

THE AUTUMN 2014 CONTEXT BULLETIN

Business and Human Rights



HOW COULD FOUR OF THE WORLD'S MOST SUCCESSFUL RETAILERS BECOME EMBROILED IN A SLAVERY SCANDAL?

On 10 June 2014, *The Guardian* published evidence that Carrefour, Costco, Tesco and Walmart were selling Thai prawns fed by fish caught and processed by slaves. Unwittingly sold to fishing trawlers, economic migrants from Burma and Cambodia reported zero pay, starvation, torture and even murder on the boats.

All of the brands named had robust human rights policies, supplier codes of conduct, and auditing systems. But as this case illustrates, in a globalised system with complex supply chains, human rights failures can trip up brands, with catastrophic consequences. And tragedies such as the 2013 collapse of the Rana Plaza garment factory complex in Bangladesh show that this is a problem shared by other sectors.

So what more can companies do to protect themselves? The opportunity is to take action, to conduct impact assessments and move beyond compliance. By remaining vigilant, companies will be able to reduce risks and secure their long-term profitability goals.

We've created this In Context Bulletin as a primer – to help you navigate through the issues and begin to think about a plan. We hope you find it useful.

FAST FACTS

US\$150.2 BILLION

in illegal profits from forced labour in 2013¹

20.9 MILLION

working as forced labourers – 90% in the private sector²

55% of forced labourers are female³

330 COMPANIES.

some in Fortune 500, have published human rights policies4

US\$6.3 BILLION

spent on Fairtrade products in 2012, up by 20% from 2011⁵

ABOUT THIS BULLETIN

This guide has been developed based on our own work with some of the world's leading brands. We've created it in collaboration with the Business & Human Rights Resource Centre (BHRRC), a global information hub on business and human rights.

Continue the conversation at www.contextsustainability.com or twitter.com/Context_Group and www.business-humanrights.org

See page 11 for footnotes.

Why are human rights so web images videos news YOUR BRAND - Sustainable. YOUR BRAND - Ethica (... important YOUR BRAND - Equality ... for business?

AVOID COSTS

Legal risk

In 2013, a California federal appeals court allowed plaintiffs to refile a lawsuit against Nestlé, which alleged that the company was complicit in using child slaves to harvest cocoa beans in Côte d'Ivoire.

Business disruption

The NGO Shift analysed 50 situations of prolonged company–community conflicts in the extractives industry. It found that managers usually tend to overlook costs related to lost productivity due to shutdowns and delays, and, more significantly, opportunity costs linked to large staff turnover and cancelled expansion plans⁶.

Disruption due to social unrest in Aceh cost ExxonMobil somewhere between \$100 million to \$350 million in 20017. In 2010, following a long and bitter community protest, the Indian Government blocked British mining company Vedanta Resources from mining bauxite at a site in Orissa state.

PROTECT YOUR BRAND

Public pressure

Faith-based investors, Christian Brothers Investment Services (CBIS) and the Interfaith Center on Corporate Responsibility, commonly use large sporting events such as the World Cup and Super Bowl to encourage the hospitality sector to take steps to prevent human trafficking.

Linking [your brand] with slavery (and worse) forever

This is often forgotten, but even allegations of abuse last for a long time. An online search for 'sugar' and 'land grabbing' – appropriating land without the consent of communities and with negative impacts for local farmers – generates multiple references to Coca-Cola. This is despite the corporation making a zero-tolerance commitment to the practice in 2013. A search for 'Chevron' and 'human rights' leads to some links containing words such as 'abuse', 'violations' and even, 'hit men'.

GET AHEAD OF REGULATION

Recent legislation in the United States, such as the Dodd-Frank mandate on conflict minerals and the California Transparency in Supply Chains Act, are drawing greater attention to the management of human rights in supply chains. Some companies are working to get ahead of compliance. In 2014, Intel, one of the world's largest semiconductor chip makers announced that all of their future microprocessors would be made using conflict-free minerals.

In 2011, the UN Human Rights Council endorsed the Guiding Principles on Business and Human Rights, proposed by UN Special Representative John Ruggie (see page 5). National governments have released action plans on how they will guide – and push – business to implement the UN Guiding Principles. Such strong government and NGO focus increases risks – legal, financial and reputational. It is no wonder that over 330 companies, including several in the Fortune 500, have released policy statements that explicitly refer to human rights8.

