

# **BUSINESS, HUMAN RIGHTS AND THE SUSTAINABLE DEVELOPMENT GOALS FORGING A COHERENT VISION AND STRATEGY**

A paper from Shift commissioned by the Business and Sustainable  
Development Commission

November 2016

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# EXECUTIVE SUMMARY

The United Nations Guiding Principles (UNGP) on Business and Human Rights set the global standard for what companies need to do to address negative impacts on people's human rights connected with their business. The Guiding Principles look at how companies make their profits, not how they spend them. They are not a sign-up proposition, nor an optional extra, but an expectation of all companies everywhere and increasingly viewed as part of soft law.

Yet the UN Guiding Principles are often cast as simply a 'do no harm' requirement, a matter of compliance or 'just the starting point' en route to more mature or innovative approaches to responsible business. This overlooks their tremendous potential to drive positive change for hundreds of millions of the poorest and most marginalised people in our societies – those least able to enjoy the fruits of development.

One of the most transformative aspects of the UN Guiding Principles is their recognition that a company's responsibility to respect human rights is not just about what happens in their own operations where they largely control outcomes, but it extends also to human rights impacts connected to their products and services through their networks of business relationships. This often means creating and using leverage in those relationships to bring about greater respect for human rights. For many human rights challenges – particularly those that sit in global value chains – that means collaborating to drive change. This is the key to how business can, and should, make its largest positive contributions to the 'people part' of sustainable development.

This paper makes the case for the Business and Sustainable Development Commission (BSDC) to take a lead in changing the current outdated discourse on business and social development, by recognising and harnessing this unique potential of the UNGPs. First it reviews some statistical evidence of the scale of populations across global supply chains that are exposed to abuses of their human rights. It then reviews the evidence of the strong and growing convergence between these severe risks to people and risks to business itself – operational, financial, reputational, legal or in staff recruitment and retention. The subsequent sections explore the increasing attention of international leaders – including in the G7, International Labour Organization (ILO), European Union (EU) and the Organisation for Economic Co-operation and Development (OECD) – to human rights risks in global value chains and to the role that implementation of the UNGPs must play if we are to accelerate change. Following a brief review of the UNGPs, the paper explores the evolution in initiatives that use collective leverage to advance respect for human rights. It highlights a new generation of such initiatives in the form of "joint action and accountability platforms", which focus on specific

human rights challenges, involve the key agents of change in setting action-oriented targets that address the issues holistically and incorporate accountability for progress in meeting them.

The final sections of this paper explore why the current discourse on the role of business in social development has skipped over the tremendous scale of positive impacts to be achieved through advancing respect for human rights. They look back at the historical focus on philanthropy and social investment and the more recent preoccupation with new business innovations and models such as “shared value”. The paper argues that while these approaches can bring hugely valuable benefits to societies as well as the companies concerned, they will always remain constrained to certain market opportunities and policy environments.

The paper concludes that the Sustainable Development Goals (SDGs) present an opportunity not just to update our vision of the role of business in sustainable development, but to change it fundamentally. **There is no more pressing or more powerful way for business to accelerate social development than by driving respect for human rights across their value chains.** The proposition that all companies not only *can* contribute at scale to development through these networks of business relationships, but that they have a *responsibility* to do so, is the quiet revolution that sits at the heart of the UN Guiding Principles on Business and Human Rights. The paper closes with a set of specific recommendations about how to embed this vision at the heart of how business gets done.

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*“Where people’s human rights are not fully respected, their ability to enjoy the fruits of development are much reduced, and the disparities between the poor and most vulnerable and the rest of society only grow. By contrast, where companies focus resources on reducing the risks to people’s human rights along their value chains, they not only reduce harm but also help advance development.”*

- Prof. John Ruggie<sup>1</sup>

## 1. INTRODUCTION

The 2030 Agenda for Sustainable Development is articulated as a “plan of action for people, planet and prosperity”. Its preamble observes that the Sustainable Development Goals “seek to realise the human rights of all and to achieve gender equality and the empowerment of all women and girls”.<sup>2</sup> Today, significant proportions of the people whose needs are targeted by the SDGs – those whose human rights are furthest from being realised – are affected by global value chains.

The UN Conference on Trade and Development has estimated that “about 80% of global trade (in terms of gross exports) has become linked to international production networks of TNCs [transnational corporations]”.<sup>3</sup> The World Trade Organization reports that global trade in intermediate goods – unfinished goods moving across borders for further steps in their processing – is greater today than trade in all other non-oil traded goods combined.<sup>4</sup>

As these supply chains expand and interconnect, the number of people working in them do so too. The International Labour Organization estimates that in just 40 countries representing 85% of world gross domestic product there are 453 million formal sector jobs related to global supply chains.<sup>5</sup> This does not include supply chain workers in ‘informal’ work (such as embroidery work done in homes or unpaid family work) or ‘non-standard’ work (ranging from temporary employment to forced labour).<sup>6</sup> For example, 100 million people are estimated to work in the informal area of artisanal and small-scale mining,<sup>7</sup> and significant proportions of labour in various industries, including electronics and textiles and garments are on temporary contracts.<sup>8</sup> The ILO estimates that some 780 million men and women today are not earning enough to lift themselves and their families out of poverty. An estimated 40 million new jobs will need to be created each year until 2030 in order to keep pace with growth in the global working age population, requiring attention to the decency of those jobs as well.<sup>9</sup>

Jobs are a powerful opportunity for development, enabling access to a growing range of other social and economic goods and a pathway out of poverty and towards prosperity. Moreover, the cultivation or extraction of the commodities that go into these supply chains can also bring economic opportunities and essential infrastructure investments to local communities.

Yet these positive outcomes are premised on the assumption that the jobs being provided are fundamentally decent and that investments are carried out with attention to the basic dignity and welfare of local communities.<sup>9</sup> In other words, the fruits of development come when global supply chains operate with respect for human rights.

For all the progress of recent decades, we are still a far cry from that reality.

## **2. THE RELEVANCE OF HUMAN RIGHTS FOR DEVELOPMENT**

It is worth pausing for a moment on what human rights are and their relationship to sustainable development. Human rights are the expression, through international law standards, of the basic dignity and equality of human beings. They speak to a variety of ways in which people are entitled to be treated: without discrimination, with the freedom to hold opinions and express their views, to enjoy privacy and a family life, decent working conditions and a fair wage for their work, to be free from forced labour and physical abuse, to have access to the clean water needed for drinking and hygiene, to food necessary to sustain themselves, to the highest level of health they can achieve, and so forth.

While discussions of 'social development' and 'social impacts' open up an ill-defined and almost endlessly flexible realm of issues, a focus on human rights reminds us that this is actually about people. And it is not just about people in any regard, but first and foremost about the most fundamental needs of people: the needs – the rights – without which their ability to enjoy the fruits of development is at best reduced and at worst cut off entirely. The Danish Institute for Human Rights has shown the extent to which the achievement of human rights underpins a great many of the Sustainable Development Goals.<sup>11</sup>

**So, respect for people's human rights is not just part of a social development agenda. It is its essential bedrock.**

## **3. HUMAN RIGHTS AND GLOBAL SUPPLY CHAINS**

The International Labour Organization estimates that there are around 21 million people working in forms of forced labour globally.<sup>12</sup> Others estimate double that figure.<sup>13</sup> Vast numbers are part of global supply chains from the electronics industry to the fishing industry to construction and tourism.<sup>14</sup> Meanwhile, the number of children in child labour is estimated at 168 million, with 85 million in hazardous work.<sup>15</sup> Products most likely to involve child labour or forced labour range from sugar and tobacco to bricks and gold.<sup>16</sup>

The lack of safety for workers remains a significant threat to their human rights. More than 2.3 million people die every year as a result of occupational accidents or work-related diseases, with 317 million on-the-job accidents.<sup>17</sup> Annual worker-related deaths in agricultural supply chains alone are reported at 170,000.<sup>18</sup> One review estimates that workers in 62 countries either effectively lack access to their rights to freedom of association and collective bargaining, or are exposed to systematic violations of those rights.<sup>19</sup> The inability to enjoy these fundamental labour rights in turn exposes workers to many more abuses, particularly those workers who may already be vulnerable within societies. For example, women workers are “disproportionately represented in low-wage jobs in the lower tiers of the supply chain and are too often subject to discrimination, sexual harassment and other forms of workplace violence”.<sup>20</sup>

When we look beyond workers in global supply chains to add in the communities affected, the numbers expand further. Agribusiness and natural resource extractive industries require land to secure the commodities that enter global supply chains, from palm oil and sugar to metals and minerals. Others need land for processing or manufacturing plants. Poor communities are often displaced from lands they have traditionally lived and worked on to make way for these investments, jeopardising their livelihoods.<sup>21</sup> They may also lose access to clean water or suffer the results of pollution with resulting harm to their health.<sup>22</sup> Disputes between communities and investors over land and natural resources are estimated to have increased three-fold since 2003.<sup>23</sup> Where they escalate to conflict, they can affect entire local economies and set back development more widely.<sup>24</sup>

## **4. RISKS TO HUMAN RIGHTS AS RISKS TO BUSINESS: A DUAL CASE FOR ACTION**

Severe risks to human rights have today arguably become a leading indicator of risks to business, be they operational, financial, reputational, legal or in staff recruitment and retention.

