UN GUIDING PRINCIPLES REPORTING FRAMEWORK

Corporate Social Responsibility for All Project – Roundtable Discussion

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UN GUIDING PRINCIPLES
REPORTING FRAMEWORK

an initiative of Shift and Mazars

ABOUT SHIFT

- The leading center of expertise on the UN Guiding Principles on Business and Human Rights

- A team that was centrally involved in shaping and writing the UN Guiding Principles

- Helping governments, businesses and stakeholders put the UN Guiding Principles into practice

- Chaired by Professor John Ruggie

www.shiftproject.org

WHY REPORT ON HUMAN RIGHTS?

CLEAR EXPECTATIONS OF COMPANY REPORTING ON HUMAN RIGHTS

Company choice

Regulatory requirements

Investor expectations

ACCOUNTABILITY & TRANSPARENCY

Stakeholder pressure

Stock exchange demands

EXAMPLES OF REQUIREMENTS

EU REQUIREMENTS COMPARED TO UNGPs

| EU NON-FINANCIAL REPORTING DIRECTIVE	
Human rights "policy" and "outcome" of policy	→ UNGP 16: policy & embedding; UNGP 20: tracking
The "principal risks related to" human rights "which are likely to cause adverse impacts" and "how [the company] manages those risks"	→ UNGP 17 – 21: identification of salient human rights; due diligence
"due diligence processes implemented" and the "outcome of these policies"	→ UNGP 17 – 21: due diligence
"non-financial key performance indicators"	→ UNGP 20: tracking

HOW TO REPORT ON HUMAN RIGHTS?

The first comprehensive framework for companies to report on how they respect human rights

UN GUIDING PRINCIPLES

REPORTING FRAMEWORK

with implementation guidance
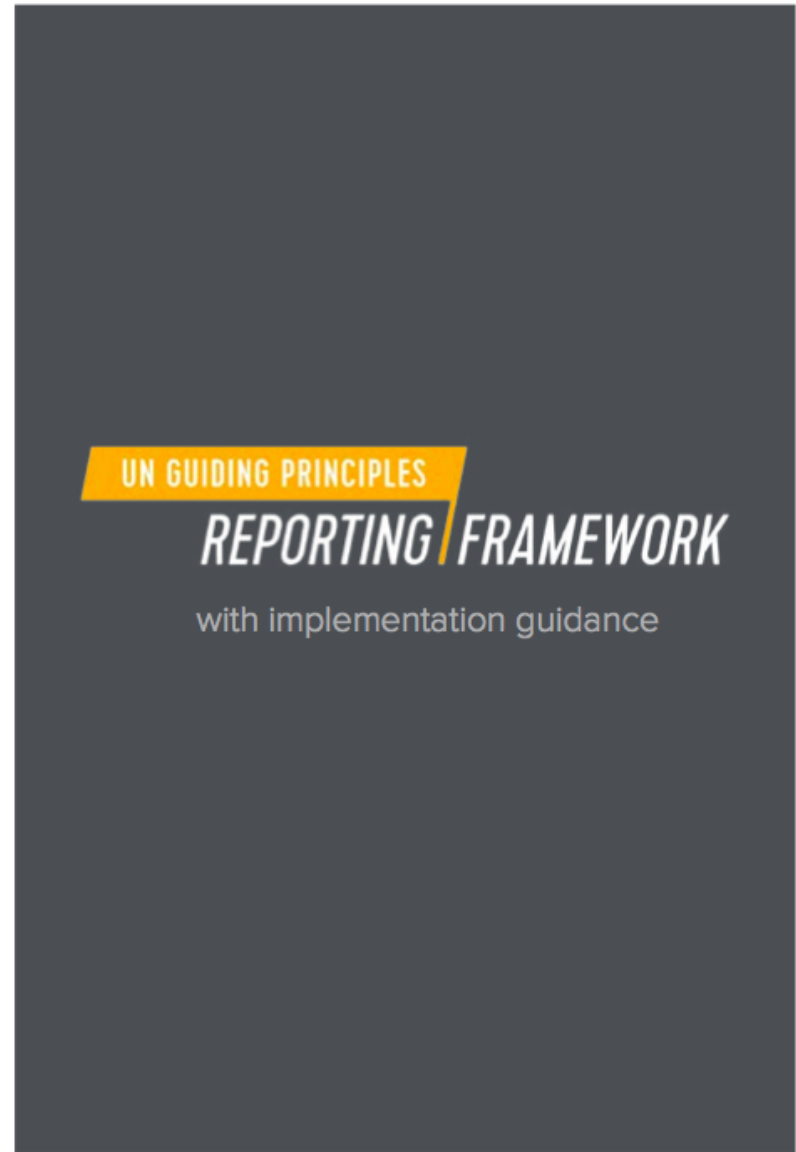
UNGP REPORTING FRAMEWORK

