Lessons from the practice: Embedding Respect for Human Rights into Business

Briefing paper

This briefing paper is based on CSR Europe’s workshop on embedding the Corporate Responsibility to Respect Human Rights that took place on October 22, 2014 in Brussels.

The workshop was hosted by CSR Europe and Microsoft and facilitated by Shift, and included representatives from 20 companies across 8 sectors as well as 5 CSR Europe’s national partner organizations active and interested in this field.

The workshop served to provide expert support to support CSR Europe’s member companies on how to effectively embed respect for human rights across their operations, and particularly in the key functions of human resources and procurement.

The workshop was conducted under the Chatham House Rule, meaning that insights and reflections shared during the workshop are reported without attribution, with the exception of Microsoft, which agreed to share its experiences publicly.

This paper reflects the workshop discussions on the crucial cultural and operational practices that create an environment in which companies can successfully implement their human rights policies and processes.

The workshop tips throughout the paper capture the participants’ voice and reflections.

This paper has been developed in cooperation with Shift.
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The workshop was organised in the framework of the European Hub on Business & Human Rights, launched by CSR Europe in 2014 in partnership with 12 National Partner Organisations from 11 European countries.

The Hub is a platform for companies across Europe to exchange knowledge, learn from peers and experts, share best practices on the topic of effectively embedding business and human rights in company functions, and incubate solutions on identified gaps.

For more information on CSR Europe’s work on business & human rights, consult the project’s page.
I. United Nations Guiding Principles on Business and Human Rights and the Corporate Responsibility to Respect

Since the endorsement of the United Nations Guiding Principles on Business and Human Rights (Guiding Principles)\(^1\) 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, like publishing a policy on human rights or establishing a grievance mechanism. But what about starting or strengthening practices that affect a company’s entire culture and way of doing business?

For these policies and processes to be effective, they require the right environment to succeed. 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.**

A. The Guiding Principles: One framework, three pillars

The Guiding Principles are organized as a framework around three pillars: **protect, respect** and **remedy**.

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Meaning</th>
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<tbody>
<tr>
<td>Protect</td>
<td>The state duty to protect human rights.</td>
</tr>
<tr>
<td>Respect</td>
<td>The corporate responsibility to respect human rights.</td>
</tr>
<tr>
<td>Remedy</td>
<td>The need for victims to have access to effective remedy.</td>
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</table>

B. The Guiding Principles: an overview of what they expect of companies

**What?** The Guiding Principles outline the corporate responsibility to respect human rights, which means to avoid infringing on the rights of individuals and address adverse impacts with which a company may be involved. In short, this means preventing and addressing harm to people.

**Who?** Under the Guiding Principles, companies are expected to respect the **rights of individuals or groups who may be affected by their organization’s activities.** The Guiding Principles use the term “affected stakeholder” to refer specifically to an individual whose human rights have been or may be affected by a company’s operations, products or services.

**Why?** Human rights are aimed at securing the basic dignity and equality of all people. The idea of human rights is as simple as it is powerful: that people have a right to be treated with dignity. Human rights are inherent in all human beings.

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\(^1\) Internationally recognized human rights are, at a minimum, those listed in the International Bill of Human Rights (including the Universal Declaration on Human Rights and the two Covenants that implement it) and the principles concerning fundamental rights set out in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work (which is based on the ILO Core Conventions).
How? Under the UN Guiding Principles on Business and Human Rights, the corporate responsibility to respect includes the following key elements:

1. A high-level **policy commitment** to respect human rights that is **embedded** throughout the organization;
2. **Human rights due diligence** (HRDD) processes that involve assessing impacts (Human Rights Impact Assessment), integrating and taking action on the findings of such assessments, tracking performance and communicating about efforts to prevent and address impacts;
3. Establishing or participating in **remediation processes** to remedy human rights harms that the company caused or contributed to, including through effective operational-level grievance mechanisms.

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**CSR Europe tip!**

**CSR Europe Management of Complaints Assessment (MOC-A) Tool**

Linked to the third element of remediation in the Guiding Principles, CSR Europe has developed a tool designed to measure the level of maturity of individual companies regarding their ability to receive and respond to grievances related to human rights.

Looking at:

- How effective is your process for dealing with complaints coming from the workforce and/or communities impacted by business operations?
- How do you perform in relation to peers?
- Where are your gaps?

This tool provides companies with a benchmark analysis evaluating the individual performance against peers, and allows identifying areas for improvement.

**CSR Europe’s approach:**

- Assessments are based on phone interviews conducted by CSR Europe staff
- Information is kept strictly confidential throughout the process
- Participants receive individual assessment and benchmark against peers
- Open to all companies

Additional information about the MOC-A tool is available on [CSR Europe’s website](#).
Workshop tips!

