

HUMAN RIGHTS AND THE EXTRACTIVE INDUSTRY

WHY ENGAGE, WHO TO ENGAGE, HOW TO ENGAGE



THE SIX PRINCIPLES

- 1** We will incorporate ESG issues into investment analysis and decision-making processes.
- 2** **We will be active owners and incorporate ESG issues into our ownership policies and practices.**
- 3** **We will seek appropriate disclosure on ESG issues by the entities in which we invest.**
- 4** We will promote acceptance and implementation of the Principles within the investment industry.
- 5** **We will work together to enhance our effectiveness in implementing the Principles.**
- 6** We will each report on our activities and progress towards implementing the Principles.



CREDITS

CONTRIBUTIONS:

The PRI is grateful for the contributions from David Simpson, InterPraxis Consulting, Patricia Carrier, independent researcher, and the PRI Investor Steering Committee on Human Rights¹.

AUTHORS:

Felicitas Weber and Olivia Watson, PRI

EDITORS:

Anastasia Guha, PRI, and Liz Mills, independent editor

DESIGN:

Thomas Salter, PRI

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¹ The PRI Human Rights Steering Committee includes representatives from Aviva Investors, British Columbia Investment Management Corporation, Calvert Investments, Canada Pension Plan Investment Board, Government Employees Pension Fund of South Africa, Mirova, NEI Investments, PGGM Investments, Standard Life Investments.

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Most companies today understand that they have to operate in a way that gives them the social licence and goodwill to buy, manufacture and sell to citizens. This is especially true for the extractive industries, which seek to profit from a country's natural resources. The impact of extractive operations on citizens, who ultimately own these resources, can pose a significant source of operational, legal and reputational risk.

Extractive companies are also wealth generators and play an important part in most investor portfolios. This provides investors with an opportunity to engage with these companies to ensure they are resilient and contribute positively to both shareholders and stakeholders, over the long term.

Recognising this, and aiming to address these risks, the PRI in conjunction with the PRI Investor Steering Committee on Human Rights, has identified a list of 50 large global extractive companies considered to be particularly exposed to human rights risks. This has been achieved by looking at current and future operating regions, existing corporate human rights policies and systems, as well as human rights incidents and allegations.

Using the UN Guiding Principles for Business and Human Rights as a key reference point, the PRI researched the

reporting of these organisations, and coordinated two investor-company roundtables to explore best practices and challenges in implementing those principles.

Given the multitude and complexity of human rights issues extractive companies face, even leading companies are continuously striving to understand and manage these. Investors can play a key role in engaging investee companies to ensure they mitigate risks.

Based on the PRI roundtables and research, the PRI in conjunction with steering committee members identified six areas for engagement, including corporate responses to human rights incidents or allegations, human rights commitment, governance and embedding respect for human rights into corporate practice.

Investor engagement is most likely to trigger change when it considers each company's specific situation. As a result, the PRI has broken down the six areas for engagement into three, namely engagement with leading companies, lagging companies, and those in between.

As a tool for engagement, investors may further wish to use the case studies, questions for engagement and resources for each of the six areas that are outlined in Appendix 1.

WHAT IS AT STAKE?

Extractive companies are among those companies that have the most daily impact on our lives. They have an impact on their workers, the communities located near their operations, and the people living in the operating country. They use countries' natural resources, which ultimately belong to their citizens, and therefore need to understand and manage their overall impact to continue holding a social licence to operate².

WHAT ARE HUMAN RIGHTS?

Human rights³ are rights that every individual holds by being a human. Human rights include civil, political, economic, and social and cultural rights, such as the right to life, the right to freedom of association or the right to health. On an international level, human rights were first recognised following the Second World War in The Universal Declaration of Human Rights. They were added to in later international treaties, have been turned into local laws in some countries, and are featured prominently within sustainability guidelines for companies such as the OECD Guidelines for Multinational Enterprises or the first two out of the ten principles of the UN Global Compact.

TYPES OF IMPACTS

WORKFORCE

This includes a range of issues such as the freedom of association and collective bargaining, discrimination in the workplace, poor working conditions, and fatalities. For example, in the US an oil and gas worker is six times more likely to die on the job than the average American⁴. Impacts on the labour force are not limited to direct operations, but also extend to business partners such as suppliers or joint venture partners. As a result, even companies that have an otherwise good human rights record may be complicit in human rights abuses.

