Reporting *matters*

Human rights deep dive analysis

WBCSD 2018 Addendum Report

wbcsd

In partnership with **ry.**

Human rights deep dive analysis

Human rights deep dive analysis

Sustainability reporting has come a long way since we started *Reporting matters*. During this time, we've seen companies take a more balanced approach to reporting and the evolution of reporting formats to better connect with audiences beyond traditional reporting stakeholders.

Our main report continues to focus on our evaluation framework, good practice examples and interviews with members. This year, we go deeper and look in detail at the underlying processes and impact of reporters' activities on three key issues – climate change, water and human rights – through a series of deep dive reports.

These deep dives focus on the evolving regulatory and reporting context and explore the underlying processes companies are adopting to address these three key issues, backed up by member case studies which show the links between reporting performance and impact.

In this Addendum Report
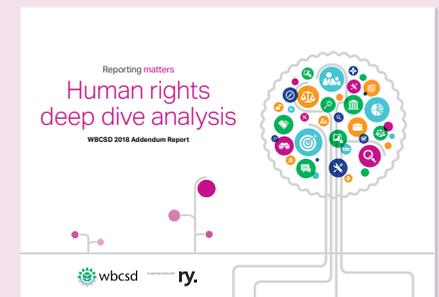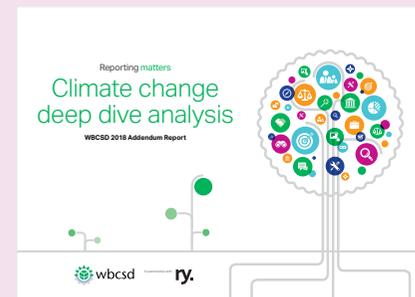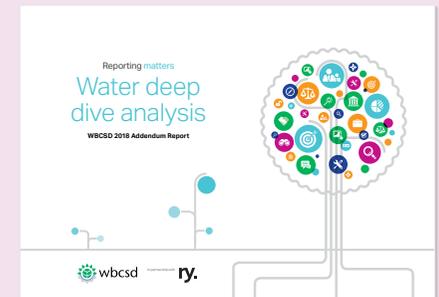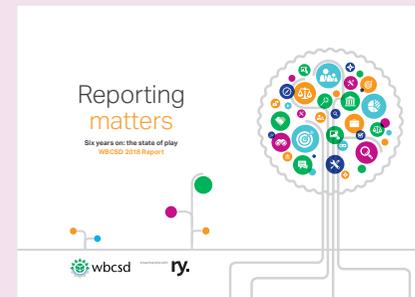
Human rights deep dive analysis

Human rights reporting context

Understanding and managing human rights impacts is crucial for businesses to better manage risks, secure and maintain license to operate, anticipate consumer demand, build positions in growth markets, secure access to resources and strengthen supply chains. On the one hand, reputation loss, compensation and legal action can have dire effects on competitiveness, while on the other, embedding respect for human rights is one of the most significant opportunities to contribute to the Sustainable Development Goals (SDGs).

Reporting developments around human rights

Human rights reporting has gained significant momentum since the launch of the United Nations Guiding Principles on Business and Human Rights (UNGPs) in 2011. As the first global standard on companies' responsibility to respect human rights, the UNGPs have sparked the development of action plans, benchmarks, initiatives, and legal reporting requirements around the world, both nationally and internationally.

Our research shows there has been exponential growth in the number of human rights-related reporting requirements across all regions, increasing from 25 in 2010 to 89 in 2017 in 48 of the 60 countries covered by the Reporting Exchange (Figure 1). The fastest growth has been in Europe and North America, with South-America and Asia-Pacific now following suit. We expect further developments in the near future; several countries are drafting laws governing business and human rights reporting and many others are expected to develop National Action Plans or to translate their existing plans into national legislation.

