

Corporate Human Rights Reporting: An Analysis of Current Trends

November 2009

Written by: Elizabeth Umlas

Commissioned by:



Human Rights: A Call to Action

For more information on the project see: www.globalreporting.org/humanrights

Disclaimer:

Human Rights: A Call to Action is a joint initiative of the Global Reporting Initiative, the UN Global Compact and Realizing Rights: The Ethical Globalization Initiative. This analysis has been commissioned by the project partners, as a contribution to the initiative. The work on the publication was funded by the Dutch Ministry of Foreign Affairs. The research was undertaken by an independent consultant, Elizabeth Umlas. An expert panel reviewed and provided comments on the analysis in this report. The views expressed in this analysis are those of the author and do not necessarily reflect the official policy, position or views of the project partners.

Project Partners:

Launched in 2000, the **United Nations Global Compact** is both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. As a multi-stakeholder leadership initiative, it seeks to align business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption and to catalyze actions in support of broader UN goals. It is the world's largest voluntary corporate citizenship initiative, with over 6,500 signatories based in more than 130 countries. www.unglobalcompact.org

The **Global Reporting Initiative** has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

The mission of **Realizing Rights: The Ethical Globalization Initiative** is to put human rights standards at the heart of global governance and policy-making and to ensure that the needs of the poorest and most vulnerable are addressed on the global stage. www.realizingrights.org

Executive Summary

This independent analysis, based on a review of 57 recent sustainability reports from companies representing a range of industry sectors, presents examples of encouraging trends in human rights reporting, as well as indications of key areas where there is room for improvement. The aim of this review is not to put forward industry “best practice” but rather to provide reporting organizations and others with ideas to build on. The analysis was undertaken as part of a wider effort – *Human Rights: A Call to Action* – aimed at fostering improved understanding of how and why to publicly disclose policies and practice relating to human rights and how to embed this better understanding into global reporting standards.

Among the reports reviewed, a small number presented strong overall coverage of human rights relevant issues, while a larger number of reports presented interesting or innovative, but generally isolated, examples of human rights reporting on very specific issues. The review concluded that the quality of human rights reporting in 2009, in general, still falls far short when measured in relation to certain key principles and elements of good human rights reporting, including those defined by the Global Reporting Initiative’s *G3 Guidelines*.

Areas in which the review found noteworthy examples of human rights reporting included stakeholder inclusion, reporting on the implementation of human rights-related policies and processes, and reporting on potential positive impacts on human rights. It found continued challenges in areas such as reporting more generally on potential negative impact on human rights, balanced reporting (presentation of both positive and negative aspects of an issue), completeness of reports, selection of the most relevant issues for inclusion in reports and placing information on performance in the wider sustainability context.

The review also points to areas for further discussion and debate, such as the integration of human rights issues into other sections of sustainability reports and the disclosure of human rights-related information in formats outside of formal sustainability reports.

It is hoped that the findings of this analysis will contribute to the ongoing debate about how to improve corporate human rights reporting.

I. Overview

To mark the 60th anniversary of the Universal Declaration of Human Rights in December 2008, the Global Reporting Initiative (GRI), the UN Global Compact and Realizing Rights: The Ethical Globalization Initiative¹, joined together in a project to foster greater integration of human rights issues into corporate sustainability reporting. The project – *Human Rights: A Call to Action* – aimed to improve understanding significantly of how and why to publicly disclose policies and practice relating to human rights and how to embed this better understanding into global reporting standards.

A key objective of this joint initiative was to commission an analysis based on a review of current corporate sustainability reports in order to highlight both innovative and interesting examples as well as gaps and continuing challenges in human rights reporting. The result of that effort is presented in this report. The intention of the analysis was not to put forward industry “best practices” or to provide a “how to” guide on human rights reporting. Rather, the objective here is to present examples of encouraging trends in human rights reporting, in order to provide reporting organizations and others with ideas to build on, as well as indications of key areas where there is room for improvement. A human rights reporting resource document that provides practical guidance to beginning reporters on what to include (and how) in human rights reporting has also been prepared as part of the *Human Rights: A Call to Action* initiative and is available for free download at www.globalreporting.org/humanrights.

Fifty-seven sustainability reports have been reviewed on the basis of the following criteria:

- *Timing*: reports reviewed were primarily from the 2008-9 reporting cycle (the review took place in April-June 2009)²
- *Industries*: reports were selected from a cross-section of industries and sectors
- *Geography*: the reports reviewed represent several regions of the world (Africa, Asia, Latin America, North America, Europe)
- *GRI reporting status*: reports included those of both GRI- and non-GRI reporters
- *Stand-alone reports*: the review focused on stand-alone sustainability or corporate responsibility reports (all of which were found on company websites), though where reporting referred readers to website links with other relevant reports or human rights sections, these were reviewed to the extent possible.

With a small number of exceptions, the reports reviewed were in English, and most represent large- and medium-sized companies. Many of the reports were from experienced reporters, although some were first- or second-time reporters. About half had human rights disclosure that was notable in some way (for example, particularly candid discussion of human rights issues, inclusion of a human rights issue not usually seen in reporting, an innovative way of disclosing

¹ www.globalreporting.org , www.unglobalcompact.org , www.realizingrights.org

² There were a few exceptions: in one case (Ford), the 2007-8 and 2008-9 CR reports were reviewed, as the latter came out while the analysis was already underway (in most cases, 2008-9 reports that had come out by late May 2009, but not after, were reviewed). A small number of reports were from 2007 because they represented the most recent reports available by those companies.

human rights information, etc.). The analysis that follows focuses on these, and highlights themes, patterns and issues that appear to be of importance to companies and their stakeholders. It also addresses weaknesses in current reporting practices based on criteria discussed later in this report. In many cases, multiple sections of reports were reviewed (and in some cases the entire report), as opposed to simply reviewing sections entitled “human rights”, because current practice in company reporting on human rights issues varies widely, and because few reports include discrete human rights sections.

Finally, a small number of supplementary documents or disclosure mechanisms that appeared outside company sustainability reports were reviewed, although these were often linked to the main reports through company websites. These additional sources were included in the analysis because they provided innovative or otherwise noteworthy contributions to the company’s human rights reporting, despite being strictly outside the scope of this review. The Appendix 1 briefly discusses a selection of these.

The analysis also included a brief literature review on human rights reporting as part of broader sustainability reporting efforts. Two reports are worth mentioning in this regard.

The first is a 2008 study undertaken by GRI and the Roberts Environmental Center of Claremont McKenna College on corporate human rights reporting based on 100 large company reports.³ That study, entitled “Reporting on Human Rights”, examined which human rights issues from the *GRI G3 Guidelines* were covered in various reports, which indicators were used and to what extent companies reported results in a quantitative manner. While relevant to the purposes of this project, the GRI-Claremont survey had a more technical, compliance- and GRI-based focus than the review undertaken for this report. And while the analysis here does not revisit ground covered by the GRI-Claremont survey, it reaches similar conclusions in some areas. The overlap between the two studies comes mainly in the evaluation of how well companies report performance information on human rights objectives. The analysis undertaken here looks more broadly at human rights reporting and poses some larger questions about this field and its future. Unlike the GRI-Claremont survey, the analysis in the present report is not based on a quantitative survey of human rights reporting.

The second study of note – “Reporting on Human Rights 2005”⁴ – was published by the UK-based organization, SustainAbility. This white paper looked at trends in reporting on specific human rights issues, in contrast to this review, which does not look systematically at how individual rights are presented in company reports but focuses instead on innovative reporting examples on which future reporting practices might be built. Like the review undertaken for this project, SustainAbility’s paper sought to provide an overview of the state of corporate human rights reporting and used examples of company reporting to illustrate challenges and trends. The SustainAbility paper also proposed a framework for companies to use in approaching human rights reporting.

An expert panel (see Appendix III) reviewed and provided comments on the analysis in this report. The panelists were chosen to represent several sectors (civil society, business, national

³ The study is available for free download at: www.globalreporting.org.

⁴ The study is available for free download at: www.sustainability.com.

human rights institutions and investors) and geographical regions. The common denominator among them is their knowledge of the fast-developing field of business and human rights. An independent consultant, Elizabeth Umlas, and project team members from Realizing Rights and the UN Global Compact chose the reports to review. Realizing Rights staff assisted in the screening and review of a number of the reports. The consultant was responsible for undertaking the analysis.