COMMUNITIES

This includes the impacts on land, livelihoods and employment, water quality and access to water, the preservation of cultural heritage, and the right to self-determination. Vulnerable and minority groups (artisanal

miners, women, children and indigenous people) tend to be more strongly affected by these types of negative impacts. For example, the use of land for extractive projects and the resettlement of communities is particularly harmful to indigenous people, who not only rely on the land for shelter and subsistence, but often have a deep cultural connection to the land. First Peoples Worldwide, an NGO aiming to empower indigenous communities, estimates that out of a sample of 52 US extractive companies approximately 39% of current production and 46% of proven reserves are on or near indigenous land⁵.

ENVIRONMENT AND THE ECONOMY

Extractive companies can also have considerable impacts on the environment and the economy of the societies in which they operate. For example, in conflict-affected or post-conflict areas governments may use revenue from resources to fund unrest.

The wide-ranging impacts extractive companies can have on large numbers of people translates into significant risks for extractive companies. These include:

- Operational risks**, such as project delays or shutdowns due to strikes, boycotts and protests. According to Goldman Sachs, of the 190 largest oil and gas projects under way globally, new projects take nearly double the time to come on stream than they did a decade ago. Analysis of a subset of these projects highlighted that non-technical risks accounted for nearly one-half of all risk factors, with stakeholder-related risks being the largest category⁶.

A joint study from the Harvard Kennedy School, Shift and the University of Queensland estimated the costs of shutdowns or delays to be at US\$ 20 million a week for a major mining project⁷.

2 For a definition of the "social licence to operate", see The Guardian (2014) - "[Business and society: defining the 'social licence'](#)" or Mining Facts - "[What is the social license to operate \(SLO\)?](#)" (accessed June 2015).

3 For a more detailed definition of human rights see the Office of the United Nations High Commissioner for Human Rights (UNHCR) - "[What are human rights?](#)" (accessed June 2015).

4 Inside Energy (2014) - "[Data-Dive: Where Is The Oil And Gas Industry Most Dangerous?](#)"

5 First Peoples Worldwide (2014) - "Indigenous Rights Risk Report". Please note that the numbers provide a rough estimation only.

6 Goldman Sachs Global Investment Research (2008) - "[Top 190 projects to change the World](#)". Cited in: World Petroleum Council Yearbook 2010: Professor John Ruggie (2010) - "[The corporate responsibility to respect human rights](#)".

7 Harvard Kennedy School, Shift, University of Queensland (2014) - "[Costs of company-community conflict in the extractive sector](#)".

- **Legal and regulatory risks**, including fines or lawsuits, which often take years to resolve. In early 2015, Royal Dutch Shell paid US\$ 83 million in an out-of-court settlement to 15,000 members of the Bodo community. This was compensation for health, economic and environmental impacts following two oil spills in the Niger Delta in 2008⁸. Additionally, and potentially even more importantly, there are an increasing number of soft law mechanisms on human rights⁹, most notably the UN Guiding Principles on Business and Human Rights (the “UN Guiding Principles”). These are not mandatory, but clearly define corporate responsibility to respect human rights. They are being taken increasingly seriously by companies, reflecting several factors. Included in these are mechanisms such as the OECD Guidelines for Multinational Enterprises, which allow individuals and NGOs to bring complaints in front of National Contact Points¹⁰. Alongside this, pressure is mounting from governments, who themselves are increasingly expected to ensure respect of human rights in their jurisdictions. Soft law has the potential to become hard law. Examples include the Modern Slavery Act introduced in the UK in 2015, and disclosure requirements on conflict minerals in the US.
- **Reputational risks** through negative press coverage, which may also negatively impact on the company’s brand value and levels of employee satisfaction. Vigeo,

a French service provider to the responsible investment industry, authored a study of 40 North American and European extractive companies in which it revealed that the frequency of allegations and controversies on human rights is much higher in the extractive sector than in other sectors. Notably, 50% of extractive companies are involved in human rights controversies¹¹. The International Council on Mining & Metals (ICMM) also found a significant rise in publicly reported mining related company-community conflicts; from about 10 incidents in 2012 to approximately 90 in 2012¹². This risk will persist and potentially increase, reflecting the fact that local news stories can now reach a global audience, and local stakeholders, such as communities and NGOs, have increased access to social media.

