



Blueprint

For Embedding
Human Rights in
Key Company
Functions

Exposure Draft

Preface

The decade-long friendship and partnership between GoldenBee and CSR Europe have yielded fruitful cooperation in multiple areas such as establishing new platforms, hosting meetings and conferences, developing media partnerships and proposing initiatives. CSR Europe not only co-hosted the 2005 Sino-European CSR International Forum with GoldenBee, but also it stands as one of the co-hosts for the Annual GoldenBee International CSR Forum. The recent years have also seen deeper and more extensive cooperation in a number of areas between the two parties. In January, 2016, we co-hosted the Automotive Supply Chain Forum, which extended our joint reach to promoting corporate social responsibility in the international auto industry. In June 2016, the Chinese version of *Blue Print for Embedding Human Rights in Key Company Functions* will be jointly released during the 11th GoldenBee CSR International Forum. This book that explores how to embed human rights in the key company functions signals a further step in our corporate social responsibility partnership.

It is a cutting edge, and yet meaningful topic to consider the human rights through the lens of corporate social responsibility. The following elements thus should be heeded when embedding the human rights in the business setting.

Firstly, human rights should serve as a vital element for businesses to fulfill their corporate social responsibility agenda.

Promoting human rights is one of the seven major principles and thematic areas to fulfill social responsibility according to two important international instruments. Namely, ISO 26000 *Voluntary Guidance Standard on Corporate Social Responsibility* released in Nov. 2011 and its national version GB 36000 *Guidance on Social Responsibility* issued in Sep. 2015. According to the second document, organizations should respect human rights and recognize its importance and universality, and that they can influence individual human rights to support the state as the primary guardian. Therefore, various organizations including businesses should respect human rights within their reach. Such rights include access to the right to life, civil and political rights, economic, and social and cultural rights required to protect individual dignity and develop one's full potentials. Specifically, they also include the right to employment, basic living standards, social protection, health, education, culture and clean environment, as well as labour rights such as joining the trade union, elimination of all forms of forced and compulsory labour, elimination of child labour and employment and workplace discrimination. Essentially, the theme of promoting and realizing human rights cuts across all the social responsibility areas described in the two instruments, be it environmental protection, labour rights, corporate governance, or consumer protection. Therefore, all international and national businesses should take human rights as the core of their social responsibility programme.

Secondly, it requires another level of efforts and insights for businesses to promote human rights in their social responsibility agenda.

The *United Nations Global Compact* was released and implemented in 2000 and The *UN Guiding Principles on Business and Human Rights* endorsed by the UN Human Rights Council in 2011. Since then, an increasing number of businesses have been taking actions in fulfilling their social responsibility and promoting human rights. Many businesses have linked up their business activities with human rights, for example by incorporating the human rights principles into their business vision and operations. Other businesses which may not be familiar with the term of "human rights" have actually addressed such issues in their business operations, with measures under different names such as labour, health and safety standards or anti-

discrimination regulations. However, embedding human rights in the business operations, corporate value and culture is as challenging as incorporating social responsibility and sustainable development into the business agenda and the day to day tasks for employees. Even in Europe where the corporate social responsibility culture is deeply engrained, many businesses still find it demanding to do so. In comparison, many Chinese businesses may find it even more difficult to promote human rights, because social responsibility and the market economy are quite young in this country, and businesses are still trying hard to understand the impacts of CSR on their business operations and management such as the supply chain.

Thirdly, how can businesses achieve both human rights promotion and sustainable business development? The *Blue Print for Embedding Human Rights in Key Company Functions* has not only presented a sound conceptual framework and but also an effective approach by highlighting six elements in three key sectors.

CSR Europe took the lead to initiate the Business and Human Rights Project and explore the positive implications of human rights on businesses from 2012. It was found through researches that functional areas most relevant to human rights such as human resources, procurement, and risk management play a vital role in embedding human rights in businesses. Therefore, six major elements were further defined, namely cross-functional leadership, share responsibility, incentivise, provide operational guidance and training, foster two-way communication, and review, analyse and integrate. The first Blue Print for Embedding Human Rights in Key Company Functions has been highly regarded by corporations and public alike after its publication in March 2016 in Europe. The book incorporated several years of researches, interviews and 18 best practices collected from European and multinational corporations, thanks to the joint efforts of CSR Europe, European Hub on Business & Human Rights, research institutions and academics. The blueprint also succinctly breaks down the human rights promotion into six core elements in three key functions, and provides a wealth of business best practices. Therefore, after effective communication, the two parties came to an agreement that the book should be published and replicated in China.

Thanks to relevant support and guidance, we translated the *Blue Print for Embedding Human Rights in Key Company Functions* into Chinese. In addition, we collected 22 practices of Chinese companies, which were extracted from their recent CSR reports or published information in China. Through the best practice collection and analysis, we are also extremely touched and proud to learn about how the Chinese businesses have appreciated and positively approached human rights issues. Thus, we would like to acknowledge these businesses for their great support and their past best practices. This list includes China National Petroleum Corporation, China Mobile, State Grid Corporation of China, Mengniu, Aluminum Corporation of China, China Road and Bridge Corporation, China State Construction Engineering Corporation, Sinochem Group, Lenovo, Vanke and Fosun Pharmaceutical Group.

We would also like to ask our readers to accommodate our oversight if any with the Chinese practices and our translation. Your comments and feedbacks will also be highly appreciated.

Congratulations and thanks to all who have contributed to the publication!

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About this blueprint

The purpose of this blueprint is to provide practical support to:

- CSR/Sustainability managers in driving the effort of embedding human rights across the organisation
- Human Resource, Purchasing and Risk/Legal managers in clarifying their roles and responsibilities when contributing to the embedding efforts

This is done through clarifying the concept of embedding human rights by breaking it down into six elements that can easily be applied to a business environment. A definition of each of the six elements is provided, followed by an overview of the current company practice around it and examples of specific measures and initiatives implemented by companies.

The six elements of embedding human rights are then applied to the Human Resources, Procurement and Risk functions, clarifying how each function can contribute to the overall process of embedding human rights across the organisation.

To develop this blueprint, CSR Europe undertook the following activities:

2014

Worked with experts from Shift to identify the six key elements of embedding and some good practice examples

2015

Collected information on company practices through interviews together with Partners from the Hub

2016

Analysed trends and identified good practices for the compilation of this blueprint

The practice examples presented in this blueprint are from:

- 18 companies interviewed: IT & Electronics & industrials (5); Energy & Utilities (4); Telecommunication services (4); Financials & insurance (2); Food & Beverage (1); Oil & Gas (1); Professional services (1)
- Company examples on what constitutes a good practice provided by the experts from Shift

Based on these company practices, CSR Europe has drawn conclusions on the current state of play regarding each of the elements. Those are summed in the trends section.

This blueprint has been written by the staff of CSR Europe. A consultation of a selected number of companies and experts was conducted to fine-tune the content. The information presented is based on the insights gathered in the framework of the European Hub on Business & Human Rights (The Hub).

The Hub

is a platform for companies across Europe to:

- (i) Exchange knowledge and learn from peers and experts; (ii) Share best practices on the topic of business and human rights, and (iii) Incubate solutions on identified gaps. The Hub is run in partnership with 10 national partner organisations from 10 European countries.

CSR Europe's project on Business & Human Rights

The Hub is part of the project on Business & Human Rights CSR Europe launched in 2012. The project, guided by CSR Europe's corporate members Hitachi, ArcelorMittal, Vattenfall and Volkswagen, and the German partner organisation, econsense, aims to enhance joint learning on the business implications of the UN Guiding Principles on Business and Human Rights and to support companies in their implementation. One of the specific focus areas is effective integration of human rights across departments.

For the practice collection, CSR Europe collaborated with the following partners of the European Hub on Business & Human Rights:

In partnership with



econsense
Forum for Sustainable Development
of German Business



Introduction

Dealing with human rights issues makes business sense; it allows companies to ensure business continuity, be legally compliant and to enhance stakeholder relations in and around the companies.

What is often overlooked in the human rights debate is the positive contribution of business through their core business activities: for example, a supply chain management system that is focused on quality of the products, stable delivery and long term partnerships and collaboration with suppliers is a productive effort in truly advancing the situation of human rights in economy and society. It is through these collaborations and by providing employees and communities with the means for further economic and educational development that true respect for human rights becomes more possible.

Five years after the endorsement of the United Nations Guiding Principles on Business and Human Rights (the Guiding Principles) by the UN Human Rights Council in 2011, companies are increasingly taking action to fulfil their responsibility to respect human rights.

Some actions are straightforward – although not necessarily easy – to implement, such as publishing a policy on human rights or establishing a grievance mechanism. But some are not; take for example starting or strengthening practices that affect a company's entire culture and way of doing business.

In order to deliver on their responsibility to respect human rights, companies must embed respect for human rights throughout their business, values and corporate culture.

According to the Guiding Principles, embedding human rights in company functions is “the macro process of ensuring that all personnel are aware of the enterprise’s human rights policy commitment, understand its implications for how they conduct their work, are trained, empowered and incentivised to act in ways that support the commitment, and regard it as intrinsic to the core values of the workplace”.

This is easier said than done.

This is why CSR Europe has started to work with companies to provide practical support on how to get embedding right. From our work with companies, it has become evident that some of the functions that often play a central role are Human Resources, Procurement and Risk/Audit:

- The Guiding Principles advise focusing on risk to people rather than focusing solely on risk to the company, hence the central role of Human Resources.

- For companies with large and complex supply chains, addressing potential and actual human rights impact while limiting business disruption is central and staff in procurement are normally those responsible for getting things done, acting as a cornerstone between headquarter decisions and implementation on the ground.

- Any risk assessment is at the basis for validation and improvement of current processes. When it comes to human rights, information gathered through company efforts to assess human rights risks (e.g., Human Rights Impact Assessment) will generate useful business intelligence on potential and actual human rights risks and impacts, the company's ability to assess and manage them and stakeholders' perceptions of the company. The information collected through such efforts feeds the company strategy with useful suggestions for improvement and this is why the way in which the Risk function contributes to embedding human rights has been analysed.

Six elements of embedding

The Guiding Principles do not prescribe a single approach on how companies should embed their responsibility to respect. However, experience suggests that there are some key common elements that companies should consider no matter what their corporate culture, types of business activities or the positioning of different functions within the company.