INCREASE **PROFITABILITY**

Looking beyond compliance on human rights issues can help to secure long-term business relationships. In its latest corporate responsibility report, leading U.S. apparel group PVH, which owns brands including Tommy Hilfiger, cites the examples of two Sri Lankan manufacturers, Brandix and MAS. According to William McRaith, Chief Supply Chain Officer, these companies are "growing rapidly with the best retailers" by "doing things right and attracting and retaining quality people.9"

How do governments approach business and human rights?

Several governments have started to publish National Action Plans (NAPs) on how they expect companies to integrate human rights into their operations. The main thrust of the NAPs include:

- Ensuring policy coherence on human rights across government departments – especially those regulating businesses
- Increasing transparency and reporting requirements
- Incorporating corporate responsibility to respect human rights in bilateral investment treaties
- Working with sectors (textile, agriculture, extractive industries, finance) to combat specific human rights abuses
- Including social conditions in all government contracts
- Requiring private security providers to respect human rights
- Proposing investment guidelines for high-risk countries such as Myanmar.
- Governments and multilateral organisations that have drafted, or are in the process of drafting NAPs include: Colombia, Denmark, Finland,

France, Ghana, Italy, Netherlands, Norway, Spain, Switzerland, and the United Kingdom.

The U.S. government has released its approach on business and human rights, which outlines the laws, regulations and policies that are relevant for businesses. And in 2012, President Obama issued an Executive Order to strengthen the U.S. Government's zero-tolerance policy on human trafficking in government contracting.



increased transparency

BHRRC Guidance

Companies often resist formulating a human rights strategy because of the highly sensitive nature of the issues. One of the most effective ways to get executives to focus on the need for a formal strategy is to approach the subject from a legal risk perspective. The Centre's hub on corporate legal accountability profiles lawsuits against companies for human rights abuses across the world. Users can search cases by industry, company, country and issues.

Early engagement with critics - before concerns escalate into full-blown disputes – is one important way to reduce legal risks. Since 2005, the Centre has approached companies over 2,000 times for responses to specific human rights allegations raised by NGOs (with a global response rate of 70%).

Taking your first step

HUMAN RIGHTS CAN SEEM ILL-DEFINED. THE ISSUES ARE COMPLEX AND CONFUSING, AND THE POTENTIAL CONSEQUENCES CATASTROPHIC. THE BEST PLACE TO START IS WITH THE FUNDAMENTALS...

UNDERSTANDING THE KEY STANDARDS

- A Global Standard: At a macro level, governments have the primary responsibility to respect, protect and fulfil human rights. All UN-participating governments are in agreement on what constitutes human rights, based on the 1948 Universal Declaration of Human Rights. As a company, you may decide to simply express support for its principles in your human rights policy.
- A Business Standard: At a company level, there are several international standards that refer to corporate responsibility on human rights. In 2011, the United Nations Human Rights Council endorsed the Guiding Principles on Business and Human Rights. or the Ruggie Principles, named after their author. The Ruggie Principles are the global standard for addressing and preventing human rights risks associated with business activity.
 - What human rights are relevant for business? As the Guiding Principles say, all universally recognised rights are applicable to business: from the right to health, to the rights of vulnerable groups such as indigenous peoples.
- Other Standards: The Ruggie Principles are based on other standards, including the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, the rights of indigenous peoples, and the rights of children.

BUSINESS AND HUMAN RIGHTS: WHO DOES WHAT

States have a duty to protect against human rights abuses by third parties, including business. through appropriate policies, regulation, and adjudication

Corporations must respect human rights, which means to act with due diligence to avoid infringing on the rights of others

Governments and businesses must provide victims of human rights abuses with greater access to effective judicial and non-judicial remedies



THE RUGGIE PRINCIPLES

The Ruggie Principles represent the leading standards for human rights. Since publication in 2011, the Principles have driven wider awareness of human rights, but their implementation by companies has been limited.