Research illustrates the increasing likelihood and scale of conflicts with local communities when natural resource, agricultural or construction projects impact their health and livelihoods. These conflicts destroy value for companies in a multitude of ways, which are all too rarely added up to count the real costs (see Box A: Counting the Costs).<sup>25</sup> One oil and gas company famously calculated that it forewent US\$6.5 billion over two years as a result of conflict with communities around its various operations.<sup>26</sup> Protests over labour rights in supply chain factories disrupt production, jeopardise reputations and divert staff time. When companies fail to provide decent jobs, be they buyers or suppliers, they accrue costs in staff turnover and training, lost productivity, and other risks to their business.<sup>27</sup>

## Box A. Counting the Costs

Significant numbers of extractive projects are today delayed, disrupted or otherwise affected by conflict with local communities, most often in relation to impacts on their lives and livelihoods. Research shows that the most frequent costs from such conflicts arise from lost productivity – typically US\$20 million per week in net present value terms resulting just from delay and lost production on a US\$3-5 billion capital expenditure projects. The greatest costs are the opportunity costs in terms of the lost value linked to future projects, expansion plans, or sales that did not go ahead, and the most overlooked costs came from staff time being diverted to managing conflict.<sup>28</sup>

Research has shown similar patterns in relation to community protest over commercial land acquisition and use, with rapid increases in the levels of related risk around the world. In 54% of 360 cases studied, there was a materially significant impact on the companies concerned. Costs flowed from “delays, increased compensation payments, new or higher regulatory costs, higher resource costs, higher insurance premiums, unplanned capital expenditure, loss of license and inflated legal costs”.<sup>29</sup>

After a year of labour protests in Cambodia in 2013, with more than 130 strikes over the poverty wages paid to its 400,000 mostly female garment workers, the Garment Manufacturers Association estimated losses of US\$200 million and anticipated drastic cuts in orders from buyers going forward. The CEOs of a number of brands wrote to the government to urge negotiations including wage rises, and the CEO of H&M flew to Phnom Penh to discuss the matter with the Prime Minister.<sup>30</sup>

Reputational risk is one of the harder costs for companies to measure. Yet with estimates that over one-third of market capitalisation in the FTSE350 can be attributed to reputation, and the growing prevalence of news stories and campaigns related to human rights impacts in companies' operations and supply chains, this is a relevant factor for any brand or listed company.<sup>31</sup> From deaths of apparel workers in building collapses and fires in Bangladesh and Pakistan; to forced labour in the fishing industry from Thailand to New Zealand; to governmental abuse of the free expression and privacy of users of telecoms services; to the eviction of poor communities to make way for stadia for major sports events, company reputations are increasingly on the line.<sup>32</sup>

Reputational risks are not just consumer facing. More and more companies are scrutinising their suppliers, pushing these questions well beyond the usual brand-name multinationals and into business-to-business relationships at all points along value chains.<sup>33</sup> Government procurement agents and export credit agencies have also started to strengthen requirements for human rights due diligence in their own assessment processes.<sup>34</sup> Meanwhile, many companies, financiers and investors use service providers to screen businesses and projects for negative incidents, criticism and controversies about human rights abuses, using this information as part of their own due diligence.<sup>35</sup>

Moreover, investors themselves are starting to face complaints where their investments are seen to support projects that run roughshod over local communities or workers and their human rights.<sup>36</sup> Many investors are stepping up their own due diligence to identify where they might be involved with severe human rights impacts through their investment decisions.<sup>37</sup> And increasing numbers of investors are prepared to reconsider or rule out an investment based on human rights risks.<sup>38</sup> The International Corporate Governance Network of investors observes that:

*"[h]uman rights are attracting increasing attention from a corporate governance perspective as a dimension of both business ethics and enterprise risk management for companies. Indeed, the ethical and risk dimensions are in many ways intertwined, insofar as ethical lapses or inattention to human rights practices by companies may not only breach the human rights of those affected by corporate behaviour, but may also have material commercial consequences for the company itself."*<sup>39</sup>

### **Box B. Human Rights Abuses and Divestment**

When the mining company Vedanta was associated with potentially severe impacts on local communities from a proposed project in India, it faced divestment by some UK based investors. Aviva concluded that the company's 29% underperformance relative to its peers was due to its lack of focus on sustainability issues, including human rights.<sup>40</sup>

When Sports Direct announced poor financial results amid intense scrutiny of its labour practices in the UK, it lost over £400 million from the value of the company and dropped out of the FTSE 100.<sup>41</sup>

ABP, the largest Dutch Pension Fund, sold its holding in the pharmaceutical company Mylan over concerns that one of its products is used in death penalties in US prisons. It is believed other Dutch pension funds followed suit.<sup>42</sup>

Hesta, the largest Australian Pension Fund, sold its holding in Transfield Services over evidence of human rights violations in the off-shore detention centres it runs.

The February 2016 report from the Central Bank of Norway, which administers the country's massive sovereign wealth fund, sets out the responsible investment approach of the Government Pension Fund Global. This includes specific expectations of firms in which it will invest, including with regard to human rights. The Fund divested from 73 companies in 2015 based on environmental and social, including human rights, risk assessments.<sup>43</sup>

While the legal risks for companies are more limited than operational and reputational risks, plaintiffs are using a growing variety of legal bases to bring suits.<sup>42</sup> Many of these cases have been settled, with financial, and often reputational, costs to the companies concerned (see Box C). In addition, administrative complaints through the National Contact Point system of the OECD have been growing in recent years. Following the 2011 revision of the OECD Guidelines for Multinational Enterprises to include a chapter on human rights based on the UN Guiding Principles on Business and Human Rights, the notable majority of complaints has involved alleged breaches of those human rights provisions.<sup>44</sup>

The risks to staff recruitment and retention also appear to be increasing, be it in attracting millennials as corporate level employees, or retaining workers in retail stores or supplier factories.<sup>45</sup> As mobile technology starts to empower even the poorest workers to share Trip Advisor style ratings on their workplaces, these dynamics will only increase.<sup>46</sup>

In addition to these developments, there has been a notable increase in recent years in regulations that set out an expectation that companies conduct human rights due diligence across their operations and value chains. Many of these take the form of regulations requiring companies to disclose how they assess and manage human rights risks associated with their business. Some target specific human rights issues such as forced labour, trafficking or child labour, while others address human rights in general (see Box D).

As these examples illustrate, where companies are involved with severe impacts on human rights, there is a strong chance that there will be risks to their business as well, at least in the medium to long term. Companies in this situation are at a minimum missing a critical opportunity to contribute to sustainable development, and they may even be setting it back. **The developmental benefits of a company's social investments or other initiatives to provide social goods can be effectively canceled out – or worse – by the harms that flow to people from how day-to-day business gets done.**

### **Box C. Developments in Risks of Lawsuits and Administrative Complaints**

In 2013, Cambodian villagers brought a suit in the UK High Court claiming that they remain the lawful owners of crops grown on their land by Cambodian sugar companies who sold their sugar to Tate & Lyle. Villagers claimed they had been violently evicted from their land when the government granted the concessions. Their claim against Tate & Lyle for compensation from the profit of the sugar sales has been estimated to be worth as much as £10 million. Bonsucro, an initiative that promotes ethical sourcing of sugar, has since suspended Tate & Lyle's membership for failing to cooperate in the initiative's complaint resolution process about the situation.<sup>47</sup>

Anglo-Dutch company Royal Dutch Shell was the subject of a lawsuit in the UK High Court by members of the Bodo community from Nigeria, seeking compensation for harms related to their health, livelihoods and land due to oil spills by Shell's Nigerian subsidiary in 2008. In 2015, following a ruling that Shell could be held responsible for spills if it failed to take reasonable measures to protect its pipelines from malfunction or oil theft, Shell agreed to a £55 million out of court settlement.<sup>48</sup>

In 2013, Adidas agreed to pay severance to the Indonesian workers of an independent supplier whose factory had shut down, after the University of Wisconsin sued the company in US federal court, alleging that it had breached labour provisions in its contract to supply garments with the university logo. The claim sought up to US\$2 million for the workers, though the settlement amount is confidential.<sup>49</sup>

In 2015, the Canadian National Contact Point (NCP) found that China Gold International Resources, a subsidiary of a Chinese mining company listed on the Canadian stock exchange, had refused to engage with the NCP regarding a dispute over its activities in Tibet. Under Canada's new CSR Strategy for the extractive sector, such a failure to engage results in the withdrawal of Canadian Government support for the company in foreign markets through, for example, trade promotion or export credit services.<sup>50</sup>

In 2014, the UK National Contact Point found that the UK-headquartered company Soco had breached the OECD Guidelines with regard to its exploration activities in Virunga, DRC. This followed a complaint from the World Wide Fund For Nature (WWF) that included an alleged failure to conduct proper human rights due diligence. The company signed a statement with (WWF) committing not to explore within the park unless the government and UNESCO agree that such activities are not incompatible with its world heritage status. In February 2015, the Church of England threatened to sell its £3 million share in Soco over allegations that the company is pressuring the DRC government to seek a boundary change to the park through UNESCO.<sup>51</sup>

## **Box D. Regulatory Developments Addressing Human Rights Due Diligence**

As of January 2017, a new European Union directive on non-financial reporting will require large companies to disclose information on their human rights policies and outcomes, risks and risk management, “to the extent necessary for an understanding of the undertaking’s development, performance, position and impact of its activity”.<sup>52</sup>

The UK Modern Slavery Act and the US Federal Acquisition Regulations Anti-Trafficking Provisions both require companies to disclose information about the due diligence that they conduct on their supply chains in relation to forced labour and trafficking.<sup>53</sup>

These national requirements echo the approach of the California Transparency in Supply Chains Act of 2010,<sup>54</sup> which requires retailers and manufacturers doing business in California to disclose their efforts to eradicate slavery and human trafficking from their direct supply chains for goods offered for sale.<sup>55</sup>

Since 2012, US listed companies for which tin, tungsten, tantalum or gold are necessary to the functionality or production of a product they manufacture, must disclose annually whether any of those minerals originated in the Democratic Republic of the Congo or an adjoining country, and if so, must describe their due diligence measures.<sup>56</sup>

The Securities and Exchange Board of India requires that the 500 largest listed companies submit business responsibility reports describing their implementation of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, which include respect for human rights in line with the UN Guiding Principles.<sup>57</sup>

In March 2016, the French National Assembly adopted a bill that would require the largest French companies to conduct human rights and environmental due diligence as part of a “duty of care”. The bill is currently before the Senate. In Switzerland, a motion in the lower chamber of the parliament calling for a law mandating human rights due diligence by Swiss companies failed narrowly to be adopted in March 2015. A popular initiative is now underway to gather sufficient signatures for a referendum on the issue.<sup>58</sup>

## 5. A NEW INTERNATIONAL FOCUS ON HUMAN RIGHTS IN GLOBAL SUPPLY CHAINS

Given both the vast numbers of people whose human rights are in jeopardy across global supply chains and the prevalence of the resulting risks to the companies involved, it is unsurprising that we see a groundswell of organisations calling for the advancement of respect for human rights through global supply chains.

