situation. It is about engaging with them to understand their perspectives, and working with them to find solutions and to assess what is making a difference. Engaging and empowering the voices of stakeholders who are vulnerable to impacts from business, such that they can influence the course of how business gets done, is central to the narrative of business and human rights. It is indispensable to addressing inequalities and the power imbalances and inequities that have characterized shareholder primacy.


14 Andrew Edgecliffe-Johnson and Billy Nauman, “CEOs’ plans to reset capitalism bump into reality of pandemic” *Financial Times*, August 21, 2020, [https://www.ft.com/content/34c702fe-0ea4-460a-b4fc-b9f3f0e1b0ce](https://www.ft.com/content/34c702fe-0ea4-460a-b4fc-b9f3f0e1b0ce).
The “responsible” nature of investments has for the last 15+ years been analyzed in terms of the extent to which they meet certain “environmental, social and governance” – ESG – criteria. Impacts on people have generally been positioned under the “social” component though there has been no single definition of what this comprises, with human rights typically listed as one issue area. “ESG” investing has become synonymous with “responsible” and “sustainable” or “sustainability” investing.

KEY CONSTITUENCIES
This narrative is geared specifically towards asset owners, asset managers, data providers, stock exchanges, securities regulators and others with an interest in investing. It is also followed closely by business given the growing implications for companies of how they are assessed under the various different assessment methodologies and ratings.

CHALLENGES TO NARRATIVE CONVERGENCE
The framing of “ESG” tends to assume that everything to do with “people” falls under the “S” while in reality impacts on people can be social, environmental or economic in nature and may also flow from governance. The ESG framing limits that understanding but is well-embedded and unlikely to change.

Investment analysts and data providers have developed many different models and methodologies for assessing the social or “S” performance of companies, which include a range of different elements. While “human rights” are typically named as one such element, this category is often listed alongside specific human rights issues such as forced labor, child labor, discrimination, privacy, and health and safety. It is typically treated separately from “supply chain management,” in which context many human rights risks and impacts arise. This raises some inevitable confusion as to what human rights encompass. In practice the “human rights” category often looks at aspects of general human rights policies and may include some processes such as human rights due diligence and grievance mechanisms. However, the indicators in most methodologies remain at the level of inputs, activities and outputs, with little or no insight into the effectiveness of company actions in terms of the resulting outcomes for people (or the business). These various human rights elements are in turn classified, evaluated and weighted differently in each model.15

Despite the frustration of investors and issuers alike with these inadequacies, data providers are highly vested in their proprietary analytical models and resist standardization or direction as to what they should or should not include in the indicators and metrics they use. The variations that result have been shown to lead to highly contradictory results, partly due to differences in what gets included in different models, but more significantly due to differences in how the same thing is measured.16

While some argue that there is value in different methodologies, and that any investor should be looking at more than one ranking to draw their conclusions, the sheer range and contradictory nature of implied performance goes well beyond such justifications. Moreover, the tendency to

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aggregate ratings across distinct E, S and G factors can lead a company with a strong performance in one area failing to be identified as highly problematic on one of the other dimensions. This is seen not least in strong environmental performers ranking highly despite poor performance on “social” issues.

THE ADDED VALUE OF THE BUSINESS AND HUMAN RIGHTS NARRATIVE

COVID-19 has heightened calls for greater attention to, and rigor within the “S” of ESG – what is included and how it is evaluated. Research shows that most if not all elements under the “S” across different ESG models – other than community volunteering and philanthropy/social investment – are in practice human rights issues. This is consonant with the logic that if a company is to focus on any effects it has on people, it should focus first and foremost on any negative effects that would rise to the level of undermining people’s basic dignity and equality. These are the greatest risks to people, which in turn converge most strongly with risks to the business and should be of greatest concern to investors. Social investment/philanthropy and community volunteering should typically be excluded from an ESG typology where they are not part of an intervention to address a risk to people connected with the business: responsible/sustainable performance indicators should focus on how a business makes its profits, not how it spends its profits.