The scope of reporting requirements varies across countries. Some concentrate on specific issues within the human rights domain; for example, modern slavery and human trafficking are the key topics of the California Transparency in Supply Chains Act and the UK and Australia Modern Slavery Acts, while debate on the subject is currently underway in Hong Kong and the Netherlands has adopted a Child Labor Due Diligence Law that will be effective from 2020.

Other regulations integrate human rights issues more broadly into sustainability reporting requirements. The India Companies Act, Germany's CSR Directive Implementation Act, Switzerland's Responsible Business Initiative and the EU's Non-Financial Reporting Directive are all examples. The French Corporate Duty of Vigilance Law integrates human rights and environmental disclosures and goes a step further by mandating large French companies to develop, enact, publicly disclose and report on the implementation of due diligence plans to identify and prevent adverse impacts both within their own operations and their supply chains.

Find out more at WBCSD Business and Human Rights Landscape.

2011

OECD Guidlines for Mulitnational Enterprises

The United Ntions Human Rights Council endorsed the Guiding Principles for Business and Human Rights

2012

US Dodd-Frank Act on conflict minerals

2014

EU Directive on non-financial Reporting

2015

UK Modern Slavery Act

UNGP Reporting Framework

2017

France Corporate Duty of Vigilance Law

Modern Slavery Registry

2018

Australian Modern Slavery Bill

Human rights deep dive analysis

Human rights reporting context continued

Many of these laws are relatively recent and their full impact is yet to play out. While research shows that legislation increases the number of companies that report on human rights in their supply chains, the quality of reporting varies significantly across countries and companies. Some argue that current legislation is too ambiguous to push for meaningful change beyond minimum compliance. However, the trend towards stronger requirements will mean companies that are ahead of the curve now in terms of their human rights, due diligence and reporting will benefit in the long term.

Investors are also increasingly interested in companies' human rights performance. The Ethical Trade Initiative found that 25% of 70 leading brands see investor concerns as a strong motivator to address modern slavery risks. In the United States, investors representing USD $1 trillion in assets supported the Business Supply Chain Transparency on Trafficking and Slavery Act of 2015 and, in 2016, a coalition of over 80 investors with USD $4.8 trillion in assets under management endorsed the Corporate Human Rights Benchmark (CHRB).

Key reporting trends on human rights

To understand trends and developments in human rights reporting, we use data and research from the Reporting Exchange which maps over 1,790 sustainability reporting provisions across 60 countries, covering the world's largest economies and 93% of the world's GDP.[1]

Please reference definitions of Channel, Reporting Obligation and Reporting provision in the glossary on page 10.

Figure 1: Total number of reporting requirements related to human rights between 1990–2017 by region

Legend: ● 1990 ● 2000 ● 2010 ● 2017
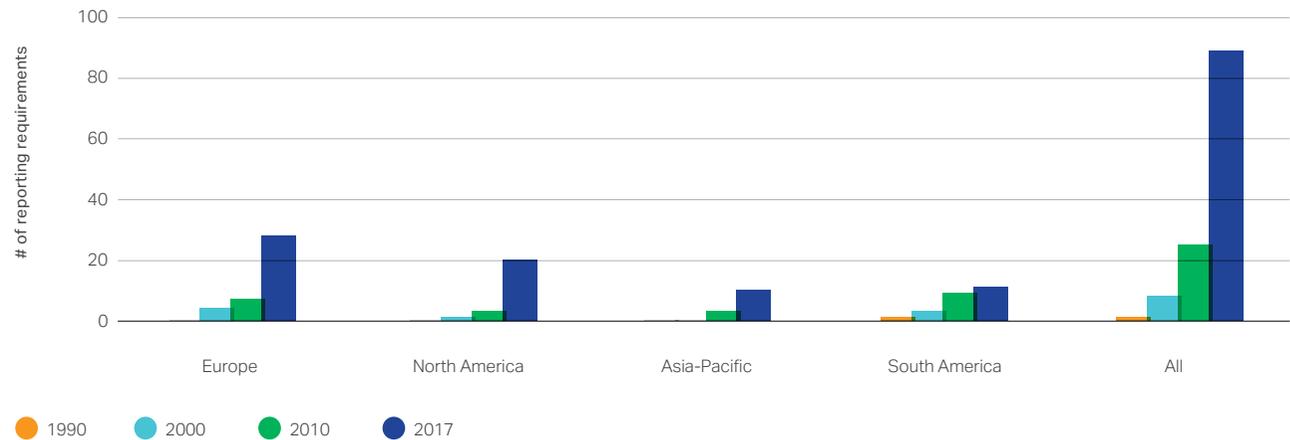
Types of reporting provisions

