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A Resource Guide to Corporate Human Rights Reporting

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A Resource Guide to Corporate Human Rights Reporting



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



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



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Foreword

Significant progress has been made in recent years by many corporate leaders in understanding the relevance of human rights to business policies and practices around the world.

Initiatives like the UN Global Compact have helped highlight the links between human rights and business issues such as directors' fiduciary responsibilities, managing legal and operational risk and reputation, meeting shareholder and stakeholder expectations and maintaining and motivating staff performance. These and other efforts have been supported by the Global Reporting Initiative which provides the means for companies to track and publicly disclose their sustainability performance, including on human rights issues – information that is increasingly demanded by investors, consumers, employees and other stakeholders.

Yet although a general understanding of the human rights responsibilities of businesses has emerged, many business leaders still struggle with defining how to embrace human rights responsibilities and how to embed these into their business practices.

As three global organizations contributing in different ways to the evolving business and human rights debate, the UN Global Compact, the Global Reporting Initiative and Realizing Rights:

The Ethical Globalization Initiative all share the view that public reporting is a key tool in further improving organizational performance in this area. Sustainability reporting supports the deeper integration of human rights into business practices by establishing an accountability mechanism. In addition, reporting can stimulate companies to improve their internal management systems as part of the report development process.

But many challenges remain for reporters: which human rights issues should be covered and what should be disclosed on practice and performance?

This resource guide is designed to help organizations in beginning the process of identifying relevant human rights issues in their operations and to assist them in translating existing and planned practices into meaningful and effective reporting.

Public reporting on human rights is, of course, a work in progress. The Global Reporting Initiative, Realizing Rights and the United Nations Global Compact stand ready to support companies and other organizations in advancing their efforts in this important area of corporate responsibility and encourage feedback on this resource guide from all interested parties



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Introduction

On 10 December 1948, the United Nations (UN) adopted the Universal Declaration of Human Rights as a “common standard of achievement” for all peoples and nations. For the past six decades, the Declaration, which affirms the inherent dignity and equal rights of all people, has served as the foundation for the development of international law covering civil, political, economic, social and cultural rights.

To mark the Universal Declaration’s 60th anniversary during 2008 and contribute to ongoing efforts aimed at making human rights a reality for all people – The Global Reporting Initiative (GRI), the UN Global Compact, and Realizing Rights: The Ethical Globalization Initiative (Realizing Rights) – joined together to launch “Human Rights: A Call to Action”. This joint initiative challenges companies to commit to improving the quality of their human rights reporting based on recommendations developed by a multi-stakeholder expert working group process.

Stakeholders – customers, civil society organizations, communities, governments, investors, employees – increasingly expect appropriate management of business activities to avoid negative impacts. There is also a growing expectation that companies should take steps towards positive societal impacts, including in the area of human rights, and develop robust public reporting of how they are performing in these areas.

Sustainability reporting supports the deeper integration of human rights into business practices, by establishing an external accountability mechanism as well as stimulating companies to improve their internal management systems as part of the process of developing reports¹. However, many businesses still struggle with defining how to embrace human rights concerns and embed these into their business practices and public reporting.

While a growing number of tools related to human rights and business provide useful guidance for companies, most do not provide detailed information on human rights reporting.

This guide aims to fill that gap. It is hoped that the examples and recommendations discussed will contribute to a clearer understanding of why human rights reporting matters, what stakeholders expect from a report, how to approach certain challenges in reporting, and how to express various elements of human rights performance within sustainability reports.

This guide is intended to help companies begin a process of identifying human rights-relevant issues in their operations and to assist in translating these into meaningful and effective reporting. Though written primarily for companies that do not have extensive human rights reporting experience but are committed to improving their performance in this area, it contains information that will also be of value for NGOs and public agencies.

The document is divided into three sections: Section 1 provides an overview of the evolving human rights and business field; Section 2 discusses human rights reporting and looks at some of the key challenges and debates in this area; and Section 3 looks at the practical aspects of human rights reporting and offers helpful information for companies, including on how to choose a reporting focus from within the broad range of human rights, and how to approach the complex subject of complicity in human rights abuses as part of reporting.

Because human rights reporting is a developing field, the issues discussed here will undoubtedly evolve through practical experience, particularly from organizations who have already taken steps to include human rights issues within their sustainability reports. In that spirit, the project partners welcome feedback and encourage further sharing of information which can support companies seeking to make further progress in this area over the coming years.

¹ For information on sustainability reporting, visit www.globalreporting.org. All documents of the GRI Sustainability Reporting Framework are available for free download on the website.

Section 1:

The Business and Human Rights Debate

The connection between business and human rights has been the subject of growing discussion in recent years. In 2008 the United Nations Special Representative of the Secretary General on Business and Human Rights (SRSG), John Ruggie, put forward a policy framework to address business and human rights challenges, which is based on three principles: the state duty to protect against abuses committed by third parties, including business, the corporate responsibility to respect all human rights, and the need for greater access by victims to effective remedy, judicial and non-judicial. Ruggie has stressed that while states have the duty to protect human rights, companies have a responsibility to, at minimum, avoid infringing on the rights of individuals or groups. This is not simply a passive responsibility, but requires taking positive steps to become aware of, prevent and address any adverse human rights impacts connected with their business activities.²

1.1 Internationally recognized human rights standards

Given the acknowledgment of the corporate responsibility to respect all human rights, which rights exactly should companies understand? The SRSG's mapping of nearly 400 allegations against companies showed that companies can potentially impact all internationally recognized human rights. Therefore companies must consider their responsibility to respect with regard to all such rights, as set out in the Universal Declaration of Human Rights (UDHR) and its two implementing instruments, the International Covenant on Civil and Political Rights (ICCPR) and the International

Covenant on Economic, Social and Cultural Rights (ICESCR)³ (see Box 1 below).