The UNGPs can help to distinguish lesser-quality from higher-quality process indicators with regard to identifying, addressing and tracking human rights risks. Shift’s own research has not only turned a spotlight on the weaknesses and risks in many of the current metrics used, but has also highlighted some of the more substantive and meaningful indicators that could and should be included in both the “S” and “G” pillars of ESG analysis.

Once it is understood that respect for human rights goes well beyond “doing no harm” and requires action – often long-term action and frequently collective action with peers and others – to change the lived realities of affected people, the potential for transformative positive outcomes becomes apparent. The assessment of how effectively companies address the greatest risks to people in their operations and value chains therefore shapes directly their contribution to the human dimensions of the Sustainable Development Goals. There are opportunities for the social impact investing community, which has typically limited itself to investing in social enterprises, to recognize the often larger-scale and more systemic positive impacts that can derive from investing in mainstream companies that demonstrate innovative practices to tackle human rights risks in their value chains.


The Social and Human Capital Protocol defines these two capitals, which are frequently grouped together, as follows: “Social capital refers to networks and their shared norms, values and understanding; human capital refers to an individual’s knowledge, skills, competencies and attributes.” It adds that, “These resources need to be maintained and enhanced to make society more cohesive and resilient and business more successful – here we define social cohesion as when a society: works toward the well-being of all its members, fights exclusion and marginalization, creates a sense of belonging, promotes trust, offers its members the opportunity of upward mobility (rising from a lower to a higher social class or status).”

**KEY CONSTITUENCIES**

This narrative has gained increasing traction among business managers using management accounting tools to make sustainability-related decisions. It is also used by accountants developing and consulting on models that can be more fully reflective of companies’ performance than current financial accounts. Investors have particularly engaged with the concept of human capital, albeit with a relatively narrow focus on employees. Other constituents include some standard-setters as well as proponents of integrated thinking and reporting, who see the multi-capital model promoted by the International Integrated Reporting Council as a means to complement and counter-balance the traditional narrow focus of accounting, business and investment decision-making on financial capital.

**BARRIERS TO NARRATIVE CONVERGENCE**

The prevailing definitions of human and social capital are highly business-centric – viewed in terms of what the company can gain from people and relationships. They tend to ignore business impacts on people that are not perceived to affect the business itself in the sense of being material to the long-term creation of financial value.

“Human capital” rests on the idea that investments can be made in employees – for example through education, training and health – that increase their productivity and improve retention, generating benefits for the business. The concept has been traced back to Adam Smith, but has also long caused some resistance to the implication that people should be viewed as property or marketable assets. Human capital has become squarely the domain of HR functions in companies, with the focus on wages, health and safety, and training/upskilling. It is typically applied solely to employees, excluding others in the workforce who are often in more precarious forms of labor and more vulnerable to harm from business decisions and actions. It is rarely if ever viewed as inclusive of supply chain workers.

“Social capital” is also a long-standing concept and explored widely in academic research. It is often divided into “bonding” and “bridging” social capital. Bonding social capital has been articulated as “a type of social capital that describes connections within a group or community characterized by high levels of similarity in demographic characteristics, attitudes, and available information and resources.” Bridging social capital has been explained as “a type of social capital that describes connections that link people across a cleavage that typically divides society (such as race, or class, or religion).”¹⁹ As one leading academic on social capital describes

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it, “bonding social capital [is] inward looking, reinforcing exclusive identities and promoting homogeneity; whereas bridging social capital [is] outward looking, promoting links between diverse individuals.” In the context of business and corporate accounting, social capital has come to be seen primarily in terms of the company’s networks and relationships with governments, standard-setters and investors (those whose decisions can impact the company) on the one hand, and with customers and local communities (in terms of reputation and philanthropy) on the other.