**Q1:** As a company, what is our responsibility when the host government does not protect certain human rights?

**A:** Companies have a responsibility to ensure they respect (do not adversely impact) human rights in relation to their operations, products and services. This responsibility exists whether or not the host government protects all human rights.

**Q2:** At my company there aren’t a lot of human rights experts. How do I talk to people about human rights?

**A:** Companies do not always need to explicitly reference human rights. In different contexts and with different people, different entry points for discussing human rights may be effective (e.g., corporate values, ethics, respecting or caring for people). It is important, however, that someone in the company understands human rights and is tasked with the responsibility for ensuring that the company’s approaches are in line with international human rights standards (e.g., human rights specialist).

**Q3:** Whose human rights are companies responsible for respecting?

**A:** In the Guiding Principles, the central focus is on potentially affected stakeholders: individuals and communities whose human rights are or could be adversely impacted by the company or its business relationships, with a particular focus on vulnerable groups. Other stakeholders, such as civil society organizations, may play a role by providing specific human rights expertise or acting as credible proxies for the views of affected stakeholders where it is not feasible to obtain their views directly.

**Q4:** At my company, we identified potential involvement with multiple human rights impacts. Do we have to address them all? What order should we go in?

**A:** Where a company has identified potential involvement with multiple impacts and it cannot address all potential impacts at the same time, it should prioritize based on the criteria provided by the Guiding Principles: namely, the severity of impact on affected stakeholders and its likelihood (of happening). Assessment of severity should take full account of affected stakeholders’ views.
II. Should or Must? Fulfilling the Corporate Responsibility to Respect Human Rights

Following the endorsement of the Guiding Principles in 2011, governments around the world have followed suit with increasing expectations on corporations to respect human rights throughout their activities.

As a result, we observe more legislation and regulations to address the human rights impacts of corporate activity in Europe and beyond.

- In Europe, the most recent examples include:

  ✓ **The European Union Directive on disclosure of non-financial and diversity information**³ – which must be implemented by EU member states by 2016 – will require around 6,000 companies in Europe to disclose information related to their operations in relation to environmental, social and employee matters, respect for human rights, anti-corruption and bribery;

  ✓ **National Action Plans**⁴ for the implementation of the Guiding Principles from several European governments, including:
    - **Launched:** Denmark, Finland, Italy, Netherlands, Spain (draft), United Kingdom;
    - **In progress:** Belgium, Germany, Ireland, Norway, Switzerland, Sweden.

- In the **United States**, President Obama announced in October 2014 the intention to develop a national action plan to promote responsible and transparent business conduct;

- The **UN Human Rights Council** voted in favour of a resolution to start discussions on the development of a treaty that would strengthen the legal accountability of transnational companies for human rights abuses.⁵

To meet these increased expectations and comply with future regulations, companies must create an environment where all people in the company are informed, empowered and incentivised to fulfil the company’s responsibility to respect human rights.

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**CSR Europe tip!**

**EU Directive on Non-Financial and Diversity Information**

The Directive targets companies to disclose non-financial information in their annual financial statements and management reports.

The objective of the Directive is to strengthen companies’ transparency and accountability as well as increase investor and consumer trust.

This Directive concerns your company, if:

1. Your company is a large undertaking with either a balance sheet total of EUR 20 million OR a net turnover EUR 40 million.
2. AND your company is a public interest entity (e.g., companies listed on a European Stock Exchange, credit institutions and insurance. Please check against national definition of public interest entities in EU Member States you are operating in.)
3. AND when your company’s average number of employees exceeds 500 during a financial year.

For further details on the guidance, services and tools CSR Europe provides on the Directive, please visit our [webpage](#).
### III. Embedding Respect for Human Rights throughout a Company

Embedding respect for human rights throughout a company is a large scale, step-by-step and long-term process unique to every company/enterprise.  

The Guiding Principles do not prescribe a single approach for 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.  

<table>
<thead>
<tr>
<th>Key element</th>
<th>What does this mean in practice?</th>
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</thead>
<tbody>
<tr>
<td>Communicate</td>
<td>Practice two-way communication between management and operational staff, including about challenges and how they can be addressed</td>
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<tr>
<td>Incentivize</td>
<td>Set appropriate performance goals for all staff and align incentives</td>
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<tr>
<td>Cross-functional management</td>
<td>Ensure effective management of human rights issues through cross-functional coordination and leadership</td>
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<tr>
<td>Share responsibility</td>
<td>Share responsibility for outcomes, including amongst people in the company with responsibility for the activities or business relationships that may give rise to human rights risks.</td>
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<tr>
<td>Tailor training</td>
<td>Deliver tailored operational guidance and continuous training for staff at all levels throughout the company that connects to and helps them with their daily work, and that is visibly supported by management.</td>
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<tr>
<td>Analyse</td>
<td>Regularly analyse the company’s performance on human rights and share the lessons internally.</td>
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A. A key element of Embedding: Cross-functional coordination and collaboration

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. The following case studies help demonstrate the importance of this element of effective embedding.