Key element	What does this mean in practice?
1. Cross-functional leadership	Ensure effective management of human rights issues through cross-functional coordination teams that: <ul style="list-style-type: none"> • Lead/drive the company's embedding efforts • Go beyond information sharing • Allocate distinct responsibilities to relevant functions for taking action to prevent and address human rights impacts
2. Share responsibility	Share responsibility for outcomes, including the people in the company with responsibility for the activities or business relationships that may give rise to human rights risks (impact owners)
3. Incentivise	Set appropriate performance goals for all staff and align incentives that reflects management commitment, thus ensuring relevant operational staff understand their role to prevent and mitigate risk and negative impact
4. Provide operational guidance and training	Deliver tailored operational guidance and continuous training for staff at all levels throughout the company that: <ul style="list-style-type: none"> • Connects to their daily work and reflects evolving learning • Seeks to instil behaviours and capabilities not just monitor compliance • Is visibly supported by management
5. Foster two-way communication	Set communication channels between management and operational staff that go both ways. Communication must be clear, frequent and in multiple settings. It needs to address existing challenges and promote good practices.
6. Review, analyse and integrate	Regularly analyse the company's performance on human rights, share and integrate the lessons internally. In line with the continuous improvement approach, use indicators that contribute to measure progress towards the goals for the company's medium- to long-term success.

These 6 elements are valid for any function and also applicable to companies as a whole. They can be used to work towards integrating respect for human rights throughout the entirety of a company's management systems and procedures.

What approach is most effective will depend on the individual company's context and positioning of different functions internally. Different practices may resonate more with different companies but experience highlights that the most successful approaches often combine one or more of the above elements.

Companies' Human Resources, Procurement and Risk functions often have networks of professionals in all layers of the company that play central roles in running business operations. Working through these networks can be instrumental in driving top-down policies as well as bottom-up solutions for changing the situation on the ground.

Embedding Human Right in Human Resources function

Dealing with risk that people can encounter in company operations (risks to people) is a key element of human resources policies. Therefore, the Human Resources function can play a unique role in ensuring that basic dignity and quality for all is assured.

For example, the Human Resources function frequently engages staff as part of the process of embedding the company values throughout the organisation, shares information internally about company-wide commitments, and drives accountability for staff behaviour.

The Guiding Principles expect businesses to make sure they are preventing and addressing their salient human rights risks – meaning those that are most severe from the perspective of the people who may be impacted. For the Human Resources function, for example, this could include risks arising through the employment and recruitment process (such as forced labour in the case of temporary contract workers employed by an agency), risks related to child labour, or instances of sexual harassment or even violence in the workplace. Other potential negative impacts could relate to wages, working hours, proper health and safety measures, freedom of expression or religion and a range of other human rights.

Importantly, the Guiding Principles expect companies to respect the human rights of all the members of their workforce, including managers, employees, and workers on temporary contracts.

Embedding Human Rights in Procurement function

Procurement is the function responsible for attaining raw materials, parts, components, products and services. For this reason, quality of procured goods and services, timely delivery of orders and cost efficiency are usually the main criteria for the management of this function. At the same time, the level to which employees in the supply chains are protected with regard to their human rights is an important element for business continuity, quality and reputation.

By contributing to the efforts to embed respect for human rights, the Procurement function can help to reduce risk to potentially affected stakeholders, and also limit business disruption. The Procurement function therefore has responsibility to engage business partners up and down the value chain, including setting clear expectations and driving accountability with suppliers. This framing is important because the Guiding Principles expect companies to address potential and actual human rights impacts that they may directly cause or contribute to (e.g. through incentivising behaviour of others, or in parallel to other parties), or impacts to which their operations, products, or services are directly linked.

Embedding Human Rights in Risk function

The Risk function is typically responsible for identifying and managing risk to the business – whether that involves operational, legal, financial or reputational risks. It is an internal control (like an internal audit) the role of which is to provide assurance to the Board that the company is effectively identifying and managing its risks. Yet respect for human rights means focusing on risk to people, rather than solely focusing on risk to the business. In the medium to long-term, experience shows that the two coincide progressively more; however, in the short-term that may not be the case.

In some respects, this is consistent with the evolution of modern Enterprise Risk Management (ERM). ERM developed as a way to internalize the various 'externalities' arising from a company's operations, that include costs related to the environment, individuals and communities. Particularly in Europe, ERM tends to have a significant stakeholder (rather than shareholder) focus. Interestingly, the latest ISO standard on risk management, ISO 31000, is clearly stakeholder-focused in its approach.



ELEMENT 1:

Cross-Functional Leadership

A cross-functional team helps a company to communicate more broadly, align more easily, and build better products and services. Leaders from multiple divisions within an organisation, and multiple functions within a division, should be involved in setting expectations and implementing efforts to embed respect for human rights. This can help generate increased buy-in from across the organisation and create improved information sharing that breaks down 'silos' between different areas of practice. By actively involving relevant functions in the management of human rights issues, companies are more likely to be able to effectively integrate findings from their impact assessment processes and take action on them. Those with responsibility for leading cross-functional efforts should have sufficient influence to be able to convey the importance of human rights to other colleagues in the business.

Company Practices

A multi-national company allocates responsibility for human rights leadership among three different functions: Corporate Sustainability, Risk, and Human Resources. The Sustainability department drafts corporate-level policies and provides guidance on them. The Risk department is responsible for identifying and managing human rights risks as part of comprehensive risk analysis processes, and for training risk managers in country offices to understand human rights risks. The Human Resources department manages internal human rights issues related to labour rights and workforce diversity. The three departments call upon each other in fulfilling their respective roles – for instance, when responding to external inquiries or when soliciting input on key policies.

When identifying which functions would be relevant to embed its corporate responsibility to respect human rights, **Vattenfall**, a company from the energy sector, took the following two-fold approach:

- Use internal management processes and build on the knowledge of existing functions to embed the corporate respect for human rights.
- Allow time for internal awareness raising and changing company mind-set.

The company proceeded as follows: it identified at a high level where human rights impacts could occur in its operations, and decided to focus on its supply chains. When mapping human rights impacts to internal functions, Vattenfall found that many internal functions (Health and Safety, Production, Procurement, Human Resources and Legal) should work together with the Sustainability function to address identified and potential human rights impacts.

With respect to its supply chains, Vattenfall decided to take two initial actions:

- Set up a cross-functional committee for supply chain decision-making within fuel purchasing, involving managers from the business, Legal, Risk and Sustainability. The committee is supported by a team of sustainability experts.
- Create a cross-functional, group-wide competence centre for sustainability due diligence where human rights play a key role. The network is designed to sensitise the organisation to sustainability, in particular human rights principles. This will, in the long term, raise the awareness and competency of key staff within human rights issues (such as environmental and health and safety specialists, auditors, buyers), so that they can effectively integrate human rights into sustainability due diligence.



Human Resources

In most companies, Human Resources will be a key function to involve in cross-functional efforts to embed human rights as it is an important actor in establishing and maintaining systems that not only protect the human rights of staff within a company, but also help embed the company's broader responsibility to respect human rights throughout its corporate culture.

Multiple divisions within Human Resources may need to be involved, including individuals with high-level corporate HQ roles, leaders in regional facilities or offices, and colleagues with responsibility for relevant geographies and business units. Human Resources functions often already engage with other key functions within the organisation on a regular basis, such as Legal, Risk Management, Internal Audit and Procurement. These existing relationships can be built upon when it comes to coordinating the management of human rights risks.

Company Practices

An electric utility multinational has its leadership organised in a three-tiered pyramid structure, with each tier being responsible for different aspects of embedding human rights within the company. At the top of the pyramid is the corporate HQ level, which is responsible for defining Group strategy and organising the human rights committee, comprised of managers from Ethics, Strategy and Human Resources. The middle tier is made up of Ethics Officers for the five different activity branches of the Group. These Ethics Officers work together in a steering committee and are responsible for identifying practical ways for addressing human rights issues and for creating action plans for the strategic corporate direction on the topic. Finally, the bottom tier is comprised of local or regional Ethics Officers for each of the nearly 1,500 subsidiary companies, who are responsible for implementing initiatives locally.



Trends

Wide-spread appreciation of the importance of involving multiple functions to reinforce the human rights message

Many companies set up cross-functional committees involving both HQ and regional offices, with the Procurement function often playing a central role in these cross-functional efforts. This tends to be a compliance-driven decision, but the interviews highlighted some cases where the role of Procurement is shifting towards greater emphasis on process innovation strategy

40% of companies report that the Risk function is part of cross-functional efforts to embed human rights

Procurement



Cross-functional leadership can help a company drive human rights into its procurement decisions thus driving suppliers to respect human rights. The key to collaboration in procurement is building teams with diverse functional backgrounds and ties into other departments. This is why Procurement staff frequently work with other functions, such as Legal, Risk Management, Internal Audit, Human Resources, involving in these efforts leaders from both HQ and regional offices, as well as those with responsibility for the relevant activities or business relationships that may give rise to human rights impacts.

Company Practices

A global, **multi-national company in the fast moving consumer goods sector** set up a cross-functional committee with the explicit purpose of embedding human rights into its governance and business systems. In this case, the lead for human rights (located within the company's CSR team) specifically engaged the Procurement function due to their importance in driving business decisions across the company. The Head of Procurement became the Head of the committee, which also involved the following colleagues:

- Procurement leaders in key regions, e.g. in-country production facilities and/or business divisions where key sourcing decisions are made
- Global procurement leaders within different business lines, e.g. those responsible for sourcing major commodities (sugar, etc.)
- Functions within the procurement division at HQ that have decision-making authority, e.g. Responsible Sourcing lead, Compliance and Audit team
- Other functions that procurement interacts with regularly, e.g. Policy lead that has responsibility for Code of Conduct development, Human Resources team that engages its own employees and manages relationships with trade unions, General Counsel and relevant CSR team members

In a **retailing conglomerate**, the Group's Corporate Responsibility unit is assisted by different steering groups, for the development, coordination and reporting of the CSR activities. In its operations, the Group pays special attention to human rights issues and working conditions in its purchasing chain and, in monitoring these, primarily focuses on suppliers in high-risk countries. For this reason, a Steering Group for Responsible Purchasing is in place to:

- Develop the Group's responsible purchasing procedures
- Promote the sharing of best purchasing practices within the Group
- Keep up with changes in legislation pertaining to purchasing and sourcing

The Steering Group for Responsible Purchasing collaborates with the Steering Group for Local Responsibility in Operating Countries to steer the implementation of the Group's programmes, also in relations to human rights, in the operating countries. This Group includes the Vice President for corporate responsibility and representatives of local subsidiaries in operating countries.

A leading global information and communications technology (ICT) solutions provider, sets up the Corporate Sustainable Development (CSD) Committee, chaired by President of Quality, Business Process & IT Management Department and comprised of over 20 members from R&D, manufacturing, procurement, HR, administration, and other functions.

This cross-functional Committee is responsible for:

- Coordination of the operations of the sustainability management system
- Planning and development of the company's sustainability strategy
- Monitoring of its execution
- Analysis (on annual basis) of its sustainability strategy, review of priorities and objectives

It also includes for what concern the respect for human rights during business operations, with a strong focus on the HR and procurement functions.

In this framework the procurement function collaborates with Human resource function to conduct Supplier Performance Appraisal in relation to forced labor and child labor as well as safe and healthy working environment. The performance of each supplier is published internally, and is conveyed by the procurement managers to the supplier's managers to drive continuous improvement.