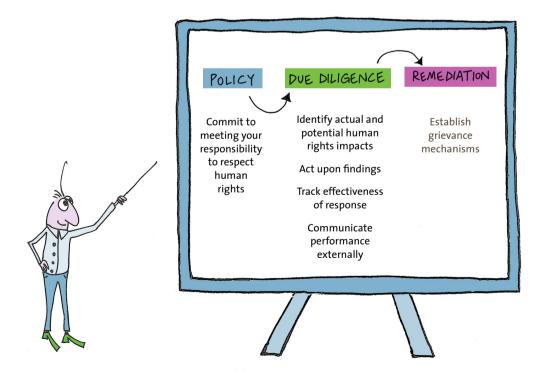
The Principles operate on a three-pillar framework – Protect, Respect and Remedy.

The Principles recognise that it is the state's duty to **Protect** human rights. For their part, businesses have a responsibility to **Respect** human rights wherever they operate. If and when they do infringe on the rights of others, both states and businesses

should ensure that there is access to redress or Remedy for victims.

To implement the Respect and Remedy pillars, businesses have to work on three main components: policy, due diligence and remediation. Think of these components as part of a multi-stage process, with some overlap between each of the stages.

Remember that just being legally compliant does not in itself constitute respect for human rights. This becomes especially important in cases or countries where there is a lack of legal protection or law enforcement



BHRRC Guidance



Useful guides:

- The UN's interpretive guide on how companies can apply the Ruggie Principles
- The European Commission (working with Shift and the Institute of Human Rights and **Business) issued sector-specific implementation** guides for: employment and recruitment agencies, information and communication technologies, and oil and gas
- The UN Global Compact's business reference guide explains how managers can implement human rights programmes
- The BHRRC's Tools & Guidance portal offers sector and issue-specific guidance.

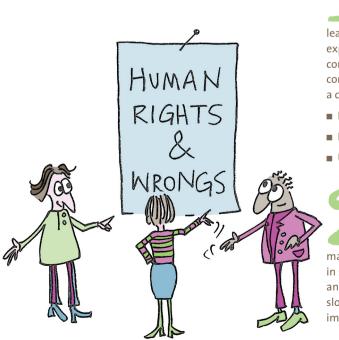
"Companies must respect human rights, even when governments do not."

ANTHONY EWING

PROFESSOR OF BUSINESS AND HUMAN RIGHTS AT COLUMBIA LAW SCHOOL

Eight steps to establishing a human rights strategy

DEVELOPING AND IMPLEMENTING A HUMAN RIGHTS STRATEGY IS NEITHER EASY NOR OUICK. IT WILL DEMAND TIME, MONEY AND EXTENSIVE BUY-IN ACROSS THE BUSINESS. THESE ARE THE ESSENTIAL EIGHT STEPS YOU NEED TO TAKE:



MARKET SCAN

The body of human rights knowledge and experience is growing. Companies in your sector and in other industries have learned useful lessons and are often willing to share experiences. With human rights issues not usually considered a competitive issue, collaboration is common. Conducting a market scan will give you a chance to:

- Identify your potential human rights issues
- Frame human rights policies
- Uncover the NGOs active in your sector.

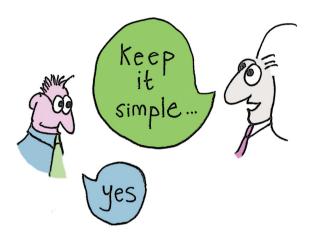
ENGAGE INTERNALLY There can be great sensitivity around human rights inside companies. You need to establish a cross-functional team with management buy-in to raise these issues. Make allies in sourcing, human resources, legal and corporate and public affairs. Accept that progress may be slow and full transparency may not be possible immediately.

ASSESS HUMAN RIGHTS RISKS

Human rights risks can lie in many unrelated parts of your company's value chain. From raw materials, manufacturing and operations, to product use and end-of-life. The probability, severity and leverage your company has to resolve an issue all vary. You can put these in context with a risk assessment matrix. Your first effort will be refined through external engagement.

Accept that there is a very wide range of possible risks, including: data security in the ICT sector; local community rights in mining; water resources in agriculture; migrant and forced labour in agriculture; child labour in apparel; and human trafficking in hospitality. The list of potential corporate involvement in human rights abuse is long and troubling.