A number of innovations in management accounting have attempted to include social and human capital, yet have focused almost exclusively on the positive impacts for people and society from businesses providing jobs, training and other benefits such as wellbeing programs. They have not encompassed an understanding of negative impacts on people and the resulting value destruction, nor the potential value creation of initiatives to reduce those impacts.\(^\text{21}\)

As noted in the definition above, the Capitals Coalition highlights the role of human and social capital in supporting social cohesion: when a society “works toward the well-being of all its members, fights exclusion and marginalization, creates a sense of belonging, promotes trust, offers its members the opportunity of upward mobility (rising from a lower to a higher social class or status).” Yet the specific definitions and prevailing treatment of human and social capital ignore most aspects of how short-term profit maximization, global supply chain structures and a range of business practices have externalized costs onto “other” groups, eroded and denigrated ideas of empathy and reciprocity of care for those groups, and contributed to today’s structural inequalities and polarization within societies. Supply chain workers are not included under human capital and are also found nowhere in the understanding of social capital; nor are communities affected by business activities, nor are workers in precarious forms of labor. The definitions are therefore inadequate to the vision.

A further key challenge regarding the concepts of human and social capital and their use in accounting contexts, lies in the difficulty of expressing the many dimensions of how people are treated, and how their human rights are affected, in accounting terms – whether specifically monetary terms or more generally quantified terms. There are serious questions not just regarding the feasibility, but the desirability and appropriateness, of doing so. It raises questions about whether this is an unhelpful continuation of the financialization of everything and the exclusion of things whose value cannot be expressed in monetary terms. It also raises concerns about equating and aggregating different forms of impact, losing issues of harm to people in the mix of other issues, and netting them off against positive impacts.

### THE ADDED VALUE OF THE BUSINESS AND HUMAN RIGHTS NARRATIVE

Distinct from social and human capital, the parallel concept of “natural capital” captures both the specific environmental impacts of a business across its operations and value chain, and its impacts on the “commons” of our planet’s climate that is now in jeopardy due to climate change. The division between human and social capital offers a potential parallel framing. Human capital can be understood through the specific impacts of a business on those people who work in its operations and value chain and thereby contribute to its products or services, while social capital can

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be seen as business impacts on the “commons” of social cohesion that is now in jeopardy due to gross inequalities.

The business and human rights narrative, underpinned by the expectations set out in the UN Guiding Principles, points to the need for any definition of human capital to encompass a company’s wider workforce, beyond their employees alone, as well as workers in their upstream and downstream value chains who contribute to their products and services. Under a stakeholder capitalism that is intended to reverse current inequality trends, these workers who are often on the lowest wages, with the least benefits and the most vulnerable to other harms, must be included within the understanding of workers whose value matters.

The business and human rights narrative offers similar signals regarding the definition of social capital. While the concept of “social capital” is much less prevalent in the language of business and investors than “human capital”, the closely-related concept of a “social license to operate” is well understood. The social license looks beyond any legal freedoms or permissions a company may have for its practices, or acceptance of those practices by investors, and reflects the degree to which affected stakeholders and wider society find those practices acceptable and a basis for trust and support. Absent that trust, campaigns, demonstrations, media investigations, boycotts and other attacks on the company’s reputation can easily follow.

This points to the need for the definition of social capital to better reflect investment in the “bridging social capital” needed to restore empathy and reduce inequalities between the most advantaged and least advantaged in society, which is essential to trust, social cohesion and stability. It implies reducing the focus on relationships with financially and politically influential groups that offer most to the business, and focusing more on relationships with the least advantaged. It implies not just viewing local communities as beneficiaries of company largesse in an effort to bolster brand and reputation, but instead focusing more on communities that may be impacted by the company’s business, including through its value chain. That may include communities displaced to make way for agribusiness, natural resource extraction, renewable or other projects in the company’s operations or value chain, and communities exposed to health impacts from pollution, at risk of losing access to clean water or suffering other disadvantage.