Scope, Principles and Key Elements of Human Rights Reporting

Reporting on human rights is a daunting task for any organization. Current thinking in the field suggests that because companies can potentially affect all internationally recognized human rights, the appropriate scope of human rights for companies to consider when reporting includes, at a minimum, the rights contained in the Universal Declaration of Human Rights and its two implementing instruments: the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR) as well as the core conventions of the International Labor Organization (ILO). These instruments, which cover internationally recognized human rights, are commonly considered the main international reference points for corporate human rights reporting.

To determine which elements should be considered as part of good human rights reporting, this review drew on the existing *GRI G3 Guidelines* and ongoing work undertaken as part of the above-mentioned joint initiative, *"A Human Rights: Call to Action"*. Using this base for the analysis presented in this report, key factors for good human rights reporting include:

- Adherence to principles (such as those of the GRI) on report content (materiality, stakeholder inclusion, sustainability context, completeness) and quality (balance, comparability, accuracy, timeliness, clarity, reliability), which apply to all sustainability reporting, not just human rights reporting
- Materiality through a human rights-specific lens (identifying human rights issues that are particularly important to the company and its industry, both generally and with regard to specific operations)
- Disclosure on relationships (indirect impact of companies on human rights through other parties)
- Human rights due diligence reporting (discussion of the human rights-related policies and procedures a company has in place)
- Human rights performance data (how the company carries out its policies and procedures as well as incidents related to human rights; this can encompass human rights implementation reporting and impact reporting, both positive and negative). These are still evolving, with much more work needed to define human rights impact and performance indicators. One place to start is with the human rights-related indicators such as those contained in the *GRI G3 Guidelines*⁵

While best practice would be coverage of all of the above, this is, admittedly, an ideal. Most of the examples highlighted in this analysis were chosen because they were considered innovative

⁵ These include the labor rights covered by the ILO core conventions (the G3 Labor Practices and Decent Work indicators are not part of this scope and were not considered criteria for the purposes of this analysis.)

or notable with regard to one or more of the above aspects. The idea is to point to examples of strong reporting in various areas in order to provide ideas on which to build, and to flag opportunities to raise the bar on human rights reporting in general.

The following sections summarize trends, notable strengths and continued challenges and weaknesses of human rights reporting that the analysis uncovered (Section II) followed by a discussion of areas for further reflection and improvement (Section III). The final section provides a number of specific company reporting examples and discusses why they are noteworthy. Appendix 1 presents examples of notable human rights reporting found outside of sustainability reports themselves.

II. Main Findings

State of Play

Human rights reporting has gone through a period of some progress in recent years. A small but growing number of companies are experimenting with ways of reporting on the existence of internal processes (possibly reflecting the Disclosure on Management Approach guidance in the *GRI G3 Guidelines*) and, to a lesser degree, how these processes are carried out and what impact they have had on stakeholders' human rights.

The review concluded that the quality of human rights reporting in 2009, in general, still falls far short when measured against the principles outlined in Section I, despite the fact that a significant number of companies have been reporting in this area now for several years. Among the reports reviewed, a small number showed strong overall coverage of human rights, while a larger number of reports presented interesting or innovative, but generally isolated, examples of human rights reporting on very specific issues. Some of the current review's findings on continued challenges were similar to those that SustainAbility noted in 2005 (e.g. lack of performance-related data, lack of quantitative indicators, and so forth).⁶

Notable Progress, Strengths and Innovations

The review turned up particular progress in the following areas of human rights reporting in connection to the principles and elements of good reporting defined in Section I:

- 1) **Stakeholder inclusion:** Interesting experimentation with the inclusion of stakeholders or outside voices in reporting was evident in some reports, as well as reporting on engagement of those stakeholders. Examples include statements from independent review panels, excerpts of stakeholder comments, questions or challenges to the reporting company, and even whole sections of reports with extended statements from NGOs, suppliers and others affected by the reporting company. Until recently, readers generally heard only the

⁶ See SustainAbility, "Human Rights Reporting 2005", pp. 10-11.

company's voice, which often left open questions concerning the accuracy of claims made in the report and the views of relevant stakeholders.

Bringing in other voices can strengthen the balance of a report, thus raising its credibility by giving readers an idea of how and why the reporting organization has addressed specific human rights issues. In a handful of reports reviewed, the stakeholder voices are quite candid and ask challenging questions. They bring a critical viewpoint and broach topics that might have been off the table not that long ago. Section IV presents examples of the innovative or interesting use of stakeholder voices (or discussion of stakeholder engagement) as possible guidance for other companies.

- 2) **Implementation reporting:** there is growing recognition, both by companies and their stakeholders, of the need for better reporting of how companies actually carry out their human rights-related policies and procedures (these policies and procedures are increasingly referred to as "human rights due diligence").

Progress in this area is evident particularly with regard to **supply chain reporting** – specifically, innovative ways of reporting on the roll-out or integration of policies and programs aimed at improving respect for human rights within company supply chains. This has been most evident in reporting from a handful of companies mainly in the apparel, footwear, toy, retail and electronics industries. This is perhaps to be expected, as supply chain human rights abuses have been on the radar for well over a decade in these industries, and initiatives now exist dedicated to improving both supply chain labor standards and disclosure on these issues. The GRI, the UN Global Compact, labor rights groups and others have also produced guidance on this area of reporting, which has been of assistance to companies. Despite these advances, the number of companies reporting on supply chain related issues remains limited. Many industries such as automotives, manufacturing and chemicals, all with significant potential supply chain human rights challenges, do not yet seem to report much in this area. The experiences of companies undertaking innovative or promising supply chain reporting should be studied by others.

The review also turned up some promising examples of reporting on company-level **grievance mechanisms**, which are non-judicial channels within companies for stakeholders, both internal and external, to bring complaints for redress. Examples of these include worker hotlines, ombudsmen, and formal dispute resolution mechanisms between a company and a union. These are an important feature of the implementation of human rights-related policies and procedures and one that has gained attention in the past two to three years. Section IV highlights selected cases, including one example from the realm of environmental reporting that is worth studying for its possible application to human rights-related disclosure.

- 3) **Positive contribution to human rights** (reporting on positive impact): Several examples were identified that suggest how companies might report on actions that could lead to positive impacts on the realization of human rights, particularly in the area of economic and social rights. Most of the examples referred to rights related to livelihood, health or water, and most, though not all, concerned company operations in developing regions and

their impact on surrounding communities. In a small number of cases reviewed, companies reported on positive (or potentially positive) human rights impacts by making explicit reference to their contribution to the UN Millennium Development Goals (MDGs), though this was not an obvious trend.

Continued Challenges and Weaknesses

The review also uncovered a number of persistent challenges in human rights reporting. These were evident even in many of the reports with noteworthy examples of disclosure in certain areas. The most important challenges (not necessarily in order of importance) are:

- 1) **Equating community with philanthropy:** In contrast to the examples mentioned in the previous section, many reports continue to devote substantial space in “Community” sections to a discussion of company philanthropic programs. In some cases, such programs constitute the only information in the report with regard to community relations. This could be viewed as a missed opportunity to discuss company roles in human rights-related issues such as livelihoods, resource use, and impact on low-income (and therefore more vulnerable) populations. While philanthropic programs can have positive impacts on the enjoyment of specific rights – to education, health or housing for example – current reporting on community relations often tells the reader little about such impacts and fails to make connections between community engagement and human rights and development issues more broadly.
- 2) **Lack of performance reporting and impact reporting:** With few exceptions (as noted in the previous section), human rights reporting is still dominated by an emphasis on processes and policies, and provides relatively limited information with respect to impact as well as performance reporting (i.e. reporting both on a company’s progress in implementing its own policies and procedures as well as on what kind of measurable impact it is having, negative and positive, on the human rights of stakeholders).⁷ Reporting on the existence of processes is very important, and has improved in general over the years, but there has been much less progress on human rights performance or impact reporting.