Risk



In identifying a company's leading risks from a business perspective, it is critical to engage all functions within a business. The same is true when identifying a company's leading or salient human rights risks, meaning those that are most at risk from the company's operations. The role of Risk is to ensure that accurate information is being identified by each function individually and then gathered together at the HQ level so that risks can be assessed and compared. In companies where this kind of cross-functional coordination is already part of the Risk function's role, it is important to review the extent to which human rights risks are already captured through this process and where there are gaps, bearing in mind that the risk to people lens is distinct from risk to the business.

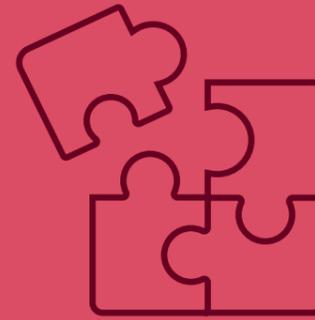
Company Practices

A **global food and beverage company** has a central Enterprise Risk Management (ERM) process that stimulates market-led human rights impact assessments in high-risk contexts. Drawing from the company's ERM principles, the company integrates human rights risks into its overall risk assessment and management system in close coordination with relevant business departments. The company identifies high risk markets based on the FTSE4Good list of countries of concern and requires that country operations annually report on a specific set of human rights indicators. This information is then fed back into the corporate-wide human rights risk assessment, which is also updated each year.

An **international banking Group** approaches company engagement on human rights issues through their Reputation Risk team. The Reputation Risk team is responsible for identifying key human rights issues and ensuring that they are managed effectively. The team also manages relationships with external stakeholders with a human rights-related concern and conducts regular horizon scans focusing on identifying current and emerging risks across the bank and the financial services sector more broadly. These tasks are very relevant for four key areas: employees, suppliers, clients and communities. In fulfilling their responsibilities for responding to these goals, the team works closely with other relevant departments such as Human Resources, Legal, Risk, Procurement and Communications. This cross-functional collaboration is meant to create a holistic approach to the Group's approach to human rights.

Mengniu Dairy, a Chinese dairy company, has organized a risk assessment expert team and established complete risk assessment system to stimulate market-led human rights impact assessments in high-risk contexts, such as environment, supply chain, and the community. Functioning as a think-tank on risk management, the risk assessment expert team involves 19 functions, including human resources, supply chain, risk management and control and audit, for a total of 212 experts involved.

When carrying out the risk assessment, special attention is assigned to the assessment of human rights impact of internal and external stakeholders; this includes issues such as environmental protection, food safety, safe production, occupational health, customer service, and employee rights and interests. Based on the results of the risk assessment, the company includes information on human rights risks into the publicity for the training on risk management, formulates the response measures tailored for hidden risks, and safeguards the human rights of stakeholders to ensure the business operation to be compliant and sustainable.



ELEMENT 2:

Share responsibility

Operational staff should be supported by colleagues that have human rights expertise, such as human rights specialists or other practitioners that sit in CSR, Risk Management, or relevant functions that have detailed understanding of human rights topics, standards, and laws. Together, these experts can work with operational owners to evaluate specific cases and provide recommendations for improving management systems over time. Responsibility for human rights should live with operational staffs that 'own' the activities or business relationships that may give rise to negative impacts. This is because these members of staff need to be involved in preventing or addressing negative impacts with the support of colleagues who have a more in-depth understanding of human rights issues.

Company Practices

A **bank** serving retail, private and corporate banking clients has existing policies and procedures regarding employee rights, client due diligence supplier selection and country assessments, which are reviewed by different departments, including Procurement. The bank uses these processes to connect its commitment to respect human rights with proactive decisions in its operations. The Sustainability department provides topic-specific expertise to help other functions screen and select clients based on a number of criteria, including review of clients' human rights due diligence processes and performance. These efforts allow the bank to integrate human rights into the bank's decision-making processes and help ensure that relationship managers and risk managers include specific criteria in client loan application procedures.

Within Enel a cross-functional team composed of operational staff from different divisions, Sustainability, Human Resources, Procurement, was created in order to foster an integrated and worldwide approach to human rights aspects, such as diversity, non-discrimination, safety for its workers and its suppliers' workers. The team is actively involved in assisting other functions in understanding and respecting the process of embedding human rights with their expertise. To ensure the operational staff share the responsibility for the outcomes of the human rights-related policies:

- The Sustainability department plans and coordinates the implementation of human rights policy, approved by the Board of Directors and re-approved by the Boards at local level.
- The Human Resources department is responsible for aligning procedures and processes to the company's policy and managing training activities.
- The Procurement department is involved in embedding these aspects in supply chain processes.

Randstad is a multinational professional staffing and human resources consulting firm with a public commitment to respecting human rights. The company's corporate Legal department manages the Compliance office, in which legal staff partner with Human Resources specialists and Audit specialists. The grievance channels are open to all staff, including their temporary workers under the management of clients, as well as external stakeholders, including and other third parties. Grievances are addressed by local officers, where appropriate also by clients, in coordination with the corporate office.



Trends

The large majority of interviewed companies have designated internal human rights specialists that support other functions in embedding human rights activities. These experts sit mostly within Human Resources.

Guaranteeing a good level of understanding (beyond awareness) of human rights for all and at all levels is what companies report as most challenging. To that end, different approaches can be seen:

- *Allocation and training of human rights specialists at both HQ and local level*
- *Involvement of all relevant departments in the discussion from early stages*
- *Use of simple and clear language and case studies to facilitate understanding*

Within **China Road and Bridge Corporation (CRBC)**, a Chinese construction company, the project general manager responsibility system takes charge of social responsibility management, including for the work on human rights.

The General Manager Office is the lead on internal coordination while the International Liaison Department is responsible for communicating with external stakeholders. For example, in the Mombasa-Nairobi railway project in Kenya, CRBC fully considered the potential impact on various stakeholders during the design, construction and operation processes, such as the environment, community and employee safety.

The company made strong efforts to promote the development of sustainable capacity and minimize the negative impact during the operation of this project and showed respect for human rights and local culture while complying with laws and regulations. In accordance with international norms, it tried its best to play a role in promoting economic development, environmental protection and community harmony.



Human Resources

Human Resources staff are 'impact owners' in the sense that their day-to-day activities make them responsible for preventing and addressing a range of human rights impacts on the company's employees and contract workers. They are likely to have a range of processes in place that will be relevant, including more formal tools, such as administering staff surveys, appraisals and exit interviews as well as informal activities such as regular engagement with staff and/or trade unions. Human Resources staff may also be involved in procedures to identify risks or staff concerns early on, e.g. through internal 'incident reviews'. They should also be able to support management when evaluating what action to take to address negative human rights impacts on company staff.

Company Practices

The Human Resources function in one global, **European-headquartered company in the fast moving consumer goods sector** manages trade union relationships in line with the function's accountability and oversight for all employee relations within the company. While leaders at the company's headquarters have the ultimate responsibility for engaging international trade unions, local Human Resources directors at the facility level manage relationships with local unions. This helps build shared responsibility for effective engagement with trade unions throughout the organisation.

Since the topic of human rights tends to be broad and is regulated through a broad spectrum of laws, a **global IT solutions company** finds that it is relevant to almost every process and function of the Human Resources department. Therefore, there are a number of experts within the Human Resources department, specialising in topics such as data privacy, discrimination, harassment, grievances and employment law. Despite being situated within the department, these experts are responsible for ensuring that practices, employment policies and processes throughout the company meet all legal and business requirements and are also available for consultation if a manager and/or employee flags a human rights-related issue.

Additionally, each business unit has a Human Resources professional assigned to it in order to ensure availability of human rights expertise across the company.

Finally, a Responsible Business Team has been created which includes a Human Resources representative in addition to representatives from other functions. This team is responsible for company best practices and developments in legislation. This collaboration allows for shared development of ownership for human rights-related processes along with a shared responsibility for the outcomes of these processes, as it is the functions that ultimately use the expertise to contribute to the company's day-to-day operations.

Within **Deutsche Telekom**, expertise for Human Rights topics lies with the Human Resources function. Human Rights specialists within the function of Corporate Social Responsibility subsequently cooperate with other functions within the organization, such as Compliance, Purchasing and others. These specialists act as translators for the responsibility to uphold the company's human rights commitments. Human Rights Contact Points have also been established within Human Resources, their responsibility being to carry out impact assessments. Having human rights experts from Human Resources be available to different departments allows for shared ownership of processes created and the outcomes of those processes.

China State Construction Engineering Corporation, a company in construction sector, takes a people-oriented approach and has set a priority of embedding human rights into its corporate management. The company adheres to equal treatment of its employees and ensures all employees to be free from discrimination when it comes to nationality, gender or race. In this context, it helps the vulnerable groups find jobs, strengthen human care and management for employee occupational health and safety, and bolster their professional capability to take human rights liability.

Procurement



Procurement staff are often ‘impact owners’ because their day-to-day operational responsibilities can have impacts on human rights. They should consider how current process controls take human rights into account (e.g. new business partner reviews, setting terms, order changes, etc.) by reviewing whether these systems adequately include human rights, and/or if failure to detect human rights risks has occurred in the past. For example, a company’s own activities can incentivise or contribute to another actor’s decisions (e.g. supplier or business partner). Embedding human rights into the Procurement staff’s business systems can help them prevent or mitigate human rights risks. This will also allow them to support management when evaluating what action to take to address a negative human rights impact that has already occurred. It may be helpful to engage human rights experts (e.g. internal colleagues in CSR, Risk Management, or relevant functions that have detailed understanding of human rights topics, standards, and laws) when making such evaluations.

Company Practices

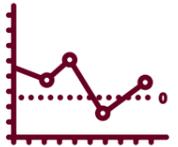
A **multinational in the apparel sector** understands that its own purchasing practices may contribute to negative human rights impacts at factories that produce its products. As such, it has appointed human rights business liaisons to collaborate with each division in its supply chain team. This creates shared accountability between the CSR and Global Sourcing teams. For example, if there are last-minute style changes, factory workers might be forced to work additional hours to meet delivery deadlines. The Group CSR team helps the Global Sourcing Chain team to prevent unintended incentives for non-compliance issues in its factories.

In order to mitigate risks in its purchasing policies, the Global Procurement department of **Enel** works closely with the Legal, Security, Audit, Health & Safety and Sustainability functions and thus supports the implementation of the Group’s General Contract Conditions, Diversity Policy and Human Rights Policy throughout the procurement process. As a result, contractors need to comply with the principles corresponding to Enel’s Code of Ethics, Zero Tolerance Plan against Bribery and Human Rights Policy in managing all relationships with third parties.

Since June 2015, Global Procurement and Sustainability functions head a cross functional team in order to make procurement more sustainable. In this project, the HQ coordinates the Procurement-Sustainability collaboration and has instituted one person from each country and business line to implement the effort locally, thus ensuring adaptation to local realities. In this way, the Procurement department shares responsibility for outcomes, while lending its expertise to other relevant functions.