- Based on the **authoritative global standard**, the UN Guiding Principles
- Enables human rights reporting that :
  - It is **meaningful** for stakeholders to read;
  - It is **feasible** for companies to produce;
  - Helps companies improve their **internal management systems**
- **Fits seamlessly** with broader reporting frameworks and industry/issue-specific initiatives (incl. GRI, UNGC)

UNGP REPORTING FRAMEWORK

- Developed through **multistakeholder global consultations** over 2 year period facilitated by Shift and Mazars
- Involving over 200 companies, investor groups, civil society organizations, governments, assurance providers, lawyers and other expert organizations
- Overseen by Eminent Persons Group (**EPG**) chaired by John Ruggie
- Supported by **UN Working Group** on business and human rights
- Benefited from collaboration with **GRI** to dovetail with G4 (MoU, membership in EPG)
- Liaised closely with **International Integrated Reporting Council** to build synergy (membership in EPG)

PART A:
GOVERNANCE OF RESPECT
FOR HUMAN RIGHTS

PART B:
DEFINING THE FOCUS
OF REPORTING

PART C:
MANAGEMENT OF SALIENT
HUMAN RIGHTS ISSUES

- 8 overarching questions + 23 supporting questions

THE UN GUIDING PRINCIPLES
REPORTING FRAMEWORK

PART A: GOVERNANCE OF RESPECT FOR HUMAN RIGHTS

POLICY COMMITMENT

A1   **What does the company say publicly about its commitment to respect human rights?**

A1.1   How has the public commitment been developed?
A1.2   Whose human rights does the public commitment address?
A1.3   How is the public commitment disseminated?

EMBEDDING RESPECT FOR HUMAN RIGHTS

A2   **How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?**

A2.1   How is day-to-day responsibility for human rights performance organized within the company, and why?
A2.2   What kinds of human rights issues are discussed by senior management and by the Board, and why?
A2.3   How are employees and contract workers made aware of the ways in which respect for human rights should inform their decisions and actions?
A2.4   How does the company make clear in its business relationships the importance it places on respect for human rights?
A2.5   What lessons has the company learned during the reporting period about achieving respect for human rights, and what has changed as a result?

PART B: DEFINING THE FOCUS OF REPORTING

B1   **Statement of salient issues:** State the salient human rights issues associated with the company's activities and business relationships during the reporting period.

B2   **Determination of salient issues:** Describe how the salient human rights issues were determined, including any input from stakeholders.

B3   **Choice of focal geographies:** If reporting on the salient human rights issues focuses on particular geographies, explain how that choice was made.

B4   **Additional severe impacts:** Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed.

PART C: MANAGEMENT OF SALIENT HUMAN RIGHTS ISSUES

SPECIFIC POLICIES

C1   **Does the company have any specific policies that address its salient human rights issues and, if so, what are they?**

C1.1   How does the company make clear the relevance and significance of such policies to those who need to implement them?

STAKEHOLDER ENGAGEMENT

C2   **What is the company's approach to engagement with stakeholders in relation to each salient human rights issue?**

C2.1   How does the company identify which stakeholders to engage with in relation to each salient issue, and when and how to do so?
C2.2   During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why?
C2.3   During the reporting period, how have the views of stakeholders influenced the company's understanding of each salient issue and/or its approach to addressing it?

ASSESSING IMPACTS

C3   **How does the company identify any changes in the nature of each salient human rights issue over time?**

C3.1   During the reporting period, were there any notable trends or patterns in impacts related to a salient issue and, if so, what were they?
C3.2   During the reporting period, did any severe impacts occur that were related to a salient issue and, if so, what were they?

INTEGRATING FINDINGS AND TAKING ACTION

C4   **How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?**

C4.1   How are those parts of the company whose decisions and actions can affect the management of salient issues, involved in finding and implementing solutions?
C4.2   When tensions arise between the prevention or mitigation of impacts related to a salient issue and other business objectives, how are these tensions addressed?
C4.3   During the reporting period, what action has the company taken to prevent or mitigate potential impacts related to each salient issue?