Among reports reviewed, where companies disclosed “results” data, it was not always possible for the reader to determine the company’s perceived impact on human rights or its performance in carrying out its own human rights-related policies and procedures. This is evident in reports that provided numbers without putting them into a wider sustainability context: for example, simply providing a total for how much money a company spent on community development in one year. And in many cases, these data were not accompanied by a discussion of how the company saw those numbers as contributing to actual impact. Performance and impact reporting is challenging, not just for companies but for human rights groups, labor unions and others who are also trying to determine how to construct indicators that will capture human rights impacts in a meaningful way. It is important to note that a number or indicator in isolation is meaningless without some discussion of the context. Progress in this area will require input from all of these groups.

⁷ This confirms a key finding of the aforementioned survey, “Reporting on Human Rights”, by GRI and the Roberts Environmental Center of Claremont-McKenna College, 2008 (see, for example, p. 22 of that report).

- 3) **Lack of balance:** Many companies continue to report on human rights issues mainly (or in some cases, only) in a positive light. One of the GRI principles for defining reporting quality is balance: that is, a report “should reflect positive and negative aspects of the organization’s performance”.⁸ Balanced reporting means, for example, that a company discusses not only its support of programs to increase school enrollment in regions from which it sources cotton, but also the persistence of child labor in the local cotton industry in those same regions.

Further, the audience for human rights reporting generally includes human rights advocacy groups, social investors, their research providers and others who are well aware of both the general human rights challenges facing the reporting company’s industry and the specific, significant human rights-related controversies the company itself might be facing (lawsuits, allegations of involvement in human rights abuses, etc.). It is therefore all the more important that companies strive to present a balanced picture on human rights. This is a sensitive area, but there are advantages to the disclosure of significant human rights risks. These include increasing the credibility of reporting and demonstrating to readers that the company has procedures in place to identify and address these risks. While companies obviously will not be in a position to discuss current lawsuits in detail, for example, they could mention the existence of those that are associated with significant human rights problems, just as in their public filings, they mention the existence of lawsuits with significant financial implications.

- 4) Related to this are significant **gaps in reporting content:** Some companies that demonstrate innovative or promising aspects of human rights reporting still show substantial gaps in their overall level of disclosure and transparency on human rights. For example, an extractive company might provide good disclosure on human rights issues at one of its mines, but be silent on a controversy it has been involved in with regard to indigenous people’s rights at another of its operations.

This weakness, which came up routinely in the reports reviewed for this study, makes it difficult to point to “innovative” or breakthrough reporting, and in general affects the overall credibility of reports. The *GRI G3 Guidelines* give guidance on selecting material issues.

- 5) A gap in reporting on **sustainability context:** There continues to be little disclosure in human rights reporting of how companies grapple with **systemic human rights issues** either globally or in specific areas where they operate and their role in affecting these. This is an important gap, since in many cases companies can have an indirect but important impact on human rights through actions such as lobbying or purchasing practices and through relationships and agreements with other parties such as governments or business partners. Again, the *GRI G3 Guidelines* give guidance on sustainability context, which is one of the G3 principles for defining report content.⁹

Some companies seem to be moving toward reporting on these issues, but their efforts are sometimes either cursory or marked by the disclosure of a few numbers that mean

⁸ See *GRI G3 Guidelines*, p. 13.

⁹ *Ibid.*

little without a candid discussion of the context. For example, a pharmaceutical company discussing access to medicines might tell readers how many patients it helped through donated drugs in the past year, and how much money it spent on the initiative. But what does the company do in the realm of lobbying around the issue of drug pricing? What sorts of multi-stakeholder initiatives on this issue is it participating in, including those that involve its critics?

Disclosure in these areas would tell the reader more, if not necessarily about the company's performance, then at least about its processes and approach to fundamental human rights challenges facing its industry, and would give stakeholders something concrete on which to engage the company. Section IV looks at a few interesting examples of companies that include this sort of discussion in their human rights reporting (see *Useful Examples to Build On: 1) Business Model and Root Causes of Human Rights Abuses*).

- 6) **Absence of human rights from assurance:** Assurance of CSR reporting, which is meant to verify the accuracy of information and the integrity of the reporting process, tends to be done by parties with little human rights expertise. This trend has continued, and is sometimes the subject of criticism from company stakeholders. Among the reports reviewed, when there were external assurance statements, there were almost no examples that included substantive comments in relation to the accuracy of human rights information *per se* (the vast majority of these assurance statements were made by accounting firms). Only one report reviewed contained an external supply chain verification report by a third-party auditing firm (in contrast to an assurance statement on the CSR report). It is worth asking whether and how the assurance process can be designed to ensure specific attention to human rights. This may relate to decisions about the scope and structure of engagement or it may relate to the composition and focus of the teams implementing the assurance.

III. Looking Forward

Areas for Further Discussion and Research

This review has thrown up a number of issues and questions requiring further discussion as human rights reporting moves forward. This section examines two of these in particular – placement and highlighting of human rights issues in reporting and the potential value of providing human rights-relevant information outside of standard sustainability reporting frameworks.

- 1) **Placement and highlighting of human rights issues in reporting**

As the review made clear, the large majority of current sustainability reports do not have dedicated human rights sections. Instead, human rights-relevant information is often integrated into sections covering issues such as Community Investment, Rural Development, or Access to Medicines, to name a few examples, often without being identified as being of relevance to human rights *per se*. Without examining similar samples of reports from previous years, it is not possible to say whether there has been a change over time in the

number of reports with discrete human rights sections. But anecdotally, human rights-relevant information seems to be spreading into or permeating other sections of reporting. This raises some interesting questions.

Is it critical to refer specifically to “human rights” in sections that discuss human rights-relevant information? For example, is a section of a report by a pharmaceutical company on access to medicines complete if it does not explicitly refer to the right to health and the company’s views on its appropriate role in this area? Similarly, should disclosure on a coffee company’s fair trade program be considered part of its human rights reporting? What about an insurance company’s reporting on its efforts to provide low-cost health insurance to the poor? Clearly, all of these issues are of direct relevance to human rights regardless of whether the companies involved choose to present the information in these terms. More dialogue is needed around the value of presenting such issues through the lens of international human rights principles and standards.

A related question concerns the degree to which a dedicated human rights section within a sustainability report is viewed as being necessary to show that the company understands what human rights are and why they are important. Does a dedicated section lend itself to the reporting organization’s – and readers’ – thinking about human rights as an area in which a company’s impacts, positive and negative, can be quite diverse? The movement of human rights discussions from a dedicated section into other relevant parts of a report is a potentially welcome step to be encouraged. This would be the case as long as the integration of human rights-relevant discussion demonstrates the reporting organization’s awareness of the specific rights issues at hand and as long as the company, elsewhere in the report, explicitly states its recognition of the corporate responsibility to respect all internationally recognized human rights.

In a related vein, human rights reporting by many companies presently focuses on their activities in developing countries. Reporting on activities in regions or countries where protection of human rights is weak is indeed important, since a company’s handling of human rights-related challenges in these places is a key test of its commitment to respect human rights. However, as the above discussion indicates, potential human rights impacts are not restricted to a company’s operations and impacts in developing countries. Human rights issues extend to areas such as employee relations, gender equality in the workplace and customer safety, not to mention community impacts around a company’s headquarters. Human rights reporting therefore should not be geographically bound, nor should companies take a narrow view of where they have an impact on human rights across their operations.

Likewise, good human rights reporting is something that all companies from all sectors and regions can and should aspire to and achieve. The examples in Section IV draw on reports from both developed and developing countries.

2) Reporting on human rights outside of sustainability reports

Human rights disclosure in formal sustainability reports is a crucial part of corporate disclosure and a key tool for communicating with stakeholders on these issues. But it is not the only available tool. The growing number of examples of reporting on human rights-related issues outside formal reports merits further discussion.

Appendix I discusses a few examples of such reporting that break new ground on human rights disclosure. This could prompt discussion not only about possible venues for innovative human rights reporting outside of conventional sources, but about what is meant by human rights reporting itself. It could be said that companies are increasingly expected to communicate publicly, and in a timely fashion, about their human rights impacts and respond to public concerns through different communication channels. This can be seen in companies that have begun quarterly CSR reporting as well as in those that are releasing human rights-related information in formats not seen before in the public domain, often in response to alleged human rights abuses.