Box 1 : International human rights standards⁴

International Covenant on Civil and Political Rights - Civil and political rights encompass rights to enjoy physical and spiritual freedom, fair treatment, and to participate meaningfully in the political process. They include the right to life, freedom from torture, freedom from slavery, the right to privacy, freedom from arbitrary detention, the right to a fair trial, freedom of religion, freedom of expression and assembly, as well as the rights of minorities and freedom from discrimination.

International Covenant on Economic, Social and Cultural Rights - Economic, social and cultural rights comprise employment rights, such as the right to a fair wage, the right to safe and healthy working conditions, and the right to form and join trade unions, and social rights such as the right to education, the right to an adequate standard of health, and adequate standard of living, as well as the right to participate in cultural life and freedom from discrimination in relation to the enjoyment of the Covenant's rights.

NOTE: In addition to the two covenants, other core UN human rights treaties address issues such as elimination of racial discrimination and discrimination against women, prohibitions against torture and conventions protecting the rights of children, migrants and people with disabilities.

² John Ruggie, *Protect, Respect & Remedy: a Framework for Business and Human Rights. Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises*, April 2008.

³ See UN Office of the High Commissioner for Human Rights, "What Are Human Rights?", <http://www.ohchr.org/EN/Issues/Pages/WhatAreHumanRights.aspx>; UN Office of the High Commissioner for Human Rights, IHRL page, www.ohchr.org/EN/ProfessionalInterest/Pages/InternationalLaw.aspx

⁴ To see how the human rights listed in the ICCPR and the *Human Rights Translated: A Business Reference Guide*, ICESCR relate to business, a good place to start is Castan Centre for Human Rights Law (Monash University), International Business Leaders Forum, Office of the United Nations High Commissioner for Human Rights, United Nations Global Compact Office, 2008. (See Appendix I for details).

Together, these three instruments form what is known as the International Bill of Rights. The International Bill plus the core conventions of the International Labor Organization (ILO)⁵ are commonly considered the main international reference points on human rights. At a minimum, companies are expected to be familiar with these instruments and the rights they cover. Given that business touches on human rights in so many different ways, it is not possible to make a simple subset of rights for business from these instruments. Businesses need to be able to understand the full range of rights and consider how their activities might or might not relate to them.

These documents make clear that the international human rights framework covers all aspects of how people live, from the right to security of person to the right to freedom of association and the right to an adequate standard of living (see Box 1).

1.2 Turning a commitment to human rights into practice

Recognition that all internationally agreed human rights standards are of potential relevance to companies can present significant challenges in terms of implementation. Fortunately, a growing number of tools, resources and guidance materials on human rights and business have been developed in recent years for the purpose of assisting companies in meeting their responsibility to respect human rights. Box 2 provides a list of some of the key tools in this area along with brief descriptions.

⁵ The ILO has identified eight conventions as “core” because they are considered essential to the human rights of people at work: Convention 29, Forced Labor and Convention 105, Abolition of Forced Labor; Convention 87, Freedom of Association and the Protection of the Right to Organize and Convention 98, Right to Organize and Collective Bargaining; Convention 138, Minimum Age and Convention 182, Elimination of the Worst Forms of Child Labor; Convention 100, Equal Remuneration and Convention 111 Discrimination – Employment and Occupation. See also: www.ilo.org/global/lang-en/index.htm.

Box 2 - Tools

Human Rights Translated: A Business Reference Guide - The purpose of this publication is to explain universally recognized human rights in a way that makes sense to business. The publication illustrates, through the use of examples and suggested practical actions, how human rights are relevant in a corporate context. Published by IBLF, Castan Centre for Human Rights Law, Office of the UN High Commissioner for Human Rights and the UN Global Compact Office.

Guide for Integrating Human Rights into Business Management - The Guide for Integrating Human Rights into Business Management is an online tool produced jointly by the Business Leaders Initiative on Human Rights (BLIHR), the UN Global Compact and the Office of the UN High Commissioner for Human Rights (OHCHR). Now in its second edition, it offers practical guidance to companies wanting to take a proactive approach to human rights within their business operations and is of use primarily to business leaders and managers in large and medium-sized enterprises, private and state-owned, who would like to develop their understanding of human rights in business practice. <http://blihr.zingstudios.com/>

Embedding Human Rights in Business Practice - The Embedding Human Rights in Business Practice series, jointly produced by the Global Compact Office and the Office of the UN High Commissioner for Human Rights, presents case studies of business action related to human rights issues. The cases highlight various types of actions related to company strategy, policy, processes and procedures, communications and measuring impact and auditing.

An overview of selected tools and resources on human rights and business is provided in the Appendix. A succinct summary of tools and guidance materials on other aspects of human rights and business is available at: www.unglobalcompact.org/Issues/human_rights/Tools_and_Guidance_Materials.html

Section 2:

Human Rights Reporting – Key Issues and Challenges

Like any area of public reporting, reporting on human rights issues poses its own set of unique challenges. This section looks briefly at why human rights reporting is relevant to companies, before moving on to discuss some of the main challenges and issues which companies will have to address in their human rights reporting.

2.1 How should an organization determine the scope of human rights reporting?

As has been noted, companies can affect human rights in a range of ways, and the “responsibility to respect” applies to all rights at all times. However, it is not feasible or practical to ask all companies to report on their impacts on every human right, and certain human rights will be more immediately relevant to a reporting organization and its stakeholders than others. This does not mean reporting companies should pick and choose or disregard some rights in their practices. Rather, in their reporting, companies need to think carefully about which rights, stakeholders and situations they can and do affect, and which are most relevant for purposes of transparency, accountability, and improving performance. This means making decisions on the *scope of reporting*, i.e. the range of topics covered in a report. Deciding what to include in a report is a significant challenge.

Stakeholders will expect to see that a reporting organization has carefully assessed which human rights are most relevant, in terms of social impact, in relation to the company’s activities, operations, products and services; and which stakeholders must be considered in order to report properly on human rights impacts. Full disclosure on these human rights will give stakeholders a good idea of how an organization views its own potential impacts and risks and what actions it has taken to prevent, address or mitigate them.