TRACKING PERFORMANCE

C5   **How does the company know if its efforts to address each salient human rights issue are effective in practice?**

C5.1   What specific examples from the reporting period illustrate whether each salient issue is being managed effectively?

REMEDIATION

C6   **How does the company enable effective remedy if people are harmed by its actions or decisions in relation to a salient human rights issue?**

C6.1   Through what means can the company receive complaints or concerns related to each salient issue?
C6.2   How does the company know if people feel able and empowered to raise complaints or concerns?
C6.3   How does the company process complaints and assess the effectiveness of outcomes?
C6.4   During the reporting period, what were the trends and patterns in complaints or concerns and their outcomes regarding each salient issue, and what lessons has the company learned?
C6.5   During the reporting period, did the company provide or enable remedy for any actual impacts related to a salient issue and, if so, what are typical or significant examples?

MEANINGFUL QUESTIONS

- Can start by answering only 8 questions

- Open enough that any company can respond

- Targeted enough to focus the response on meaningful information

- Recognizes industry-level indicators and encourages use of company-level indicators to support narrative responses

SALIENT HUMAN RIGHTS ISSUES

The human rights at risk of the most severe negative impacts through the company's operations and value chain

HOW DO WE IDENTIFY SALIENT ISSUES?

1.   **Identify impacts**

    ✓ full range of human rights that could potentially be negatively impacted by your **activities** or through **business relationships**

    ✓ Factoring in understanding of **perspectives of potentially affected stakeholders**

2.   **Prioritize based on assessment of severity and likelihood**

3.   **Test conclusions with stakeholders**

INCLUDES PRACTICAL IMPLEMENTATION GUIDANCE

C2: STAKEHOLDER ENGAGEMENT

C2.1: SUPPORTING QUESTION

How does the company identify which stakeholders to engage with in relation to each salient issue, and when and how to do so?

OBJECTIVE

To convey to the reader the principles underlying the company's decisions with regard to stakeholder engagement in relation to each salient issue.

SUPPORTING GUIDANCE

Responses to this question may address engagement with different kinds of stakeholders (see C2), insofar as the engagement relates to understanding or addressing the salient issues on which the company is reporting. It will be particularly relevant to include information on any engagement with affected stakeholders and/or their legitimate representatives in relation to these issues.

RELEVANT INFORMATION

Relevant information for the company's answer could include:

✓ How the reporting company identifies stakeholders, including potentially impacted stakeholders (e.g., through a mapping process, based on internal or external guidance);

For each question:

✓ Objective
✓ Supporting guidance
✓ Relevant Information
✓ The UN Guiding Principles
✓ Reference points in other initiatives

WHO IS USING IT?

UPTAKE OF THE FRAMEWORK

→20,000 views in 3 months

→Dozens of companies indicate they have begun to use the Reporting Framework, including as an internal management tool

→Early adopter companies will issue reports this year and next year

First adopter   **Other early adopters**

Lead signatories of statement of support

*Statement of support for the UN Guiding Principles Reporting Framework, signed by **over 80 investors representing over $4.25 trillion in assets under management***

"The undersigned investors…support the UN Guiding Principles Reporting Framework. We hope it will incentivize improved disclosure and see it as an **essential tool that enables investors to review companies' understanding and management of human rights risks**. It will also guide us in our engagement with companies going forward."

FEEDBACK TO DATE

Enables companies to

- **identify their internal priorities and strengthen their due diligence**
  - Focus on future risks to people
  - Reduces number of "unknown unknowns"
- **own their human rights discourse**
  - based on what they know about their business
  - Not driven by "the issue" of the day
  - Trend toward more honest and open disclosure

WHAT IS THE RELATIONSHIP WITH OTHER REPORTING INITIATIVES?

CROSS REFERENCES TO EIGHT OTHER REPORTING INITIATIVES

- **DJSI** (RobecoSAM - Corporate Sustainability Assessment [DJSI Sample Questionnaire]
- **FTSE ESG** (FTSE ESG Ratings Methodology and Usage Summary)
- **GNI** (Global Network Initiative: Governance Charter, and Implementation Guidelines)
- **GRI** (Global Reporting Initiative G4 Sustainability Reporting Guidelines)
- **ICMM** (International Council on Mining and Metals Assurance Framework)
- **OECD** (OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas)
- **UNGC** (UN Global Compact Advanced COP Self-Assessment)
- **VPSHR** (Voluntary Principles on Security and Human Rights Reporting Guidelines)

REFERENCE POINTS IN OTHER INITIATIVES

These references are intended to help users identify relevant information for answering this question, not as a substitute for the guidance above. See Annex D for a key to the initiatives referenced.