For example, the joint-owned subsidiary Nokia Siemens Network (NSN) posted statements on its blog in response to accusations that it had sold technology to Iran, which the government then used to crack down on protesters after contested elections in June 2009.¹⁰ The Business and Human Rights Resource Centre (www.business-humanrights.org), the largest source of online information on alleged corporate human rights abuses, solicits and posts letters from companies responding to such accusations. Should these developing forms of information exchange and disclosure be seen as part of the human rights reporting process? It is clear that stakeholders are asking companies to be more open to discussing human rights, and not just in their sustainability reports. Disclosure can be effective in different places, and more debate is needed on where and how companies should publish human rights-related information. Human rights governance information that does not change over time might be best placed on a corporate website. Performance data, especially on recent human rights-related problems, belongs in annual reports, but in some cases should also be published on the website in the interests of timeliness of disclosure.

If a report meets the principles outlined earlier, then putting other human rights information elsewhere in the public domain (e.g. websites, other free-standing reports) – including more in-depth, timely information or information in a more informal format – can enhance company disclosure and be part of the spectrum of human rights reporting. This is a developing field, and innovation and experimentation are welcome.

Areas for Improvement

In addition to addressing the gaps identified in Section II, companies should consider a number of additional ideas as they work to improve their human rights reporting. These include:

¹⁰ <http://blogs.nokiasiemensnetworks.com/news/2009/06/22/provision-of-lawful-intercept-capability-in-iran/>

- Presenting clear maps within human rights reports that identify not only where company operations are around the world, but also the key human rights risks the company believes it may face in those areas of operation.¹¹
- Collecting and sharing baseline data in reports on local communities in which the company operates and around which stakeholders have raised concerns about human rights impacts. Section IV discusses one example briefly. Such data could help companies and their stakeholders better identify and track human rights impacts on communities, including positive impacts.
- Adopting best practice in disclosure on employee and community grievance mechanisms. These mechanisms are not yet widespread, but increasing awareness of their importance will soon be matched by demands for better reporting in this area (see Section IV).
- Exploring “traceability” in supply chain reporting (e.g. tracing raw materials back to their original source, and disclosing social and environmental impacts along the way). Current examples in this area are not in human rights reports *per se* but rather, they tend to appear on websites. However, there is much to learn from such efforts, especially if, due to public or government pressure, traceability becomes a required part of regular reporting. Traceability mechanisms could be seen as part of human rights disclosure for a different audience, such as customers seeking to know the conditions under which products are made.
- Developing proactive approaches to human rights reporting; that is, not only disclosing information on challenges or opportunities in relation to specific company operations, but also using reports to discuss emerging human rights issues relevant to the wider industry or sector.

IV. Examples

This section highlights useful examples of current human rights reporting to build on, as well as examples of where there is room for improvement. As noted earlier, most of the reports reviewed as part of this analysis that contained examples of strong reporting also had weaknesses in other areas of human rights disclosure, a point that underscores the general need for further dialogue about the nature and scope of human rights reporting. This section is not meant to provide “best practice” guidance, nor should it be taken as an endorsement of any of the companies or reports excerpted or discussed here. The section begins with examples of reporting that address human rights from a broad perspective – that of the connection between business models and human rights impact. It proceeds to examples of reporting on internal, human rights-related policies and processes, and ends with examples of reporting on outward-facing processes (stakeholder engagement) and performance reporting (positive contribution to rights).

¹¹ Along these lines, in 2002, Amnesty International and the International Business Leaders Forum produced a series of human rights Geographical Risk maps. Other organizations, such as Maplecroft, have also produced human rights risks maps more recently.

A. Useful Examples to Build On

The following examples are organized under headings that reflect key areas that readers might look for in human rights reporting.¹² They are just one suggestion of how human rights information can be presented effectively, and one possible way of organizing the examples, some of which could fit under more than one heading.

1) **Business Model and Root Causes of Human Rights Abuses**

A key weakness in current human rights reporting involves inadequate discussion of the connections between root causes of human rights abuses and present business models, purchasing practices or other fundamental aspects of company operations. As part of completeness in reporting and proper disclosure on sustainability context, companies are increasingly expected to discuss “root causes” in connection with their impact on human rights: in other words, how their business model or practices themselves could help create situations in which human rights abuses are more likely. The reason such reporting is critical is that these impacts can be far-reaching and fundamental, and readers want to know that companies are aware of and are trying to address these.

A few of the companies reviewed for this report have begun to address these issues:

In its 2008 Corporate Responsibility Report, *GlaxoSmithKline (GSK)* explores the issue of access to medicines – one critical aspect of the right to health, which is a fundamental human rights issue for pharmaceutical companies. This is a useful example, because the report’s CEO letter lays out the topic up front, indicating to readers that senior management recognizes the importance of the issue, while its extended section on access to medicines provides the context behind the issue and outlines in a detailed manner its approach to aspects of access such as preferential pricing. *GSK*’s report on this issue would have benefited from including the voice of stakeholders, as well as a more comprehensive discussion of challenges and unresolved issues such as continued controversies around the appropriate role of pharmaceutical companies in ensuring access to medicines. However, its reporting in this area is an example upon which to build.

GSK also provides an extensive public policy section in its report describing the company’s position on several issues, including those with human rights implications. The discussion is unusual in its comprehensiveness, and in theory should allow for better engagement on the issues with stakeholders by providing more clarity around its positions.

Hennes & Mauritz’s (H&M’s) Sustainability Report 2008 includes some discussion around its purchasing practices and its approach to home working and workers’ rights. The company’s reporting in this area is helpful as one example of disclosure on how *H&M* has begun to consider the connections between its business practices and their impact on human rights, as well as some of the ways in which it has tried to address this.

Stakeholders such as human rights groups and social investors look increasingly for disclosure on this type of business practice. However, only a handful of companies with

¹² The headings are informed in part by the work of the Human Rights Working Group of the *Human Rights: Call to Action* project, as well as comments from the expert review panel.

extensive supply chains have reported in much detail on how they approach fundamental aspects of this business model, such as how buyer decisions can indirectly affect human rights, and how addressing them is essential to proper management of human rights in the supply chain. *H&M* describes the procedure it has developed around home working, an area on which many of its peers do not report, though it has significant human rights implications for textile and apparel companies, among others. Further, the company's discussion of its capacity building work in relation to workers' rights is notable for its level of specificity.

2) Policies and Governance

One of the first things stakeholders look for in human rights reporting are policies that indicate something of a written pledge that the company will respect human rights. Readers also look increasingly for clear reporting on where, within the managerial structure of the reporting organization, the responsibility for human rights-related issues lies. Disclosure is lacking particularly in this second area, though a few reports reviewed provided good examples.

Mondi Group offers a succinct description in its report of the HIV/AIDS performance requirement that it applies across the company, including a strong policy statement about the rights of HIV-positive employees, although it is difficult to tell from the rest of the disclosure how well this policy is actually carried out.

Both *Hewlett-Packard (HP)* and *CVS Caremark* have notable disclosure around their policies and procedures to protect customer privacy, a human rights issue that has received increased attention, particularly in the information and communication technologies and pharmaceutical industries. The disclosures here are on procedures as opposed to performance. *HP's* disclosure consists in part of an extensive discussion within the report text as well as further discussion on its website, which is linked directly to the report section. Such a format allows readers access to more information without interrupting the flow of the report, and allows the company to place important information elsewhere while still pointing to it. Some companies have begun to include a permanent place on their websites for their policy statements, codes of conduct and other documents that change infrequently, leaving just a link in the report.

Telefónica, S.A. has a detailed discussion in its report of the privacy policy it adopted in 2008. It is significant that the company underscores that the policy should guarantee adequate protection of privacy "independently of the existence or inexistence of an applicable legal framework", and in any country "independently of that country's legislation in this regard".¹³ This disclosure is particularly relevant because of the government-imposed restrictions on freedom of expression in certain countries in which many information and communication technologies companies operate or offer their services.

The three cases above are helpful mainly as examples of concrete statements of reporting organizations' commitment to human rights issues considered material to their industries.

¹³ *Telefonica, Informe Anual de Responsabilidad Corporativa 2008*, p. 26. Author's translation.

Regarding governance, *GlaxoSmithKline* discusses its corporate responsibility committee, a group of non-executive directors, and the issues (such as human rights) over which the committee has oversight. *HP* discusses the line of responsibility behind its supply chain, including a supply chain board that reports to the company's executive council. *H&M's* report has a clear break-down of its CSR management and supply chain auditing team, and it takes the unusual step (see below, *Supply Chain Management*) of disclosing which specific staff members have responsibility for its supply chain-related goals.