Our research shows there are 210 human rights-related reporting provisions in 48 of the 60 countries covered by the Reporting Exchange. Of these, 42% (89) are reporting requirements and 58% (121) are reporting and management resources (Figure 2). This indicates that there is a lot of supporting material and guidance which can help improve the quality and coverage of human rights-related reporting. The nature of the guidance can vary. For example we identified 10 reporting and management resources in Chile, ranging from general guidelines to resources focused on specific themes such as indigenous rights and workplace harassment.

**Figure 2: Reporting provisions related to human rights**
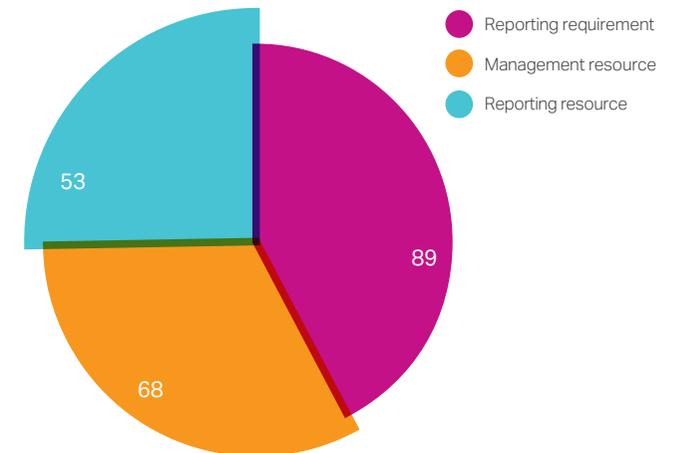
Legend: ● Reporting requirement ● Management resource ● Reporting resource

Values: 89, 68, 53

Human rights reporting context continued

Figure 3: Reporting requirements by disclosure channel

- Specialist system
- Mainstream report
- Sustainability report
- Integrated report
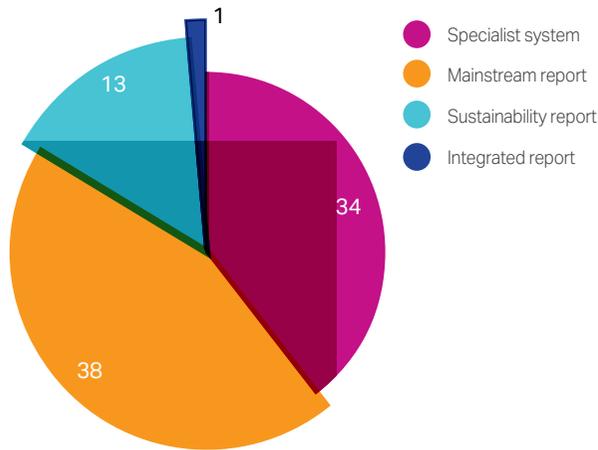
Channel of disclosure

Most human rights-related reporting requirements require disclosure in mainstream reports (43%, 38). This is important to ensure information is available to all stakeholders, including investors. Some require disclosure through specialist systems (38%, 34). Specialist systems allow companies to disclose information via online response systems, questionnaires or forms, often submitted directly to an organization or authority requesting the information.