The G7 made this a focal issue of its 2015 Declaration, strongly supporting the UN Guiding Principles, recognising the joint responsibility of governments and business to foster sustainable supply chains and urging companies to implement human rights due diligence as part of this effort.<sup>59</sup> The International Labour Conference took “decent work” as a key theme of its 2016 agenda and called on business, trade unions and governments to advance sectoral and collective initiatives to advance workers’ human rights through global supply chains.<sup>60</sup> The European Council at its June 2016 meeting emphasised respect for human rights in global supply chains as indispensable to achieving the SDGs.<sup>61</sup> And Prime Minister Lofven of Sweden is advancing a new ‘Global Deal’ based on social dialogue, recognising that, “We share a planet, we share a global economy, and we increasingly share a global labour market. For this reason, we also share the task of finally taking responsibility for global working life”.<sup>62</sup>

In 2011, the OECD, led the way in advancing action to implement human rights due diligence in mineral supply chains.<sup>63</sup> In June 2016, the EU introduced a requirement for all but the smallest importers of tin, tantalum, tungsten and gold to follow the OECD due diligence steps in assessing their suppliers, in order to prevent the trade being used to help fund conflicts and human rights abuses.<sup>64</sup> The OECD is now developing due diligence guidance for other industries such as agriculture, garments and footwear.<sup>65</sup>

Investors are moving in similar directions as the assets under management linked to ethical investment criteria grow rapidly in both the US and Europe.<sup>66</sup> The Principles for Responsible Investment, an investor initiative with 1,500 signatories, has launched guidance for investors to engage with agricultural companies on the management of human rights risks in their supply chains.<sup>67</sup> Investors are engaging increasingly proactively on forced labour risks, including in relation to the information and communications technology (ICT) sector.<sup>68</sup> Following a recent Amnesty International report, many investors are stepping up their attention to child labour in cobalt supply chains.<sup>69</sup>

## **Box E. An International Focus on Human Rights in Global Supply Chains**

### **G7 Leaders' Declaration, June 2015**

*"Unsafe and poor working conditions lead to significant social and economic losses and are linked to environmental damage. Given our prominent share in the globalization process, G7 countries have an important role to play in promoting labour rights, decent working conditions and environmental protection in global supply chains."*

### **International Labour Conference, June 2016**

*"The social partners should jointly promote decent work and fundamental principles and rights at work for all workers, including in global supply chains, through sectoral initiatives, collective agreements, cross-border social dialogue and international framework agreements, where appropriate."*

### **EU Council Conclusions, June 2016**

*"The EU recognises that corporate respect for human rights and its embedding in corporate operations and value and supply chains is indispensable to sustainable development and achieving the SDGs. All partnerships in implementing the SDGs should be built on respect for human rights and responsible business conduct."*

## **6. THE UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS**

This recent burgeoning of initiatives is not only responding to the evidence of the scale of the human rights deficits connected to global supply chains. Most of these initiatives call out explicitly the responsibility of companies to respect human rights, as set out in the UN Guiding Principles on Business and Human Rights.

The UN Guiding Principles were endorsed by all members of the UN Human Rights Council in June 2011.<sup>70</sup> This unanimous backing reflected strong support from business, government and civil society groups for their three-fold proposition: that states have a duty to protect human rights, including against abuse by business; that companies have a responsibility to respect human rights throughout their activities and business relationships; and that both states and companies have a role in ensuring that anyone whose human rights are harmed by business activities has access to effective remedy.

The Guiding Principles set out a basic blueprint for what companies should do in order to be confident – to “know and show” – that they are meeting their responsibility to respect human rights:

- make a public commitment to respect human rights and embed this into their core values and daily business

- conduct human rights due diligence: assessing risks to human rights across their activities and business relationships, integrating and acting on the findings, tracking and communicating on their progress
- take an active role in enabling remedy to anyone whose human rights are harmed as a result of their actions or decisions.<sup>71</sup>

The corporate responsibility to respect human rights represents a global standard of expected conduct that is today mirrored in numerous other international, regional, national and industry standards.<sup>72</sup> As such, respect for human rights is not a voluntary standard or a 'sign-up' proposition. While the UN Guiding Principles are not a legally binding document, their normative statements are reflected to varying degrees in the laws and regulations of nearly all countries. They are increasingly cited in legal documents and decisions and referred to as a part of so-called international soft law.<sup>73</sup> Moreover, they reflect a pervasive social norm: the expectation that doing business should not entail harm to the basic dignity and equality of people. In other words, **respect for human rights is not an optional extra.**

#### **Box F. The Un Guiding Principles: the Authoritative Global Standard on Business and Human Rights**

**The UN Global Compact's** Ten Principles address human rights, labour rights, the environment and corruption. They apply to members that are companies, currently numbered at around 9,000. The UN Guiding Principles "provide further conceptual and operational clarity for the two human rights principles championed by the Global Compact. They reinforce the Global Compact and provide an authoritative framework for participants on the policies and processes they should implement in order to ensure that they meet their responsibility to respect human rights".<sup>74</sup>

**OECD** revised its Guidelines for Multinational Enterprises in 2011 and incorporated a new human rights chapter, explicitly designed to be consistent with the UN Guiding Principles. The OECD Guidelines are a non-binding code of conduct of corporate behaviour addressed to the multinational enterprises headquartered or operating in any of the 46 (at present) adhering countries. The OECD's system of National Contact Points offers a complaints mechanism "to help find a resolution for issues arising from the alleged non-observance of the Guidelines".<sup>75</sup>

**The International Finance Corporation** incorporated the responsibility of companies to respect human rights into its revised Sustainability Framework and Performance Standards in 2011. IFC standards apply to their corporate clients.<sup>76</sup>

### **Box F. The UN Guiding Principles: the Authoritative Global Standard on Business and Human Rights (continued)**

The human rights section of the **ISO 26000** standard on social responsibility was substantially aligned with the (then draft) UN Guiding Principles in 2010. ISO 26000 is a voluntary standard that can be applied by businesses and other organisations.<sup>77</sup>

Multiple **global and industry-based business associations** have jointly and publicly reaffirmed their commitment to the UN Guiding Principles and highlighted the central role that their implementation must play in contributing to sustainable development. They stated that:<sup>78</sup>

*"We, the undersigned organizations, reaffirm our commitment to the UN Guiding Principles and to continuing to promote their implementation among our business networks (including at the national level) and the global business community. We urge companies everywhere to scale up their efforts to respect universally accepted human rights throughout their operations, value chains and business relationships. Meeting the corporate responsibility to respect human rights is a key contribution and vehicle through which business can help achieve the broader vision of peaceful and inclusive societies embraced by the SDGs."*

## **7. THE CENTRAL ROLE OF LEVERAGE IN DRIVING CHANGE**

The Guiding Principles also put boundaries on the responsibility of companies with regard to human rights. Companies don't have to address the human rights of anyone and everyone. Their baseline responsibility relates specifically to the people whose human rights are affected in connection with their own operations, products and services.<sup>79</sup>

Yet in this limitation lies also one of the most transformative aspects of the UN Guiding Principles. Companies' responsibility to respect human rights is not just about what happens in their own operations where they largely control outcomes. It extends also to human rights impacts that occur through their business relationships. This includes the actions of joint venture partners, business customers or clients, suppliers, suppliers' suppliers and so forth. It includes the companies providing the cleaners that clean their offices, the kitchen staff that work in their canteen, the security guards who keep their assets secure: in sum, all the entities that play a role in how a company's business gets done.

The standard in the Guiding Principles is simple. If a company is contributing to human rights harms, it should cease doing so and help provide remedy for anyone harmed.

If it is not contributing to a harm, but the harm is still connected to its operations, products or services, it should use its influence – its “leverage” in the language of the UNGPs – to try to stop it recurring.<sup>80</sup>

The UN Guiding Principles define leverage as “the ability to effect change in the wrongful practices of an entity that causes a harm”. Using leverage with business partners can mean persuading, pressing, requiring, helping or otherwise incentivising them to change practices that infringe on people’s human rights. And where a company’s leverage is limited, it should consider how it might be increased to achieve the outcomes desired. Walking away from relationships is a last resort – the first responsibility is to stay and try to make a difference.

## 8. LEVERAGE IN ACTION

Many companies exercise leverage individually, through direct engagement. The inclusion of labour standards in a contract is a common baseline tool to create leverage, often backed by the ability to monitor and audit whether those standards are being implemented. Since audits alone rarely bring durable improvements in human rights performance, leading companies go further, for example building the capability of suppliers to implement change, conducting joint assessments and capacity planning with them, and offering commercial incentives for progress.<sup>81</sup>

Efforts can also include soliciting the engagement of others alongside the company’s own actions. For instance, when General Electric identified that its portable MRI machines were being used to identify and abort female fetuses in some parts of rural India, it took action to train its own sales staff about this risk, press clinics to implement ethical standards, raise awareness of the human rights issues in the general public, and work with the government to raise general industry standards.<sup>82</sup> When Gap Inc. discovered through news articles that embroidery work on GapKids T-shirts had been illegally sub-contracted by a supplier to a provider using child labour, the company penalised the supplier and disbarred the sub-contractor from any future Gap work, held a summit of its Indian suppliers to reinforce its policy and consequences, and liaised with the government, which in turn worked with NGOs to take care of the children and their families. The company also took longer term action in the ‘embroidery belt’ of Eastern India to raise awareness of the implications of child labour and support more formalised adult labour in the industry.<sup>83</sup>

Individual action is not always an option. Small companies often lack the leverage held by their larger counterparts as well as the resources necessary to do more than rudimentary assessments or audits. Many of the greatest human rights challenges are relatively remote in the supply chains of large companies, where their influence is also limited. Others are systemic problems in a particular region or industry: for example, a general prohibition on freedom of association; pervasive discrimination against women or LGBT people; widespread forced labour among migrant workers; or the systematic rejection of local communities’ land title claims.