By managing human rights well, not only can companies avoid and better manage negative impacts, but they may also benefit from a number of opportunities, including:

- Increased employee motivation leading to increased productivity, higher staff retention and being better equipped to compete in a global economy.
- Having access to equity capital markets with a potentially lower cost of capital.
- Developing and sustaining strong community relationships and maintaining a social licence to operate.

⁸ Business & Human Rights Resource Centre - [“Shell pays \\$55 million out of court settlement to Nigerian Bodo community over oil spills”](#) (accessed June 2015).

⁹ For an overview of soft law mechanisms on human rights, see Herbert Smith Freehills’ journal, Energy Exchange: Stephanie Lomax (2013) - [“Why IOCs are paying attention to soft law on human rights”](#).

¹⁰ Nations Contact Points (NCPs) are country level implementation mechanisms for the OECD Guidelines for Multinational Enterprises set up by governments. NCPs are tasked with providing guidance and handling alleged breaches brought forward by rights-holders or civil society. NCPs can act as a mediator in cases where complaints concern a company of their own country, or where the incident has occurred in their country.

¹¹ Vigeo (2011) - [“The CSR challenges facing the extractive industry in weak governance zones”](#).

¹² International Council on Metals & Mining (2015) - [“Research on company-community conflict”](#). The paper notes that there has been a significant increase in investment in the sector over the research period, and that the increase in reported incidents does not reflect whether those represent an increase (or decrease) relative to the total numbers of projects.

THE NEED FOR COLLABORATIVE INVESTOR ACTION

Extractive companies face complex human rights risks. They are often confronted with dilemmas rather than clean-cut solutions when it comes to respecting human rights, particularly in emerging markets¹³. Large extractive companies tend to operate in many different locations, with the differing socio-economic and political circumstances of each increasing the complexity. By sharing expertise and pooling resources, collaborative action allows investors to better understand the complex human rights situations across markets. In turn, they can engage companies more effectively by sharing tasks according to shareholdings, expertise and location. Furthermore, collaborative action enables investors to reach more companies and speak with one voice. This is particularly relevant given the quickly evolving landscape of soft law regarding human rights, and the increasing, and often very different, expectations from various stakeholders towards companies.

WHY ENGAGE NOW?

Until the 1990s few companies recognised their human rights responsibilities. As a survey by The Economist Intelligence Unit highlights, this has changed dramatically. The group's survey of more than 800 senior corporate executives found that most companies now recognise both that their operations have an impact on human rights and that their responsibilities towards human rights go beyond abiding by local laws¹⁴. This acknowledgement from the corporate community offers a significant opportunity for investors to promote meaningful change.

Signatories of the Principles for Responsible Investment identified human rights and community relations as one of the areas of strongest interest for collaborative investor engagement. Furthermore, they decided that the engagement should focus on the extractive sector and reference the UN Guiding Principles.

In 2014, a steering committee of nine global investors was selected to include a broad mix of knowledge, and strong asset owner and regional representation (the "PRI Investor Steering Committee on Human Rights" or "steering committee"). Members have combined assets under management of US\$ 1.5 trillion and include Aviva Investors, British Columbia Investment Management Corporation, Calvert Investments, Canada Pension Plan Investment Board, Government Employees Pension Fund of South Africa, Mirova, NEI Investments, PGGM Investments and Standard Life Investments.

In order to leverage and build on existing work, the steering committee engaged with Shift¹⁵ and the global industry associations, the International Council on Mining & Metals (ICMM) and IPIECA, the global oil and gas industry association for environmental and social issues. In addition, steering committee members participated in the consultation that led to the development of the UN Guiding Principles Reporting Framework, and in order to develop the collaborative engagement programme, they held investor-company roundtables with 12 extractive companies in London (UK) and Toronto (Canada). The roundtables provided an opportunity for the investor group to explore best practice with regards to implementing the UN Guiding Principles, implementation challenges, and meaningful ways to report. The results from these discussions, written feedback from some of the participating companies, and the research¹⁶ of public reporting by 50 large global extractives were used to inform the engagement approach of the group and are summarised below.

Starting in September 2015, a broader group of PRI signatories will start to collectively engage extractive companies on human rights. Appendices 1 and 3 include engagement questions, case studies and resources, which signatories may use when engaging with extractive companies.