For an **international telecommunications company**, supplier bids necessarily include ethical criteria. Whenever human rights concerns are raised during the selection process, the Procurement Sustainability team discusses them in cooperation with the Group Legal department. The outcomes of these discussions are included in quarterly procurement updates that go to the Operating Committee, a high-level executive committee including the CEO, Chief Executives of each line of business and central functions such as Legal and Human Resources. The Procurement department’s business activities necessarily include processes relating to human rights, the outcomes of which are communicated to senior management, therefore potentially influencing the way business is conducted in the future.

Risk



The Risk function plays a leading role in stimulating dialogue about appropriate mitigation measures for a company’s leading risks. But these strategies have to be executed by ‘impact owners’ in other parts of the business. Hence it is essential that the dialogue facilitated by Risk is based on accurate information about a company’s operations that recognises the various roles and responsibilities of different actors within the company, as well as the range of approaches that may be needed to address a particular risk in practice. Responsibility for preventing and addressing human rights risks can be highlighted through company-wide ERM process and then transferred to those within the relevant operation or other part of the business. This is particularly useful for identifying risks relating to specific sites, projects or countries.

Company Practices

Different business units of a **forest-based industry company** are responsible for identifying and feeding risks into the corporate risk map through a bottom-up process. Significant human rights risks are then directly inserted into the company’s central ERM process, through which responsible staff are subsequently assigned to manage the mitigation process. There are many different departments involved in mitigating the risks identified, such as CSR, Audit, Legal and Compliance. This allows for the risks passed on by the central ERM process to be subjected to different expertise across the company, facilitating each unit in using its strengths in the mitigation process.

Within an **oil & gas company**, the Risk department is responsible for providing the processes and tools for mitigating all business issues including human rights, in addition to listing results. The substantive content for human rights risk relevance, however, is handled by different departments whose risks are particular to their work, such as supply chain risks in Purchasing and diverse issues in Human Resources and Production. The Corporate Sustainability department supports these different departments, as they hold the expertise on the subject of human rights. Additionally, shared responsibility for processes is present at the local level, where local risk managers are responsible for structuring the involvement of different functions.

The process of mitigating human rights risks within **Gas Natural Fenosa**, an energy company with generation of electricity and gas and electricity distribution, involves setting distinct roles for multiple departments within the organisation. In defining its policies related to human rights, the company underwent a process of definition and identification of risks, which was validated and agreed upon by managers in different company branches and across different functions, thus bringing the perspective and expertise of different departments to the company’s central risk management process. The CSR department has a central role in organising the risk mitigation process; however the execution and responsibility for individual risks falls within the responsibilities of different functions, such as Human Resources, Purchasing, Security and Social Impact.

Chinese conglomerate **Sinochem Group** started to develop its risk management system as early as 1998. The company classifies human resources risks related with human rights as a key risk issue within the Group, including major risks in knowledge, duty-performance at key positions, employee recruitment and positioning, remuneration system, performance evaluation as well as employee relation management. The HR, finance and accounting management functions leverage on the workers' congress system to engage employees in corporate management. They also aim at establishing a market-oriented remuneration system, developing an appropriate talent development mechanism and lowering risks in human resources, including those related to human rights.



ELEMENT 3:

Incentivise

Company leadership should be involved in setting expectations about the importance of embedding human rights into a company's regular operations. One way to do so is to create incentives and performance measurements that drive awareness and motivation to embed respect for human rights.

Company Practices

An **electric utility multinational** currently sets goals through a system of social reporting that applies to the entire Group. This system of social reporting outlines goals for staff in areas such as professional development, diversity, working conditions, social dialogue and a more explicit human rights section based on the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative. In addition, the company is developing a pilot project that links human rights-related KPIs to manager performance, thus moving the goal-setting policy to both management and operational staff.

Marks & Spencer has integrated ethical trading metrics into all employees' performance objectives and reviews, including linking directors' reviews and pay to company-wide performance on 'Plan A', the retailer's holistic approach to sustainability and social performance issues.

Electric utility giant **State Grid Corporation of China** reports its performance in human rights issues in its annual social responsibility report. The company respects people and operates in a responsible manner. Its social responsibility report provides an overview of the company efforts on respecting human rights, including maintaining freedom of association, abolishing forced labor, eliminating employment discrimination, abolishing child labor as well as its performance in implementing the Ten Principles of the United Nations Global Compact.

The company is committed to respecting and supporting human rights throughout its operations and its overall sphere of influence while refraining from engaging in any activity that disregards or infringes human rights. The company respects and defends the human rights defined in the international conventions (E.g. ILO) while pledging to maintain freedom of association, abolish forced labor, eliminate employment discrimination and avoid child labor.

In its social responsibility report, the company sets its own human rights-related indicators based on the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative: these include investment in employee training, the number of employees trained, the training rate among staff and the training rate of female employees.



Trends

Human rights related Key Performance Indicators (KPIs) as part of staff performance assessment is far from mainstream

Some function-specific KPIs are linked to human rights:

- *Procurement managers are often evaluated on the supplier performance against supplier codes of conduct which typically include human rights aspects*
- *MBOs for Human Resources managers include health & safety aspects*

While it is common practice for Risk managers to set goals in their own risk evaluation process, the link to human rights is often missing

Only three of the interviewed companies explicitly include human rights in to all staff's annual performance assessment, appraisals, or goals. Currently these are in the form of pilots targeting managers

Human Resources



In many companies, Human Resources staff are involved in designing and implementing performance evaluation processes. They can play a critical role in embedding human rights into measurable performance objectives for staff, hiring criteria, and bonus structures. A limited number of companies have experience embedding human rights into incentive structures through their commitment to ethical behaviour, which involves the Human Resources and Ethics functions working together to develop programmes to reward employees for ethical behaviour.

Company Practices

A leading extractive company has a compensation system for senior executives that incorporates Community Relations, Health, Safety and Security functions, all of which have implications for human rights. While the leaders of these functions define appropriate metrics and targets, the Human Resources function works to embed them into the company's mainstream performance evaluation process, specifically by driving the process for determining how the new metrics are added to a pre-existing performance scorecard and to communicate the rationale to others in the business for doing so.

In all operations, both at home and in foreign subsidiaries, of **Telecom Italia** the Human Resources function is responsible for ensuring information on the Group's human rights approach is well understood by the staff. Indicators of this are: number of hours of training on human rights, and percentage of employees trained on human rights. The Audit department reviews results (compile a report) and integrates learnings for next year's plan/strategy. Results are made public in Telecom Italia's sustainability report. To demonstrate management commitment and expose relevant staff to the company's actual human rights performance a series of specific targets have been set out in the MBO Human Resources' managers, as follow: health and safety of employees, programmes of training and professional growth, and welfare activities (People Caring) and the wellbeing of employees. To date, these targets apply to 3% of managers

Procurement



In many companies, Procurement staff already have performance objectives or bonuses that are tied to purchasing or sourcing outcomes. Embedding respect for human rights into this function means that these performance measures or incentives should include considerations such as supplier performance, improvements, etc., alongside traditional business metrics.

Company Practices

In **Telecom Italia**, the Procurement staff has KPIs related to human rights, in addition to traditional business metrics. These KPIs include targeted percentages for the number of high sustainability risk suppliers who undergo a thorough ESG audit, the number of suppliers who have been subject to a basic ethics questionnaire (suppliers belonging to risk sectors are subject to a more complex questionnaire), the number of staff involved in product choice procedures who attend a sustainability training session, the number of supplier contracts that include ESG contract clauses, the number of suppliers with an ISO 14001 certification and the amount of supplier water use. Additional KPIs which do are not linked to a target percentage includes the number of supplier contracts not awarded for ESG reasons.

ICT company Alcatel-Lucent **Shanghai Bell** provides end-to-end telecommunication solutions and high-quality services to customers in China and worldwide.

Shanghai Bell fully adopts and implements Alcatel-Lucent's global sustainable procurement project. In the contracts with suppliers, Shanghai Bell raises clear sustainable and human right-related requirements about the environment, human rights and business ethics etc. based on the Ten Principles of the United Nations Global Compact and the Electronic Industry Code of Conduct (EICC 5.0).

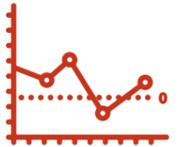
The company conducts surveys on use of conflict minerals and requires suppliers to track and promptly report the source of the minerals. Shanghai Bell is committed to promoting a supply chain without conflict minerals and avoid supporting the exploitation and trading of minerals in Africa's Great Lakes region so as to eliminate human rights issues and environmental damage.

In this context, Shanghai Bell cooperates with non-governmental organizations and third-party auditing firms to develop a project on rule-violating supplier monitoring. The company leverages on the external database to closely track misbehavior in the environment, labor and human rights fields and help suppliers avoid risks.

Chinese pharmaceutical company **Fosun Pharmaceutical Group** always regards supplier management as a key part of its quality management system with an aim to ensure quality, stability, safety and efficiency of its products. In 2015, in order to regulate the procurement and bidding processes of its member companies, the company unveiled the Basic Principles of Procurement and Bidding Management for Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Trial) and the Assessment Indicators of Procurement and Bidding Management for Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Trial).

In selecting suppliers, some of its member companies conduct necessary audits on the suppliers and ensures they don't use child labor or forced labor.

Risk



Effective risk management processes typically involve clear incentives for staff in diverse functions to participate in the process, aimed at gathering as accurate as possible picture of relevant risks in their function, business unit or market. Some companies have used approaches including a personalised letter from the CEO to all participants indicating an expectation that they engage fully in the process. Another approach is a 'letter of assurance' that heads of the relevant functions or businesses are asked to sign, affirming to the Board that they have accurately stated the company's risks as they know them.

Company Practices

Local areas of risk management within a **telecommunication multinational** are expected to identify and evaluate risks, including those related to human rights, which they then report to the local managers of their branch, who are responsible for properly corresponding to the risk mitigation challenges identified by their local teams. The risks collected by the local risk managers and passed on to local managers are then dealt with through the central Corporate Risk Management model of the company, which provides consistent and effective methodology for the entire operation. Through this process local risk managers set goals also in relations to human rights in their own risk evaluation process, as they are aware that fulfilling this responsibility correctly and participating in the process is vital for the eventual mitigation of human rights risks at central level.

An **oil & gas company** has set up a Sustainability Steering Committee chaired by the CEO and steered by the Corporate Sustainability department. The Committee is responsible for developing the company's sustainability strategy and its implementation into operations. In order to measure the impact of the sustainability strategy and better steer sustainability throughout the organisation, in 2014, the company defined new KPIs covering the increase of human rights awareness among its employees and A-suppliers. These KPIs relate to innovation, environmental management, community development, stakeholder engagement, health & safety, business ethics, human rights, diversity and are applied to all strategic areas of the sustainability strategy. The monitoring of the KPIs is effectively managed and overseen, as are all sustainability topics, by two governance bodies: an internal steering committee and an external advisory board.

In addition, employees in management positions within the company agree on annual performance objectives with their managers, objectives to which a 10-30% annual salary bonus is linked. All employees are required to select a target linked to sustainability issues, from those listed above. There is no information on how many employees have chosen human rights as their sustainability KPI.