3) **Implementation of Human Rights-Related Processes**

As noted earlier, companies have made some progress in reporting on the processes and procedures they have put in place to enable them to respect human rights, though there is still much room for improvement. These can include impact and risk assessments, integration processes (e.g. training, roll-out), complaints mechanisms, and monitoring and evaluation, both internal and external. It should be stressed that reporting itself is an important part of the implementation process. Below are a few examples on which others might build.

Training

H&M's disclosure on auditor training offers good detail on the type and content of training. Its reporting on capacity building (see below, *Positive Contribution to Human Rights Fulfillment*) also provides an unusual level of specificity on its training and awareness raising work in Bangladesh. This is in the context of disclosure on gaps found through company audits, measures taken, and the preliminary results of those measures, and is a combination of quantitative and qualitative data.

Supply Chain Management

The Walt Disney Company's report includes a thoughtful discussion of unannounced visits to its supplier factories, which explains the rationale and challenges behind such visits, and the company's plans for expanding these. In response to human rights groups' criticism of the use of announced visits (which can give factory owners and managers the opportunity to make only superficial adjustments so as to pass a labor audit), some companies have begun to increase their percentage of unannounced visits, but do not necessarily disclose much about this in their reporting, other than numbers. This example is therefore helpful as an explanation of why and how the company has responded to a common problem of supply chain management.

Starbucks also provides instructive narrative on the challenges around sourcing practices in its coffee supply chain. In its 2008 sustainability report it began to publish generic scorecards on coffee and cocoa sourcing standards. The report also includes a link to the summary of an assessment by Conservation International (placed on that organization's website) of Starbucks' ethical sourcing practices. The generic scorecard offers only average compliance scores across large groups of indicators, and ideally subsequent reports will give further breakdowns of data. But the example is useful for its disclosure on supply chain challenges as well as its inclusion of an external assessment.

H&M's report has good disclosure on the accreditation process in connection with the company's relationship to the Fair Labor Association (FLA), which carries out monitoring of supplier compliance with the company's labor code of conduct. Its reporting includes a discussion of gaps that FLA found in *H&M's* supply chain program and the company's initial response to these. It is somewhat unusual in human rights reporting to find a detailed discussion of what this kind of accreditation involves; this is a good example of disclosure on some of the processes behind the company's management of labor standards in its supply chain.

H&M also gives a clear and candid account of the most common non-compliance issues in its supply chain, with extensive data broken down by region and specific human rights issues. The company could provide more analysis on the data, which in some places is presented in a confusing manner. It discloses clear and specific targets in relation to supply chain human rights issues, and, as mentioned earlier, includes the name of the person responsible, which is highly unusual. Specificity and candor in supply chain reporting can help the company and others benchmark its progress, as well as give stakeholders information they need to engage the company.

HP supplies useful examples of reporting on its supplier training and capacity building programs, with clearly stated goals and outcomes in these areas, trend data on non-conformity in sites audited (by region), and the beginnings of reporting on suppliers below the first tier, an area where most company reporting is weak. On the other hand, *HP* could include more detailed analysis of some of its audit findings and more in-depth discussion of persistent human rights problems in its supply chain and their root causes, for example in China. In addition, while its report includes a list of its first-tier suppliers' names (also relatively rare in supply chain reporting) it does not give locations.

Ford Motor Company describes its participation in the Automotive Industry Action Initiative (AIAG), which itself was a response to forced labor in the supply chains of major manufacturers. The company also includes a timeline showing the roll-out of its internal policies to various tiers. This example is useful as it shows an early effort at reporting on the roll-out of sustainability processes beyond the first tier, as well as disclosure on participation in a multi-stakeholder initiative set up to address human rights abuses beyond the first tier. These are important elements of human rights due diligence reporting (specifically on integration) for companies with complex supply chains. *Ford's* reporting in that section could have benefitted from more discussion of the actual problems in the supply chain that led to the creation of the AIAG. Readers will expect subsequent reports to go into more concrete detail on the company's integration of sustainability measures in the second tier and below.

Danfoss includes in its reporting a discussion of its use of prison labor. Corporate use of prison labor is controversial because it can involve serious human rights abuses, and disclosure in this area is unusual. Its main strength as an example lies in the company's acknowledgment of a material human rights issue, and its discussion of NGO criticism of the company's use of prison labor and its response. It is not clear whether its actions satisfied the stakeholders involved, but the extended discussion of the issue is a start.

Grievance Mechanisms

Employee and community grievance mechanisms in relation to human rights issues are an important part of due diligence reporting.¹⁴ The mechanisms themselves are not well-developed, and reporting on them is almost non-existent (some companies report on communications channels for dissatisfied employees or customers, but these are not the same thing, for example, as grievance mechanisms meant to handle human rights claims by local populations). However, the review turned up a few examples that show some movement toward disclosure. What is useful about these examples is that they offer an outline of the procedure(s) the companies have put in place to allow for complaints, and in some cases disclosure on how the mechanism has worked in a specific instance.

Chilectra, S.A. discusses a new way of dealing with local opposition to one of its projects. The discussion is noteworthy in the company's description of the process, in which it brought in a sociologist to assist in resolving the conflict. While perhaps not exactly a grievance mechanism, it is an interesting example of narrative on the process related to stakeholder grievances.

Another example is that of *Disney*, which discloses information on a confidential worker helpline in China operated by a local civil society organization at several factories supplying *Disney*. Although the data and discussion could be more robust, the narrative is a start. *HP's* report demonstrates another type of disclosure in this area: it provides a link to an academic study of grievance mechanisms, one of which is at an *HP* supplier in Mexico (the description in the study is quite brief). In a section on land claims and indigenous peoples, forestry company *Mondi Group* describes the mechanism in place to address disputes with communities over land that it holds. Although the section is somewhat cursory, it gives the outlines (through numbers and narrative) of how the company handles land claims against it.

Finally, there is a notable example that while appearing in the Environment section of the company's report, nevertheless stands out as a possible model for human rights disclosure. *AngloPlatinum's* section on Environmental Complaints and Incidents offers a combination of quantitative and narrative reporting that shows the change from the previous year, clear disclosure of the incident, the cause and the action taken. It is worth considering whether this kind of reporting could be applied to certain types of human rights-related complaints and incidents.

4) **Tracking Performance (Monitoring and Verification)**

One way in which reporting on human rights-related performance will improve will be through better monitoring or tracking of human rights-related processes, whether by the company itself or by third parties. Some combination of the two (for example, discussion of

¹⁴ As part of his work on access to remedies, the UN Special Representative on Business and Human Rights (SRSG) has paid particular attention to grievance mechanisms. In 2008 "BASESwiki", an on-line resource focused on the non-judicial mechanisms available to help companies and their external stakeholders resolve disputes, was launched by the Corporate Social Responsibility Initiative of the Harvard Kennedy School in cooperation with the SRSG. See www.baseswiki.org

both internal and external monitoring and evaluation processes) might be most effective for the credibility of reporting.

HP publishes, within its 2008 report, an external supply chain verification report by a third-party audit firm. This is representative of an incipient trend; a handful of companies have done so. Such disclosure is valuable because of the general need for outside corroboration of human rights-related reporting, but also because of the continued lack of transparency around supply chain labor standards in particular.

AngloPlatinum provides a useful example of tracking performance through an external evaluation. The company reports on water quality concerns raised in an NGO report on its mining and resettlement activities. As part of its disclosure, the company discusses the preliminary findings of a groundwater evaluation that a local university undertook. The report also notes the additional steps to be taken with regard to groundwater safety. The important factor is the disclosure of independent findings in response to stakeholder concerns. *AngloPlatinum's* disclosure is a step forward in an area where good reporting is rare.

5) **Stakeholder Engagement and Stakeholder Voices**

The review turned up a number of interesting instances of reporting on stakeholders and on stakeholder engagement. These were chosen as good examples of general reporting principles such as balance and stakeholder inclusion. Each of the following represents promising steps forward in candor, comprehensive reporting on outside perspectives, or bringing in more critical voices than has normally been the case in human rights reporting. These outside voices are a crucial part of credibility for human rights reporting, not least because so few aspects of this kind of disclosure are mandatory or standardized (in comparison, for example, to governance or environment). In addition to involvement in the reporting process, stakeholder groups can also be a valuable source of independent research and information to be considered in association with reports.