Obligation of reporting on human rights

Our research shows that **mandatory** reporting requirements represent a little over half (48) of all requirements. These require companies that fit the conditions (such as size, sector and ownership structure) to disclose their human rights performance in some way. The mandatory approach creates a level playing field by ensuring companies that disclose ESG risks and other information

are not disadvantaged. In Europe, Asia-Pacific and South America, there is a clear trend towards mandatory reporting, although many requirements target larger companies and high-risk sectors, which potentially limits human rights reporting in other areas.

Voluntary reporting is used in many jurisdictions (36) as a way of allowing flexibility and encouraging disclosure. Widely used voluntary frameworks include the OECD's Guidelines for Multinational Enterprises and the Global Reporting Initiative (GRI) Standards. North America is the only region where voluntary reporting requirements dominate. Many of these have been brought forth by the Sustainability Accounting Standards Board (SASB) and cover different sectors to promote targeted disclosure.

The use of **comply or explain** is still very limited, representing only five reporting requirements, all in Europe. They include the Article 225 of Grenelle II in France, which covers human rights and an array of other sustainability aspects.

**Figure 4: Reporting requirement obligation type by region**

- Comply or explain
- Voluntary
- Mandatory
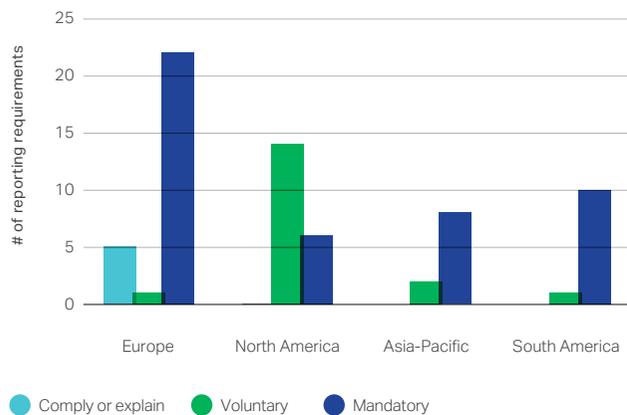
Figure 5: Reporting requirements by obligation type

- Mandatory
- Voluntary
- Comply or explain
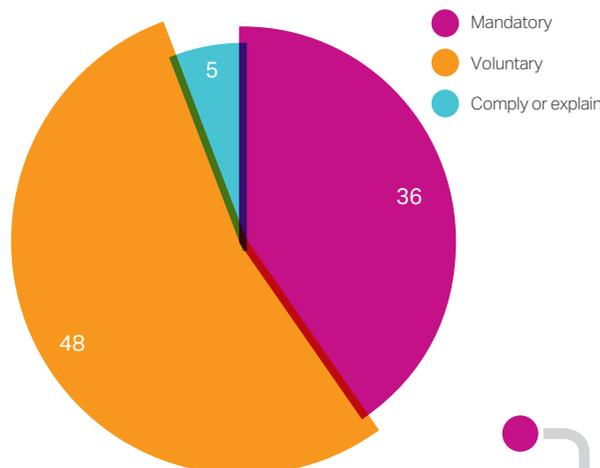
The Reporting Exchange is *the* global resource for sustainability reporting.

WBCSD launched the Reporting Exchange in 2017, in partnership with the Climate Disclosure Standards Board (CDSB) and Ecodesk, to help business navigate the often confusing world of corporate reporting. It's a free, online platform that brings corporate sustainability reporting requirements and resources from 60 countries and 70 sectors together on one single online platform. The Reporting Exchange data used in this report was extracted in June 2018 and represents over 1,790 reporting provisions in 60 countries.

Human rights deep dive analysis
State of human rights reporting

This year, in addition to our critical review of sustainability reporting by 158 WBCSD member companies, we examined disclosure related to three key issues – climate change, water and human rights – to gain a holistic picture of the state of reporting on specific topics.