In response to these realities, companies have turned to collaboration with others to pool and increase their leverage. This can take different forms. Many companies have begun with collaboration within their own industry to set shared standards or tackle a common challenge. Examples include the financial sector's Equator Principles standards for project finance and project-related corporate loans;<sup>84</sup> the Responsible Sourcing Guidance issued by the International Council on Mining and Metals,<sup>85</sup> and its members' commitment to respect the rights of indigenous peoples affected by mining, including by seeking their free, prior and informed consent;<sup>86</sup> and the initiative of the Electronic Industry Citizenship Coalition to address forced labour in the industry's Malaysian supply chain.<sup>87</sup>

In some instances, business groups have used their collective voice to take a forward stance with government on human rights issues, as when the Ethical Trading Initiative and British Retail Consortium wrote to the UK Prime Minister to support the parliamentary bill that would become the Modern Slavery Act. They stated that they would like to see the bill include a clause calling for transparency in supply chains, as a means to create positive competition to improve practices.<sup>88</sup> In another example, a number of apparel brands wrote to the Cambodian Deputy Prime Minister (as well as the Chairman of the local Garment Manufacturers Association) in the midst of worker strikes over wages that fell well below any living wage calculation, and made clear that they were ready to factor higher wages into their pricing.<sup>89</sup> And companies in the Fair Labor Association wrote to the Myanmar Minister for Labour Employment and Social Security to support his proposal for raising the minimum wage, explicitly countering some trade association arguments that such wage rises would deter international investment.<sup>90</sup>

Increasingly, companies have worked through broader collaborative models – so-called multi-stakeholder initiatives – involving a mix of industry peers, governments, trade unions, NGOs and/or international organisations, to address human rights risks at national or international levels. Examples include the work of the Global Network Initiative to address freedom of expression and privacy concerns in the context of the ICT industry;<sup>91</sup> the work of the Ethical Trading Initiative to advance supply chain labour rights in relation apparel and footwear, food and beverage, retail, and other industries; the multi-stakeholder forum established in Rajasthan, India to address labour rights issues in the local sandstone industry;<sup>92</sup> and the Sustainability Initiative of South Africa (SIZA), established to address working conditions in the country's fruit farms and pack houses.<sup>93</sup>

These examples are also important illustrations of how companies can contribute to sustainable development. Many of them feed into SDG 8 on decent work, including targets on decent work for all men and all women, and the eradication of forced labour and the worst forms of child labour. Others may address human rights-related targets under SDG 5 on gender equality, SDG 6 on clean water and sanitation, and SDG 3 on health and well-being, to name just three.

## 9. A NEW LEVERAGE MODEL: JOINT ACTION AND ACCOUNTABILITY PLATFORMS

These initiatives reflect years of experimentation with collaborative approaches to shared human rights challenges. Today, we see a new generation of initiatives emerging to advance respect for human rights in global supply chains – one that stands on the shoulders of lessons learned in earlier years and offers particular promise for advancing sustainable development. These might be described as “joint action and accountability platforms ” and are typically:

- **Targeted:** they focus on specific human rights challenges, often in specific locations where the identified risks are particularly prevalent.
- **Agent-focused:** they centre on the essential agents of change rather than being broad umbrellas for all organisations with an interest. Companies, the legitimate representatives of the concerned rights-holders (notably trade unions and community representatives) and responsible government agencies are typically central. This leaves room for other interested organisations to play broader supporting roles.
- **Action-oriented:** they develop innovative, action-based commitments and programs, with a focus on using collective leverage to generate change.
- **Holistic:** they look not just at the behaviours that need correcting at the points in supply chains where human rights are abused, but also research root causes and address the business models, strategies or decisions of participating companies that can create the incentives for those behaviours.
- **Accountable:** they build in accountability for implementation while allowing for honest and frank dialogue about obstacles that may arise.

Examples of joint action and accountability platforms include the Bangladesh Accord, the Malawi 2020 Tea Revitalisation Programme, the apparel sector initiative Action, Collaboration, Transformation (ACT), and the initiative of the Dutch Government to advance and facilitate sectoral covenants (agreements) on responsible business conduct, with respect for human rights at their core (see below).

### **Box G. The Bangladesh Accord: Addressing Building Safety in the Garment Sector**

The Bangladesh Accord was established in response to the collapse of Rana Plaza and the deaths of over 1,100 workers in factories supplying clothing brands. It is a five year legally binding agreement between global brands and retailers and trade unions focused on health and safety, including building safety, in the garment sector in Bangladesh.

The Accord specifies "six key components:

1. A five year legally binding agreement between brands and trade unions to ensure a safe working environment in the Bangladeshi [ready-made] garment industry
2. An independent inspection program supported by brands in which workers and trade unions are involved
3. Public disclosure of all factories, inspection reports and corrective action plans
4. A commitment by signatory brands to ensure sufficient funds are available for remediation and to maintain sourcing relationships
5. Democratically elected health and safety committees in all factories to identify and act on health and safety risks
6. Worker empowerment through an extensive training program, complaints mechanism and right to refuse unsafe work."

For more on the Bangladesh Accord see: <http://bangladeshaccord.org>.

### **Box H. Dutch Sectoral Covenants**

The Dutch Government is supporting the development of sector-based covenants (agreements) through which Dutch sector associations identify leading corporate responsibility (notably human rights) risks facing their sector and develop collaborative approaches to address them. The processes are based on dialogue between sector associations, member companies, government, trade unions and civil society organisations. This work is taking place in close collaboration with the Social and Economic Council of the Netherlands (SER), the advisory and consultative body of employers' representatives, union representatives and independent experts that foster sustainable supply chain management among Dutch industry. SER guidance expects the covenant processes to:

1. Use credible methodologies, aligned with leading international frameworks, for identifying sector-wide human rights, environmental, corruption and other international corporate social responsibility (ICSR) risks

### **Box H. Dutch Sectoral Covenants (continued)**

2. Identify collaborative approaches to building and exercising the leverage of sectors and their stakeholders to address such risks
3. Involve relevant stakeholders in credible, dialogue-based multi-stakeholder processes.

The first two covenants to be completed are for the garment and textile sector and the banking sector. Processes are under way in a range of other sectors, from electronics to wood and paper products to agriculture.

*For more on the garment and textile covenant see: <http://eu-roadmap.nl/wp-content/uploads/2016/05/Plenary-B-Garment-Covenant-Press-Release-by-Social-Economic-Council.pdf> and for the banking covenant, see: <http://www.ser.nl/en/publications/news/20161028-dutch-banking-sector-agreement.aspx>.*

### **Box I. Malawi Tea 2020: Revitalisation Programme Towards Living Wage**

The Malawi 2020 Tea Revitalisation Programme was initiated to address the low wages and poor living conditions of tea workers in Malawi. While focused on one sector in one country, it looks holistically at the challenge and therefore “brings together the organisations who can deliver the changes required to achieve a more competitive and profitable Malawian tea industry where workers earn a living wage and smallholders will be able to earn a living income”. It involves companies all along the tea value chain from producers to traders and packers to buyers such as M&S, Tata Global Beverages, Unilever and Tesco. Equally, it involves trade unions as well as a small number of development and certification organisations and civil society actors with critical expertise. All 21 organisations signed a Memorandum of Understanding in mid-2015 committing their support to the Malawi 2020 plan, which “aims to deliver six key outcomes:

1. An industry that is investing in its future and its workforce
2. Significant improvement in wages and benefits for workers – supply chain commitment to a living wage by 2020
3. Improvements in smallholder farming practices, yields, quality, income, and income diversification
4. A healthier, motivated, and productive workforce, with greater opportunities for women
5. An improved wage-setting process with greater worker representation
6. Sustainable energy use and improved environment”.

*For more on Malawi 2020 see: <http://www.ethicalteapartnership.org/project/malawi-2020-tea-revitalisation-programme/>.*

These examples are all relatively young and clearly have more to achieve. The two that have had sufficient time to demonstrate some positive outcomes are the Bangladesh Accord and Malawi Tea 2020.

At the time of writing, over 65% of building safety issues and 80% of electrical issues (the primary cause of fires) at the 1,600 factories covered by the Bangladesh Accord are reported, or both reported and verified, as having been fixed. A process is under way to establish joint worker-management safety committees at all these factories. The Accord reports that the initiative also enables trade union access to workers at the factories through its safety committee and safety training programme, and to relevant information such as inspection reports and corrective action plans. It has also given brands more insight into their supply chains, leading to more supply chain transparency. The Accord's complaints mechanism for workers has enabled it to resolve complaints both about health and safety issues and about reprisals for raising safety complaints. The brand companies that are part of the Accord commit to maintaining long-term sourcing relationships in Bangladesh, and were required to maintain consistent sourcing levels with their main suppliers until 2015. The total number of factories covered by the Accord has remained relatively steady at around 1,600 factories. Overall volumes of sourcing have actually increased.<sup>94</sup>

Malawi Tea 2020 reports various positive results since its launch in June 2015. By May 2016, training for over 2,000 smallholders was underway to increase yields, income and leaf quality; an Innovative Finance fund was established with €1 million of risk capital so far secured; and midday meals of 13,000 workers were being nutritionally fortified. In July 2016, a collective bargaining agreement was signed between the local union and tea producers association – a significant achievement given that unions were illegal in Malawi until 1994. Both the unions and management received training to help ensure an effective negotiation process, with workers empowered to negotiate with employers on wages and benefits. Cash wages for workers were reported to have increased by between 18% and 24%, depending on the workers' grades, with the lowest paid employees receiving a daily minimum wage of MK1178 (approx. US\$1.64), as against a government-prescribed minimum of MK688. The parties had agreed to reassess the economic situation in July 2017 as part of the continuing movement towards a living wage. Work was under way with buyers to advance sustainable procurement practices.<sup>95</sup>

ACT – Action, Collaboration, Transformation – is a recently-established initiative and one of the most innovative of these joint action and accountability platforms. ACT describes itself as “an initiative between international brands & retailers, manufacturers, and trade unions to address the issue of living wages in the textile and garment sector. [It] aims to improve wages in the industry by establishing industry collective bargaining in key garment and textile sourcing countries, supported by world class manufacturing standards and responsible purchasing practices”.