ELEMENT 4:

Provide operational guidance and training

When embedding the responsibility to respect, it's important that guidance on human rights is tailored for specific functions, divisions, and individuals. Guidance and training on human rights should reflect continuous learning and be updated over time, to align with evolving corporate management systems and human rights risks.

This will ensure understanding of individual roles in putting the commitment into practice. Tailored guidance will also help build individual capabilities to embed human rights into operational activities and systems, rather than focusing solely on compliance with a corporate-wide policy.

Company Practices

Hitachi, a multinational technology conglomerate, aims to approach training employees on human rights topics from a holistic point of view. To this end, the Hitachi's Human Rights Policy, in line with the Guiding Principles, serves as the basis for the development of training, seminars and awareness-raising activities. As a result:

- Training for Executive Officers was tailored to ensure coherent understanding and leadership from senior management in order to build awareness of human rights and implementation of human rights due diligence among employees.
- E-learning material has been distributed among employees to educate about international standards such as the Guiding Principles, as well as about potential and actual risks in business activities and actions to address these.

A further step was taken between September 2013 and March 2014, when Hitachi developed pilot programmes for human rights due diligence with the help of a number of external experts. The purpose of these programmes was risk mapping from the business context and the geographical context, as well as clarification of key issues in implementing human rights due diligence across the Group. In fiscal year 2014, the company drew on the results of these pilot programmes to develop a guidance document that aims to provide direction in: gaining understanding of the core elements of due diligence processes, going through a step-by-step process to conduct due diligence and finally, learning how to embed due diligence processes into everyday business practices.

In **Gas Natural Fenosa**, training programmes are organised and delivered in flexible ways depending on the intended audience. Firstly, the company organises a mandatory online course for all employees that includes a review of the principles and commitments of the company's policy coupled with practical examples based on risk analysis.

Additionally, issue-specific seminars are held for managers and Steering Committees in high-risk countries. Seminars are aimed at explaining the content of the company's human rights policy and at generating discussion around dilemmas that may arise in everyday work.

Finally, information sessions based on the Human Rights Policy and its implications for business are held in low-risk countries and are aimed at all staff. All members of staff that received training are required to complete an evaluation test on lessons learned.



Trends

The large majority of interviewed companies include human rights aspects in their training programmes for all employees

Online trainings are more widely used than in-person ones, some companies use both. In-person trainings are preferred when tailored to specific groups

All companies tailor their training:
 - 60% of interviewed companies tailor their training activities according to the function mostly targeting Procurement and Human Resources
 - Companies also report tailoring the message according to the operating countries (especially high-risk countries), and having training for suppliers or executives.

In terms of content, real-life/hypothetical scenarios is a widely used method to train employees

Next to training, often there are additional operational guidance tools, such as: online platforms, soft and hard copies of guide documents, existing sector-specific toolkits etc.

During capacity building, companies tend to focus on dissemination of good practices rather than discouraging negative behaviour.

After adopting a new Policy on Human Rights for the entire Group, **Telecom Italia** started to organize a series of training courses on human rights for all staff:

- An internal workshop on human rights was arranged with the participation of managers working in all the Departments (during the workshop there was also a presentation carried out by the Managing Director of Amnesty International Italia)
- A training course on line on business and human rights, involving all Telecom Italia employees, was uploaded in its intranet in December 2015
- By 2015, 90% of 'prime contact' Procurement staff was trained on ESG issues relevant to procurement decisions, including human rights

Data on take up of human rights trainings are available on Telecom Italia's corporate website.

China Machinery Engineering Corporation, a company in machinery industry, has embedded human rights policies into its budgeting and training plans for social responsibility, including training programs for employees in different divisions under the HR function. The training programs are designed to prompt employees to strictly abide by the Chinese laws and regulations and to fully respect and uphold the international human rights conventions and labor standards. The company pursues equal treatment for all employees and doesn't discriminate against any employee because of religion, race, nationality, gender, political views, geography and color. It's also committed to eliminating the use of child and forced labor.

Shanghai Bell drafted a series of regulations to address health & safety issues such as the "Administration Measures for Production Safety for Shanghai Bell Co., Ltd.", "Occupational Health and Safety Regulations for Shanghai Bell Co., Ltd." and "Regulations on Checking and Controlling Safety Risks for Shanghai Bell Co., Ltd." The company has also compiled 17 safety operation manuals, including "Guidelines of Environment, Health and Safety for Employees." These rules and manuals helps better define safety responsibilities and priorities. In 2015, the company's OHSAS18001 occupational health and safety management system passed the DNV Certification (DET NORSE VERITAS Certification).

Human Resources



Training and guidance for staff in the Human Resources function should relate to their specific activities and roles within the organisation. For example, they may manage the implementation and/or administration of effective grievance mechanisms, or provide advice on hiring issues or freedom of association in high-risk contexts such as countries with poor human rights records or where local law or custom conflicts with international human rights standards. Training should build on staff members' existing expertise (where relevant) in managing 'HR issues' in complex scenarios while making clear what is different or additional when it comes to respecting human rights.

Company Practices

A **global company in the food and beverage industry** provides human rights trainings to all its managers and employees, focusing on different topics and providing specific functions with additional training related to their individual activities. For example, the company provides tailored training to the Employee Relations team that is responsible for investigating issues and concerns that arise through its formal grievance channels. This ensures that local staff have adequate knowledge of human rights issues relevant to the operating contexts, global standards and applicable laws, and potential human rights risks in their particular locations.

In the UK and Ireland, a **global IT solutions company** provides specialist training on human rights-related topics to different teams within the Human Resources function. The Grievances and Disciplinary team, the Recruitment team and the team responsible for handling employee enquiries all receive specifically tailored training to meet their particular responsibilities and functions within the company.

An **electric utility multinational** provides compulsory online training for all employees, including within different divisions of the Human Resources function. The training includes simulation of real-life scenarios.

Additionally, the company provides mandatory, formal learning courses on ethics and human rights for all Operational managers. This training takes place at different stages of an employee's career in order to anticipate evolving responsibilities.

Chinese construction company **China State Construction Engineering Corporation** has fully recognized that the industry transformation in recent years may cast more pressure on its employees. Therefore, the company introduced the innovative Employee Assistance Program (EAP) to some of its enterprises. In line with construction industry features, the EAP has six sections that include psychological evaluation, lectures on psychology, group counseling on negative mood, workshops led by senior executives, intervention in psychological crisis of employees and training camps for high-performance teams.

The company tries to discover psychological problems of its employees as early as possible and help them resolve the issues through psychological research, psychological counseling, education and training, as well as themed activities. The company develops assessment reports of psychological quality for its employees and drafts schedules to help employees release negative emotions and ease stress in a bid to ensure mental health and develop a positive attitude towards career development.

Chinese oil and gas producer and supplier **China National Petroleum Corporation** (CNPC) acknowledges the importance of human rights, and actively supports and abides by International human rights conventions. The company respects and safeguards human rights in its coverage and has formulated and published the Guideline of CNPC on Fulfilling Corporate Social Responsibility to provide operational guidance in related practices, like labour, respecting human rights of consumer and community residents, and improving staff's awareness of respecting human rights.

The Company also attaches great importance to the staff's safety and health. CNPC provides training on career development, builds growth channels for employees, and carries out the review of human rights in supply chain with an aim to promote the partners to respect human rights. By protecting consumer privacy, providing consumers with safe and reliable quality products and services, and reducing the impact of production and operating activities on community environment and society, CNPC guarantees the human rights of community residents. It also builds the culture atmosphere for respecting human rights through training and other publicity activities to cultivate and promote employees to respect human rights and make it integrate into the employee's behavior consciously.

Procurement



Training and guidance for the Procurement function should relate to their specific function and roles within the organisation. For example, Procurement staff may manage business partners who have poor human rights records, or manage operations in high-risk contexts such as countries with labour and safety standards are not established or enforced. In both cases, Procurement staff will need relevant training to build understanding of the company's commitment to respect human rights and drive accountability within those relationships and operating contexts.

In line with this, many companies have gone one step further and are driving capacity building activities for their suppliers.

Company Practices

A **global mining company** provides online human rights training to ensure staff know how to comply with the corporate human rights policy. While this training is offered company-wide, it is not compulsory for all functions. However, it is mandatory for the Procurement function. A series of hypothetical scenarios, including questions that test staff knowledge for operating in alignment with the company's commitment to the Voluntary Principles on Security and Human Rights are included in the company's e-learning program. The company also offers specific and more intensive training to staff at sites with high security risks, including in cases that may have poor human rights records.

Vattenfall has organised a competence centre, responsible for training employees in understanding how to work with sustainability in the supply chain, and in particular, on human rights issues. The audience for this training includes auditors and employees involved in the procurement process such as project managers. The content of such training includes case studies from the business and experts in human rights and labour issues in order to teach employees about the Guiding Principles as well as human and labour rights. The company's approach integrates different functions, including procurement and business, as well the Sustainability department which is responsible for content development and course delivery.

Chinese real estate company **Vanke** attaches great importance to protecting human rights, like pay and benefits of staff. The company requires its general contractors to provide regular safety and health trainings for the staff, buy accident and casualty insurance for workers at high-risk positions and ensures respect for all human rights, and health and safety for the staff. In order to coordinate with Vanke's management, many contractors have established the "Vanke Business Division." Vanke's headquarter brings it into the corporate management and provides trainings for the staff at the Divisions and offers its own management module on labor rights and safety in a bid to help them better adapt to Vanke's own business.

Telecommunications service provider **China Mobile** address the human rights issues in procurement. In addition to strictly protecting employee rights, the company also takes efforts to encourage our suppliers to protect employees' rights. The company revised the Supplier Management Methods and developed the supplier certification template to require human right certification from their suppliers. It also conducted labour practice assessments during first-level centralised procurement process

Risk



Without appropriate awareness-raising and tailored training, many staff members may find it hard to identify 'human rights risks' accurately as part of the company's broader risk identification process. The topic of human rights is often seen as new and challenging, for a variety of reasons and people can find it difficult to connect what may be seen as abstract language to their daily work. For this reason, appropriate training on human rights is critical in ensuring that staff can contribute meaningfully to the human rights risk identification exercise.

The Risk function, responsible for assessing human rights impact, is instrumental in identifying areas where the company needs steady improvement in all countries. This increases the ability of the company to tailor the content of the training accordingly.

Company Practices

An **oil & gas company** employs a combination of internal and external expertise in coaching sessions that are meant to raise awareness on human rights issues salient to the company, covering different departments.