¹³ For examples of such dilemmas, see the [Human Rights and Business Dilemma Forum](#) of the UN Global Compact and Verisk Maplecroft.

¹⁴ The Economist Intelligence Unit (2015) – "[The road from principles to practice: Today's challenges for business in respecting human rights](#)".

¹⁵ Independent, non-profit centre for business and human rights practice. [Shift](#) works globally with businesses, governments and civil society globally to embed the UN Guiding Principles into practice.

¹⁶ Further details on the research findings can be found in PRI (2015) - "[Research note: The extractive industry and the UN Guiding Principles on Business and Human Rights](#)".

WHY ARE PRI INVESTORS USING THE UN GUIDING PRINCIPLES AS A FRAMEWORK FOR ENGAGEMENT?

There is a global expectation today that all companies respect human rights. The UN Guiding Principles¹⁷ constitute the authoritative international reference point for how states should protect, and how companies should respect human rights. They identify the protection of human rights as the duty of the state, recognise that companies have a responsibility to respect human rights, and contain a third component on access to remedy for victims, which is applicable to both states and companies.

Since their inception in 2011, major players including the OECD, IFC and EU have incorporated the UN Guiding Principles into frameworks and guidance¹⁸. Nearly four years

after their adoption, companies have widely taken up the UN Guiding Principles as a reference point when implementing human rights considerations into business processes¹⁹.

The launch of the UN Guiding Principles Reporting Framework in February 2015 has enhanced the credibility and usefulness of the UN Guiding Principles.

As of June 2015, 81 investors with more than US\$ 4 trillion in assets under management, publicly welcomed the framework, emphasising that increased and more consistent reporting enables them to better judge how well companies understand and manage their human rights impacts²⁰.



¹⁷ See appendix 2 for more information on what the UN Guiding Principles are, and how they relate to other frameworks.

¹⁸ For an overview, see Shift (2015) – [“UN Guiding Principles on Business and Human Rights”](#).

¹⁹ See for example p. 8 of Business & Human Rights Resource Centre (2015) - [“Action on business & human rights: Where are we now? Key findings from our Action Platforms”](#).

²⁰ See the [“UN Guiding Principles Reporting Framework Investor Statement”](#) (accessed June 2015).

HOW TO ADAPT THE ENGAGEMENT TO LEADERS, LAGGARDS AND THOSE IN BETWEEN

Based on findings from the PRI roundtables with extractive companies, and research into the reporting of 50 extractive companies, the PRI in conjunction with steering committee members suggest six areas for engagement. These are key to risk management, and feasible in light of the industry's current state.

The six areas follow the structure of the UN Guiding Principles and the steps that companies would undertake to manage human rights. They include developing a human rights commitment, embedding it into practice, undertaking due diligence (following the plan-do-check-act cycle), and providing access to remedy. The only divergence to this structure is to look at a company's response to incidents and allegations as a first point, where relevant. This is to recognise both that engagement dialogues tend to naturally include incidents and allegations as these occur, as well as the prevalence of incidents and allegations in the industry.

ENGAGING LAGGARDS

Findings from the PRI research showed that 24% of the companies can be considered 'laggard companies'²¹ because they have no human rights commitment in place and/or provide information on only three or less of the 16 data points²² reviewed. Where companies in this category have a human rights commitment in place, it tends to be very limited. For example, a company might state that it aims to respect human rights, but provides no information on what it regards as its human rights impacts and responsibilities. Where it does, further description is limited to direct employees, and typically includes rights such as non-discrimination.

First steps when engaging those companies that are in very early stages of their journey to manage human rights risks are:

INVESTIGATING THE COMPANY'S RESPONSE TO INCIDENTS OR ALLEGATIONS

A recurring theme at the PRI roundtables was that company culture is a key element when it comes to managing human rights risks effectively. This includes how a company responds in cases where human rights abuses have occurred or where allegations have been made. More specifically, a company should be able to demonstrate to investors

that it is able to respond adequately and timely, provide remediation where relevant and learn from mistakes. This only applies to companies where human rights incidents or allegations have occurred, but Vigeo found that during 2009-2012 more than 20% of the companies in a sample of nearly 1,500 European, Asian and North American companies faced one or more human rights allegations²³.