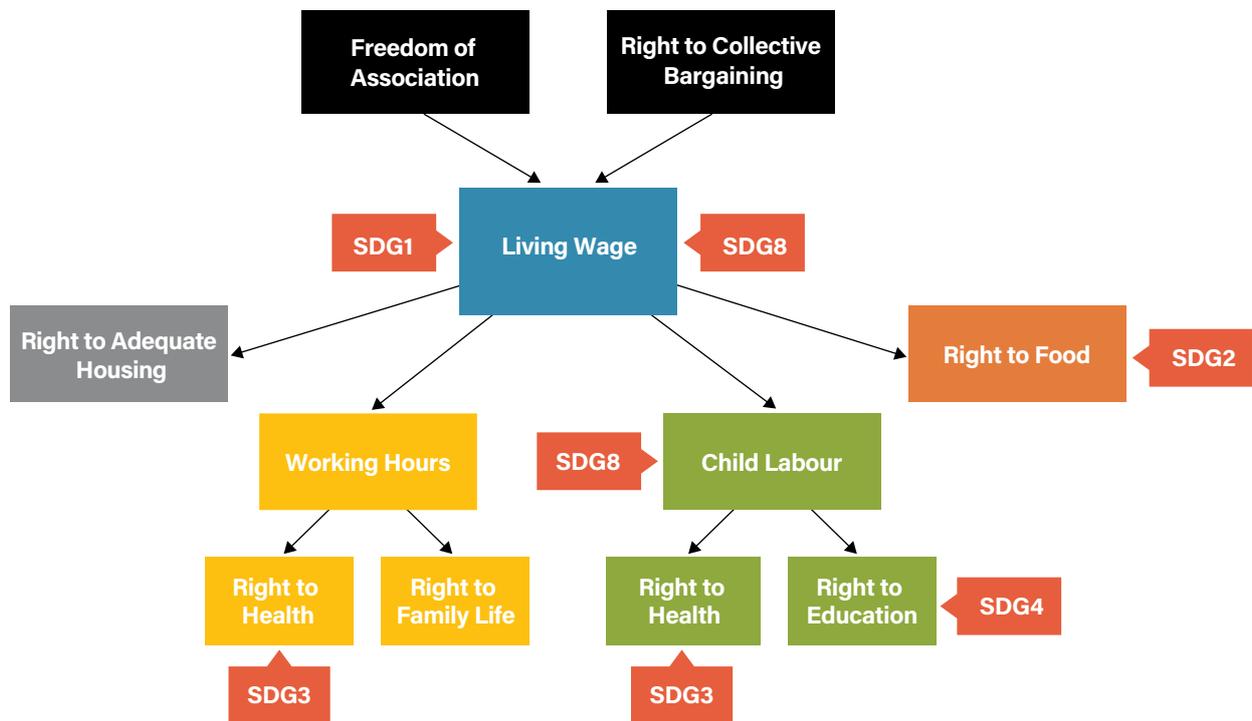
One of the critical features of this initiative is that it looks at the purchasing practices of brands and retailers as a key factor in the dynamics that drive wage levels. The companies are therefore not only using their leverage with suppliers, but are recognising and addressing the fact that their own actions – and sometimes even their business models – can hinder progress towards living wages. Moreover, ACT articulates a clear business case for the idea of industry collective bargaining agreements:

1. “They take the labour costs out of competition, enabling conditions to improve for all workers in that industry.
2. They can be designed to ensure that all workers – including out-sourced, sub-contracted, migrant and agency workers – are included.
3. They mean that individual brands & retailers can be assured that the factories that supply them are required to adhere to the same labour standards, while manufacturers are assured that they are not undercut by competitors paying lower wages.
4. They set a level playing field for manufacturers, enabling them to compete on the basis of efficiency and skills, rather than by squeezing wages and working conditions; providing the certainty that business needs for investment and growth.
5. By providing an agreed base of pay and conditions, industry collective bargaining agreements are shown to increase compliance among employers, thus reducing the need for enforcement by governments and brands.
6. Bargaining at the industry level can assist in reducing conflict at the workplace and requires fewer resources for employers and trade unions to participate in it.”<sup>96</sup>

ACT also illustrates the potential for this kind of joint action and accountability platform to make an outsized contribution to sustainable development, given the interconnected nature of so many human rights and their resulting implications for development. The graphic below shows both how certain human rights can be a prerequisite to achieving a living wage and the extent to which having a living wage can unlock access to numerous other human rights and the development opportunities that go with them.

## Graphic A

### Linkages Across Human Rights and SDGs



The four initiatives highlighted here illustrate well the criteria of joint action and accountability platforms, albeit with variations in emphasis among them. Particularly notable is the inclusion of clear commitments with in-built accountability, and some scrutiny of brand or retailer buying practices (in some instances starting to touch on their business models). The Bangladesh Accord and ACT focus on specific workers' rights and place buyers and trade unions at their core as the key agents of change. Malawi Tea 2020 and the Dutch covenants have a strong focus on human rights but also address other aspects of responsible business conduct. With these somewhat broader substantive remits, they involve a number of other organisations. In Malawi, the other business, development, certification and civil society actors are expressly viewed as key change agents in the context, given the issues being addressed and the inter-related incentives and rewards for all involved. In the Dutch covenant case, where there is less focus on specific sourcing countries or human rights, some significant national civil society organisations are involved, and the government plays a particular convening and incentivising role in the background.

Whether these distinctions are material to the relative success of the initiatives remains to be seen. But early signs of positive impacts from the Bangladesh Accord and Malawi Tea 2020 are promising, while the innovation and leadership seen in the Dutch covenant process and ACT further demonstrate new models and ambitions for what joint action with accountability can achieve.

Moreover, it is significant to note that these initiatives are not just for major multinationals. They can benefit small- and medium-sized brands and retailers as in the case of the Bangladesh Accord and the Dutch apparel covenant, and small local companies and smallholders as in the case of Malawi Tea 2020. The pooling of resources and efforts helps smaller companies implement their own responsibility to respect human rights and contribute to the advancement of human rights, while also gaining knowledge and capacity that can benefit their own business.

## **10. LEVERAGE + UNIVERSAL RESPONSIBILITY = POSITIVE IMPACT AT SCALE**

Examples such as these are particularly promising ways for companies to contribute at scale to the achievement of the SDGs. Their positive impacts range far beyond the immediate issues of decent jobs. As the ILO observes in its recent paper on decent work in global supply chains:

*"[t]he promotion of decent work in global supply chains would contribute to several of [Agenda 2030's] goals and targets, including the global goals of promoting sustainable economic growth and productive employment (Goal 8), building inclusive and sustainable industries (Goal 9), reducing inequalities (Goal 10), ensuring sustainable production and consumption (Goal 12), and strengthening partnerships for sustainable development (Goal 17)."<sup>97</sup>*

Moreover, as shown in the graphic above, when people are able to earn living wages and realise their other human rights, they also realise opportunities for improved health and education, reduced hunger and poverty. All these positive impacts have onwards benefits for the human rights and development of workers' families as well. Living wages for parents are a critical driver of children's rights and related SDG targets from nutrition to health.<sup>98</sup>

The limits on the number of companies that can take advantage of new business models or afford significant philanthropy constrains the number of people who can be reached by the positive impacts from these initiatives. Shared value examples such as the oft-cited M-PESA in East Africa, which has enabled millions of people to transfer money through mobile technology, provide compelling beacons for more companies to emulate. Yet the examples that can reach this kind of scale will remain constrained to certain market opportunities and policy environments.

By contrast, every company has a value chain, and every company can push for respect for human rights through that value chain to the benefit of workers and communities. Under the UN Guiding Principles they are expected to do so.

Notwithstanding the success of M-PESA in East Africa achieved by Safaricom and Vodacom, their parent company Vodafone recognises the particular reach and potential for impact through its supply chains, spending billions of euros each year

with suppliers. The company reports on a range of activities to advance respect for human rights through these chains, including capacity-building for suppliers; awards for good performance; industry-wide collaboration to advance common standards and address shared challenges such as conflict minerals; and feedback loops from supply chain workers via independent third parties.<sup>99</sup>

**By making respect for human rights part of how companies conduct business through their supply chains, we can achieve unprecedented positive change in people's lives.** Moreover, the overlapping nature of these supply chains within and between industries, and the mutual reinforcement of companies' efforts to improve how people are treated along those chains, will reinforce these dynamics and help close off markets for abusive practices. It will also reduce the cost of entry for new companies seeking to collaborate for solutions. Joint action and accountability platforms in particular can play a critical role in taking clear, sustainable, positive impacts to scale.

#### **Box J. Advancing the SDGs by Leveraging Respect for Human Rights**

Companies that advance respect for human rights through their supply chains will also be contributing to the Sustainable Development Goals. The following examples are drawn from companies that use the UN Guiding Principles Reporting Framework to report on their implementation of respect for human rights.

##### **Women's rights, non-discrimination and economic inclusion**

Both M&S and Unilever identify discrimination, and particularly discrimination against women, as a salient human rights issue for their companies.

M&S sets out its forward-looking commitment to "empower women in our business and supply chains, by further developing our M&S women's network; strengthening and scaling gender elements of existing supply chain programmes; and mapping areas in our supply chain and operations where women are most vulnerable, identifying appropriate interventions for a more positive impact on women".

Unilever reports that its Responsible Sourcing Policy requires suppliers to take affirmative action to meet specific and measurable targets for achieving equality between men and women. It reports plans to improve the tracking of how many supplier operations are owned and/or led by women, and the development of a tool to track the number of women farmers in its supply chain with the aim of increasing their opportunities and training.

For both companies, success will contribute to SDG target 5.1 on ending discrimination against women and girls, and SDG target 5.5 on ensuring women's full and effective participation in economic life.

### **Box J. Advancing the SDGs by Leveraging Respect for Human Rights (continued)**

#### **Decent work – a living wage**

H&M reports on its roadmap towards supporting a fair living wage across its supply chain, addressing its own purchasing practices, conducting capacity-building with suppliers, worker surveys, collaborating with trade unions through ACT (see above) and engaging with governments. In 2015, it reports a variety of data towards the achievement of a living wage in its supply chain. Success will contribute to SDG target 8.5 on decent work and SDG target 10.1 on income growth for the poorest.