Box 3 : Defining “Scope”

Scope is used differently by the United Nations Special Representative of the Secretary General on Business and Human Rights, John Ruggie, than it is in the sustainability reporting field.

The use of the term Scope in this document is the common usage in the sustainability reporting field, meaning the range of of sustainability topics covered in a report. The sum of the topics reported should be sufficient to reflect significant economic, environmental and social impacts.

When the SRSB discusses Scope, he is referring to the scope of a company’s responsibility to respect human rights and the dimensions of that responsibility.

Covering the proper content is important because human rights reporting should be comprehensive without being overwhelming; allow for efficient use of reporting resources; help in meeting stakeholder expectations and allow for a balanced and accurate assessment of a company’s performance on human rights.

In thinking about scope, there are two basic factors to take into consideration: rights that are typically relevant to a company and business sector, and stakeholders who are affected by the company’s activities. Rights are fundamentally about *people* which means looking at activities that have an impact, whether positive or negative, on people’s lives. Human rights reporting should look at who is affected, and in what way, by a company’s activities and operations, and whether these effects influence the ability of people to enjoy their rights. This is not just a question of looking for negative events or violations, but looking at the qualitative interaction between activities and rights.

One of the issues to bear in mind from a human rights perspective when considering which groups of people are most affected concerns the company’s potential impacts on vulnerable populations,

people who are often the easiest to overlook because they might not be able to voice their interests due to certain constraints or are otherwise marginalized. Vulnerable groups can include women in traditional societies; illegal immigrants; those suffering from HIV/AIDS; individuals with disabilities and highly impoverished populations among others.

2.2 What is complicity and what does it mean for reporting?

Companies can affect human rights *directly* – through their own actions, inactions, operations, products and services – and *indirectly*, through their interaction and relationships with others, including governments, local communities and suppliers.

Stakeholders want to know about a company's own actions and direct impact on human rights. But they also want to know about the organization's *indirect impact* on stakeholders' human rights through other entities, and how the company deals with these issues. This means reporting on *relationships* with parties over which the company might have some influence but does not directly manage or control.

In situations where other parties are associated with human rights abuses, a company can be perceived to be responsible in whole or in part for these actions. This indirect involvement with human rights abuses is known as *complicity*, and a company can be accused of complicity in human rights abuses regardless of its size, location or type of business. The corporate responsibility to respect human rights includes avoiding complicity. A growing number of lawsuits filed in recent years have alleged corporate complicity in human rights abuses.

Companies should, therefore, ensure that reports address *relationships* with, and *influence* over, other parties (organizations or individuals, governmental or private) who may have an impact on human rights. Reporting that ignores these factors will always be incomplete.

Complicity has both legal and non-legal dimensions, and the legal definition of complicity is

still evolving. The legal meaning of complicity has been most clearly defined with respect to aiding and abetting international crimes. In the simplest terms, this involves knowingly providing practical assistance or encouragement that has a substantial effect on the commission of a crime⁶. Outside of legal cases, companies may also be accused of complicity if they remain silent in the face of, or benefit directly from, human rights abuses committed by others. In addition, in cases where legal liability is unlikely, social expectations are such that there are moral, reputational and other risks associated with alleged complicity in human rights abuses⁷.

As more companies outsource their operations and move to areas where the rule of law is weak or human rights abuses are common, there is increasing potential for them to be indirectly associated with human rights violations.

Stakeholders look to companies operating in such environments to acknowledge this in their reporting, and discuss whether and how they are seeking to uphold human rights in relation to their activities in those places.

At the same time, many stakeholders have also started to look more carefully at corporate influence generally – for example, through lobbying or bargaining power – and its potential to affect the context in which a company operates. It is worth noting that perceived corporate influence can also affect whether the public considers a company responsible for abuses by third parties.

⁶ John Ruggie, *Protect, Respect & Remedy*, 2008. p. 20.

⁷ See, for example, *Corporate Complicity & Legal Accountability, vol. I, Facing the Facts and Charting a Legal Path*, Report of the International Commission of Jurists Expert Legal Panel on Corporate Complicity in International Crimes, Geneva, 2008, pp. 14-15; and John Ruggie, *Promotion and Protection of All Human Rights, Civil, Political, Economic, Social and Cultural Rights, Including the Right to Development: Clarifying the Concepts of 'Sphere of Influence' and 'Complicity'*, Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, 15 May 2008, UN Human Rights Council, A/HRC/8/16, pp. 17-18, with reference to the UN Global Compact and social expectations around complicity.

Complicity poses challenges for human rights reporting for several reasons, most notably:

- it involves entities outside the company, which can make it difficult to gain access to required information;
- the concept of complicity, and what it entails, is still evolving, and there are as yet few good examples of reporting with regard to partners or other relationships; and
- companies might feel that legal sensitivities associated with statements about potential or actual complicity prevent them from disclosing anything on the issue. But silence in this area can also be risky, given stakeholders' rising expectations about disclosure around potential complicity in rights abuses.

Although reporting in relation to complicity (potential or actual) is complex, disclosure on a company's relationships and its due diligence processes is an important part of human rights reporting.

The next section discusses a key element of a sound human rights approach, *human rights due diligence*, which will help a company to manage its human rights performance and demonstrate that it is genuinely trying to respect human rights.

2.3 Human rights due diligence

The term *human rights due diligence* is applied to the ongoing processes which a company carries out to ensure it is aware of which human rights its operations may affect, and the steps taken to anticipate, prevent or mitigate any negative impacts⁸, as well as enhance positive impacts.

Key components of the *human rights due diligence* process include:

- company- or group-level assessment of potential human rights impacts
- human rights policies

- integration (incorporating human rights into every aspect of business), including impact assessment at site-, country- or project-level; and
- tracking performance

Because of the complexities of measuring human rights performance, stakeholders are increasingly looking for disclosure of *human rights due diligence* processes. Proper disclosure of a company's *human rights due diligence* processes should allow a reader to determine how well the organization manages human rights issues, and how well it is implementing its own policies and processes. Reporting should thus put a strong emphasis on explaining an organization's management approach to *human rights due diligence*. Process indicators, which show the extent to which the company is implementing its procedures are an essential aspect of *human rights due diligence* reporting. Section 3.3 discusses how to report on human rights due diligence in more detail.