Initiative	Reference point
DJSI	*For specific salient human rights issues identified:* Criterion: Risk & Crisis Management Question: Analysis of Risk Question: Sensitivity Analysis and Stress Testing Criterion: Supply Chain Management Question: Supply Chain Management: Risk Exposure
FTSE ESG	*For specific salient human rights issues identified:* Labour Standards: Strategy & Practice - Risk assessment and due diligence Human Rights & Community Indicators: Strategy & Practice - Impact assessment on new and existing operations Social Supply Chain: Strategy & Practice - Risk assessment on new and existing suppliers Health & Safety: Strategy & Practice - Risk assessment and due diligence Risk Management: Strategy & Practice - Scenario planning and stress testing - Reviews of Code compliance against Code of Conduct
GNI	*Where freedom of expression and/or privacy are salient human rights issues:* Implementation Guidelines: 2. Responsible Company Decision Making - Human Right Privacy - Data Collection
GRI	*Where salient human rights issues include human rights in the supply chain:* G4-DMAb (screening new suppliers) G4-DMAb (assessing and auditing suppliers) GR-HR11 (a, b) GR-SO1
ICMM	*For specific salient human rights issues identified:* Subject Matter 2: The company's material SD risks and opportunities based on its ow the views and expectations of its stakeholders. ICMM Requirement: The company's description of its process for identifying material issues (as reported). *For specific salient human rights issues identified:* Principle 6: Key Management Actions Required (non-mandatory examples from ICMM's Assurance Procedure): - Assess the positive and negative, the direct and indirect, and the cumulative environmental impacts of new projects — from exploration through closure.
OECD	*Where supply or use of minerals from conflict-affected and high-risk areas is a salient human rights issue: OECD-3*
UNGC	*For specific salient human rights issues identified:* Criterion 4 and specifically: - On-going due diligence process that includes an assessment of actual and potential human rights impacts (BRE 2 + BRE 3 + ARE 2 + ARE 3) Criterion 7 and specifically: - Risk and impact assessments in the area of labour
VPSHR	*Where security and human rights is a salient human rights issue:* 3. Company procedure to conduct security and human rights risk assessments.

All cross-references coordinated with listed initiatives

initiative of Shift and Mazars

BENEFITS OF THE 'SALIENCE' LENS

- Distinct from, yet compatible with, materiality

- Not relative to any one audience, but to human rights

- A principled basis for identification of focal issues, aligned with human rights due diligence

- Based on risk to people, but reflecting that the most severe impacts on people converge strongly with risk to business

UN GLOBAL COMPACT

Ursula Wynhoven, UN Global Compact General Counsel :

*"The relationship with the Communication on Progress with the Global Compact and this wonderful Framework that is being launched today can be put quite simply: if companies use this practical Framework, **they will also be fulfilling the human rights and labor requirements of the Global Compact's own Communication on Progress.**"*

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REPORTING / FRAMEWORK

GLOBAL REPORTING INITIATIVE

Global Reporting Initiative:

"The UN Guiding Principles Reporting Framework… provides the first comprehensive guidance to companies to report exclusively on their human rights performance in line with the UN Guiding Principles on Business and Human Rights and **is a complementary tool to the GRI G4 Sustainability Reporting Guidelines***."*

IIRC

Paul Druckman, Chair, IIRC:

"The <IR> Framework aims for a more cohesive and efficient approach to corporate reporting that communicates the full range of factors that materially affect the ability of an organization to create value over time. The UN Guiding Principles Reporting Framework helps companies specifically address risks associated with human rights, **which will enable more meaningful information to be embedded within an integrated report.***"*

CONVERSATION

- Is your company already disclosing information on human rights?

- If so, would your company be able to provide responses to the 8 overarching questions?

- If not, why not?

UNGPreporting.org
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Human Rights Reporting and Assurance Frameworks Initiative (RAFI) http://www.business-humanrights.org/Documents/RAFI

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