* These key elements were identified by Shift through its work in the health and safety and change management fields.
Workshop tip!

Part of effective embedding means determining which functions in the company are responsible and how they will engage and operate with different parts of the business. Those functions often take one of two roles: guard dog, or guide dog.

- **Guard dog**: the function is intended to provide oversight and accountability for the implementation of human rights policies and processes.
- **Guide dog**: the function is intended to serve a resource and guide for other parts of the business on human rights policies and processes.

The most effective overall company approaches often combine elements of both roles.

To learn more, see the publication “Organizing the Human Rights Function within a Company,” a Good Practice Note authored by Shift for the UN Global Compact.

Workshop Case study 1

An energy company headquartered in Europe identified which functions would be relevant to embed its corporate responsibility to respect human rights. Its approach is twofold:

a) Use internal management processes and build on the knowledge of existing functions to embed the corporate respect for human rights.

b) Allow time for internal awareness raising and changing company mind-set.

The company proceeded as follows:

First, it identified where human rights impacts could occur in its operations, and particularly in its supply chains.

Second, it mapped its human rights impacts to internal functions. It emerged 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, the company decided to take two initial actions:

- Set up a cross-functional committee for supply chain decision-making within fuel purchasing.
- Create a cross-functional, group-wide network for human rights sustainability due diligence where human rights play a key role. The network is designed to sensitise the organization to human rights principles and, in the long term, raise the awareness and competency of key staff within human rights (e.g. environmental specialists, auditors) so that they can effectively integrate human rights into sustainability due diligence.

**Workshop Case Study 2 – Microsoft**

Like most multinational business enterprise, Microsoft’s business model relies on a large and complex supply chain. In addition, Microsoft counts 300 million users of its products, which heightens the likelihood that it may be involved with negative impacts on human rights, for example in regards to data privacy.

Microsoft framed its first conversations about its corporate responsibility to respect human rights around its already existing policies on data protection and freedom of expression. This approach created a helpful space for internal discussion and highlighted areas for improvement to prevent the company’s involvement in human rights abuses. To address these areas for improvement, the company started by adopting a formal, stand-alone human rights policy.

**Workshop tip!**

Mapping and tailoring the human rights impacts of key functions in the business can be critical to help make human rights real and relevant to people working in these functions. This will in turn help to start changing the mind-set in a company.

**Workshop tip!**

A human rights policy is words on paper that only means something if put in practice. Companies must not only talk the talk, but also walk the walk.

**Workshop tip!**

In addition to senior management support, making the business case for meeting the responsibility to respect human rights can be vital for broader buy-in within the company. The business case focuses on risks AND opportunities when addressing human rights issues.

The influence of Microsoft’s Legal and Corporate Affairs department as well as the personal dedication of the general counsel has been instrumental for company-wide adoption, allowing the responsible staff to focus on implementation rather than spending extensive time on making the internal business case.

Although much progress has been made, remaining challenges for Microsoft include:
• How to ensure human rights due diligence recommendations will be implemented over time?
• What kind of tailored training should the company design to raise awareness and understanding of its human rights commitment?
• What internal processes should be put in place to close remaining gaps between policies and practices?

B. Process of Embedding: Focus on human resources and procurement functions

Companies’ human resources and procurement 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, such as addressing root causes of child labour with suppliers and improving relationships with factory workers.

Human resources

The human resources function can play a unique role in preventing and addressing human rights risks because, by definition, it is concerned with people.

The activities of the human resources functions have the potential to create human rights risks for the company. On the other hand, the function can be an important actor in establishing and maintaining systems that not only protect the human rights of staff within the company, but also help embed the company’s broader responsibility to respect human rights throughout its corporate culture. Therefore, the human resources department should be closely involved in the embedding process.

Through management of personnel that takes into account human rights risks, people in human resources functions can:

• Help put company commitments into practice;
• Reduce risk to people and the business due to personnel-related issues;
• Help avoid business disruption due to personnel-related issues;
• Support internal information sharing;
• Engage staff in company values and culture;
• Set clear expectations for all staff;
• Drive accountability and create incentive schemes for all staff.

Workshop tip!
Build on existing mechanisms in the company wherever possible rather than trying to create new systems.

Workshop tip!
Usually, it is the human resources function leading corporate culture change – and respect for human rights always requires culture change.
Procurement

As with staff in human resources functions, procurement’s key activities and responsibilities may create human rights risks for the company. At the same time, the procurement function can play a unique role in helping the company meet its responsibility to respect human rights.