The company organises local classroom trainings with both internal and external consultants in the countries where it operates. The content of the training is based on case studies and real-life scenarios in the context of different functions, supported by theoretical frameworks such as the Guiding Principles. Going one step further, starting in 2014, the company identified new risk-related KPIs covering the increase of human rights awareness among its employees and first-tier suppliers:

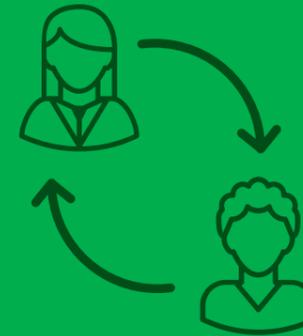
- Training sessions for reaching these KPIs were conducted for 324 employees in Algeria, Austria, Gabon, Kurdistan, Madagascar, Namibia, New Zealand, Romania, Pakistan and Tunisia
- Additional training was provided for all external supply chain auditors of the company's first-tier suppliers, as well as for employees of potential suppliers in Romania. The focus was on the risks of human rights violations within an organisational culture, as well as strategies and structures to prevent them

Operational managers within **Randstad** are instructed in developing holistic and complete trainings for their staff. The content of these trainings includes human rights-related topics such as anti-discrimination, the right to work and the right to just and favourable remuneration. The training methods are flexible and depend on the operating country and context, primarily taking the form of online trainings or webinars and direct in-person trainings. Following the sessions, the company monitors through a survey the level of understanding of the taught materials. Focused content, flexible delivery methods and monitoring of staff performance are all components of a training model that allows for staff familiarity with human rights topics and increase the chances of risk recognition related to the same topics.

China's largest nonferrous metals enterprise **Aluminum Corporation of China** leveraged on the advanced experience from both domestic and overseas enterprises and amended its existing occupational health and safety management system. The result was:

- Compilation of the "Standards for Health Safety and Environmental Protection for Aluminum Corporation of China (Trial)"
- Design of training programs for safe production
- Expansion of the competitions of work safety among different divisions
- Organization of trainings on occupational health and safety as well as laws and regulations on work safety

These efforts have helped employees enhance their safety awareness and the ability to prevent safety risks, greatly reducing the potential human rights risk.



ELEMENT 5:

Foster two-way Communication

Two-way communication means that people throughout the company discuss the ways in which they are embedding the responsibility to respect human rights. Top-down communication from the company's leaders should be clear, frequent and shared in multiple situations. Bottom-up communication from operational staff should uncover the realities, successes, challenges and good practices for embedding respect for human rights.

Discussion should take place in a meaningful way that reaches people throughout the organisation, and conveys the necessity of working together, while avoiding excessive 'happy talk'.

Company Practices

At a **telecommunications multinational**, top-down communication concerning human rights policy comes from a centralised corporate level. The evaluations of human rights risk leads work plans to share those findings with local management departments. After gathering the information from local managers, the results are communicated to the local steering committee and finally to the Corporate Management group, thus allowing for a bottom-up channel of communication. Additionally, staff and other stakeholders have confidential channels that allow them to share information on possible violations and remedy procedures. By doing this there is meaningful communication between management, staff and stakeholders affected by the company's human rights policy.

Enel employs a variety of methods to ensure that meaningful communication channels are open between management and operational staff, and that the information flows both ways.

The Company has a complex internal media system, composed of the Intranet, a corporate TV channel, a corporate radio, an in-house magazine, one-to-one channels (e.g., e-postcard, newsletters) in addition to more visual communications channels such as posters and flyers. For example, a project on human rights and diversity was launched to disseminate among employees a series of televised interviews of top management (available in different languages), along with global and local news updates and information on the Group's diversity management.

Another example of two-way communication with staff is the blog managed directly by the CEO of Enel that fosters discussion around topics of interest for the Group and invites employees to comment and contribute. The blog is available in the three global languages of the Group (Italian, English, Spanish).

Finally, the company has created a dedicated channel which both internal and external stakeholders can use to voice concerns and submit alleged violations (grievance mechanism).

The combination of these top-down and bottom-up communication channels allows for a mutual sharing of the expectations, realities and challenges of the embedding process.

Trends

In general, companies seem to be already engaged in a two-way communication through different tools (top-down and bottom-up) used in multiple setting to a varying degree

Top-down communication channels include reports released by executive committees shared with the staff, Enterprise Risk Management, Intranet, CR newsletter; webinars/trainings/in-person meetings. One challenge with top-down communication is making sure that the message is translated in all languages of the operating counties, as well as presented in such a way that it is well received despite cultural differences

Bottom-up communication channels include Human Right Contact Point at HQ and local level, reports from local staff on Human Rights risk, feedback session for staff and employees engagement survey. Grievance mechanisms are used to address complaints at individual level

The majority of companies highlight the importance of consistency of messages. This can be achieved through setting clear human rights policies as well as operational policies for implementation of the commitment to ensure consistency of messages and clarity of information provided

In terms of involvement of the different functions:

- *The Human Resources function is usually in the lead for dissemination of human rights messages*
- *The Procurement function often involves local managers to ensure they are aware of the implication of human rights consideration in buying decisions*

The Risk function administers Enterprise Risk Management tools that collect bottom up information on human rights risks

In **Telecom Italia**, responsibilities for the policy “Respecting Human Rights” are the following:

- The People Value department is responsible for what concerns the involvement of Telecom Italia Group’s People.
- The Purchasing department is in charge for its observance regarding the involvement of suppliers of Telecom Italia.
- The Compliance department oversees the risk of non-compliance with the related set of rules.
- The Corporate Shared Value department is responsible for its updating (every two years or less, in case of national or international developments), involving stakeholders, and for the coordination of the process of due diligence on human rights (as reported in the policy).

All departments are invited to explicitly refer to this policy in their own operational policies, procedures and management systems (e.g., for what concerns the environment, health & safety, no discrimination). The Group has set up a Point of Contact for Human Rights at corporate level (within the Corporate Shared Value department) which responds to internal and external inquiries. Decisions made and information collected is disseminated top-down through two main channels: the company intranet, and the Board of Statutory Auditors’ Reporting Procedure, through which one tenth of all reports are received.

To ensure bottom-up communication:

- All departments responsible for processes with an impact on identified human rights are required to take part to due diligence on human rights by completing a self-assessment questionnaire (OCAI: Organisational Capacity Assessment Instrument) consisting of twenty-two questions reflecting the Guiding Principles. In completing the OCAI, each department assesses its own position on a spectrum of six levels that range from “non-responsive” to “Human Rights promoter”. The questionnaires are subsequently shared with the Corporate Shared Value department, which creates action plans when the self-scoring is level 3 or below. (In the 2014 survey, 3.1% of employees evaluated their department as level 2; 2.86% as level 3; no level one response was supplied).
- A grievance mechanism was set up. The Internal Control reporting procedure requires the Head of the Audit department to answer directly to the Board of Directors autonomously and independently of the senior executives. This ensures that any potential risks are brought to the attention of the governance body and are dealt with promptly and decisively.

Chinese multinational technology company **Lenovo China** respects the diverse cultures among employees and attracts global talent with long-standing interaction and communications. The company has developed a new corporate culture for a global company, which greatly facilitates diversified, two-way communications on a variety of issues including human rights.

In order to help employees to offer advice and recommendations to the management in a timely manner, Lenovo China has established cross-regional, cross-sectoral and cross-functional communications channels such as Intranet, Office Automatic system, training projects, conference calls, and department meetings. The recommendations collected through all channels are ultimately reported to relevant departments for reference.

For any potential violations of laws, corporate policies, or the “Employee Code of Conduct”, Lenovo China provides formal and confidential ways for employees to report them, including a 24-hour Lenovo hotline, report letters or e-mails. Where permitted by law, employees can anonymously report the incidents related to business practices. All reports are appropriately handled with follow-up measures. Lenovo China takes effective measures to prevent employees from facing to any form of retaliation or harassment after reporting suspected misconduct.

A Chinese ICT company supports the implementation of human rights commitments included in its policies through different two-way communications channels.

As a top-down tool, the company has set up the Committee of Ethics and Compliance (CEC) to guide employees to actively adapt to the countries or regions where they work from the perspective of language, customs, and religion or even living habits. Bottom-up communication includes a complaint mechanism through which employees can file complaints via different channels: complaint hotline of the Committee of Ethics and Compliance (CEC); BCGs violation hotline; HR services complaint and suggestion hotline; grievance mailbox regarding performance appraisals; complaint/whistle-blowing mailbox regarding procurement, and complaint/whistle-blowing mailbox of engineering inspections.

These efforts have helped embed human rights to the value of the company’s management and employees’ behaviors.

Human Resources



The Human Resources function is often responsible for sharing information across the organisation, including reinforcing executive messages and engaging staff in feedback sessions. One way this can occur is in communicating particular expectations of managers and employees, as well as with contracts or terms with employment and recruitment agencies. Another way may be related to grievance mechanisms, particularly in the context of ensuring that all stakeholders have effective channels for raising concerns (including contract staff).

Company Practices

For **Deutsche Telekom**, capability in the area human rights lies with the Corporate Social Responsibility department in Human Resources. The department uses a variety of tools in order to prevent and address human rights impacts. CSR staff are responsible for engaging with employees through the company's grievance mechanisms, overseeing performance evaluations, carrying out human rights impact assessments in particular through the designated Human Rights Contact Point within the department. The Human Rights Contact Point is accessible by staff within the company and through a dedicated email found on the company website. Additionally, a whistle-blowing system is available both centrally and locally, though email and anonymously. Finally, the company engages staff in feedback sessions through a variety of means. For example, in engaging with staff for the revision of the company's Social Charter, the department organised a series of webinars as a way to disseminate information to the company's employees.

The Human Resources department of a **company from the engineering and service sector** has created a framework covering fair labour conditions that works as both a direct and indirect communication mechanism by:

- Setting the requirements and long-term targets for working conditions and contracts
- Communicating the Group's expectations throughout different units, thus helping employees live up to the company's standards regardless of location
- Standardising good practices and enforcing them as policies, for example preventing underage labour, maintaining working hours, putting employment terms into writing and safeguarding employees from unnecessary medical examinations

This communication is mostly top-down oriented, with initiatives including intranet resources, a magazine publication and manager trainings. To homogenise communications on human rights, the company is training local Human Resources managers in order for them to be able to assess how to best communicate this information locally.

For a **global IT company**, the Human Resources department holds the expertise for topics such as data privacy, discrimination, harassment, grievances and employment law. Experts on these topics are responsible for ensuring that processes and policies meet all relevant legal and business requirements and are available for consultation by managers and employees on any human rights-related issue. Additionally, a contact number is available through which employees may contact HR on a confidential basis in order to discuss issues of concern. Finally, each business unit has a Human Resources professional assigned to it. Managers and employees are able to approach the dedicated professional if using the additional measure of a dedicated hotline is not their preferred option.

Aluminum Corporation of China adopts a democratic corporate management system that includes the Worker representative Congress and Trade Union. The company actively boosts transparency of business operations and allows employees to evaluate the performance of their leaders.

Providing this platform for them to engage in company development and reform is a way to ensure bottom-up communication while also ensuring respect for human rights, including the right to know, participate, vote and supervise.