ENGAGE EXTERNALLY Validate and refine your risk assessment through external engagement. Convene a respected group of external human rights experts, including NGOs, and seek their feedback. This can be done using focus groups, or more simply, as meetings.



DRAFT YOUR HUMAN RIGHTS POLICY The purpose of your policy is to make a clear public commitment to human rights and to identify the risks most relevant to your company. It should be a public document, and not confused with strategy, which is an evolving plan for managing human rights risks.

DEEPEN YOUR UNDERSTANDING

The preparatory step to formulating your human rights strategy is to gain a deeper understanding of the most serious risk areas. This means undertaking detailed, on-the-ground assessments of the reasons for potential human rights failures and the leverage your company has to prevent or remedy them.

Such studies are confusingly called Human Rights Impact Assessments. A misleading term as they rarely quantify impacts. View them as bespoke studies to help you really understand how to manage a specific issue. The assessments should clarify:

- The causes of the human rights failure economic, cultural, operational
- The scale of the problem how many people are impacted and how often
- The key actors business partners, government bodies

■ How your company can most effectively intervene – by changing operations; working with suppliers; through education, partnerships; or by lobbying governments.

While your policy is a public document, many companies will decide to keep details of their impact assessments private, until they've addressed the problems.

STRATEGY DEVELOPMENT By now you're well prepared. You've built internal consensus, identified risks. established external relationships and closely studied your most pressing issues.

Formulate your strategy (plan of action) based on the resources available and the urgency of the problems. Human rights is another 'journey not destination' subject, so expect to have at least a three-year plan.

COMMUNICATE To be effective, a human rights strategy needs to be supported by communications. Colleagues in critical functions, such as sourcing or human resources, may need training. But respecting human rights is primarily about culture. If your CEO takes the subject to heart and overtly endorses change, most of your colleagues will take that lead.

You should also plan to communicate externally. Business partners need to understand your raised expectations on human rights. And customers and some investors will also welcome your new focus. Remember,

stakeholder communications come in many different forms. It's important to identify your audience and then tailor your communications.

TOP TIPS ON HOW TO WRITE A HUMAN RIGHTS POLICY

Reference standards

Tell your stakeholders which standards influenced your policy and strategy. State your support for international standards such as the Universal Declaration of Human Rights, the ILO Declarations. the Ruggie Principles, and the UN Global Compact (if your company is a signatory).

Go beyond compliance

It's important that companies recognise human rights dilemmas, for example. when local laws are weaker than company policy. In such cases, most policies clearly state that the most stringent standards take precedence. Also, when issues are unclear, state that you will resolve issues in the spirit of respect for human rights. See Gap's human rights policy as an example of this.

Define scope of commitment

Your policy should recognise respect for all human rights. You also should define the stakeholders and impacts most relevant for your business. Company commitments usually extend to their operations, their supply chain, and sometimes, their customers. Mining giant, Arcelor Mittal, lays out specific provisions on forced and child labour within its own operations priorities for its business. Fast-fashion retailer H&M calls out women's rights and access to water in its human rights policy. Financial services companies such as Aviva and The Royal Bank of Scotland commit to protect the privacy and data of their customers and to perform adequate due diligence on their clients.

Clarify implementation

Clearly state how you plan to implement your policy. The good news is that you don't have to start from scratch. Your company will already have several codes and policies, as well as associated implementation mechanisms, for your employees and your supply

chain. Commit to embedding human rights into these existing codes and policies. To identify and mitigate your actual and potential impacts, commit to:

- Conducting risk assessments
- Carrying out impact assessments in high-risk areas (internal and external)
- Training employees on human rights
- Devising a mechanism enabling rights holders to report breaches.

Establish governance

State who is responsible for policy implementation and oversight (preferably at the board level), and how often relevant metrics will be reported to the board.

BHRRC Guidance



- These tools and examples can guide you on conducting human rights impact assessments.
- Shift has captured learnings from a workshop it conducted on company remediation and grievance mechanisms. Of particular relevance is how to make an effective case internally.
- Nestlé's white paper on the human rights impact assessments it conducted with the Danish Institute for Human Rights is a good example of company reporting on this process.