Perhaps the most innovative example of reporting on internal stakeholders appears in *Chilectra's* 2008 report. The company includes a section on union leaders' voices, which is quite unusual in sustainability reporting. Most notably, the section reprints specific comments of union leaders, mentioning by name the union leaders who were dissatisfied with the collective bargaining process in the previous year, and why. The disclosure stands out for its candor and detail.

Another example is *Talisman Energy, Inc.* The company discusses in considerable detail its community consultation process in Peru, including its meeting with indigenous communities and its discussions with NGO representatives. The report also mentions the company's funding of an environmental observer training program aimed at increasing the local population's ability to monitor *Talisman's* performance. Finally, it provides an interesting example of reporting on community investment in Kurdistan that was linked to both the company's core business and to local human rights issues, as well as a discussion of its potential positive impact on stakeholders' human rights in the area.

The report could be strengthened in several ways: for example, by including stakeholders' voices; by acknowledging the local protests against its operations by some of the Peruvian communities leading up to the process described in its report; by providing more disclosure on how the environmental observer program is working; and by including an examination of potential negative impacts on human rights in relation to its operations. Nevertheless, this example points to useful ways of reporting on aspects of stakeholder engagement that have implications for the enjoyment of human rights, such as the impact of mining on health in local communities.

HP offers an example of embedding outside perspectives in its human rights reporting. In "Responding to Perspectives", the company discusses its response to concerns raised by Student & Scholars Against Corporate Misbehavior (SACOM), a worker rights NGO in Hong Kong that has been a tough critic of multinational companies. More interesting, however, is that its Perspective section is an extended conversation between SACOM and an *HP* supplier that is SACOM's training partner in a joint *HP*-supplier program to improve worker rights. It is unusual to see an extended section such as this, as well as the inclusion of a voice that has been particularly critical of supply chain practices of MNCs. It will be interesting to see the extent to which other companies follow in this direction, both in their supply chain labor rights initiatives and in reporting on these.

H&M also includes at least one highly critical stakeholder voice in its report (that of the Clean Clothes Campaign), again in the area of supply chain labor rights. Further, the company publishes a statement by UNI, a global union, regarding labor relations issues. Although the statement remains at a somewhat abstract level, it is important for balance that *H&M* included UNI's voice, given that the company has had controversial labor relations in the past.

BG Group and *Air France* each embed a challenging stakeholder question or comment in the text of their reports. In both examples, the companies identify the stakeholder by name and affiliation. This would seem a more effective approach than including, as some companies do, a challenging perspective but labeling it simply "stakeholder question", not only because the former approach builds in balance, but also because readers can see who has made the comment and judge for themselves whether the commentator is one of the company's more critical stakeholders, which can in turn add to the credibility of the report. It is worth noting that *BG Group* publishes an assurance statement that challenges it to improve its engagement of stakeholders and its reporting on this.

GlaxoSmithKline gives a relatively detailed account of stakeholder engagement on a key human rights issue, access to medicines. However, the company could have used the stakeholders' own voices on the issue somewhere in the report. A Q&A section does respond to common questions from stakeholders but, for the most part, does not include the voices of the stakeholders themselves and is therefore not as effective as the above examples for the reasons stated.

Similarly, in its "I Want To Explore" section (aimed at novice report readers), *Cadbury* has included a relatively candid treatment of stakeholder concerns around its Cocoa Partnership

in Ghana.¹⁵ But the discussion is reprinted from an online publication called *New Consumer*, with no explanation in the report itself of who the stakeholder is. To its credit, *Cadbury* provides significant opportunities, embedded within its report, for online stakeholder feedback and reactions.

A growing number of companies use external stakeholder panels as part of their reporting process, and some companies publish unedited statements by these panels. Such panels can give internal guidance to companies on sustainability reporting, and, with regard to external readers, can also give some measure of objectivity to the report. *AngloPlatinum* and *BAE Systems* have examples of this kind of disclosure, and in both of these cases, the panels' statements touch on human rights-related issues and provide some candor about the ways in which the companies could improve their reporting on these.

Newmont Mining Corporation's discussion of human rights-related security management is relatively detailed in comparison to that of many of its peers. It includes disclosure on a mediated dialogue that resulted from a complaint filed by Oxfam America against security services at *Newmont's* Yanacocha mine in Peru. The dialogue took place among participants in the Voluntary Principles on Security and Human Rights, a multi-stakeholder initiative to improve the integration of human rights concerns into corporations' use of security forces, both private and public. The example is notable not only because there is so little reporting on the issue of due diligence around security force use, but also because there is often little disclosure around the specifics of companies' participation in multi-stakeholder initiatives and what this participation means on the ground. Further, *Newmont* offers some detail, both narrative and quantitative, on the human rights training carried out at Yanacocha.¹⁶

While this example is presented as an illustration of reporting on stakeholder engagement, it is also one of the very few examples found in the review of reporting on relationships. As touched upon in the introduction, disclosure on relationships is an important element of effective human rights reporting. Specifically, a company can have indirect but significant impacts on human rights through its relationship with or influence over other entities (such as governments, contractors, supplier factories, security forces, and so forth). Where a company is indirectly involved in human rights abuses carried out by others (or perceived to be so), it could find itself accused of complicity. Therefore companies are increasingly expected to include disclosure of how they screen these relationships for possible human rights-related risks and what steps they have taken to mitigate such risks.

Finally, and very interestingly, *AngloPlatinum* includes in its report a list of what it considers its stakeholders, providing the actual names and brief descriptions of each stakeholder, along with their relationships to the company and frequency of engagement. This is

¹⁵ <http://www.dearcadbury.com/i-want-to-explore/cocoa-sourcing/how-we-are-doing/>

¹⁶ In June 2009, Newmont released the summary of an independent review of security and human rights policies and procedures at its majority-owned Minera Yanacocha (www.yanacocha.com). The company had agreed to the review following allegations of human rights abuses at the mine by police and private security forces. Oxfam America, which has been involved in the mediation process around the mine with Newmont, welcomed the review and its publication, but urged the company to address human rights concerns at the mine. See Oxfam America's press release at <http://www.oxfamamerica.org/press/pressreleases/oxfam-calls-on-mining-company-to-respect-human-rights>

highly unusual, and gives readers extensive and concrete information on the company's stakeholder engagement. While such reporting does not necessarily tell us the quality of the engagement (for example, whether it resulted in the resolution of issues raised to the satisfaction of both the company and the external stakeholders), it can serve as an entry point for stakeholders to interact further with the company.

6) **Positive Contribution to Human Rights**

As noted earlier, reporting on human rights impact lags far behind reporting on policies and procedures. However, the review turned up several interesting examples that could advance the discussion of how to report on corporate impact on the enjoyment of human rights. Most of these examples focus on positive impact, both potential and actual – for example, the right to livelihood of communities near company operations, but also the protection of worker rights. As such, several of the examples could have benefitted from a better balance of discussion of both the negative and positive impacts of their operations on local communities and the inclusion of external voices. Most of the examples are of an anecdotal nature. Reporting on impact is not yet at a stage where measurement that is replicable or comparable across companies is available.

Community Development and Investment

BG Group takes an interesting approach to the issue of local development and impact on communities. It reports that it is undertaking baseline socio-economic analyses of communities near all of its operations to better determine (and mitigate) its social impact. These analyses could enable the company to measure its impact on income, health and education levels, for example (it would be difficult for a company to meaningfully assert positive impacts without having baseline data). If it discloses information on these assessments in future reports, this could also allow stakeholders to evaluate some of its impacts (both positive and negative) as well as engage the company on specific concerns.

Marathon Oil's discussion of community investment in Equatorial Guinea shows the link between the company's core business and what it is doing in the community (as opposed to simply philanthropic programs that might tell us little about long-term commitment to human rights). The case study discusses company training programs aimed at increasing the number of national employees in its operations, as well as a company-sponsored course on rule of law and human rights, the strengthening of which is ultimately essential to the company's long-term social license to operate in that country. An important gap in the company's reporting is the absence of discussion of the context in Equatorial Guinea, in which human rights abuses are rife.