At the more systemic level, the understanding of social capital needs also to reflect the ways in which company actions can either erode or support minimum safeguards for the poorest and most marginalized groups in society and affect the ability of government institutions to protect and fulfill their human rights. This necessitates consideration of company taxation strategies, lobbying and political giving, as well as company support for civic space and legal protections for low-paid workers and vulnerable communities. It also brings into sharp relief the many ways in which corrupt practices deepen the disadvantages experienced by poor and marginalized populations, for instance by enabling communities’ displacement from land to make way for commercial activity, undermining safety protections for workers, and excluding unfavored groups from government procurement opportunities, or equal access to medication. Social capital must also reflect efforts to combat such forms of corruption, which, “[enable] intersecting forms of discrimination, exclusion, unfairness, prejudice and inequality.”

The preceding sections explore the ways in which the business and human rights narrative can enrich and strengthen other narratives related to responsible business conduct that have prevalence among different constituencies. Its added value has a number of dimensions:

- It provides an organizing construct for understanding, prioritizing and addressing impacts on people that flow from business activities, and evaluating the results. It represents a broad umbrella that covers all types of impacts on people, while at the same time setting a threshold that enables and expects companies to focus on those impacts that rise to the level of affecting people’s basic dignity and equality. These most acute impacts on people – human rights impacts – are in turn most likely to converge with risk to the business as well.

- It provides an authoritative reference point for any standard or methodology related to business impacts on people. Being founded on the UN Guiding Principles on Business and Human Rights, the business and human rights narrative is not subject to endless contestation between different codes, claims or preferences, but has clear parameters that can help determine what is acceptable, expectable and reasonable when it comes to how companies’ conduct affects people.

- It puts the spotlight on the most vulnerable workers, communities and consumers who can be affected by business activities. This moves us beyond over-general articulations of “stakeholders” to hone in on those people at risk of the greatest harm. It equally pushes us to broaden definitions of “human capital” and “social capital” to encompass the most vulnerable people in workforces and supply chains, and to look at practices that corrode societal resilience, institutional integrity and civic space. It is through attention to narratives are the stories through which we explain, justify, rationalize and promote big ideas and propositions. In the realm of economies, business and investment, they are particularly likely to be tested and validated through indicators and metrics that aim to capture insights into whether things are working well or poorly. We see this in common metrics such as GDP, unemployment rates, poverty levels, company share price, quarterly earnings and so forth. In short, indicators and metrics are used to establish whether and how a particular narrative plays out in reality. Within the field of responsible business conduct, indicators and metrics to evaluate business performance have proliferated and played a central role in the growth of ESG investing. The quality of indicators and metrics used in all three categories of the environmental, social and governance performance of companies have been criticized as inadequate and flawed. However, the problems with the “social” indicators have been particularly striking, due in part to the relative lack of attention paid to this aspect of corporate performance relative to the others. As previously
noted, this has been changing with the advent of COVID-19, which has propelled companies’ social performance into much greater focus and begun to build demand for more meaningful metrics.

The value that the business and human rights narrative brings to other narratives around responsible business conduct extends also to the realm of indicators and metrics. Given that it encompasses all types of impacts on people, sets a threshold as to what requires greatest focus, and provides parameters for the kinds of conduct that are expected, acceptable and reasonable, this narrative also offers a construct for organizing the relationships between indicators and metrics across the other narratives discussed above.

- When stakeholder capitalism is understood as requiring a focus on the most vulnerable people among workforces, value chain workers, communities and consumers or end-users, then it becomes clear that we need good indicators of how effectively companies identify and engage with these stakeholders. Good qualitative indicators would look beyond generalized statements about the importance the company places on its relationships with stakeholders or about the company’s engagement processes, to evaluate:
  - Who the company considers to be the stakeholders most at risk of human rights impacts in their operations and value chains.
  - How the company seeks to understand the perspectives, experiences and any concerns of these stakeholders in relation to how the business affects them.
  - How the company assesses the quality of its relationships with these stakeholders.
  - How the insights received from these stakeholders influences business decisions and actions.
  - How the company identifies specific risks to the human rights of these stakeholders and assesses which of them represent the most severe potential impacts – the company’s salient risks.
  - What conclusions the company draws as to what those salient risks are.
The narrative of stakeholder capitalism also reaches into the governance of companies, connecting with “G” indicators in any ESG methodology. The governance and leadership of a company determines whether it is “wired” to act with respect for people who are vulnerable to harm in its operations or value chains, or, conversely, is likely to perpetuate harm and inequality. This suggests the need to integrate indicators that provide insights into those aspects of governance and leadership. These might include certain disclosures from GRI’s23 revised draft Universal Standards in relation to:

- The role of the highest governance body in setting purpose, values and strategy.
- The collective knowledge of the highest governance body in relation to human rights (and other sustainable development topics).
- Evaluation of the performance of the highest governance body with regard to governance of human rights (and other sustainable development topics).
- The role of the highest governance body in overseeing the management of impacts related to human rights (and other sustainable development topics).

Some of the Leadership and Governance indicators developed through Shift’s Valuing Respect project can offer complementary and deeper insight, for instance in relation to:

- Oversight by the highest governance body of progress and challenges in addressing the company’s salient human rights risks.
- Scrutiny by the highest governance body of cross-functional processes for the management of human rights risks.
- Action by the highest governance body to ensure that performance incentives for top management adequately reflect respect for human rights.
- Approval by the highest governance of high-level targets for progress in addressing salient human rights risks.

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When the definition of human capital is extended beyond employees to become inclusive of workers across a company’s workforce and value chain, that suggests certain key indicators of whether workers are at risk of harm. These would include indicators of workforce composition, wages, freedoms and protections. Examples can be found in GRI standards and in the Workforce Disclosure initiative, such as:

**WORKFORCE**
- The proportion of employees and contingent workers, by type of contract, that make up the full workforce.
- Differences in benefits provided to full-time employees and to contingent workers.
- Indicators/metrics reflecting progress towards living wages.
- Highest to median pay ratios; gender and racial pay gaps.
- The proportion of the workforce able to fully exercise their right to freedom of association; that is unionized; that is covered by a collective bargaining agreement.
- The effective management of health and safety; ratios of injuries or fatalities to supply chain workforce.
- The effectiveness of training and opportunities for advancement.

**VALUE CHAIN WORKERS**
- The contractual status of supply chain workers at different supply chain tiers.
- The number/proportion of supply chain workers paying fees for their jobs.
- The proportion of employees and contingent workers in the supply chain.
- The proportion of supply chain workers able to fully exercise their right to freedom of association; that is unionized; that is covered by a collective bargaining agreement.
- The effective management of health and safety; ratios of injuries or fatalities to supply chain workforce.
When social capital is understood as encompassing the bridging social capital needed between the most advantaged and least advantaged groups in society, in order for societies, democracy and business to prosper, that in turn suggests certain key indicators of how business either supports or undermines that bridging capital. These might include indicators of the company’s policies and practices with regard to:

- The payment of taxes in jurisdictions where it operates or earns revenues.
- Lobbying activities conducted in its name that may impact protections for people’s human rights.
- Combatting corruption, including bribery and money-laundering.
- Political donations where these may support policies that erode the protection of human rights.
- Procurement that seeks to include and advance minority-led and women-led businesses.
- Protection of any personal data collected, held or used.
- The promotion of human rights protections.
- The protection and promotion of civic space such that people can claim their rights and influence the political and social structures within which they live.

These indicators of human and social capital are evidently relevant to evaluating the “S” factor in companies’ “ESG” performance. The business and human rights narrative also points to the need for additional indicators relative to the specific salient human rights risks of each company. Given that many of the indicators typically used in relation to specific human rights impacts are at best superficial, that suggests a need for better indicators to be tested and developed.