Staff in the procurement department often implement decisions or deliver key outputs that are crucial to the business, and they frequently work with other functions to achieve these outcomes.

Procurement staff also engages with business partners throughout the company’s entire value chain.

Therefore, they have a particular responsibility to respect human rights when working with business partners outside of the company. Complex global supply chains may involve impacts on hundreds of thousands, or more, of workers and other people. Many human rights impacts occur in those supply chains, meaning that embedding respect for human rights in the values and practices of the procurement department is particularly important.

Workshop tip!
The Guiding Principles expect companies to address potential and actual human rights impacts that they may contribute to through a business relationship (for example by incentivizing behavior by others that leads to negative impacts, or in parallel with other parties), or impacts that are directly linked to their operations, products, or services through a business relationships.

Workshop tip!
Policies and strategies determined at the headquarters level may not be known or well understood at the local level, either within a company’s own operations or in its supply chain. Companies need to make a concerted effort to engage and build capacity at the local level to successfully implement policies and strategies on respect for human rights.
### IV. Lessons learned

From the insightful discussions and experiences shared during the workshops, we take away some useful joint learning. These include:

<table>
<thead>
<tr>
<th>Awareness</th>
<th>Raising internal awareness of human rights risks is often a helpful early step in the process of effectively embedding the responsibility to respect human rights in the company’s business, values and culture.</th>
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</thead>
<tbody>
<tr>
<td>Commitment</td>
<td>Executive buy in and senior leadership can create broad ownership across the company and legitimacy for the process of embedding.</td>
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<tr>
<td></td>
<td>The language used to define a company’s commitment to human rights can determine how senior leadership and operational level personnel perceive the relevance of human rights, the scope of activities required to respect them and the resources needed for those activities (e.g., tailored business language works better than generic, academic human rights language).</td>
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<tr>
<td></td>
<td>Human rights language is not mandatory as long as human rights experts in key functions in the business have a thorough understanding of international human rights standards and the ability to translate them into appropriate corporate/company language.</td>
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<tr>
<td>Training</td>
<td>Company colleagues require ongoing training and guidance about how human rights relate to their function in the business. If staff do not understand or accept the relevance of human rights to their responsibilities, they are unlikely to incorporate human rights considerations into their day-to-day activities.</td>
</tr>
<tr>
<td></td>
<td>Tailored training for specific personnel in specific functions and locations requires appropriate expertise that may need to be sought outside a company.</td>
</tr>
<tr>
<td>Time</td>
<td>Allow time to build receptiveness: colleagues may become more receptive to the language of human rights and more likely to accept and take responsibility once they have had time to understand the issues at stake and how they relate to their own work.</td>
</tr>
<tr>
<td>Functions</td>
<td>Other functions beyond human resources and procurement, such as legal, can also play important roles in shaping how companies approach their responsibility to respect human rights.</td>
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<tr>
<td></td>
<td>Cross-functional coordination is also central for effective implementation of human rights commitments as it provides the influence, credibility, and expertise needed to change operational-level conduct.</td>
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Engage with CSR Europe

For more information on how to engage with CSR Europe, its corporate members and national partners in the business & human rights area, please consult our project page.

Designed to provide practical support and drive a change through social innovation to CSR Europe’s corporate members, the project activities are tailored to the different levels of maturity of companies’ journey to meet their duty to respect and embed human rights.

By taking part in the activities throughout the year(s), companies will:

- Share and discuss their practices and incubate solution on identified gaps (through the European Hub on Business & Human Rights)
- Take part to the ongoing EU policy debate (learn how to join this in-depth policy-based discussion), and
- Assess and improve their human rights grievance mechanisms (see how to take part to the assessment).

**CSR Europe’s Business & Human Rights project**

The 2015-16 project plan to enhance respect for human rights through multi-stakeholder collaboration

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**3 work streams**

1. **Embedding HuRI**
   European Hub on Business and Human Rights

2. **In-depth policy-based discussion**
   on arising legislation and regulations addressing human rights impacts of corporate activity

3. **Management of complaints**
   Management Of Complaints Assessment (MOC-A) Tool
References

2. CSR Europe’s publication on Management of Complaints and MOC-A tool: Assessing the effectiveness of Company Grievance Mechanisms
3. European Union Directive on disclosure of non-financial and diversity information: statement and final text
5. United Nations resolution towards an international legally binding instrument on Transnational Corporations and Other Business Enterprises with respect to human rights: full text
6. Business and Human Rights Impacts: Identifying and Prioritizing Human Rights Risks for additional guidance about Shift’s work on how to prevent and address human rights risks