Setting the baseline: "salient" and "material" human rights issues

Most international human rights frameworks created after the UN Guiding Principles on Business and Human Rights in 2011 emphasize the identification and reporting by businesses of their "salient" human rights issues. Salient human rights issues refer to those human rights that are at risk of the most severe negative impact through a company's operations and business relationships.[2] Hence, the concept of saliency focuses on risk to people as the starting point for businesses' human rights due diligence.

Sustainability reporting frameworks generally apply the concept of "materiality," focusing on risk-to-business. Material human rights issues are those that are identified based on their impact on business and stakeholders. Materiality focuses on risk-to-business whereas saliency focuses on risk to the people impacted by business. Therefore, sustainability reports typically do not include substantial detail on human rights. Despite this difference, saliency and materiality are not mutually exclusive. In fact, salient human rights issues correlate with risk-to-business and can be part of the process of determining a company's material topics. Total, which is featured later in this deep dive, provide a good example of this approach.

Materiality and strategy: Human rights matter for materiality

Our research on human rights reporting is based on the review of companies' main source of sustainability disclosure and does not take into consideration other human rights-specific disclosures. When determining material and highly material human rights disclosures in non-specialist reports, we considered a range of sub-issues that are discussed under the human rights label. The human rights-related topics we looked at included: child and forced labor, modern slavery, diversity and inclusion, freedom of association, human trafficking, land rights, rights of indigenous populations, privacy, health and safety, and gender equality.

Exploring human rights disclosures through the lens of materiality, our analysis revealed that a significant number of companies evaluate human rights topics as issues with substantial impacts on their business. Out of the 158 companies we looked at, 63% consider human rights (in general or specific sub-issues) as material and 49% prioritize human rights among their highly material topics, indicating that human rights have a prominent place when it comes to evaluating business risks.

However, the material importance for human rights varies significantly between sectors. Human rights rank particularly highly among companies in the Oil & Gas and Technology supersectors; 83% of the Technology companies and 80% of the companies in the Oil & Gas supersector evaluate human rights as material to their business and stakeholders.

Material:

A company considers a human rights issue material when the topic is identified as important to the operations of the organization from the perspective of both the company and its external stakeholders.

Highly material:

A human rights topic is considered highly material when the topic is explicitly mentioned or clearly prioritized as most significant to the organization's operations. This information may have been presented in the materiality matrix or in a statement.

Figure 6: Companies considering human rights material by supersector

Supersector	Companies considering a human rights topic material % of companies
Automobiles & parts	61%
Basic resources	70%
Chemicals	62%
Construction & materials	64%
Food & beverage	71%
Health care	57%
Industrial goods & services	54%
Miscellaneous	73%
Oil & gas	80%
Personal & household goods	63%
Technology	83%
Utilities	46%
Overall	63%

2 Shift. Salient Human Rights Issues. Retrieved from. https://www.ungpreporting.org/resources/salient-human-rights-issues/

State of human rights reporting continued

Looking at the most commonly covered topics reported under the umbrella of human rights, there is strong correlation with recent developments in international human rights legislation. The list of top issues discussed in the context of human rights is headed by child labor (25%) and forced labor (24%), followed by diversity and inclusion (22%) and freedom of association (21%). However, due to the overlapping of certain topics (e.g. regarding the terms "child labor," "forced labor" and "modern slavery"), these figures should not be considered as an absolute ranking of human rights disclosures in sustainability reports.

Regarding companies' strategic approach to human rights, we recognize that, while many link their general sustainability strategy to material topics including human rights, few companies disclose strategies in their sustainability reports that explicitly address the issues. We found only 23% of companies mention a specific "human rights strategy" in their sustainability report.

Targets and indicators

While more than half of the reports (51%) present indicators to measure human rights-related actions, performance or impacts, our analysis indicates that disclosure of measurable and time-bound targets is lacking. Among the companies who do report on human rights-related indicators, only 36% have a specific target. Targets disclosed tend to cover either very specific issues, such as child labor or labor rights, or refer to the overall management of human rights impacts, for example by setting clear objectives for the implementation of human rights impact assessments. Most of the disclosed human rights-related targets indicate 2020 as an end date (67%), which correlates with our findings for the end dates for water and climate change-related targets.