- One approach would be to define clear criteria within which companies should set their own targets for progress on their salient human rights risks, and report on their progress against them.
- Some company- or industry-specific metrics may already meet the kind of criteria that could be set. That said, in many areas trial and error will be needed in order to identify those that are sufficiently effective to be applied at industry or cross-industry level.
• All of the indicator types proposed above are relevant to understanding whether a company is reducing or exacerbating today’s gross inequalities, which result in large part from business practices that externalize costs onto vulnerable populations (and from government regulatory failings that have enabled those practices). These indicators will be stronger if supported and contextualized by narrative reporting on companies’ policies and processes for identifying and addressing risk and harm to people. Examples of questions to address, or disclosures to provide, in such narrative reporting include:

  o The questions in the UN Guiding Principles Reporting Framework.
  o Disclosures RBC 1 to 7 and S 1 & 2 in the Global Reporting Initiative’s revised Universal Standards.
  o Information regarding:
    ▶ The challenges faced with regard to human rights risks and processes or initiatives to address them;
    ▶ Examples of how processes to address human rights risks and impacts play out in practice within a reporting period;
    ▶ Information about how the company is learning from experience, and its plans to ensure continued improvement in its management of human rights risks.

• Collectively, all of the above indicators are relevant to an assessment of how a company contributes to the human dimension of sustainability, outside of initiatives for new social products or services and philanthropic endeavors, and complementing data related to climate change and environmental impacts.

The visual representation below shows how the kinds of indicator described above complement and reinforce each other and cohere as a whole. Taken together, they provide a vision of what it could mean to assess whether a company runs its business in ways that advance stakeholder capitalism and reduce inequalities in the world.
A VISUAL DEPICTION OF THE INTEGRAL RELATIONSHIPS BETWEEN NARRATIVES AND KEY INDICATORS

INEQUALITY
Narrative reporting on human rights-related policies and processes including:
examples of processes in practice; challenges faced; future plans for progress.

HUMAN CAPITAL

GENERAL WORKFORCE INDICATORS
Composition by contracted & full-time workers; gender, race, and ethnicity.

CRITERIA-BASED SALIENT ISSUE TARGETS & INDICATORS
Compliance with human rights laws and regulations;
Living wages, health and safety;

INDICATORS OF EFFECTIVE SALIENT ISSUE IDENTIFICATION
Inclusion, diversity, and equity;

THE WORKFORCE
Value Chain Workers

AFFECTED COMMUNITIES

CUSTOMERS/END USERS

STAKEHOLDER CAPITALISM
With the focus on those vulnerable to harm

SOCIAL CAPITAL

GENERAL VALUE CHAIN WORKER INDICATORS
Cost, productivity, and risk reduction;
Living wages, health and safety;

INDICATORS FOR:
Promotion of human rights;
Inclusive procurement;
Personal data privacy;

INDICATORS FOR:
Tax contributions;
Lobbying;
Political donations;
Amnesties;

LEADERSHIP AND GOVERNANCE INDICATORS
of a Culture of Respect for People

LEADERSHIP AND GOVERNANCE INDICATORS
of a Culture of Respect for People

Board-level:
- Human rights expertise;
- Approval of high-level targets;

Oversight of human rights:
- Risk management;
- Performance incentives;
CONCLUSION

It is natural that different communities of practice should have distinct narratives each with its own vocabulary that reflects its respective discipline and history. Each one of the five narratives discussed above has compelling strengths, be it popular reach, political traction, easily-recognized frameworks, resonant terminology, or other merits. Each also has its limitations in reaching certain audiences: whether because it can be seen as too abstract, too elastic, too arcane, too confrontational or otherwise lacking in resonance among key constituencies.

The narrative of business and human rights is a relative late-comer to the conversation. Yet since it came to life through the UN Guiding Principles in 2011, it has grown impressively in reach and traction. Today it permeates multiple other international and regional standards and commitments, National Action Plans espoused by dozens of governments, and industry principles, codes and initiatives. It is increasingly reflected in national legislation, with the prospect of EU-wide human rights due diligence requirements firmly on the horizon. And it is at the heart of the S in ESG investing.