#### **Road traffic accidents – the right to life**

Total reports on its efforts to improve road safety not only among its own employees but also among its contractors and suppliers. This includes programs to help transporters in Africa and the Middle East improve their transport management systems and driver training capacity. An awareness raising program among children, who are identified as particularly vulnerable on roads, especially in Africa, aims to “change perceptions and the culture on road safety in these areas, thereby reinforcing the importance of the Human Right to life”. Success will contribute to SDG target 3.6 to halve the number of deaths and injuries from road traffic accidents.

#### **Child labour**

Nestlé reports on its work to tackle child labour in its supply chain, including in hazelnuts in Turkey, by conducting monitoring and remediation, working with local authorities and the ILO, providing a complaints line and using a self-assessment tool for hazelnut growers. Success in reducing child labour will contribute to SDG target 8.7 on ending child labour in all its forms.

## **11. ADDRESSING AN OUTDATED DISCOURSE ON THE ROLE OF BUSINESS IN SOCIAL DEVELOPMENT**

Despite the far-reaching opportunities for development that open up where companies drive respect for human rights through their supply chains, the discourse on business and the SDGs has so far left the UN Guiding Principles as little more than a footnote or passing reference. This reflects the history of this discourse and the false dichotomies at its core.

The remainder of this paper summarises this history and the risk that it will constrain understanding of how the private sector as a whole can contribute to the SDGs. It calls for a new discourse that recognises the large scale and positive contribution that

respect for human rights across global supply chains can make to the SDGs, and ends with some specific recommendations.

In the 20th century, the dominant paradigm for being a responsible business was to engage in philanthropy. Following the practices of the major industrialists of the late 19th and early 20th centuries, the focus was on how large corporations chose to spend their profits, not how they *made* them. Corporate foundations were established to support many worthy causes. They provided funding not just to support the arts and public buildings, but also to address the plight of poor workers and vulnerable communities. These foundations burnished the reputations of the companies and the family names behind them as good corporate citizens, notwithstanding that the practices of many had contributed to the very plight of workers and others that they sought to address.<sup>100</sup>

The discourse of corporate social responsibility – or CSR – grew out of this tradition of philanthropy.<sup>101</sup> Across developed and emerging market economies, CSR was firmly positioned within the realm of voluntarism and divorced from companies' core business. Indeed companies and governments alike defended vigorously the voluntary nature of this realm of corporate activity, contrasting it with the mandatory nature of compliance with national laws.

And so the first of many binary concepts was established at the core of CSR: the mandatory versus voluntary concept. Close in its shadow lies another dichotomy between avoiding negative impacts on the one hand and contributing to positive impacts on the other: the established view was that the law is there to help ensure business does not contribute to negative impacts (through labour, non-discrimination, anti-trust laws and so forth) while voluntary CSR offers a vehicle for companies to contribute to positive impacts.<sup>102</sup>

This paradigm has informed the next CSR generation of so-called social investment and strategic philanthropy, which remain part of the voluntary, extracurricular activities of business, divorced from their core operations. This focus on positive impacts, distinct from reducing risks to people, embedded these activities as a tool of public relations departments and fodder for glossy sustainability reports.

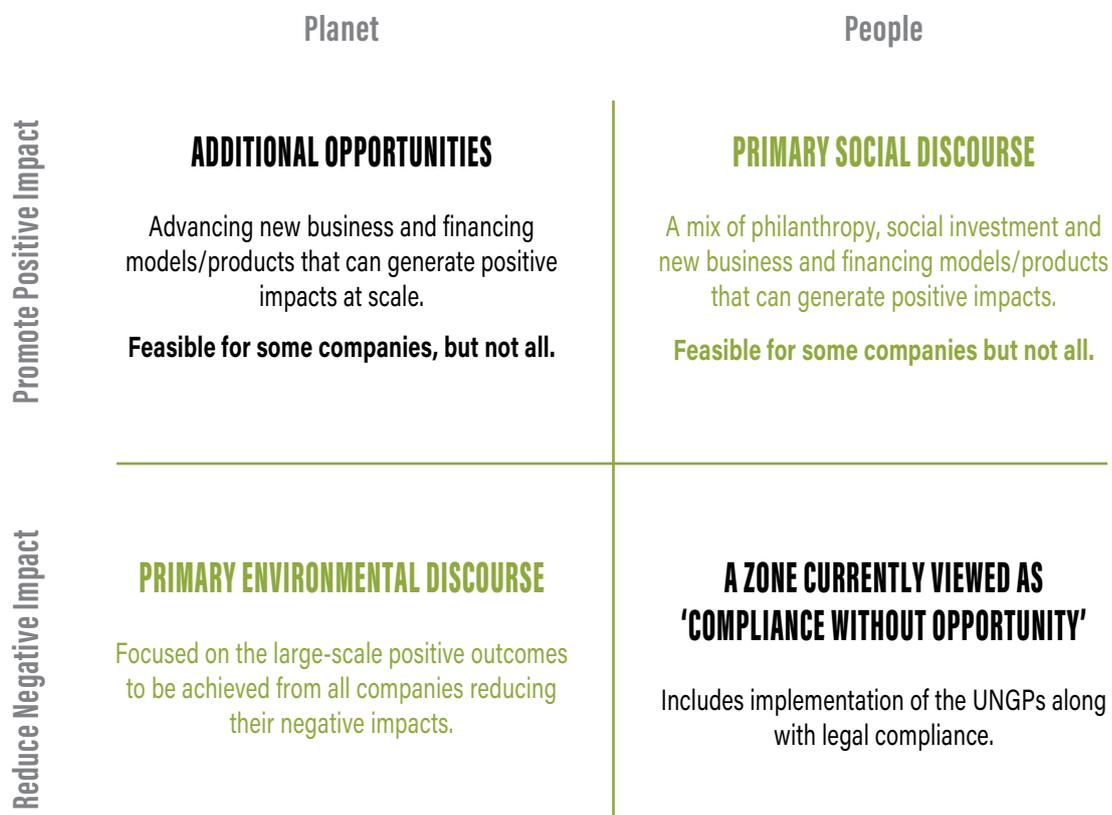
A more recent development is the concept of shared value, which brings the focus back to companies' core operations. Developed by Michael Porter and Mark Kramer at Harvard Business School, shared value is defined as "a management strategy focused on companies creating measurable business value by identifying and addressing social problems that intersect with their business".<sup>103</sup> Yet "[r]ather than focus on mitigating harm in the company's existing operations, shared value strategies engage the scale and innovation of companies to advance social progress."<sup>104</sup> They therefore retain the division between driving positive impacts and mitigating negative impacts, and remain a voluntary option for action.

This evolution in the discourse around business and social development, characterised by these binary understandings of the options, stands in interesting contrast to how companies talk about their responsibilities with regard to the environment. There, discussions have focused first and foremost on the role of all companies in reducing the impacts of their business on the environment, including by engaging their suppliers in this effort. While there are exciting innovations by some companies to advance positive environmental outcomes unconnected to reductions in their own footprint, this is not the default ambition for most companies, nor is it an option for the masses.

The contrast with the discourse on companies' role in the social dimensions of sustainable development is striking. Here, assumptions and action remain rooted for most companies in the old idea of corporate social responsibility. There is thus considerable discomfort in talking about the negative impacts business activities can have on people and a strong default to focus on separate activities that promote positive outcomes. No doubt this is in part because a review of negative impacts can force some uncomfortable questions about business models and strategies for increasing profits, predisposing some business leaders to skip over this area in the supposed interest of 'doing more'.<sup>105</sup> Moreover, many companies tend to assume that there are few business benefits from addressing negative impacts other than the avoidance of critique.

### Graphic B

## The Current Discourse on Business and Sustainable Development



In sum, the vocabulary of classic CSR was first recast as 'strategic philanthropy' and 'social investment', with a focus still on how profits are spent, not how they are made; about positive social impact, not a reduction in negative impacts; about the voluntary initiatives of companies, not actions that are required, or at least expected, of them. While shared value and inclusive business models have married positive social impacts with core business expertise and assets, they are explicitly divorced from discussion of negative impacts, are necessarily voluntary and rarely embrace the whole business. They therefore move further away than ever from notions of genuine responsibility. The old dichotomies are alive and well.

## **12. REFRAMING THE DISCOURSE TO HARNESS THE POWER OF THE UN GUIDING PRINCIPLES**

The distinction between positive impacts and negative impacts is not without relevance. The UN Guiding Principles themselves stress that positive outcomes cannot balance out negative ones: neither philanthropy and social investments, nor shared value innovations and inclusive business models can compensate for human rights harms linked to a company's business. There is no equivalent to a carbon offset when it comes to people.<sup>106</sup> Moreover, any company pursuing such initiatives must ensure that these also respect human rights, including in any associated supply chains.

Yet by marking a thick black line between positive and negative impacts, we have hermetically sealed the concept of respect for human rights from discussions of how human rights are promoted and development is achieved. The power of the UNGPs to drive progress through global supply chains has therefore been missed and their contribution to the SDGs undervalued.

For as long as this remains the case, we will fail to allocate sufficient top management focus, staff time and resources to the task of advancing respect for human rights. We will also miss out on the chance to engage the large mass of companies for which action to respect human rights is the most relevant and viable chance to contribute to the SDGs. The contribution of business to sustainable development must fire on all cylinders, not leave out the one that could bring the greatest horsepower.

In part the problem lies in the language we use. Implementing respect for human rights requires processes that 'identify negative impacts', 'address risks' and 'respond to grievances' – negative terms in themselves.

Yet respect for human rights is itself an inherently positive idea, with equally positive outcomes. We need to bring this positive framing to the fore – not in a superficial manner to gloss over the tough reality of the human rights problems we are talking about, but to bring alive the ways in which tackling them makes a positive contribution to the lives of individuals and the development of societies.

We are already familiar with talking about 'promoting diversity and inclusion' rather than 'reducing discrimination' in our workplaces. We increasingly hear about initiatives to advance 'decent jobs' and a 'living wage' rather than 'tackling poverty wages and excessive hours'. The positive results of reducing risks to human rights are glaringly obvious if we look. We need the imagination and vocabulary to capture this reality in order to help motivate further change.

Of course there are limits as well. Discussions of positive impacts need to be grounded in the complexity of the problems being addressed. Progress is rarely, if ever, about perfection. So we must move on from an approach to companies' human rights reporting whereby companies think they must say little unless they can present complete successes. This leaves their readers often frustrated by the superficial picture that gets painted as a result.