2.4 Addressing performance

Finally, human rights reporting should include disclosure not only on a company's policies and procedures for respecting human rights, but also, ideally, on the extent of implementation of these processes, the results (positive and negative) of this implementation, and any major incidents in which the organization's activities resulted in human rights abuses. This section discusses some of the challenges in capturing performance in human rights reporting⁹.

There are three general types of human rights performance indicators which have been identified:

1. Indicators of the extent of implementation of processes within a company – these demonstrate how widely an organization has applied processes and procedures.

⁹ The Global Reporting Initiative and the Roberts Environmental Center, Claremont McKenna College, conducted a survey entitled *Human Rights Reporting* based on information published by 100 large companies from around the world in 2007, and found that few companies work with performance indicators when it comes to disclosure on human rights performance. The companies reviewed were much more likely to report on policy or procedures than on performance.

⁸ John Ruggie, *Protect, Respect & Remedy*, 2008. p.17.

Box 4: Human Rights Impact Assessments

There is increasing interest in human rights impact assessments (HRIAs) as a vital management tool for evaluating both human rights and business risks before undertaking a project or establishing operations. Some companies are implementing HRIAs for specific projects, while others are starting to undertake them for all business practices. Such assessments can reveal not only potential human rights impacts but also potential contributions that companies can make to upholding human rights¹⁰. More importantly, perhaps, HRIAs also demonstrate to stakeholders that a company is serious about addressing potential human rights violations that may be associated with its activities. In this sense, human rights impact assessments are seen by some as “becoming the leading tool to avoid complicity by Multinationals”¹¹. Disclosure about the HRIA process can help assure stakeholders that a company has carried out human rights due diligence (see 2.4 above) around specific operations. Discussing how these assessments are

undertaken can add significantly to a report’s credibility. Further, reporting on HRIAs is becoming increasingly important to maintaining good communications with stakeholders (particularly local communities), and thus maintaining the social license to operate. A small but growing number of tools are available which provide guidance on conducting HRIAs (see HRIA section of Appendix for a brief overview of some of these tools). However, most do not provide specific guidance on reporting on the HRIA process. There are very few examples of HRIAs in the public domain as this is a relatively new field, and guidance on disclosure is therefore not yet well-developed. As a start, however, HRIA disclosure should cover both internal and external consultation processes and reflect both positive and negative potential impacts uncovered by the HRIA process. Disclosing summaries of HRIAs that the company has undertaken is another possible step that could be taken in terms of reporting in this area.

2. Indicators of incidents – these reflect the frequency with which the activities of a company result in a problem or abuse of rights. These indicators have the benefit of providing a pattern over time.
3. Indicators of results or other dimensions of human rights performance – these generally relate to changes in the quality of life of stakeholder groups in areas of relevance to human rights that can be measured in terms of outputs (e.g., number of children receiving schooling) or outcomes (e.g., diversity of senior management/board members).

All of these indicators bring different strengths and weaknesses. Indicators of the implementation of processes tend to be relatively straightforward to

formulate. Examples would include measuring the extent of training on human rights for employees, the existence of policies, or numbers of assessments completed. While these indicators can demonstrate activity, they don’t provide direct insight into the effectiveness of processes.

Indicators of incidents provide a historical pattern to show where processes have effectively protected rights and where they have not. However, practitioners have found it difficult to develop a clear, generally accepted definition of what constitutes an “incident” and how to count incidents which can be shown to have impacts on respect for human rights. Companies may face “incidents” that cover a wide range of issues from court decisions to unsubstantiated allegations, and it is challenging to define a fair and meaningful threshold that can consistently be applied to assess different situations. In addition, some stakeholders consider the response to incidents to be more important than the actual number of incidents, particularly since an increase in the number of incidents could be a sign of improved monitoring rather than a sign of increasing conflict.

¹⁰ International Business Leaders Forum et al, *Guide to Human Rights Impact Assessment and Management: Road-Testing Draft*, p. viii (See Appendix for details).
¹¹ Aim for Human Rights, *Guide to Corporate Human Rights Impact Assessment Tools*, March 2009, p. 39 (See Appendix for details).



One of the prerequisites for the use of incidence indicators is a functioning monitoring mechanism and clear indication of which areas of the business are covered.

Indicators of results or outcomes are clearly the most desirable, but also the hardest to standardize and apply in a consistent manner. It is possible to measure changes that result from the actions of a company, but this process requires making assumptions that are tied to a specific time and place and often can't be directly applied to another situation. Also, even when changes are observed, it is hard to assess how much is a consequence of the actions of the company and how much is due to other factors.

Capturing the performance of a company with respect to a certain right in a meaningful way often requires combining different types of indicators with descriptive/qualitative information. One reason is that quantitative indicators alone, as isolated pieces of information, have limited meaning. Numbers can indicate how often events have occurred, but will provide little or no insight into quality (e.g., 100 hours of training does not reflect whether it was effective or ineffective; one million Euros of revenue does not describe sources of the revenue or whether it is a stable flow for the future). Therefore, quantitative indicators need to be placed in the context of other information, and the relative value of quantitative indicators depends on how well they reflect human rights performance in combination with other disclosures. Similarly descriptive/qualitative information alone becomes a series of stories and anecdotes and doesn't give insights into how systematic results are achieved.

Box 5 : Human Rights Reporting and the GRI Guidelines

In the context of GRI-based sustainability reporting "performance indicators" show year-on-year changes and trends over time, allowing for assessment of whether performance is improving or worsening. This is distinct from process disclosures, which typically are reported in the form of narrative text and may or may not change year to year.