REQUEST THE COMPANY PUBLISHES A HUMAN RIGHTS COMMITMENT

Having at least a basic human rights commitment in place is common practice in the extractive sector, which provides a good starting point for engagement, and allows investors to point to good practice examples from peers in the same region. Where companies do not have a commitment in place, or where the commitment is limited, investors can play a role in helping companies to both understand their responsibility to respect human rights, and the scale and scope of its human rights impacts. For example, good practice includes aligning with international and industry standards.

THE STATE OF PLAY OF HUMAN RIGHTS REPORTING IN THE EXTRACTIVE INDUSTRY

A human rights commitment is the only standard element in extractive companies' human rights reporting: The PRI research into the public reporting of human rights policies, processes and performance of 50 extractive companies has shown that only very few elements are currently standard practice among extractive companies. Notably, 90% of the companies reviewed have a human rights commitment in place.

Only about half of the companies report on key aspects of how they manage human rights: This breaks down as governance and oversight (50%), training for employees (48%) and security providers (50%), and risk assessment (54%). Reporting on stakeholder engagement is marginally higher, standing at 60%.

Only 2% of companies report on the effectiveness of their human rights practices: Other under-reported areas include remediation (36%), integration of findings from human rights risk assessments (20%), and the effectiveness of grievance mechanisms (18%). None of the companies reported on the effectiveness of training.

²¹ Note a differentiation into leading and laggard companies based on public disclosure can only be a rough estimate. The information however provides a proxy of where the industry stands, at least in terms of basic human rights reporting.

²² For further details on the research see PRI (2015) - "Research note: The extractive industry and the UN Guiding Principles on Business and Human Rights".

²³ Vigeo (2012) - "What measures are listed companies taking to protect, respect and promote human rights?" Note that when only looking at the 40 largest European and North American extractive companies this number rises to 50% (see footnote 12).

MOVING THE MIDDLE

Findings from the PRI research suggest that 54% of the companies reviewed reported some information on embedding human rights and undertaking due diligence, but failed to provide the same level of reporting as the companies described as leading below. When engaging these companies, it is helpful to point towards good practice in the areas of governance and embedding human rights, human rights risk assessment, stakeholder engagement and grievance mechanisms. All are increasingly becoming part of what constitutes common good practice in the extractive sector.

INSPECT HOW HUMAN RIGHTS STANDARDS ARE GOVERNED INTERNALLY, AND EMBEDDED IN PRACTICE

Companies tend to report publicly on their human rights policies, but they provide a lot less information to support the extent to which this is followed through in practice. As a result, investors need to be aware of both the level of understanding of human rights risks at board and senior management level, and how the board and senior management balance human rights aspects against other factors in decision making. Given the high exposure to human rights risks in the extractive sector, it is striking that only 50% of companies report just basic information on how human rights are governed within the company, or whether there is any board or senior management oversight of the company's human rights risks.

Surprisingly, a number of companies failed to provide any information on governance and oversight on their website, but included it as part of a research project on the Business and Human Rights Resource Centre²⁴ website. This suggests that many companies are building board/senior management oversight into their human rights management systems, but may be facing a potential lack of demand from investors and other stakeholders on this aspect of reporting.

Human rights issues affect many areas of a business, including human resources, legal and procurement. Corporate participants in the PRI roundtable revealed that it is vital that human rights responsibilities are not the sole responsibility of a dedicated human rights contact, and should be part of the overall corporate values and culture. A key element of embedding human rights into practice is therefore training. Corporate participants at the PRI roundtables highlighted the need to ensure that relevant human rights skills are available at site level.

PROBE THE COMPANY'S DUE DILIGENCE PROCESSES, ESPECIALLY HUMAN RIGHTS RISK ASSESSMENT

According to the UN Guiding Principles, identifying and assessing human rights risks is a key part of a company's human rights due diligence. Only companies that fully understand the risks they face can mitigate, appropriately manage or avoid negative impacts in future, and make use of opportunities around positive human rights impacts. There are different ways to assess risks; some companies undertake standalone risk assessments, others integrate human rights into existing risk assessments. Overall, companies need to demonstrate that they have a clear process in place, and assess risks on an ongoing basis.