We must also move beyond assumptions that the most valuable way of assessing progress in respect to human rights is through quantitative data. While certain things can and should be measured numerically, the human experience cannot be reduced to numbers; nor should we wish for it to be. Attempts to ignore this reality, driven by excessive adherence to the generally good idea that 'what gets measured gets managed', have left us comparing numbers of people trained, audits conducted, and complaints received, stuck at the level of inputs and superficial outputs, as if these somehow represent success.

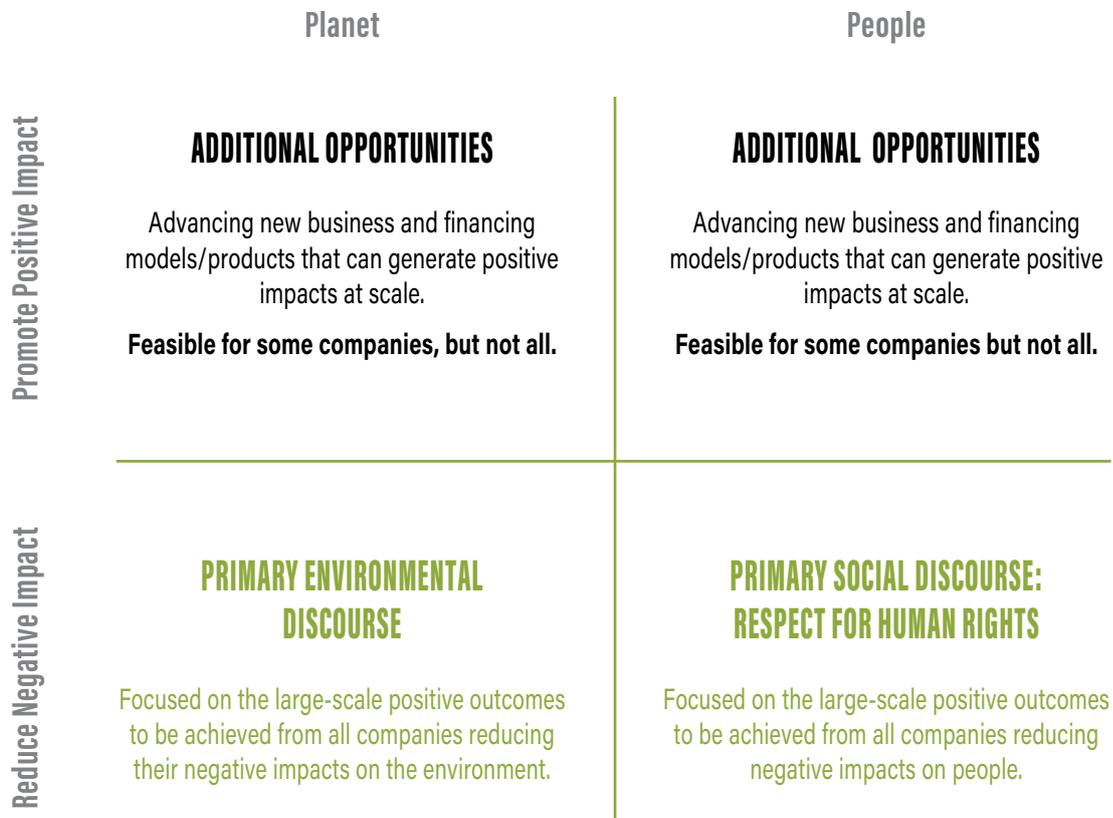
Progress in advancing respect for human rights can and should become more measurable, and with experience and thoughtful attention it will certainly move in this direction.<sup>107</sup> But this must be accompanied by a richer understanding of the value of qualitative information, and of other forms of assessment such as feedback from the people whose human rights are our concern.

So we need a smarter conversation in which the challenges of driving respect for human rights across business operations and value chains are better understood by all, and progress can be recognised and rewarded, without complacency or naiveté. Recent reporting by companies such as Unilever, Nestlé, M&S, Newmont, Ericsson, Microsoft and Total marks important steps in this direction, both reflecting and enabling more meaningful dialogue and action on the implementation of respect for human rights.<sup>108</sup>

We must therefore take the SDGs as an opportunity not just to update our discourse on the role of business in sustainable development, but also to change it fundamentally. The old binary language of CSR does not reflect the realities we find in the UN Guiding Principles or the promise that they hold. The Guiding Principles are not a legally-binding document nor a law-free zone. They are not a voluntary proposition but a minimum expected standard of conduct for all. They show how joint action and accountability for reducing negative impacts can unlock positive change in the lives of hundreds of millions of the people most in need of the benefits of development.

**Graphic C**

**Towards a new Discourse on Business and the ‘People Part’ of Sustainable Development**



The Business and Sustainable Development Commission should therefore take the lead in framing a new discourse that harnesses the unique potential of the UNGPs. It should underline both the universal applicability of the responsibility to respect human rights to all companies and its expectation that companies use their leverage to drive respect for human rights across their value chains. It should make action based on this powerful combination a centerpiece of its advocacy for the role of business in advancing the SDGs.

In doing so, business will be in sync with calls from a growing line-up of international voices, including the G7, EU, OECD, ILO and many global investors and leading industry groups. This convergence of interests and efforts should create new opportunities for business to help develop joint action and accountability platforms that target specific human rights challenges in shared value chains and drive for sustainable progress. The room for innovation is considerable. The opportunity to uplift hundreds of millions of people’s lives – those who are poorest and most vulnerable in our societies – is greater still.

## 13. RECOMMENDATIONS

The following recommendations set out a number of complementary and reinforcing ways in which businesses, governments, and civil society could advance this agenda.

1. Undertake a concerted campaign to advance respect for human rights through global value chains in line with the UN Guiding Principles, highlighting the contribution this will make to uplifting millions of people out of poverty and abuse and enabling them to enjoy the benefits of development. Call on all business, large and small, to make this a reality, and urge investors, stock exchanges and other key agents of change to play their role.
2. Actively promote the concept of joint action and accountability platforms as a critical and innovative form of partnership to address specific human rights challenges. These should place social dialogue front and centre wherever workers' human rights are concerned. They should include and empower smaller companies across value chains to take action on human rights as part of their own responsibility to respect human rights and within a holistic approach to addressing persistent and systemic problems.
3. Lobby governments to introduce human rights due diligence into their own procurement policies and practices, and where applicable into their development finance and export credit practices, as an essential means to incentivise and reward companies that act with respect for human rights and meet their own state duty to protect human rights.
4. Support and promote better human rights disclosure by companies in line with the UN Guiding Principles, such as by using the UNGP Reporting Framework, as a means to motivate improved human rights performance and as a vehicle for more meaningful dialogue with investors and other stakeholders.
5. Support research into effective ways to assess how well companies are implementing respect for human rights, recognising the need for more meaningful metrics than many of those available today as well as more insightful qualitative indicators where metrics prove inadequate.
6. Press the G7 and the G20 to advance this agenda further, building on the G7 Elmau Summit Declaration and recognising the leading role that governments must play in building a global economy in which prosperity for business brings with it growing prosperity for everyone who plays their part, up and down global value chains, in its achievement.

# ENDNOTES

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- <sup>61</sup> Council of the European Union, *Council Conclusions on Business and Human Rights*, 20 June 2016, Brussels, 20 June 2016 (OR. en) 10254/16, available at <http://www.consilium.europa.eu/en/press/press-releases/2016/06/20-fac-business-human-rights-conclusions/>.
- <sup>62</sup> Statement by Prime Minister Stefan Löfven at the ECOSOC Session, New York, 30 March 2015, available at <http://www.government.se/speeches/2015/03/statement-by-prime-minister-stefan-lofven-at-the-ecosoc-session/>.
- <sup>63</sup> See third and latest edition of the OECD Due Diligence Guidance: Organisation for Economic Co-operation and Development, *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, 2016, available at <http://www.oecd.org/corporate/mne/mining.htm>. The development of this guidance followed the adoption in 2010 of the Dodd-Frank Act in the US, of which Section 1502 required companies that use tin, tantalum, tungsten or gold in products they manufacture or contract to manufacture should seek to determine whether these minerals originated in the DRC or other covered countries (so-called conflict minerals) and disclose their findings. See US Securities and Exchange Commission, "Fact Sheet: Disclosing the Use of Conflict Minerals", available at <https://www.sec.gov/News/Article/Detail/Article/1365171562058>.
- <sup>64</sup> European Parliament News, *Conflict minerals: MEPs secure mandatory due diligence for importers*, 16 June 2016, available at <http://www.europarl.europa.eu/news/en/news-room/20160615IPR32320/Conflict-minerals-MEPs-secure-mandatory-due-diligence-for-importers>.
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<sup>66</sup> Deutsche Asset and Wealth Management, *ESG & Corporate Financial Performance: Mapping the global landscape*, December 2015, p.6, available at: [https://institutional.deutscheam.com/content/\\_media/K15090\\_Academic\\_Insights\\_UK\\_EMEA\\_RZ\\_Online\\_151201\\_Final\\_\(2\).pdf](https://institutional.deutscheam.com/content/_media/K15090_Academic_Insights_UK_EMEA_RZ_Online_151201_Final_(2).pdf).

<sup>67</sup> Principles for Responsible Investment, *From Poor Working Conditions To Forced Labour – What’s Hidden In Your Portfolio? A Guide For Investor Engagement On Labour Practices In Agricultural Supply Chains*, 2016, available at [https://www.unpri.org/download\\_report/18258](https://www.unpri.org/download_report/18258).

<sup>68</sup> See recent investor discussions following research by Know the Chain into forced labour in company supply chains: <https://knowthechain.org/investor-discussion-on-forced-labor-in-the-ict-sector/>.

<sup>69</sup> The issue of cobalt supply chain risk has been a feature of a number of recent investor conferences. For more see McLeod, C., “Amnesty International Cobalt Report Highlights Supply Chain Issues”, *Investing News*, 20 January 2016, available at <http://investingnews.com/daily/resource-investing/critical-metals-investing/cobalt-investing/amnesty-international-cobalt-child-labor/>.