*The current version of the **GRI G3 Sustainability Reporting Guidelines** (issued in 2006) features performance indicators under the heading of Human Rights. These cover investment and procurement practice, non-discrimination, freedom of association and collective bargaining, child labor, forced and compulsory labor, security practices, and indigenous rights. Furthermore, many of the performance indicators in the economic, environmental and other social categories, in particular the labor practices and decent work sections, also cover human rights related issues.¹²*

These points highlight that performance measurement is an area requiring much more work, both at the theoretical level (how to measure and evaluate corporate performance on human rights issues) and at the practical level (practical application of these concepts in reporting).

Section 3 explores the practical implications of the issues discussed above and provides guidance on how companies might address them in their human rights reporting.

¹² See the GRI G3 Sustainability Reporting Guidelines. Available for free download at www.globalreporting.org.

Section 3:

Guidance on Human Rights Reporting

3.1 Deciding on the scope of a human rights report

As discussed in section 2, the two key factors that need to be considered in deciding on the scope of human rights reporting are the stakeholders who are affected by the company's activities (and how), and the rights that might be affected by the organization and its business sector.

What might successful disclosure on stakeholders affected and rights identified look like?

- The report will discuss key stakeholders whose human rights can be or are affected by the company's operations as well as the human rights concerns of stakeholders in relation to the company's activities (for example, readers of a report by a footwear company with significant outsourcing of manufacturing operations will look for a discussion of how the company's activities affect the human rights of workers in its supply chain).
- The report will clearly explain how and why the company chose to report on the stakeholders it identifies.
- The report will capture the key human rights impacts related to the relevant industry sector and the company's specific operations.
- The report will present a clear description of how and why the company prioritized the specific rights it discusses, for example, by including stakeholders involved, tools or processes used, internal and/or external oversight, method of determining which human rights to focus on in reporting etc.

In the remainder of this section, these issues are discussed in more detail.

3.1.1 Choosing which stakeholders to include in reporting

Stakeholders are those people or entities who can reasonably be expected to be significantly affected by the company's activities, products, and/or services and whose actions can reasonably be expected to affect the ability of the company to successfully implement its strategies and achieve its objectives. It's best to take a broad approach in determining which stakeholders should be included as part of human rights reporting. A company's activities can have significant effects well beyond its direct employees, those in the vicinity of its operations, or those (such as business partners) with a direct relationship to the company.

The following questions help identify which stakeholders should be included in a human rights report and what kind of information might be relevant for disclosure:

- Which stakeholders are affected by the company's activities? These could include, for example, customers; people working for suppliers; or a community affected by environmental or health impacts resulting from a production facility's waste.
- Which stakeholders do other companies in the same sector/locality report on in relation to human rights issues?
- Are human rights issues raised during the company's stakeholder engagements (for example, around clinical trials; resource extraction; or population displacement due to projects)? Do reports draw on the outcomes of these engagements?
- Are stakeholders' concerns about human rights published as part of the company's own reporting? Some companies have begun to include external voices in their human rights reporting. For example, some companies with

complex supply chains have invited – and published – commentary within their reports from human rights NGOs or labor unions on challenges facing the companies in the area of supply chain management.

3.1.2 Prioritizing rights for inclusion in reporting

Human rights reports should show readers that the company is aware of the human rights issues that are of most relevance to it bearing in mind that the International Bill of Rights is the main guide in defining the scope of internationally recognized human rights.

Stakeholders are interested in a detailed discussion about those areas where the company has identified the greatest impacts or risks relating to human rights as well as particular circumstances where rights may be relevant (for example, when setting up operations or moving into a new country). Reporting should include disclosure on how human rights priorities were determined.

The following questions can be of assistance in determining which human rights might be most relevant:

- What significant or common human rights impacts have experts or other commentators and stakeholders identified in relation to the company's industry, location of operations, or products and services? For example, an extractive company is likely to have particular impacts on the rights of indigenous people, the right to an adequate standard of living, and the right to freedom of movement among others. A software company would need to pay particular attention to how its products might be used by governments or other parties with respect to human rights norms concerning privacy and freedom of expression.
- What human rights issues do competitors or peers in comparable sectors report on? For example, a company which outsources manufacturing to third parties in other countries should know how peers operating in the same countries report on issues such as freedom of

association, equal remuneration and the right not to be subjected to forced labor.

- Which policies or actions of the company could help or hinder certain stakeholders in realizing their rights? It is important to think broadly in this context and not just about production processes. For example, a pharmaceutical company might be expected to disclose how R&D or lobbying activities could expand or restrict access to medicines for low-income populations in countries where the product is marketed.
- What are the ways in which a company's core business and operational footprint could be used to further contribute to greater promotion of human rights? For example, a telecommunications company might be expected to disclose how it seeks to expand access to information which affects a range of rights including to education and health care.

The key point here is to think about the full extent of a company's operations and its connections – even if indirect – to international human rights standards. It should be noted that some activities or products may be legal in one location, but banned in another due to concerns about the impacts on stakeholders or the environment. If so, those situations are relevant for many stakeholders from the perspective of reporting.

3.2 Addressing the issue of complicity

As seen in section 2.3, complicity relates to the potential for a company to be involved in human rights issues *indirectly* through its involvement and relationships with third parties. Disclosure in this area includes providing report readers with a clear picture of the following:

- The key relationships the company maintains with other parties (e.g. security forces, governments, significant contract supplier relationships, joint venture partnerships) – allegations of complicity can also involve relationships within the supply chain.
- The human rights risks that might flow from these relationships (for example, what are the

risks of sourcing raw materials from countries where there is a record of human rights abuses associated with those commodities?). Companies with complex supply chains are commonly expected to report on the extent to which human rights are protected (or not) at their suppliers' facilities. Companies that hire security forces to protect their operations are increasingly expected to disclose these relationships as well as any measures they have taken to prevent and/or mitigate human rights abuses carried out by these parties.

- How the company identifies risks, including through internal processes such as mapping supply chains and identifying suppliers at a higher risk for human rights abuses, or processes in place to assess how products and services might be used by third parties to commit human rights abuses.
- Processes the company has created to avoid, manage or address these risks such as screening procedures for security forces or human rights clauses and requirements that the company builds into formal contracts with third parties.