What others have learned

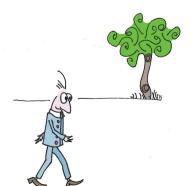
CASE STUDY 1

Follow the noise

You have no control over who sets your human rights agenda.

Coca-Cola found this out the hard way when they were targeted by Oxfam to highlight land grabbing in their sugar supply chains. Despite initial resistance Coca-Cola's supplier auditing had apparently seen no evidence of land grabs – the company quickly acceded to Oxfam's three demands, including expressing zero tolerance for land-grabbing and including 'Free, Prior and Informed Consent' clauses into their supplier codes. Other companies have since followed suit.

LESSON: Don't rely on audits alone to help you identify your human rights impacts. Do a full impact assessment.



CASE STUDY 2

Working with your peers

The Rana Plaza tragedy in Bangladesh demonstrated how weak law enforcement in sourcing countries, excessive demands from purchasing departments, and lack of transparency in sourcing, can all contribute to catastrophe, despite rigorous auditing.

In response, companies have changed their practices and cooperated with their peers to mitigate impacts. Over 150 companies, including H&M and John Lewis, have entered into a legally binding commitment – the Bangladesh Accord on Fire and Building Safety - to improve conditions of garment factories in Bangladesh. The agreement requires signatories to disclose which factories they use, and to ensure that safety concerns are identified and resolved.

LESSON: Small companies can work with larger competitors to increase their leverage with suppliers and factory owners.

CASE STUDY 3

You don't speak for me

Working as a group increases your leverage. But sometimes breaking out can differentiate you.

In 2012, when the U.S. Chamber of Commerce attempted to dilute provisions on conflict minerals in the Dodd-Frank Act, Microsoft, GE and Motorola dissented.

Similarly, pharmaceutical companies Roche and Novo Nordisk resigned from the Innovative Pharmaceutical Association of South Africa (Ipasa), an industry body, when it was revealed that Ipasa was planning on fighting the South African government's proposal to promote access to cheap generic medicines.

LESSON: Don't be shy about pushing your company to follow its stated principles and break away from the crowd. Chances are, public pressure will force other companies to follow, with you in front.



EMERGING HUMAN RIGHTS ISSUE:

Improving women's rights in the agricultural supply chain

COMPANIES ARE INCREASINGLY BEING CALLED UPON TO IMPROVE GENDER EQUITY IN THEIR SUPPLY CHAINS, WHERE WOMEN DO MOST OF THE WORK BUT FACE HARASSMENT AND ARE EXCLUDED FROM DECISION-MAKING.

We all know that that there are not enough women in executive positions. Unfortunately, while women are widely present in the bottom of supply chains, their views still go largely unrepresented.

This is especially true in agriculture where women comprise nearly 43% of the labour force in developing countries. Despite doing most of the work on male-owned farms, female family members rarely get a say in how the farms are run or how the income is distributed. They are also inadequately represented in established producer groups and are less likely to receive technical training or benefit from certification schemes¹⁰.

NGOs are beginning to take notice. Oxfam's Behind the Brands campaign targets companies on their policies on women farm workers and small-scale producers in the supply chain. As a result, several brands are starting to recognise, identify and act on women's issues in the supply chain. The Bill and Melinda Gates Foundation has published a guide on how global food companies can improve opportunities for women working as or for small-holders. The report includes case studies

from companies such as The Body Shop, Cadbury and Nestlé.

Gender discrimination is a human rights issue. And elevating women in the supply chain makes good business sense:

- Evidence shows that "women consistently deliver better-quality crops than men" ".
- Women are heavily involved in growing crops, even in male-owned farms. By ignoring their training, companies are missing out on crucial productivity gains.
- Giving women the same access to the inputs, resources and services as male farmers could increase "yields on their farms by 20-30%," according to the Food and Agriculture Organization (FAO) of the UN.
- 4. Helping women can improve development outcomes for the entire community. The FAO states that "improving women's direct access to financial resources leads to higher investments in human capital in the form of children's health, nutrition and education."



EMERGING HUMAN RIGHTS ISSUE:

Improving women's rights in the supply chain

Interested in learning more?

Join us on 10 November at the Innovation Forum's Conference on **Business and Human Rights.**

Context will be chairing a breakout session on 'Women's rights in the supply chain: how can business actions be scaled?' The breakout group will be open to all conference participants, and will focus on highlighting the ways in which major brands and companies are working on this issue.