The company continues to improve the channels and mechanisms for employees' compliance and appeals in a bid to safeguard their interests. The company also conducts dialogue with Trade Union representatives on wages, working hours, holiday and vacation, as well as welfare and benefits and sign collective contracts with employees.

Finally, employees can report to the HR function human rights issues they may encounter via various channels such as hotline, face-to-face communications and whistle-blowing mailbox. The company attaches great importance to the complaints filed by employees and aims at fully protecting the legitimate rights and interests of employees.

Procurement



The Procurement function works with different staff across the organisation when making buying decisions. They must incorporate many factors into these decisions related to price, quality, delivery time, challenges, and risks. By embedding human rights risks into their assessments, Procurement staff will have a fuller picture of possible risks that might be prevented, mitigated or addressed. To be effective, Procurement staff will need to communicate human rights impacts as related to materials procurement, supplier engagement, and other considerations. They should consider the local context of buying decisions and communicate this to the head office in order for high-level decision-makers to understand specific opportunities and challenges that exist when embedding human rights.

Company Practices

A **large multinational company** based in Europe created a Procurement office in Shanghai after determining that China is among the countries where high risks exists in its value chain, and that communication between its centrally-located Procurement division was not effective with suppliers in the region. Creating this local office helped the company gain an improved understanding about dynamics on the ground, which was accomplished in part by performance reviews. These employees also provided local context to corporate headquarters in top-down and bottom-up communication regarding reviewing supplier audit results.

For example, when the local office shared results with the headquarters about child labour findings, they had the local knowledge to contextualise the issue: simply dropping the particular supplier would not address the root cause, as other suppliers in the region have similar issues. Recognising this reality, the company agreed that the Procurement division should evaluate root causes and focus on capacity building as a way to work on this systemic issue over time, rather than simply drop non-compliant suppliers. This showed local business partners that the company was serious about its business activities on the ground, and willing to work with them to improve their performance.

A **retailing conglomerate** has set up a Steering Group for Responsible Purchasing strategy that:

- Develops the Group's responsible purchasing procedures
- Promotes the sharing of best purchasing practices within the Group
- Keeps up with changes in legislation pertaining to purchasing and sourcing

By centralising the distribution of relevant information, the company can efficiently draw the attention to areas of their value chain that present the highest risk, while allowing procurement managers to focus their efforts on mitigating the risks.

The company offers web training to procurement employees and organises product line meetings to disseminate new policies, ensuring that staff is kept well informed. Through these top-down efforts, information is widely disseminated, while its collection and assessment is done efficiently at a management level. In each product line, multiple designated responsible employees can provide assistance when a human rights issue arises, while procurement managers are invited to critically assess the audit reports from a practical perspective.

Following the kick-off of a project related to "Sustainable Procurement" aimed to ensure that purchasing practices reflect broader goals linked to social responsibility, including respect for human rights – **Enel** has set up specific working groups in which different functions are involved, such as: Health & Safety, Innovation & Sustainability, Audit.

The purpose is two-fold:

- Share considerations about human rights
- Give evidence of local and global specific scenarios, through technical referents assigned to each Business unit

To ensure bottom up communication, every local sustainability and procurement unit is activated by the HQ in order to receive information on local specificities related to human rights in order to share them with the HQ procurement unit within the scope of the above-mentioned project.

Chinese conglomerate **China Merchants Shekou Holdings** is always committed to a transparent procurement system with open, fair and impartial processes and two-way communications to ensure the basic human rights of the suppliers.

In this context, the company establishes an effective operation model of "General Purchasing - Annual Cooperation - Strategic Sourcing". With the corporate resources planning system, the company certifies and assesses all suppliers at its headquarters, regions and city branches in an effort to understand the suppliers' development and

enhance the communication.

Beyond the assessment, the company's senior executives regularly visit key suppliers and invite them to the company for communication and exchange. It also invites professional consulting agencies to conduct satisfaction surveys on suppliers in engineering, marketing, design and property management fields to listen to the voice of the supply chain partners and also seeks improvement together with the suppliers based on the survey results.

Risk



Leading risk management processes solicit input from managers right across the business, as well as from top-level leadership. The Risk function's role in such processes includes stimulating a robust dialogue among senior business leaders to debate the relative severity and likelihood of identified risks, in order to 'plot' those risks on a risk heat map and discuss appropriate mitigation measures. To be effective, such a dialogue depends on assessments of risk at the function, business unit or market level that are grounded in information from operational staff and thus capture the reality on the ground of a company's operations, and not just a headquarters perspective.

Company Practices

A **global IT company** uses a top-down and bottom-up risk assessment process to define risks and determine what the corporate audit team should put into its annual measurement plan for the business. The Risk function provides templates for different business units to identify key risks, including risks to human rights. They may highlight particular regions or operating contexts where human rights may be at a higher risk when providing instructions to various business units. The business units use these templates to identify potential risks, and then feed this back into the corporate-wide risk management and audit process. The Risk team and Audit teams at the central level work together to review these inputs, draw conclusions that are presented to management, and inform management's approval of future business activities.

An **oil & gas company** has developed a Human Rights Matrix to:

- Map the company responsibilities and activities in relation to human rights and assess existing gaps between corporate responsibilities and human rights activities
- Prioritise actions by distinguishing between essential, expected and desirable actions and results

This allows the top management to establish an understanding and cohesiveness on what is expected of employees in relations to human rights as well as to foster a favourable climate for the acceptance of human rights.

To ensure human rights risks are well identified at local level, other tools have been developed and disseminated, such as a Country Entry check list, a Human Rights Self-Check process, a Human Rights Consulting Visit, Supplier Audits on human rights, and an E-learning Tool on human rights.

When identified risks involve a project of major strategic importance, results from the application of the tools are brought to the attention of a Steering Committee that works like a board for sustainability to evaluate the project. This allows setting future priorities and clarifying roles for the different corporate functions and business divisions discussed. Finally, the CEO is informed through the line of the steering committee about general developments on human rights. Through this process, information travels from the bottom to the top and employees at all levels of the company are involved and consulted.

China Mobile launches special audits and surveys on the key links of its operation in high-risk business areas and expands its audit coverage, "including actions aimed at addressing human rights issues and other key processes.

In the bidding process for procurement, China Mobile:

- Makes available hotlines and other channels for employees to report any misconduct
- Protects the rights of whistle-blowers
- Steps up efforts to verify the reported cases.



ELEMENT 6:

Review, Analyse and Integrate

It is important to review the effectiveness of a company's efforts to embed human rights into its business activities. Companies should put in place tracking systems with specific indicators for evaluating the process of assessing and addressing specific impacts, as well as whether human rights impacts are being prevented and mitigated based on actions taken. These tracking systems should include leading indicators,¹ rather than lagging indicators alone, in order to drive continuous improvements over time.

Sharing this information throughout the organisation will also expose operational staff in to the company's actual human rights performance.

Company Practices

An **Electric Utility multinational** operates a system of review, analysis and integration of human rights issues that includes a variety of different indicators. The company uses external indicators in the following categories:

- Media: the company tracks the number and type of negative publicity, for which the Ethics and Compliance department decides countermeasures
- Indicators connected to an ethics hotline: a report based on this data is sent to the Human Resources department and to Ethical officers for review

In terms of internal indicators, the company is focused on the following categories:

- Human Resources and Discrimination progress report: indicators include percentages of women in the workforce, people with disabilities, senior workers, mobility in the workplace and social diversity
- Social Reporting: this is a confidential report that provides data on recruitment, diversity, working conditions and social dialogue, amongst other categories
- GRI: the company uses the GRI G4 section on human rights indicators

In addition, to demonstrate management commitment, currently testing a pilot project in Belgium to link bonuses for managers to social, societal and environmental impact criteria.

¹ **Leading indicators** measure progress toward the goals for the company's medium to long-term success. They show what is currently happening and serve as an early warning system to indicate that change might be needed. They focus peoples' attention on the consequences of their own decisions and practices. **Lagging indicators** quantify results, thus confirming that a pattern is occurring or about to occur (without predicting it).



Trends

All interviewed companies have indicators that can be linked to human rights. We can see a shift from measuring outcomes to focus on behaviour (from lagging to leading indicators) in order to encourage embedding human rights both at HQ level and in the field

In terms of assessing risk, a large number of the companies interviewed report to have set up a company-wide Human Rights Impact Assessment (HRIA) and all report to have in place a risk assessment of suppliers with a particular focus on high risk countries

The review and analysis process is based on HQ collecting information from local offices through a due diligence process (Audit function in the lead): a report review is done annually and shared with companies highest levels and relevant Board committees for discussion and – ultimately – with staff. An overview of results is published on Annual/ Sustainability report

In terms of integrating findings, some companies report developing improvement plans in response to identified human rights issues, also when these involve suppliers. Other examples include regular review of human rights policy to reflect developments and lessons learned from the review and analysis processes

Human Resources



Human Resources is likely already involved in administering a range of systems for tracking whether staff experience negative impacts, where such impacts occur and if they have been effectively addressed. The company should additionally assess the Human Resource function's own human rights performance. Sharing the results of Human Resources analyses throughout the organisation can also highlight the need for including improved human rights performance into the company's mainstream evaluation and planning processes.

Company Practices

For **employment and recruitment agencies**, 'people are the business'. One leading agency uses a program called 'mystery guest' to test whether its staff are implementing internal policies on non-discrimination. The company has an external party pose as a client representative who makes a discriminatory request about hiring only a particular type of worker (e.g. of a certain age or gender) The third party then reports back to the agency about the agency's sales staff member responses. This helps identify where targeted training may be required to ensure all staff are in line with company policy.

A **global food and beverage company** has a human rights policy and has decided to conduct in-depth human rights impact assessments (HRIA) throughout its global operations on a country-by-country basis. Human Resources managers at the company headquarters are involved in the assessment processes, as are factory-level Human Resources departments, trade union representatives, and employees at distribution centres and other facilities. As also described in white paper published by the company, this multinational identifies the following strengths and areas for improvement related to the responsibilities of the Human Resources function from its first set of HRIsAs:

- Third-party and temporary staff did not have salaries in accordance with living wage levels
- The definition of maximum working hours differs from one country to another
- The company's factory employees often work overtime
- There is limited awareness regarding internal grievance mechanisms
- There is a low rate of unionization among temporary staff

The company's analysis led to a range of internal responses, which included the Human Resources function using the performance data to drive improvements, for example by: creating a new Policy on Conditions of Work and Employment; creating a living wage survey; and coordinating a Working Conditions Action Plan to address the areas for improvement.

The Employee Relations Policy of **Deutsche Telekom**, rolled out throughout the Group, defines company policy on topics ranging from general employee development to more explicit human rights concerns such as fair pay and discrimination. When one of the company's national units is of particular significance for human rights-related concerns, or if monitoring results show deviation from the pre-defined standard range, reviews are carried out locally to assess the situation. Human rights-related issues have been integrated into these assessment processes since 2013. Group observance of the policy is reviewed annually and in conjunction with close monitoring of its effectiveness. In 2013, these were carried out in the USA, Russia and Macedonia. In 2014 an assessment was carried out in Mexico. Today more countries are being covered.