Disclosing robust targets and corresponding indicators is an important step to strengthen the credibility of companies' human rights commitments beyond 2020 and provides an opportunity to track progress against commitments.

Public commitment

The UN Guiding Principles on Business and Human Rights is the most comprehensive international standard. It sets out the role of companies in respecting human rights and avoiding adverse impacts in their operations, and throughout their value chain. Companies now see themselves as obliged to publicly commit to the respect of human rights. Our review of companies' sustainability reports shows that 70% disclose a statement committing to internationally recognized human rights. Interestingly, only 51% of the companies refer to the UNGPs in their main source of sustainability information.

Supply chain-related human rights disclosure

International legislation and regulatory frameworks such as the French Corporate Duty of Vigilance Law, the UK Modern Slavery Act and the US Dodd-Frank Act on Conflict Minerals increasingly require companies to assume responsibility for human rights impacts in their own operations and beyond, by applying human rights due diligence in their supply chain. We found 76% of companies indicated in their report that they communicate their position on human rights to business partners and/or suppliers. Often, they refer to a Supplier Code of Conduct that includes specific provisions related to human rights. However, among those companies, less than two thirds (58%) describe having processes such as human rights impact assessments or supplier screening against human rights criteria to effectively identify and assess adverse human rights risks and impacts that arise in their value chain.

Conclusion

While most companies now publicly commit to respecting human rights in their stand-alone sustainability reports, not nearly as many include clear indicators or SMART targets for these issues. The state of human rights reporting in sustainability reports is thus different from other topics, such as climate change, where many companies have specific reports and simultaneously include significant detail on the topic in their sustainability reports.
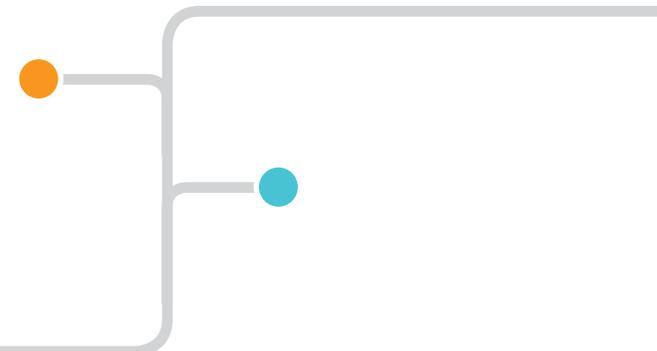
Human rights deep dive analysis

Total discusses human rights

Nathalie Komatitsch, Head of Human Rights at Total, shares experiences on their approach to human rights.

In line with an international trend of "hard law" increasing pressure on companies to ensure that companies respect human rights, in 2017 France adopted the Corporate Duty of Vigilance Law. Starting in early 2018, large French companies must submit yearly vigilance plans which describe the measures they will put in place to identify and prevent severe human rights violations. We spoke to Total about their experiences in the business and human rights space and about the evolving expectations from lawmakers, investors and civil society.

Total began its human rights journey in 2009 and committed to respecting the UN Guiding Principles on Business and Human Rights shortly after they were launched in 2011. Your organization then issued its first Human Rights Briefing Paper in 2016. How did you approach this process?

To identify our salient human rights issues in line with the UNGP's Reporting Framework, we carried out a human rights risks mapping in consultation with internal and external stakeholders, in particular with representatives of key functions within the Group and affiliates operating in sensitive contexts or situations particularly exposed to risks related to human rights and fundamental freedoms. We also held a series of interviews with independent third parties such as GoodCorporation, International Alert and Collaborative Learning Project.

Which are the priority human rights issues for your company?