Our clients include some of the world's leading companies, and we work with them on research. policy development and communications on a range on sustainability issues.

On human rights, our approach is to help clients implement strategies that reflect the realities of their business environment and their unique company culture, while aligning with the UN Guiding Principles.

We can help your company with benchmarking and research, policy and strategy development, as well as stakeholder engagement. Our network of contacts also positions us to help you identify and partner with the right stakeholders to lend credibility to your work.

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Business & Human Rights Resource Centre



is an international non-profit organisation working for:

Transparency

We track the human rights conduct of over 5.600 companies worldwide – including abuses and advances

Accountability

We invite companies to respond publicly to allegations by civil society groups (with a global response rate of 70%)

Empowerment

We equip NGOs, companies and governments with the information they need to make the right decisions, and to stimulate informed debate.

Website

www.business-humanrights.org

Blog

www.business-humanrights.org/en/about-us/blog

Contact: Annabel Short, Program Director short@business-humanrights.org

(contact details for our global team are on our website)



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- 11 Ibid.

THE UNIVERSAL DECLARATION OF HUMAN RIGHTS - in brief Courtesy of Amnesty International

- 1. Everyone is born free and has dignity because they are human.
- 2. Everyone has equal rights regardless of differences between people such as gender, colour, religion, language, wealth or political opinion.
- 3. Everyone has the right to life and the right to live in freedom and safety.
- 4. No one shall be held in slavery.
- **5.** Everyone has the right not to be hurt, tortured or treated cruelly.
- **6.** Everyone has the right to be treated as a person under the law everywhere.
- 7. The law is the same for everyone and should protect everyone equally.
- 8. Everyone has the right to ask for legal help when their basic rights are not respected.
- 9. No one should be arrested, imprisoned or expelled from their country without good
- 10. Everyone has the right to a fair trial, if accused of a crime.
- 11. Everyone has the right to be presumed innocent until proven guilty, accused of a crime.
- 12. Everyone has the right to privacy.

- 13. Everyone has the right to travel within and outside their own country.
- 14. Everyone has the right to seek asylum in another country, if they are being persecuted in their own country.
- 15. Everyone has the right to a nationality.
- **16.** Everyone has the right to marry **25.** Everyone has the right to a and have a family.
- 17. Everyone has the right to own property on their own or with others. No one should have their property taken from them without good cause.
- **18.** Everyone has the right to their own free thoughts, conscience and religion including the right to practise their religion privately or in public.
- 19. Everyone has the right to say what they think and to share information with others.
- 20. Everyone has the right to meet with others publicly and privately and to freely form and join peaceful associations.
- 21. Everyone has the right to vote in regular democratic elections and to take part in the 30. No one has the right to take government of their country.

- **22.** Every country must do its best to ensure that everyone has enough to live a life of dignity.
- 23. Everyone has the right to work for a fair wage in a safe environment and also has the right to join a trade union.
- **24.** Everyone has the right to rest and leisure time.
- home, enough food and health care.
- **26.** Everyone has the right to education and to free primary education.
- 27. Everyone has the right to take part in the cultural life of their community and the right to benefit from scientific and artistic learning.
- 28. National and international laws and institutions must make possible the rights and freedoms set out in this declaration.
- 29. Everyone has the responsibility to respect and uphold the rights of others in their community and the wider world.
- away any of the rights in this declaration.



LONDON LOS ANGELES NEW YORK

Who we are

Since 1997, we have helped multinationals formulate corporate sustainability strategies, engage with stakeholders and communicate with internal and external audiences.

The Context team is transatlantic – we work seamlessly between our offices in London, Los Angeles and New York. We are experts in three core areas:

- Corporate sustainability
- Communications and writing
- Business strategy and consultancy.

This unique combination enables us to advise clients on strategic sustainability issues and to craft compelling sustainability communications.

We provide the total package, working with proven long-term partners in digital media and design.

Recent clients include:

- BT Cisco Citi The Estée Lauder Companies
- FedEx HP IKEA InterfaceFLOR
- Jaguar Land Rover Morgan Stanley
- Syngenta Vodafone WPP.

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