Contributing to the Realization of Rights (Livelihood, Health, Water)

Newmont embeds within the Human Rights section of its report a case study on a livelihoods program it has undertaken jointly with the Central Land Council, which represents Aboriginal peoples in Australia. The case study gives a good idea of how the company has addressed, in one location, the question of benefits to local communities from mining, which is central to the issue of mining's human rights impact, both positive and negative, on these populations.

In its “I Know My Stuff” section (for more advanced report readers), *Cadbury’s* discussion of its “cocoa partnership,” launched in 2008, is a strong example of reporting on an internal initiative (with outside stakeholder participation) aimed at building sustainable livelihoods in communities that are part of its cocoa supply chain. It provides some depth of disclosure around how the company has set up the initiative (through a brief discussion of governing structures both international and local, and internal and external reporting requirements) and how it intends to measure and evaluate its performance (through a discussion of concrete indicators on areas such as household income, livelihood opportunities, biodiversity, and health and basic education.) This disclosure could be improved with more detail on who, exactly, sits on the in-country management boards. And future reporting on the initiative should include disclosure of actual performance under the initiative; this will be an area to look for in the company’s next report.

Procter & Gamble reports on its “PUR” initiative, through which it supplies its water purifying product at cost on a not-for-profit basis to communities without access to clean drinking water. With regard to reporting on the company’s contribution to the right to water, *P&G’s* discussion of PUR’s impact is an interesting, if small, step forward. In the section of the report on “Children’s Safe Drinking Water Program Methodology”, the company discusses the impact of the PUR initiative on access to clean water, including partial disclosure on how it came up with the figures that it reports (e.g. reduction of water-related diseases). A key factor here is the company’s discussion of how it measures its impact, which could offer an entrée for further exploration of this complex topic with stakeholders.

Worker Training and Rights Awareness

H&M and *HP* have solid disclosure on capacity building, mostly in relation to suppliers and supply chain workers. These are relevant discussions because companies with long or complex supply chains have an important impact on the communities from which they source their products. Both examples are notable for the level of specificity they provide around how they approach capacity building and why they have chosen these particular areas of focus.

Equal Employment Opportunity

AngloPlatinum gives a detailed breakdown of employment by gender and race per occupational level. In relation to ILO core convention 111 on non-discrimination, this is one way to present quantitative performance data. This kind of disclosure is particularly relevant for South Africa, where *AngloPlatinum* is based. Ideally it should be accompanied by narrative description or analysis of the data; *AngloPlatinum* offers only a brief commentary on employment equity. The company could also improve its performance reporting by including year-on-year changes.

B. Room for Improvement

Section II highlighted key weaknesses in human rights reporting. The following section gives concrete examples of some of these – namely, silence on known controversies, superficial reporting or lost opportunities to discuss systemic or contextual factors behind human rights challenges, and lack of balance.

1) Lack of reporting on specific cases or controversies

Silence on known human rights controversies, either company-specific or industry-wide, is fairly common across reporting. Examples found in the review include:

Roche (F. Hoffmann-La Roche Ltd): the company's report does not discuss or seek to respond to recent shareholder concerns raised around organ transplantation and drug companies' potential complicity in human rights violations in China. China purchases immunosuppressors, produced by Roche and other pharmaceuticals, which reduce the rejection of transplanted organs. Rights groups and some shareholders have pointed out that in China, most transplanted organs come from executed prisoners, calling into question proper consent procedures. Stakeholders are also concerned about the possible link between the development of the Chinese market for immunosuppressors and the growing demand for organs in China, and the potential for pharmaceutical companies to benefit indirectly from this.

Nestlé, S.A.: in its report, the company does not seek to address ongoing debates concerning the human rights implications of the production and marketing of bottled water, an important part of Nestlé's business. For example, there is no mention in its report of ongoing criticism of the water bottling industry by human rights activists and what they see as the negative impact of this industry on the right to water. Investors have also expressed increasing concern recently about the "human right to water" and its relevance to corporations such as those that sell bottled water.

Starbucks Coffee Company: the company's report makes no mention of labor rights controversies it has faced recently in the U.S. around the right to unionize (in late 2008, the National Labor Relations Board concluded that the company had illegally fired three employees who were trying to unionize).

BP, plc: the company is involved in a joint venture in Brazil to operate an ethanol refinery. Sugar cane plantations and ethanol refineries in that country have been found in some cases to use forced labor. The discussion of biofuels in the report lacks any reference to the potentially negative human rights practices associated with sugar cane harvesting. It does not give any indication of whether BP has done due diligence or investigated the issues as part of setting up its operations. Critics of biofuels have also raised concerns that the widespread conversion of agricultural fields to produce biofuels could hurt food production and exacerbate world hunger. The report mentions this concern only very briefly.

These are by no means the only examples of companies electing not to address widely discussed issues or controversies involving their operations within their sustainability reports. Clearly this is an area where further discussion is needed.

2) **Superficial or incomplete human rights reporting**

Superficial or incomplete human rights reporting is also common. This can include reporting that says little or nothing about the larger context in which a human rights challenge occurs, thus making it difficult to interpret the reporting organization's human rights performance in this area. It can also include reporting that provides limited data without sufficient narrative on the complex issues surrounding those data. For example:

Abbott Laboratories includes in its report a very brief section on intellectual property and compulsory licenses. Given the importance of this issue and the amount of debate it continues to generate, the report could seek to examine this issue in more detail and provide more than only the company's position. More probing discussion of the controversies around this issue and how the company is seeking to respond to this key human rights challenge for the pharmaceutical industry would also help the report's credibility.

Hydro-Québec includes some disclosure on its relations with Aboriginal communities in Canada, but misses an opportunity to discuss these relations in more depth. The report would have benefited from reflection on the human rights impacts of its operations on indigenous peoples, a topic of significant concern for the energy and utilities industry. The report offers isolated data, such as the amount the company paid to Aboriginal organizations, companies and independent workers, without providing a context or discussion of what the numbers mean.

Air France makes one brief reference in its report to the sexual exploitation of children, but fails to discuss how airlines might potentially be implicated in this trade through links to the tourism industry or what steps airlines should take to address this problem.

3) **Lack of balance**

The problem of companies focusing mostly (or even wholly) on positive examples in their reporting is quite common in relation to disclosure around human rights. This gap does not seem to be associated with a particular industry or geographical region, although the sample size of the review does not necessarily allow for such distinctions. Even companies with strong human rights reporting could do better by examining more candidly the setbacks and difficulties associated with human rights challenges and by better and more frequent use of external stakeholders' voices. As mentioned earlier, candor and balance can boost reporting credibility and quality significantly.

4) **Other gaps**

Finally, there were no noteworthy examples among the reports reviewed of disclosure on human rights impact assessments (HRIA), an evaluation mechanism that stakeholders are

increasingly demanding of companies as part of their human rights due diligence. HRIA is a tool for evaluating both human rights and business risks before undertaking a project or establishing operations. There is a growing literature on what the key elements of HRIAs are,¹⁷ but more debate and discussion among companies and their stakeholders is needed around how best to report on these. How many companies are undertaking HRIAs? Why aren't those companies who are doing HRIAs reporting on them, and how can more companies be encouraged to do so?

¹⁷ See, for example, International Business Leaders Forum et al, "Guide to Human Rights Impact Assessment and Management: Road-Testing Draft", June 2007; Aim for Human Rights, "Guide to Corporate Human Rights Impact Assessment Tools", March 2009; and Rights and Democracy, "Human Rights Impact Assessments for Foreign Investment Projects: Learning from Community Experiences in the Philippines, Tibet, the Democratic Republic of Congo, Argentina, and Peru." See also the website of the Human Rights Impact Resource Centre, <http://www.humanrightsimpact.org>

Appendix I:

Examples of notable corporate human rights reporting outside of formal sustainability reports

A small number of noteworthy or innovative forms of human rights reporting have appeared outside of companies' corporate responsibility reports. They were examined as part of the reports analysis because they are relevant to the larger question of how companies report to their stakeholders on material human rights issues.