“All extractive operations face potentially significant human rights risk, regardless of geography, and companies need to be risk aware, rather than risk averse”

Top 50 extractive company executive

Ensure the company engages critical stakeholders and has effective grievance mechanisms “Community issues are not the soft part of the business; they can shut down a project faster than any technical issue, and can take years to resolve.”²⁵

One of the most critical things companies can do in identifying, assessing and addressing human rights risks is to continually engage with relevant stakeholders. Many companies are already aware of this; stakeholder engagement was one of highest areas of reporting, with 72% of companies publicly committing to engaging stakeholders. Investors are however also trying to understand the quality of these processes. A number of companies at the PRI roundtables reported that bringing in both a reputable third party organisation as well as a partner with local knowledge and a good standing in the community increases the quality of engagement.

Engagement needs to happen as a continuing, two-way process and be moulded by local context. Engagement takes time; one company revealed that it took ten years to develop a balanced relationship with a local community, enabling

²⁴ The Business and Human Rights Resource Centre (BHRRC) is a not-for-profit aiming to advance human rights in business, with a core focus on tracking human rights abuses globally. In December 2014, the BHRRC invited 180 companies to provide information on their human rights policies and practices to the [company action platform](#), an online platform that encourages transparency and engagement on corporate human rights policy and action.

²⁵ Quote of a representative of an extractive company at the PRI roundtable.

the community to help itself. Companies also reported that just being able to demonstrate that they are listening to stakeholders has a positive impact on those relationships.

Stakeholder engagement can help shape companies' policies and processes, and ranges from input into the human rights policy to co-designing a resolution process for grievances. In particular, embedding grievance mechanisms in community engagement will help build relationships of trust with local stakeholders in the mechanism. In addition, instead of waiting for grievances to come in, regular informal check-ins with the community, local press, government and third parties can help to prevent grievances.

ENGAGING LEADERS

Leaders are at the forefront of current good practice; 22% of the companies had relatively strong reporting (provided at least some reporting in 12 or more of the 16 aspects reviewed) in place compared to their peers. Additionally, leading companies do well in the key area of governance and oversight. They not only report that there is board or senior management oversight on human rights, but also report on how the human rights policy and due diligence process is overseen at the highest level. In dialogue with those companies investors need to act as partners to find solutions to some of the more challenging areas of

implementation of their human rights commitments. They also need to ensure that they communicate their expectations on disclosure and implementation in evolving areas from an early stage.

EXAMINE IF THE COMPANY IS ABLE TO MANAGE HUMAN RIGHTS RISKS IN ITS BUSINESS RELATIONSHIPS²⁶

Looking at human rights risks in business relationships including at security providers, other suppliers and contractors as well as joint venture partners, is a relatively new area even for more advanced companies. This is because companies tend to look at direct operations in the first instance. At the PRI roundtables investors referred to the need for companies to provide more assurance over entering new projects and countries. Companies need to be able to demonstrate that they have the capacity to mitigate risks, including the capacity to respond appropriately to changing or increasing risks in politically unstable environments.

Another evolving area in which companies are looking for guidance is measuring the effectiveness of processes, such as grievance mechanisms. This is an area where, in supporting companies to identify solutions, investors can help move the sector forward.

²⁶ The PRI Human Rights Steering Committee includes representatives from Aviva Investors, British Columbia Investment Management Corporation, Calvert Investments, Canada Pension Plan Investment Board, Government Employees Pension Fund of South Africa, Mirova, NEI Investments, PGM Investments, Standard Life Investments.

APPENDIX 1: SIX AREAS FOR ENGAGEMENT: QUESTIONS, CASE STUDIES AND RESOURCES

The following section contains questions for investors to consider when engaging with companies in the six areas. Case studies highlight examples of current reporting on extractive companies in each of the areas, and resources point to further guidance.

1. RESPONSE TO HUMAN RIGHTS INCIDENTS OR ALLEGATIONS

Questions for engagement:

- **Acknowledgement and stakeholder relations:** How is the company responding to allegations/incidents? Is the response adequate to the scale of the allegations or incidents (i.e. large-scale pattern or one-off incident)?

- **Remediation:** How does the company provide for or co-operate in remediation in the event of negative human rights impacts?
- **Lessons learnt:** Can the company demonstrate that it has learnt from this (and potentially similar other) incident(s)? How are these lessons integrated into decision-making and operations, including budget allocation and oversight processes?