We identified six salient human rights issues across three areas relevant to our operations:

- **Human rights in the workplace:** within our sites, human rights concern the employment and working conditions of our employees and those in our supply chain.

- **Human rights and local communities:** due to the impact of our operations, special attention must be given to the rights and concerns of local communities in host countries.

- **Human rights and security:** security involves taking protective measures against risks to both personnel and assets. Correct identification and management of risk of misuse of force help avoid potential impacts on people and ensure that the company is better integrated into the local environment.

What changes did the introduction of the French Corporate Duty of Vigilance Law bring about for Total's approach to human rights?

The entry into force of the French law was not a major shift, as Total's human rights journey was already well advanced. In addition, the UNGPs were already guiding us since they were adopted. In this regard, it helped that the (explanatory memorandum of the) draft French law explicitly referred to the UNGPs as a direct source of inspiration. Based on this, we followed a similar approach when drafting our first Vigilance Plan. All relevant divisions of the Group were consulted including those in charge of health, safety, environment, human rights and the supply chain. Once consolidated, our first Vigilance Plan was published as part of our Annual Registration Document 2017.

1

HUMAN RIGHTS IN THE WORKPLACE

○ **Forced Labor and Child Labor**
○ **Discrimination**
○ **Just and favorable conditions of work and safety**

2

HUMAN RIGHTS AND LOCAL COMMUNITIES

○ **Acess to land**
○ **Right to Health and An Adequate Standard of Living**

3

HUMAN RIGHTS AND SECURITY

○ **Risk of Misuse of Force**

Human rights deep dive analysis

Total discusses human rights continued

Besides the growing body of business and human rights legislation, we are also witnessing a rise in sustainability and human rights benchmarks. From your experience, do you see differences or similarities in how they impact Total's approach to respecting human rights?

Benchmarks and hard laws have some similarities: both imply greater reporting, transparency and disclosure. However, their rationale is different: laws are binding for all companies and have a compliance approach. Benchmarks are more voluntary-based initiatives as the organizations that create those benchmarks pre-select certain companies and invite them to participate.

We are aware of the growing number of investors focused on ESG factors to determine the attractiveness of a business regarding reputational and operational risk, and Total derives value from benchmarks, as they help us understand external expectations, identify best practices and provide us with an indication as to where we are doing well and where we can still improve.

Total's commitment to human rights is not driven by benchmarks though. Instead, our approach is guided by our internal roadmap and action plan approved every two years by Total's Executive Committee which identifies key actions oriented to strengthen the embedding of respect for human rights into our risk and impact management processes.

What systems and processes does Total have in place to assess human rights impacts and alert the company of potential risks?

Regarding human rights in the workplace, Total's Code of Conduct is applicable at affiliate level and we assess compliance with the assistance of Good Corporation, with whom we have cooperated since 2002. Group's employees and suppliers, as well as any other external stakeholder, can contact the Ethics Committee to ask questions or report any incident related to the non-compliance of the Code of Conduct.

The relationship between the Group and its suppliers is based on adherence to the Fundamental Principles of Purchasing (FPP), set out in the Code of Conduct, included in agreements with our suppliers and as such open to audit. The FPP specify what Total expects from its suppliers concerning respect for human rights at work, health protection, safety and security, preservation of the environment, prevention of corruption, conflicts and interest and fraud, and respect for competition law.

Aiming at developing a global and systematic approach to our supply chain management, in 2017 the new "One Total" organization brought together the procurement functions from all our business segments within Total Global Procurement. In addition, a new supplier's qualification process will be gradually deployed across our business units. Accordingly, a human rights risk analysis based on country and purchasing category risks will be carried out for potential suppliers. The methodology also includes self-assessment questionnaires, audits and action plans. In parallel, audits on human rights at work are already being conducted among our suppliers.