The Walt Disney Company, Project Kaleidoscope Final Report (2008)

Project Kaleidoscope is a joint project of the Walt Disney Company, McDonald's Corporation and several investor groups, which aims at improving working conditions in supplier factories producing for multinational corporations. The project developed a systems-based approach to promoting compliance with international labor standards, and piloted the approach at 10 factories in southern China. The project report was reviewed for this analysis in conjunction with Disney's 2008 CR report (published in 2009).

The Project Kaleidoscope report was published over a year before Disney published its latest corporate responsibility report, but the former is more comprehensive and thoughtful on the issue of human rights in the supply chain than is Disney's report. It focuses on various aspects of supply chain management that are often not covered in human rights reporting but are important to the protection of these rights. For example, the Project Kaleidoscope report provides significant detail on training, factory buy-in, and factory-level communications (e.g. between managers and workers). Obviously, the Project Kaleidoscope report had the advantage of being a stand-alone report on a complex subject that can be a challenge to cover properly as a section of a larger report addressing sustainability issues more generally. In this sense, embedding the Project Kaleidoscope report in the CR report (as the company has done) might be preferable for the purposes of providing more detail on the company's supply chain labor standards program. Nevertheless, companies should still disclose in their sustainability reports the core elements of supply chain reporting, such as the labor code of conduct and how this is implemented, as well as key performance data that the company collects.

Newmont Mining, Community Relationships Review (2009)

In response to a 2007 shareholder resolution (supported by over 90% of the company's stockholders), Newmont Mining carried out a global review of its policies and practices in relation to local communities worldwide and how it addressed community opposition to its operations. The company released its "community relationships review" (CRR) in 2009. In addition, separate, site-level assessment reports, some of which discuss operations that had been the subject of major controversies, fed into the review. The CRR gave the company an opportunity to evaluate in depth, and with candor, the issue of community relations and local opposition to (or concerns about) its mining operations. As these issues are integrally related to the question of the company's human rights impact on local communities, the published evaluation is a relevant part of Newmont's human rights reporting.

The final summary report is organized by lessons learned, and covers areas such as managing conflict, grievance mechanisms, stakeholder engagement and management of the environmental impacts of mining on local populations. The CRR goes into much more detail about each site (conflicts and tensions with local populations, concerns raised by these communities, etc.) than would be practical in its sustainability report. It is also more candid than the company's sustainability report with regard to discussing negative impacts, both real and perceived, of its operations. It represents an innovative performance reporting model in which the company has disclosed, among other things, the verdicts of study teams regarding the areas in which the company came up short in its relationships with communities. The CRR could thus provide ideas for other companies reporting on similar challenges they face in relation to their social license to operate.

OMV Group, Human Rights Matrix (2009)

The Human Rights Matrix is a tool developed by the Business Leaders Initiative on Human Rights (BLIHR) to help companies integrate and address human rights concretely in their daily operations. OMV Group, the Austrian energy company, developed its own human rights matrix with the help of an Austrian human rights institute. In 2008, the company's board adopted the matrix, which was published on OMV's website shortly after the release of its 2007-8 sustainability report. The company refers to the matrix several times in its sustainability report.

OMV's matrix spells out the company's human rights responsibilities regarding key human rights issues, such as discrimination, child labor and the rights of minorities and indigenous peoples. It also includes a discussion of complicity and why it is relevant for OMV. The company's sustainability report does not cover most of these issues in much detail. Much of the material in the matrix would be considered unchanging over time and could therefore be placed permanently on the website. However, as it is a new document demonstrating a substantive internal due diligence process around human rights, as well as thoughtful reflection on human rights challenges likely to face OMV, more coverage in its 2008 sustainability report seems warranted. The sustainability report could, for example, contain a succinct summary of the matrix based on the extended summary of the matrix available on the website, or provide more disclosure on the company's approach to some of the key issues contained in the matrix.

A look at the individual sections of the matrix gives the reader a good idea of the company's level of awareness of, and its approach to, these issues at the level of policies and procedures, though not at the level of performance. For example, it has strong coverage of rights related to security arrangements and the due diligence procedures the company should have in place to prevent human rights abuses in relation to its use of security forces, including an extensive list of questions it should ask itself on the issue.

OMV's sustainability report does note that, on an ongoing basis, it is applying the matrix locally. The report does not go into detail on this application, though it directs readers to the website for some of the results, and includes a brief discussion of a community development project in one of the countries.

Appendix II :

Company Reports Reviewed

Company	Industry	Country	GRI reporter (2008)
Abbott	Health care products	US	Y
Abertis	Other (Infrastructure)	Spain	Y
Ahold	Retailers	Netherlands	Y
Air France KLM	Aviation	France	Y
American Electric Power	Energy Utilities	US	Y
AngloPlatinum	Mining	South Africa	Y
BAE	Aviation	UK	N
Bancaja	Financial Services	Spain	Y
Banesto	Financial Services	Spain	Y
Barclays	Financial Services	UK	Y
BASF	Chemicals	Germany	Y
Bavaria SABMiller	Food & Beverage	Colombia	Y
BG Group	Energy	UK	Y
British American Tobacco	Tobacco	UK	Y
BP	Energy	UK	Y
British Land	Real Estate	UK	N
Cadbury	Food & Beverage	UK	N
Campbell Soup Company	Food & Beverage	US	N
CEMEX	Construction	Mexico	Y
Chilectra	Energy Utilities	Chile	Y
China Mobile	Telecommunications	China	Y
Coca-Cola Company	Food & Beverage	US	Y
CVS Caremark	Drug stores	US	N
Danfoss	Other	Denmark	Y
Delhaize	Food Retailer	Belgium	Y
Dow Chemical	Chemicals	US	Y
Enbridge	Energy Utilities	Canada	Y
Ford Motor Company	Automotive	US	Y
GlaxoSmithKline	Health care products	UK	Y
H&M Hennes & Mauritz AB	Retailers	Sweden	Y
Hewlett-Packard	Technology hardware	US	Y
Hydro Quebec	Water Utilities	Canada	Y
Impahla Clothing	Textiles and apparel	South Africa	Y
Jumeirah Group	Tourism/Leisure	United Arab Emirates	Y
Marathon Oil Company	Energy	US	Y
Migros	Retailers	Switzerland	Y

Corporate Human Rights Reporting: An Analysis of Current Trends

Company	Industry	Country	GRI reporter (2008)
Mondi Group	Paper and Packaging	UK/South Africa	N
Nestle	Food & Beverage	Switzerland	Y
Newmont Mining	Mining	US	Y
Novo Nordisk A/S	Health care products	Denmark	Y
OMV	Energy	Austria	Y
Procter & Gamble	Household and personal products	US	Y
Repsol YPF, SA	Energy	Spain	Y
Rezidor Hotel Group	Tourism/Leisure	Belgium	Y
Ringier	Media	Switzerland	Y
Roche (F. Hoffmann La Roche)	Health care products	Switzerland	Y
Starbucks	Food & Beverage	US	Y
Strauss Group	Food & Beverage	Israel	Y
Talisman Energy	Energy Utilities	Canada	Y
Tata Motors	Automotive	India	Y
Telefonica, SA	Telecommunications	Spain	Y
TNO	Other	Netherlands	Y
TNT	Other	Netherlands	Y
United Technologies Corp	Conglomerates (aircraft engines, military, elevators etc)	US	Y (2006)
Walt Disney Company	Media	US	Y
Waste Management, Inc.	Waste management	US	N
Wipro Limited	Computers	India	Y

Appendix III:

Acknowledgments

The project organizers and lead consultant are deeply grateful to the members of the expert review panel for their valuable feedback on the first draft of this paper:

Christine Bader, Advisor to the UN Secretary-General's Special Representative for business and human rights

Eugenia Buosi, Equity Research, Santander Asset Management

Wambui Kimathi, Kenya National Commission on Human Rights

Faris Natour, Business for Social Responsibility

Annabel Short, Business and Human Rights Resource Centre

Special thanks go to *Scott Jerbi* of Realizing Rights: The Ethical Globalization Initiative, for his support and guidance throughout the project, and to *Heather Grady* and *Irina Bazarya*, also of Realizing Rights, for their feedback on the first draft of the paper and their assistance in screening and reviewing several of the company reports. Finally, thanks to *Ursula Wynhoven*, *Oliver Johner* and *Simon Gargonne*, of the United Nations Global Compact, for their comments on an earlier draft.

Elizabeth Umlas, Lead Consultant, August 2009