CASE STUDY: TULLOW OIL'S RESPONSE TO LOCAL COMMUNITY DEMONSTRATIONS IN KENYA

The situation: Tullow Oil is a multinational oil and gas exploration company headquartered in the UK, with most of its operations in Africa. In October 2013, Tullow had to temporarily suspend drilling operations in Northern Kenya, following local community demonstrations, including a break-in at one of the sites. The local Turkana people demanded more employment and voiced concerns over the company's use of outside staff and contractors.²⁷ Tullow's deputy general manager Sid Black said at the time: "the amount of financial losses we have due to suspension of our work [...] is quite substantial."²⁸

The company's response: The company provided an immediate public response. It emphasised the importance of relationships with local communities, and explained that it employed more than 800 local people out of its total of 1,400 employees. Tullow held dialogues with local community leaders, as well as the regional and national government. The company subsequently signed a Memorandum of Understanding (MoU) with the Kenyan government. The government agreed to provide enhanced security

to the company, while Tullow agreed to ensure that the Turkana communities would be consulted throughout and benefit from the operations. As a result of this, the company has increased social investment, trained locals, and now reserves part of the tenders for locals, including women and young people.

Lessons learnt: In its 2013 Corporate Sustainability Report²⁹, Tullow explained not only how it responded to the incident, but also spoke about the lessons that had been learnt. Tullow reported that it had missed key signals ahead of the event, which could have helped prevent the incident. Tullow subsequently modified many aspects of its operations in Kenya. For example, the company has established local field offices staffed by local Turkana people, which serve as points of contact for the local communities to access information and register grievances or concerns. In total, the community stakeholder engagement team in Kenya was increased to 36 staff. The company will also apply the lessons learnt to operations in other regions.

Further resources:

- European Commission (2013) - "[Oil and Gas Sector Guide on Implementing the UN Guiding Principles on Business and Human Rights](#)" (this guidance is also relevant for the following sections)

²⁷ See articles in the [Financial Times](#), [AllAfrica](#), [The Guardian](#), and [Reuters](#) (accessed June 2015).

²⁸ Business Daily Africa (2013) - "[Tullow Oil strikes deal to resume work in Turkana](#)" (accessed June 2015).

²⁹ Tullow Oil (2014) - "[Tullow Oil 2013 Corporate Responsibility Report](#)".

2. HUMAN RIGHTS COMMITMENT

Questions for engagement:

- **Defining scale and scope of commitment:** How does the company define human rights, and publicly set out its commitment to respect human rights?
- **Adhering to initiatives and guidelines:** Is the company a formal and active participant of the Voluntary Principles on Security and Human Rights, industry initiatives such as ICMM or IPIECA, and any other initiatives regarding human rights? How does the company apply standards and guidance taken from such initiatives?
- **Engaging stakeholders:** What is the company's commitment to engage with local stakeholders? What is the company's commitment regarding indigenous people?
- **Communicating expectations:** How does the company's commitment stipulate its human rights expectations of personnel, business partners and other parties directly linked to its operations, products or services? Does the company have a policy on how to deal with joint ventures and non-operated projects with regards to human rights impacts? How is the commitment communicated internally and externally to relevant parties, such as personnel, business partners and others?

CASE STUDY: NEWMONT'S POLICY COMMITMENT TO HUMAN RIGHTS³⁰

The human rights commitment of US-based Newmont Mining Corporation, one of the world's largest producers of gold, is contained in its Sustainability and Stakeholder Engagement Policy. The commitment applies to all employees and contractors. Currently, Newmont requires its business partners and entities in its supply chain to adopt similar objectives "where practical". In 2014, the company developed a Human Rights Standard, which requires sites to develop appropriate human rights clauses in standard contracts for new suppliers and contract renewals. All sites are expected to be in compliance with this standard by 2017.

Application of internationally recognised standards and guidelines: Newmont's human rights commitment is guided by OECD Guidelines and the UN Guiding Principles due diligence processes. The company is a member of the UN Global Compact, ICMM, the Voluntary Principles on Security and Human Rights, and follows the conflict-free gold standard of the World Gold Council. The company supports the Extractive Industries Transparency Initiative (EITI) in its operating countries and the Global Sullivan

Principles of Social Responsibility. Land acquisition is guided by the IFC's Performance Standards on resettlement, compensation and livelihood restoration.