Box 6 offers two specific industry settings that exemplify the risk of complicity.

3.3 Reporting on human rights due diligence

Section 2.3 explained that *human rights due diligence* is the process whereby companies become aware of, prevent, and mitigate adverse human rights impacts.

This section discusses disclosure on various key components: company- or group-level assessment of potential human rights impacts, human rights policies, integration, and tracking performance. It focuses on the *why* (why stakeholders want to know this information, why it is important for companies to disclose it) and the *how* (suggestions for how to disclose meaningful information in each area).

Box 6: Disclosures in Relation to Potential Complicity

An IT company might consider disclosing its privacy policy, and any measures it takes to protect its customers from Internet surveillance or censorship (for example, does the company report on procedures that it has in place to respond to government requests for private data, or procedures for notifying users of search results that might be blocked in certain countries of operation?).

A jewelry retailer or producer of gems might consider disclosing programs or policies that it has put in place to establish traceability for diamonds or other minerals that have been associated with human rights abuses; it might also describe any internal controls or certification processes for identifying the source of the gems. It would also be helpful to mention membership or involvement in relevant multi-stakeholder initiatives with a human rights focus, such as the Kimberley Process or the Responsible Jewelry Council.

3.3.1 Company- or group-level assessment of potential human rights impacts

Long before assessing potential human rights impacts of activities at site- or project-level, *human rights due diligence* calls for a broader assessment of a company's potential impact on human rights, including evaluation of the potential human rights risks and opportunities linked to an industry, products and services and business model¹³. Stakeholders look for this information as an indication that companies are taking a broad view of their potential human rights impacts, as well as a pro-active approach to human rights.

Human rights reporting should describe how risks associated with human rights have been analyzed and the extent to which any industry-level guidance on human rights risks has been consulted. There are several parameters to consider:

- Country Context: In operating countries or countries where raw materials, finished

¹³ The Business and Human Rights Resource Centre (www.business-humanrights.org), whose database is searchable by issue, country, company and other categories, is one place to start. See Appendix for details.

products, etc. are sourced, do laws conflict with, or fall significantly short of, the rights articulated in international human rights standards and conventions? Are these laws incompatible with the company's own principles? Are NGOs (such as human rights organizations) and the international press allowed to operate in the country without serious restrictions?

Box 7: Country-specific information on human rights risks

The following provide country-specific information on human rights risks: the Office of the UN High Commissioner for Human Rights (OHCHR) (www.ohchr.org); labor union reports; government agency data; and non-governmental organizations (e.g. Amnesty International (www.amnesty.org), the Danish Institute for Human Rights (www.humanrights.dk)).

- **Operating Zone:** Does the company have operations in areas where labor rights protections are more complex to enforce or have a greater risk of poor enforcement? Does the organization operate in a conflict zone? Are operations close to communities of indigenous, traditional or tribal peoples? Are the company's operations in areas that may have exemptions from certain regulations or are special areas under national law such as export processing zones?
- **Use of goods/services:** Have stakeholders raised concerns publicly (e.g., through shareholder resolutions or public reports) about actual or potential human rights violations associated with the use of the company's products or services?
- **Relationships:** What kinds of third-party relationships does the company maintain (e.g., supply chain, joint ventures, government relations, security forces, etc.)? In which of these does it have significant influence, or the ability to determine, alter or affect third parties' actions? Is the company involved, through its operations (including selling goods and

services) with entities that have been cited for human rights abuses?

- **Business Model:** How do business practices or the company's business model affect human rights? Has the company examined potential human rights impacts (both positive and negative) resulting from activities such as purchasing practices, pay and promotion incentives or lobbying activities? These are relevant to human rights to the extent that they may encourage practices by business partners or others that could lead to human rights abuses, or contribute to creating an environment in which human rights abuses are more likely to occur. For example, a company whose procurement practices include short lead times could directly result in supplier working environments prone to high levels of overtime or other labor issues.
- **Reporting:** Does reporting on the assessment of the above include a succinct summary of the parameters that a company has examined and key human rights risks that have been identified in the process (for example, assessments undertaken of a government's human rights record before entering into a business relationship with that government). Disclosure might include mentioning any major recent reports by rights groups, governments or other stakeholders on human rights concerns associated with the above.

This also means acknowledging in reporting any ongoing debates about the human rights impacts associated with the prevailing business model of the industry (e.g., affordable drug pricing for health care companies, or sustainable mining practices for extractive companies). This need not be a lengthy discussion; simply acknowledging the existence of the debate and providing readers with a succinct statement of how the company is addressing it within its own operations is an important start.

The next step is to report on any processes already in place, or actions taken, to prevent or mitigate human rights risks identified through the above assessment process. A report could discuss whether the organization has relevant policies regarding payments to groups (such as security providers) in zones of conflict; or human rights screening processes in place for joint venture partners. A financial services company, for example, might be expected to disclose any processes in place to evaluate the human rights record of clients seeking a loan for a major project, or the potential for human rights abuses associated with a project under consideration.

3.3.2 Human rights policies

Establishing a human rights policy is a necessary building block in committing to uphold human rights. As a statement that lays out the company's actions, it is often the first thing that those evaluating a company's human rights performance look for, so disclosure of the policy is a fundamental step in human rights reporting.

Stakeholders are concerned with what standards a company has in place, how widely they are applied, and who within the organization oversees the implementation of these policies. They seek assurance that policies are directly tied to internationally accepted norms or standards because these have been agreed upon globally: that is, companies cannot pick and choose what is important. But policies are only as good as the intention to implement, so report readers will want to see that there is enough organizational structure behind the policies to ensure comprehensive implementation.

Disclosure on internal policies related to human rights should include the scope of the policies: do they cover all countries in which the company operates? Do they cover business partners? Make clear any references that policies make to international human rights conventions and declarations and other relevant international instruments, such as the Universal Declaration of Human Rights and the ILO Core Conventions (see Section 1). Reporting on organizational information

related to the policies is also helpful. Who is responsible for implementing these policies? How were stakeholders involved in policy formulation, if at all? How are policies communicated within the organization and to stakeholders?