Like each of the other narratives explored above, the business and human rights narrative has its limitations in reaching some audiences, as discussed in the introduction. However, the business and human rights narrative also brings strengths that stand out uniquely among sister narratives and can offer powerful connecting tissue between them.

Most significantly, every one of these narratives shares an ambition to build societies and economies where business activities do not result in the kinds of harm to people that are too often the reality today, and which so often compound the poverty, marginalization and injustices faced by the most vulnerable individuals and groups. In other words, each one of the narratives reflects the goal of making respect for people's basic dignity and equality integral to how business gets done. And they all recognize the need for multiple agents of change to invest in achieving this vision – within business, but also across governments, regulators, the investment community, civil society and international institutions.

It is the narrative of business and human rights that brings these commonalities to the fore and offers the story elements that can provide the impetus and amplification that is needed to accelerate change.

- Its normative foundation in the UNGPs provides a clear standard of conduct for what business can be expected to do, which does not need to be relitigated at every turn, and which lifts us out of the amorphous category of “social” performance or “social” sustainability that dehumanizes the issues and diverts us from the simple fact that this is about the treatment of actual people.

- Its “lens of vulnerability” provides the necessary clarity regarding which people – or “stakeholders” – should be the focus of business attention alongside shareholders: those who suffer continuing and compounding inequalities and yet whose welfare will determine whether we can sustain the human capital and social capital on which our societies’ stability and companies’ future success depends.

- And it provides the logic and evidence that tackling negative impacts on people is the critical means for business to contribute to the transformative positive outcomes in lives that are needed to meet the “people part” of sustainability, which will be a determinant, as well as a result, of our success in achieving environmental sustainability.

The narrative of business and human rights needs the strengths of other narratives to achieve its own potential. Yet by offering its unique ingredients, it can, in return, connect and amplify a core message they all share, and help galvanize action to deliver on its promise: the promise of a world in which business gets done with respect for the basic dignity and equality of everyone.
**About the Author**

Caroline Rees is the President and Co-Founder of Shift where she leads strategic development and drives thought leadership work on key challenges and opportunities in advancing corporate respect for business and human rights. Prior to founding Shift, Caroline was a lead advisor to Professor John Ruggie during his work to develop the UN Guiding Principles as Special Representative of the UN Secretary-General. From 2009 to 2011 she was Director of the Governance and Accountability Program at the Harvard Kennedy School’s Corporate Social Responsibility Initiative, where she remains a Senior Fellow to date. Caroline spent 14 years as a British diplomat where her career covered Iran, Slovakia, the UN Security Council and European Union as well as the UN Human Rights Council.

**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.

[shiftproject.org](http://shiftproject.org)

[@shiftproject](http://twitter.com/shiftproject)

**About the Corporate Responsibility Initiative (CRI)**

The Corporate Responsibility Initiative (CRI) at the Harvard Kennedy School’s Mossavar-Rahmani Center for Business and Government (M-RCBG) is a multidisciplinary and multi-stakeholder program that seeks to study and enhance the public contributions of private enterprise. The initiative explores the intersection of corporate responsibility, corporate governance, and public policy, with a focus on analyzing institutional innovations that help to implement the corporate responsibility to respect human rights, enhance governance and accountability and achieve key international development goals. It bridges theory and practice, builds leadership skills, and supports constructive dialogue and collaboration among business, government, civil society and academics.

Founded in 2004, the CR Initiative works with and is funded by a small Corporate Leadership Group consisting of global companies that are leaders in the fields of corporate responsibility, sustainability or creating shared value. The Initiative also works with other leading corporate responsibility and sustainability organizations, government bodies, non-governmental organizations, foundations and companies to leverage innovative policy research and examples of good practice in this field. Sources of funding are listed on the Initiative’s website.

[CRInitiative.org](http://criinitiative.org)

[www.hks.harvard.edu/centers/mrcbg/programs/cri](http://www.hks.harvard.edu/centers/mrcbg/programs/cri)