Procurement

Procurement staff already review business partner and supplier performance on a regular basis to drive improved performance within a company's value chain. It is important to include specific human rights indicators in these reviews, such as creating a 'balanced scorecard' to vet new suppliers and/or review social and business performance simultaneously. Externally, this approach helps communicate the importance of human rights to business partners and incentivises their performance improvement. Internally, sharing audit results and similar information throughout the organisation can feed also human rights performance into the company's mainstream evaluation and planning cycles.

Company Practices

A **fashion multinational** conducts audits of its supplier factories over the course of 6 days, which results in a jointly developed 18-24 month work plan based on the company and suppliers' shared prioritisation of issues for improvement. Rather than conducting periodic follow-up audits, the company follows up on progress made on the work plan and supports factories' capacity building efforts to improve performance. For example, it is working with suppliers in China and Bangladesh to develop supplier management systems to track and analyse working hour violations. Management system improvements can provide the data for further analysis, operational efficiencies and reductions in working hours to acceptable standards. The company's sustainability department is also working with its sourcing team to offer long-term strategic partnerships to its best performers.

A **forest-based industry company** has launched its first human rights-related assessment to evaluate its sourcing processes and took the necessary steps in order to address human rights-related issues in all activities. The Procurement and Audit functions collaborated on this exercise, with the latter taking the lead.

Two of the identified risks were human rights-related: human rights violations (especially labour issues, including safety of employees) and sourcing reputation. These risks have been identified to be very relevant for the company's local operations, and have a potential of causing an impact of worth up to 150 million euros to the company.

The risks identified are fed into the general risk management systems and as a result of these findings:

- Occupational safety is now a central part of supplier audits, especially in high-risk countries
- Number of risk assessment-based supplier audits has doubled, also with a wider geographical coverage
- Audits in China and India are conducted together with qualified external auditors in order to benchmark the employment practices of the company's suppliers, based on the recommendations of the International Labour Organisation (ILO)



Enel includes in contracts for suppliers human rights clauses related to the protection of child labour and women, equal treatment, freedom of association and representation, forced labour and others. In addition, contracts specify the predominance of ILO conventions on the aforementioned topics and an additional check is made to make sure suppliers for purchases from the sea are not on UN, European or US Office for Foreign Assets Control black lists. Within the project related to “Sustainable Procurement” the Company is implementing a variety of human rights indicators in order to review, analyse and subsequently integrate human rights concerns within its procurement decisions, in particular focused on Supplier Qualification System and Vendor Rating. Once information is reviewed and analysed through these processes and potential issues are detected, a meeting is set with the supplier to identify an action plan for improvement, followed by regular meetings to oversee its implementation.

A leading global ICT solutions provider adopts a certification system for new suppliers in order to ensure that no activity carried out by suppliers infringes human rights. This system entails:

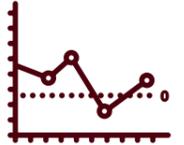
- **Screening:** Sustainability requirements that also refer to human rights are one of the minimum conditions that potential suppliers must follow. Those who fail are excluded from the initial selection.
- **Qualification:** Onsite audits, including human rights issues such as child labor or forced labor, are performed to assess whether a supplier meets the criteria stipulated in the sustainability agreement. The audits include activities such as management interviews, employee interviews, document reviews, onsite inspections, and third-party information searches;
- **Review:** An expert panel reviews the results of the supplier audit. Compliance with sustainability requirements is the precondition for acceptance: any supplier that fails to meet the standards will not be accepted.

The company conducts regular audits to ensure suppliers don't use child labor. When serious violations are observed, it will not terminate the relationship with the supplier and will continue to work with the supplier to drive improvement, helping the supplier analyze the cause; identify ways to solve it; and take targeted action using the Check, Root cause, Correct, Prevent, and Evaluate (CRCPE) methodology.

All problems are logged on the Supplier Corrective Action Requirement (SCAR) system for follow-up until closure.

As for the terms and conditions in the purchase order as well as other formal agreements, **Lenovo** expects suppliers to comply with laws, regulations and other sustainability requirements. First-tier suppliers, which account for 95% of procurement spending, are required to comply with the EICC guidelines. Lenovo also requires suppliers to conduct EICC self-assessment annually to timely discover risks in ethics, labor standards, environmental protection as well as health and safety. The results will be reported through EICC tools in order to prevent and control the suppliers' violations in human rights issues.

Risk



The Risk function is involved in collecting and analysing information from different departments concerning human rights risks, which they then feed into a central ERM system in order to efficiently process the risk internally. The analysis of risks should be based on processes and indicators that allow for predictable, uniform and reliable data collection. The conclusions resulting from this analysis should be actively integrated into company practice.

Company Practice

To identify, assess and manage uniformly risks, including those related to human rights, **Telecom Italia** operates a cyclical ERM system which is structured around predictable stages, allowing for a uniform process of analysis and integration of its outcomes. For one, the degree of Risk Exposure, Risk Tolerance and Risk Appetite are identified in relation to the planned objectives. Following this stage, the Risk Universe is produced, which is a document that contains a description of the main characteristics of all risks identified and updated annually. A severity assessment is subsequently carried out in order to set priorities among the identified risks, which leads to the integration of results by adopting mitigation measures in response to said risks. Once mitigation measures are taken in response to risks, and thus integrated into the company, those same risks are monitored over time, creating an ongoing system of review, analysis and integration.

The Risk department of **Randstad** has a set procedure through which checks and balances are kept in order. For one, as part of business risks management, operational staff in the field runs Health & Safety checks both for clients and in the company's offices, in order to make sure that candidates are entering a working environment in line with health, safety and environmental standards at local level. In certain countries, specialized Quality Assurance departments are responsible for this process. The results of the business risk management process are analysed to make sure operations are focused on their most relevant risks, a process streamlined by HQ. Following this analysis, results are integrated by the creation of improvement plans, analysed on a semi-annual basis. The integration of the results is also reinforced by an internal top-down communication stream, as the Executive Board makes sure that relevant information is cascaded down to different departments. In this way, the risk assessment and mitigation process is made aware throughout the company, which allows for a more robust process of embedding relevant human rights across different functions.

As a member of Electronic Industry Citizenship Coalition (EICC), **Lenovo** assists the alliance to implement the standardized global programs and monitors the performance of suppliers in sustainable development, social responsibility and human rights issues. In the review phase of the results from such programs, Lenovo has launched a series of supplier improvement plans to constantly bolster the positive social and environmental influence, covering labor, environmental conditions, greenhouse gas, conflict minerals and recycling of post-consumption materials.

Conclusions and next steps

Five years after the adoption of the Guiding Principles, companies are well aware of their responsibility to respect human rights. Embedding human rights across the different functions and company processes is an important step in that direction.

From the information collected from 18 large multinational companies, it has become apparent that **significant effort is being made** to make human rights part of business as usual:

- Many companies realise the **importance of cross-functional coordination** to set expectations and implement efforts to embed respect for human rights. Cross-functional efforts usually involve the procurement and HR functions at HQ and regional offices, with the risk function becoming increasingly involved as well.
- The large majority of interviewed companies **have designated human rights experts** with a detailed understanding of human rights topics to support operational staff in different departments in ensuring human rights are embedded in daily operations.
- **Human rights aspects are typically included in training programs** for all employees. In addition, all companies report tailoring their human rights training most often for different functions, but also in some cases different trainings are designed for executives, suppliers and employees in high-risk countries.

Other aspects of embedding human rights remain more **challenging**:

- **Incentivising ethical behaviour in all staff through e.g. setting performance indicators linked to human rights is far from mainstream practice.** Throughout the interviews this was identified as an overall area for improvement and few examples can be found of companies that have pilots to explicitly include human rights in annual performance assessment, appraisals or goals of management staff.
- Efforts are being made to assess risk and measure human rights performance. A large number of companies report to have set up a company-wide human rights impact assessment and review and analyse information collected from both HQ and local offices. **Integration of results however is done on more ad hoc basis.** For example, action plans are usually developed in response to specific human rights issues identified rather than as a part of a systematic approach of integrating lessons learnt when reviewing the effectiveness of the company's efforts to embed human rights into business activities.
- To avoid break down 'silos' between different areas of practice, **companies need to foster appropriate use of communication channels inter and intra-functions** by ensuring top-down and bottom-up communication. A good starting point for embedding is to set clear human rights policies as well as operational policies for implementation of the commitment to ensure consistency of messages and clarity of information provided.

In terms of the involvement of different functions:

- The **Human Resources and Procurement functions** appear to be more engaged in dealing with human rights considerations looking either internally towards the company's own employees or externally, towards suppliers and affected stakeholders along the value chain. Thus, naturally those functions with mature processes in place tend to take the lead in cross-functional efforts to embed human rights across organisations.
- To date, only a few companies have meaningfully explored what respect for human rights means for the **Risk function**. Even those companies in sectors that have been tackling issues related to preventing and addressing negative impacts on affected stakeholders for the longest, such as in the extractive sector, acknowledge that this remains the most challenging aspect of the new expectations of companies reflected in the Guiding Principles.
- As companies go through different phases on their human rights journey, the role of the **Sustainability function** shifts from leading the initial efforts on taking up the topic of human rights to supporting the key functions in the implementation efforts to embed the company commitment throughout its operations. The expertise of the Sustainability function is essential at the start in designing the right approach which needs to be tailored to the company structure, operating context, etc., and instrumental along the way in helping streamline cross-functional activities.

CSR Europe plans to continue its work on embedding human rights in company functions supporting companies to build capacity for their affiliates through training workshops at local level, while discussing with the HQ practical solutions to embedding challenges. CSR Europe will also continue its work in supporting companies evaluate and improve the effectiveness of their grievance mechanisms through its Management of Complaints Assessment (MOC-A).

In parallel, CSR Europe is working on defining a **new chapter for business-EU collaboration** to ensure better compliance and increased innovation for real impact. Closer collaboration is vital if we want Europe to continue to play a leadership role in human rights and in sustainable supply chains at local and global level.

About CSR Europe

CSR Europe is the leading European business network for Corporate Social Responsibility.

Representing over 10,000 companies, it is a platform for supporting companies to positively contribute to society. In this context, CSR Europe connects companies to share best practice on CSR, facilitate the creation of projects between business and stakeholders, and shape the modern day business and political agenda on sustainability and competitiveness. CSR Europe addresses societal challenges through the Enterprise 2020 Initiative, which fosters collaboration, innovative practical action and shapes the business contribution to the European Union's Europe 2020 strategy for smart, sustainable and inclusive growth. For more information visit www.csreurope.org

About GoldenBee CSR China

GoldenBee CSR China is a leading CSR network and a major driving force for China's sustainable development. We take the lead in China CSR research, consulting communication and international cooperation. Inspired by the spirits and sustainable living model of bees, we pursue the coexistence, win-win result and symbiosis between business and society. For more information visit www.csr-china.net

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