Reporting in this area might relate to a free-standing human rights policy or to elements that are integrated into other relevant policies, such as Business Ethics or a Labor Code of Conduct.

3.3.3 Integration¹⁴

Integrating concern for human rights into every aspect of business is a crucial part of fulfilling the corporate responsibility to respect human rights. Integration means building these principles into all decisions and operating practices, and creating processes to implement human rights policies throughout the organization.

Report readers are increasingly looking for signs of comprehensive integration, such as structures to oversee human rights policies and processes, and information on how the company extends these to internal and external stakeholders and how it assesses potential human rights impacts at site-level. The better the disclosure of these processes, the stronger the sense stakeholders will have of the company's ability to manage human rights issues, including anticipating and preventing or mitigating negative impacts. This disclosure also provides an opportunity for the company to engage with stakeholders on specific processes that can strengthen respect for human rights.

Good disclosure on integration of human rights could include:

- **Governance/Organization:** Who has responsibility for implementing human rights policies and processes within the organization? Is there Board oversight?
- **Training/Awareness:** What kind of human rights training does the company offer (or require of) staff?

¹⁴ See, for example, Business Leaders Initiative on Human Rights (BLIHR), UN Global Compact and the Office of the High Commissioner for Human Rights, *Guide for Integrating Human Rights into Business Management* (See Appendix for details).

- *Internal Rollout and External Reach:* What strategies are in place for embedding human rights within the organization and extending relevant policies and procedures to external partners such as suppliers, joint venture and other business partners? Does the company incorporate human rights criteria or clauses into formal contracts or bidding procedures? Are all business entities (regional, facility or project) covered?
- *Site assessment:* It is useful to include within reports information on the processes and procedures in place for assessing or periodically reviewing human rights impacts at the level of sites, individual operations, projects, or investment agreements. This type of disclosure helps assure stakeholders that the company is approaching *all* operations with an eye to preventing potential negative impacts on human rights. It is distinct from organizational risk assessment, which assesses the organization as a whole.

3.3.4 Tracking performance

Report readers want to know whether the company has set up systems to track its human rights performance. These systems provide stakeholders – and companies themselves – with information on how well the organization is implementing its policies and processes over time, where it needs to modify these processes and what its human rights impacts are on various stakeholders.

This information is essential for stakeholders because disclosure on assessments, policies and integration does not necessarily allow for evaluation of performance.

Report readers look for disclosure of monitoring and accountability measures, as well as follow-up assessments of impacts on human rights. For human rights reporting to be credible and complete, disclosure should include both positive and negative information about the company's performance. Disclosure of performance tracking processes can include the following:

- *Monitoring:* many stakeholders will look for both internal evaluations (e.g. evaluating employees on human rights performance, internal audits) and external evaluations such as third-party monitoring and auditing (e.g. of supply chain) and independent human rights impact assessments.
- *Follow-up and remediation:* readers increasingly seek information on stakeholder feedback processes (e.g. hotlines, grievance mechanisms) and how the organization applies the results of monitoring. One example is to disclose disputes brought to grievance procedures and actions taken, including remediation processes associated with grievance procedures and complaints from the local community and other stakeholders¹⁵.

¹⁵ Emerging work on grievance mechanisms has included the formulation of draft principles on what constitutes an effective grievance mechanism. These principles include, among other things, fairness, accessibility and transparency. See *Rights-Compatible Grievance Mechanisms: A Guidance Tool for Companies and Their Stakeholders*, John F. Kennedy School of Government, Harvard University, January 2008, p. 3.

Conclusion

Human rights are an increasingly important aspect of the developing global Corporate Social Responsibility movement. Efforts over recent years by governments, businesses, trade unions and civil society representatives to better understand the nature and scope of corporate responsibilities concerning human rights have resulted in significant progress and a greater sense of shared expectations about the way forward. But there is still much to be done. In the area of sustainability reporting, it is clear that disclosure on human rights is of growing relevance to companies and to their diverse stakeholders. Yet coverage of human rights relevant issues in reports is still not common practice and many questions about how best to integrate these within reports remain unanswered.

This resource guide has sought to address this reality both by drawing lessons from current practices on human rights reporting as well as by providing recommendations developed through a multi-stakeholder process that will hopefully assist companies to make significant progress in future reports. GRI, the UN Global Compact and Realizing Rights believe this initiative represents a clear snap shot of current dilemmas and practical thinking on human rights reporting. It is hoped that the ideas and discussion contained in this report will be of value to companies, investors and other stakeholders active in this field. Comments and further contributions from all who engage with human rights reporting are welcome and will contribute to the generation of further guidance and good practice in the years to come.

Appendix

Further Reading

The following is a look at selected tools and resources on human rights and business, including (where available) tools that are particularly relevant to human rights reporting.

General overview tools and resources on human rights and business:

- Office of the United Nations High Commissioner for Human Rights (OHCHR), *Human Rights and Business Learning Tool*. An interactive, web-based course to help users learn more about human rights and their relevance to business; better understand the meaning of the UN Global Compact Human Rights Principles; and integrate human rights into everyday business. Available at: http://www2.ohchr.org/english/HR_Learning.htm
- Amnesty International, *Pure Business*. An e-learning training tool on business and human rights. Outlines the connection between business and human rights and sets out the human rights framework applicable to business operations. Available at: <http://purebusiness.amnesty.nl/page/>
- United Nations Global Compact Office, *A Human Rights Management Framework*. A one-page poster on key good business and human rights management practices. Available at: http://www.unglobalcompact.org/docs/issues_doc/human_rights/Resources/A307HRF-E-PosterA2-130607.pdf
- Danish Institute for Human Rights: *Human Rights Compliance Assessment (HRCA)* tool. An online self-assessment tool that companies can use to assess their level of compliance on human rights issues. The HRCA has over 300 questions with related indicators. Available at: http://www.humanrightsbusiness.org/?f=compliance_assessment
- Business Leaders Initiative on Human Rights, United Nations Global Compact Office, and the Office of the United Nations High Commissioner for Human Rights, *A Guide for Integrating Human Rights into Business Management*. A technical manual and a hands-on toolkit to help companies integrate practices consistent with human rights standards into an existing management system. Available at: http://www.unglobalcompact.org/Issues/human_rights/Tools_and_Guidance_Materials.html
- Castan Centre for Human Rights Law (Monash University), International Business Leaders Forum, Office of the United Nations High Commissioner for Human Rights, United Nations Global Compact Office, *Human Rights Translated: A Business Reference Guide*. Guides readers through each of the rights contained in the UN treaties – the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights – and gives a description of what each right means in general terms and how it may be relevant to a company's activities. Available at: http://www.unglobalcompact.org/Issues/human_rights/Tools_and_Guidance_Materials.html
- Business Leaders Initiative on Human Rights: *Human Rights Matrix and the Essential Steps*. Specifically in relation to 'due diligence' as part of the responsibility to respect, the Human Rights Matrix allows any business to take the first step, to move on from a strategic commitment to human rights to ensuring that existing or new policies are adequate in their breadth and depth to do so. Available at: <http://www.blihr.org/>
- The Business and Human Rights Resource Centre (www.business-humanrights.org) An independent resource on business and human rights. Website updated hourly with news and reports about companies' human rights impacts worldwide – positive and negative. The Centre seeks and posts responses from companies to allegations of misconduct to ensure balanced coverage and encourage companies to address concerns raised by civil society.
- United Nations Global Compact Office and Office of the UN High Commissioner for Human Rights, *Embedding Human Rights in Business Practice II* (2008). Features 20 case studies from Global Compact signatories around the world outlining policies and practices to implement human rights within their own operations and spheres of influence. Available at: http://www.unglobalcompact.org/Issues/human_rights/Tools_and_Guidance_Materials.htm

On sustainability reporting:

- The Global Reporting Initiative, (www.globalreporting.org). *The GRI Sustainability Reporting Framework* sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. The cornerstone of the framework is the Sustainability Reporting Guidelines. Other components of the framework include Sector Supplements (unique indicators for industry sectors).

On grievance mechanisms:

- BASESwiki (www.baseswiki.org). An online community and clearing house for sharing information and learning about non-judicial grievance mechanisms available to help companies and their external stakeholders resolve disputes.
- John F. Kennedy School of Government, Harvard University, *Rights-Compatible Grievance Mechanisms: A Guidance Tool for Companies and Their Stakeholders*, (January 2008). What exactly makes a grievance mechanism effective? This guidance aims to help answer that question. It provides a tool for companies and their local stakeholders jointly to devise rights-compatible, effective grievance mechanisms that maximise the opportunities to achieve sustainable solutions to disputes.

On Human rights impact assessments (HRIA):

- International Business Leaders Forum and International Finance Corporation, *Guide to Human Rights Impact Assessment and Management: Road-Testing Draft* (June 2007). A guide to the process through which business managers can oversee the identification, assessment and implementation of appropriate management responses to potential human rights challenges to new or evolving business projects. Available at: <http://www.iblf.org/resources/general.jsp?id=123946>

- Aim for Human Rights, *Guide to Corporate Human Rights Impact Assessment Tools* (January 2009). Helps business managers of multinational corporations and their stakeholders to select the best tools to assure the best HRIA process for a project. Summarizes HRIA tools developed so far to assess the impact of business on human rights, and maps HRIA initiatives to help users select an HRIA tool.
- Human Rights Impact Resource Centre (HRIRC). (www.humanrightsimpact.org) Provides centralized access to a broad range of information and expertise on human rights impact assessment (HRIA). Users with varying interests and expertise can find relevant documents, discuss new developments and contribute to the growing HRIA knowledge base. Its Toolsets database contains tools and instruments used to implement all or part of a human rights impact assessment .
- Rights and Democracy. *Human Rights Impact Assessments for Foreign Investment Projects: Learning from Community Experiences in the Philippines, Tibet, the Democratic Republic of Congo, Argentina, and Peru* (2007). This study attempts to measure the real impacts that investment has had on communities in developing countries.
- Guide to Human Rights Impact Assessment (<http://www.guidetohria.org/home>). This website is meant to aid companies engaged in road-testing the draft (2007) guidelines, *Guide to Human Rights Impact Assessment and Management*, which was developed by the International Business Leader Forum (IBLF), the International Finance Corporation and the United Nations Global Compact (see above). The website has updates on the road-testing process and online discussion on topical business and human rights issues. It is also a forum for road-testing companies to share tips, exchange good practice and comment on the guide.

On conflict zones:

- International Committee of the Red Cross (ICRC), *Business and International Humanitarian Law: An Introduction to the Rights and Obligations of Business Enterprises Under International Humanitarian Law* (December 2006). Aims to provide managers of business enterprises with a basic document flagging situations where business operations may either benefit from the protections afforded by international humanitarian law or be constrained by its rules. It is meant primarily for country managers and security managers who face the daily challenge of running business operations in conflict environments. Available at: <http://www.icrc.org/web/eng/siteeng0.nsf/html/p0882>
- International Alert, *Conflict-Sensitive Business: Guidance for Extractive Industries* (March 2005). Guidance on doing business in societies at risk of conflict for field management working across a range of business activities, as well as headquarters staff in political risk, security, external relations and social performance departments. Available at: http://www.international-alert.org/peace_and_economy/peace_and_economy_projects.php
- International Alert and the Fafo Institute for Applied International Studies, *Red Flags guide* (2008). The website lists activities which should raise a 'red flag' of warning to companies of possible legal risks, and the need for urgent action. It provides additional resources for companies, governments, affected communities and researchers. Available at: http://www.redflags.info/index.php?page_id=11&style_id=0



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