<sup>70</sup> Human Rights Council, Res. 17/4 *Human rights and transnational corporations and other business enterprises*, U.N. Doc. A/HRC/RES/17/4, 6 July 2011, available at [http://www.un.org/ga/search/view\\_doc.asp?symbol=A/HRC/RES/17/4](http://www.un.org/ga/search/view_doc.asp?symbol=A/HRC/RES/17/4).

<sup>71</sup> See UN Guiding Principle 16, available at [http://www.ohchr.org/Documents/Publications/Guiding-PrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/Guiding-PrinciplesBusinessHR_EN.pdf).

<sup>72</sup> The OECD mirrors the provisions of the responsibility to respect human rights in its Guidelines for Multinational Enterprises, updated in May 2011. The International Finance Corporation’s Performance Standards and the ISO26000 standard of the International Organization for Standardization also reflect its basic elements; the European Union, African Union and Organization of American States have all made policy commitments on the implementation of the UN Guiding Principles (see respectively: *OECD, OECD Guidelines for Multinational Enterprises*, 2011 edition, available at <https://www.oecd.org/corporate/mne/48004323.pdf>; *IFC Performance Standards on Environmental and Social Sustainability*, 2012, available at [http://www.ifc.org/wps/wcm/connect/115482804a0255db96fbfd1a5d13d27/PS\\_English\\_2012\\_Full-Document.pdf?MOD=AJPERES](http://www.ifc.org/wps/wcm/connect/115482804a0255db96fbfd1a5d13d27/PS_English_2012_Full-Document.pdf?MOD=AJPERES); European Commission, *A renewed EU strategy 2011-14 for Corporate Social Responsibility*, COM(2011) 681, 25 October 2011, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:en:PDF>; *EU-AU Joint Statement on Business and Human Rights*, 16 September 2014, available at [http://eeas.europa.eu/delegations/african\\_union/press\\_corner/all\\_news/news/2014/20140916\\_1\\_en.htm](http://eeas.europa.eu/delegations/african_union/press_corner/all_news/news/2014/20140916_1_en.htm); Organization of American States, *Promotion and Protection of Human Rights in Business*, AG/RES.2840 (XLIV-0/14), 4 June 2014, available at [http://www.oas.org/en/sla/dil/docs/AG-RES\\_2840\\_XLIV-O-14.pdf](http://www.oas.org/en/sla/dil/docs/AG-RES_2840_XLIV-O-14.pdf)). Examples of industry standards aligning with the UN Guiding Principles include the Roundtable on Sustainable Palm Oil, the Equator Principles III, the Voluntary Principles on Security and Human Rights and the Electronic Industry Citizenship Coalition (see respectively: Roundtable on Sustainable Palm Oil, <http://www.rspo.org>; Equator Principles III, <http://www.equator-principles.com/index.php/ep3>; Voluntary Principles on Security and Human Rights, <http://www.voluntaryprinciples.org>; Electronic Industry Citizenship Coalition, <http://www.eiccoalition.org>).

<sup>73</sup> See InterAmerican Court decision in *Kaliña and Lokono Peoples v Suriname*, Inter-Am. Ct. H.R. (ser. C) No 309 (Nov. 25, 2015), available at [http://www.corteidh.or.cr/docs/casos/articulos/seriec\\_309\\_ing.pdf](http://www.corteidh.or.cr/docs/casos/articulos/seriec_309_ing.pdf); see also UN Committee on the Rights of the Child, *General Comment No 16 (2013) on State obligations regarding the impact of the business sector on children’s rights*, UN Doc No. CRC/C/GC/16, 17 April 2013, available at [http://tbinternet.ohchr.org/\\_layouts/treatybodyexternal/Download.aspx?symbolno=CRC%2fC%2fGC%2f16&Lang=en](http://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=CRC%2fC%2fGC%2f16&Lang=en); see also Resolution of the Organization of American States, *Promotion and Protection of Human Rights in Business*, AG/RES.2840 (XLIV-0/14), 4 June 2014, in which the OAS resolves to continue promoting the application of the UN Guiding Principles, to urge all Member States to promote them through dissemination and other means, and to request the Inter-American Commission of Human Rights to promote their application, available at [http://www.oas.org/en/sla/dil/docs/AG-RES\\_2840\\_XLIV-O-14.pdf](http://www.oas.org/en/sla/dil/docs/AG-RES_2840_XLIV-O-14.pdf); and, similarly, the stated expectation that all European enterprises should meet the responsibility to respect human rights, as defined in the UN Guiding Principles in European Commission, in *A renewed EU strategy 2011-14 for Corporate Social Responsibility*, COM(2011) 681, 25 October 2011, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:en:PDF>. Also see discussions on implementation of the UN Guiding Principles in the context of the Universal Periodic Review process of the United Nations Human Rights Council, which reviews states’ implementation of their human rights obligations, also with reference to implementation of the UN Guiding Principles; for example agreed recommendations in the Working Groups reports on Ireland, Papua New Guinea and Thailand, available at <http://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=19912&LangID=E>.

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- <sup>75</sup> OECD: See the Foreword to *OECD Guidelines for Multinational Enterprises: 2011 Edition*, available at <https://www.oecd.org/corporate/mne/48004323.pdf>. For more on the National Contact Points system see <http://www.oecd.org/investment/mne/ncps.htm>.
- <sup>76</sup> IFC: See [http://www.ifc.org/wps/wcm/connect/dc3e948049800ad7ac6afe336b93d75f/IBHR\\_and\\_IFC\\_Policies%2BPS-DRAFT.pdf?MOD=AJPERES](http://www.ifc.org/wps/wcm/connect/dc3e948049800ad7ac6afe336b93d75f/IBHR_and_IFC_Policies%2BPS-DRAFT.pdf?MOD=AJPERES) and <http://www.ifc.org/wps/wcm/connect/c3dedb-0049c51e71886d99da80c2ddf3/UNGPstandIFC-SF-DRAFT.pdf?MOD=AJPERES>.
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- <sup>78</sup> Joint statement of the UN Global Compact, International Organisation of Employers, International Chamber of Commerce, Global Business Initiative on Human Rights, World Business Council for Sustainable Development, US Council for International Business, International Council on Mining and Metals, IPIECA, Electronic Industry Citizenship Coalition, Business for Social Responsibility, "Business Community Affirms that Respect for Human Rights is a Key Contribution to Sustainable Development. Statement in Support of UN Guiding Principles and Sustainable Development Goals", available at [https://www.unglobalcompact.org/docs/issues\\_doc/human\\_rights/business-statement-supporting-GPs-SDGs.pdf](https://www.unglobalcompact.org/docs/issues_doc/human_rights/business-statement-supporting-GPs-SDGs.pdf)
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- <sup>82</sup> See General Electric, *Promoting Ethical Ultrasound Use in India – A BLIHR Emerging Economy Case Study from GE*, January 2009, available at [http://files.gecompany.com/gecom/citizenship/pdfs/ge\\_ethical\\_ultrasound\\_use\\_india\\_casestudy.pdf](http://files.gecompany.com/gecom/citizenship/pdfs/ge_ethical_ultrasound_use_india_casestudy.pdf).
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- <sup>87</sup> See Electronic Industry Citizenship Coalition's collaboration on forced labour in Malaysian supply chains: EICC, *Working to Eradicate Forced Labor in the Electronics Supply Chain*, 2015, available at <http://www.eiccoalition.org/media/docs/publications/EICC%20Position%20on%20Forced%20Labor.pdf>.
- <sup>88</sup> See <http://www.ethicaltrade.org/sites/default/files/resources/ETI%20BRC%20letter%20to%20PM.pdf>.
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- <sup>101</sup> See Carroll, A. B., *Corporate social responsibility: Evolution of a definitional construct*, *Business & Society*, 38:268–295, 1999.
- <sup>102</sup> For a discussion on the differences between corporate social responsibility (focused on corporate voluntarism) and business and human rights (a more formalistic approach grounded in legal accountability), see Ramasastry, A., *Corporate Social Responsibility Versus Business and Human Rights: Bridging the Gap Between Responsibility and Accountability*, *Journal of Human Rights*, 14:237-259, 2015, available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2705675](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2705675).
- <sup>103</sup> See <http://sharedvalue.org/about-shared-value>.
- <sup>104</sup> See Shared Value Initiative, *About Shared Value*, online at <http://sharedvalue.org/about-shared-value>.
- <sup>105</sup> See *UN Global Compact–Accenture Strategy CEO Study: Agenda 2030: A Window of Opportunity*, 2016, page 2, available at: <https://www.accenture.com/us-en/insight-un-global-compact-ceo-study>. See also *Corporate Disruptors: How business is turning the world's greatest challenges into opportunities*, Accenture, 2015, available at [https://www.accenture.com/\\_acnmedia/PDF-4/Accenture-Strategy-Corporate-Disruptors.pdf](https://www.accenture.com/_acnmedia/PDF-4/Accenture-Strategy-Corporate-Disruptors.pdf). One survey of over 200 in-house counsel, board directors and human resource directors from ten major industries found that 43% of those familiar with the UN Guiding Principles gave their senior leadership a rating of 5/10 or less for their human rights commitment; see Eversheds, *On The Right Path: Human Rights at Work 2016 Report*, 2016, available at: [http://www.eversheds.com/global/en/where/europe/uk/services/employment-law/business-human-rights-zmag.page?utm\\_source=website&utm\\_medium=bhr-hub-banner&utm\\_campaign=BHR%2520report%2520zmag](http://www.eversheds.com/global/en/where/europe/uk/services/employment-law/business-human-rights-zmag.page?utm_source=website&utm_medium=bhr-hub-banner&utm_campaign=BHR%2520report%2520zmag).
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- <sup>108</sup> These are among the first companies to use the UN Guiding Principles Reporting Framework to strengthen and focus their human rights disclosure using an approach that is designed simultaneously to strengthen companies' human rights due diligence. For more on the UN Guiding Principles Reporting Framework see [www.ungpreporting.org](http://www.ungpreporting.org). For more on company experiences using the UNGP Reporting Framework see <http://www.ungpreporting.org/resources/learn-from-users/>; and for an investor statement of support, see: <http://www.ungpreporting.org/early-adopters/investor-statement/>.