With regards to human rights and communities, Total has a partnership with the Danish Institute for Human Rights (DIHR) to assess human rights impacts of exploration and production (E&P) activities in sensitive contexts. And in 2017, an operational-level community grievance mechanism toolkit (Figure below) was developed in line with UNGPs effectiveness criteria. This is available to our E&P business units to strengthen their capacity to effectively manage grievances.

In the human rights and security area we have continued to roll out our Voluntary Principles on Security and Human Rights (VPSHR) tools, including self-evaluation and risk assessment tools, to prevent the risk of misuse of force and ensure respect for human rights while maintaining the security of our facilities.

To help affiliates effective implement grievance mechanisms:
The new toolkit contains:

1. A template of Grievance Procedure compliant with UNGP requirements
2. A Template of DataBase to follow-up the cases
3. A Grievance Officer's Job Description
4. Some examples of Leaflets from other Affiliates
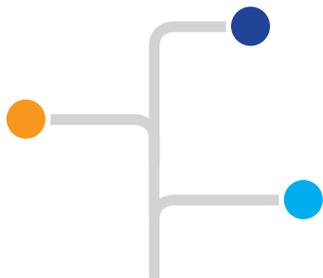
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Glossary and acknowledgments

Glossary

Channel
The route of disclosure and the communication of published information.

- **Mainstream report:** Annual reporting packages which organizations are required to deliver under the corporate, compliance or securities laws of the country in which they operate, providing information to existing and prospective investors about the financial position and performance of the organization.

- **Integrated report:** An integrated report explains to providers of financial capital how an organization creates value over time. An integrated report aims to provide insight about the resources and relationships used and affected by an organization – these are collectively referred to as "the capitals."

- **Sustainability report:** A report published by a company or organization about the environmental and social impacts caused by its everyday activities, communicating sustainability performance and impacts.

- **Specialist systems:** Allow companies to disclose information through online response systems, questionnaires or forms often directly to a given organization or authority.

Reporting obligation
The extent to which companies must comply with the reporting provision.

Mandatory: A mandatory provision imposes an obligation on the organizations within its scope to report or respond.

Comply or Explain: Comply or Explain requires companies to comply with requirements or explain why they have not done so.

Voluntary: Voluntary provisions have no defined obligation but are often more detailed, providing opportunities for innovation.

Reporting provision
The collective term for reporting requirements, reporting resources and management resources.

The Reporting Exchange geographical coverage

Argentina	France	Portugal
Australia	Germany	Romania
Austria	Greece	Russia
Belgium	Guatemala	Singapore
Bolivia	Hong Kong	Slovakia
Brazil	India	South Africa
Canada	Indonesia	Spain
Chile	Ireland	Sweden
China	Italy	Switzerland
Colombia	Japan	Taiwan
Costa Rica	Luxembourg	Turkey
Czech Republic	Malaysia	Ukraine
Denmark	Netherlands	United Kingdom
Ecuador	Norway	United States
El Salvador	Panama	Uruguay
Finland	Philippines	Vietnam

Human rights deep dive analysis

About the research partners

This project is a joint collaboration between WBCSD and Radley Yeldar

About the World Business Council for Sustainable Development (WBCSD)

WBCSD is a global, CEO-led organization of some 200 leading businesses working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD $8.5 trillion and 19 million employees. Our Global Network of almost 70 national business councils gives our members unparalleled reach across the globe. WBCSD is uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

www.wbcsd.org

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About Radley Yeldar

We're RY, an independent creative consultancy. We want to create a world that believes in business through our standout work. How? By combining strategic insight with creative flair, we get to the heart of the matter, and touch those they need to reach. We connect organisations to real people and help them to tell one story, clearly and simply, across all that they say and do.

Our 200-strong team of specialists has been working with multinationals, start-ups, private companies and public bodies for more than 30 years. As a family-owned business, we're better placed to take a long-term view. We want to be the best place to work where the best work gets done, determined to standout ourselves as the most inspirational agency to work with and for.

www.ry.com

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