Commitment to engaging stakeholders: Newmont is committed to working with and communicating transparently with a range of stakeholders. This includes engaging local communities to build relationships based on mutual trust and respect, and contributing to creating shared value. The company aims to work to obtain free, prior, and informed consent of indigenous peoples as reflected in the ICMM Position Statement.³¹

Implementation guidance for employees: Newmont's "Code of Conduct"³² provides guidance for employees in case of uncertainty on how to interpret the code in practice. This includes asking the manager for guidance, anonymously asking questions in the Ethics Solutions Tool or applying sound judgement using guiding questions such as: How would I feel if my decision was published on the front page of a newspaper?

Further resources:

- UN Global Compact (2010) - ["A Guide for Business. How to Develop a Human Rights Policy"](#) (available in English and Chinese; update expected in late 2015)

³⁰ Newmont - ["Our Code of Conduct"](#); Newmont (2014) - ["Sustainability & Stakeholder Engagement Policy"](#); Newmont (2015) - ["Beyond the mine"](#) (sustainability report).

³¹ ICMM (2013) - ["Indigenous Peoples and Mining Position Statement"](#).

³² Newmont's Code of Conduct is the company's overarching set of expectations of behaviour for its employees, contractors and business partners. In addition, the company has a number of policies, including the Sustainability & Stakeholder Engagement policy, which set out corporate commitments on different aspects of business.

3. GOVERNANCE AND EMBEDDING HUMAN RIGHTS INTO COMPANY PRACTICE

GOVERNANCE

Questions for engagement:

- **Oversight and accountability:** How does the board/senior management oversee the company's human rights policy and due diligence process? Who is the most senior executive, board members or committee formally accountable for the management of human rights, and why does the responsibility fall to this individual or group? Does the company's leadership demonstrate support for human rights, and if so how?

- **Training and knowledge:** How does the company ensure that the board/senior management have the necessary knowledge, training or background in human rights to fulfil their oversight role? For example, do board members perform site visits where they have an opportunity to engage freely with local stakeholders?
- **Line of reporting:** What human rights reporting to the board, a board committee or a risk committee takes place? For example: Do board members receive regular briefing on emerging human rights issues? Do reports to the board/senior management include project, regional and/or group level breakdowns of data analysis related to human rights?

CASE STUDY: GOVERNANCE AND OVERSIGHT OF HUMAN RIGHTS AT TOTAL³³

Accountability at senior level: At Total, the French multinational integrated oil and gas company, the lead responsibility for human rights lies with the Ethics Committee Chairman - who reports directly to the Chairman and CEO - and the Corporate Legal Department/Ethics & Human Rights Unit.

Demonstrating senior leadership: In 2013, Professor John Ruggie³⁴ presented the UN Guiding Principles to Total's Executive Committee, the company's primary decision-making organisation led by the CEO. The Committee subsequently adopted a roadmap to better integrate human rights into the diligence processes. The Ethics Committee chairman reports back on progress to the Executive Committee on an annual basis. In the company's Code of Conduct³⁵, the CEO underlined that human rights are one of the three priority business principles for Total.

Clear responsibilities and reporting lines:

The Ethics Committee is responsible for presenting and promoting ethics policies, which include human rights. It is also responsible for establishing conditions to help employees

embrace and apply the Code of Conduct in their daily work. The committee's chairman presents an annual report to the Executive Committee and Board of Directors. The Ethics & Human Rights Legal Unit helps to define and deploy the group CSR strategy and assists the company' departments and business units with including and dealing with issues related to human rights.

Internal co-ordination and collaboration: To ensure coherence and involvement of all relevant departments, Total has a Human Rights Co-ordination Committee in place. It meets every quarter and is led by the Ethics Committee chairman and the Corporate Legal Department. The committee brings together representatives from departments that are most likely to be affected by human rights issues, such as legal affairs, human resources, public affairs, security, purchasing, and sustainable development. It discusses the work of relevant stakeholders, including international organisations and civil society, as well as the introduction of new policies, and tools to measure human rights impacts.

EMBEDDING HUMAN RIGHTS INTO COMPANY PRACTICE

Questions for engagement:

- **Risk management:** How is the company's human rights commitment integrated into its overall risk management system and strategy?
- **Policies and processes:** How is the company's commitment reflected in, and supported by, internal policies, procedures, and management systems?

- **Budget and functions:** How is the company's commitment reflected in, and supported by, a specific budget and assigned across relevant functions of the company, including at an operational level? Who is responsible for human rights and why? What interactions are there between staff responsible for human rights and other relevant areas of the organisation (human resources, procurement, business risk, etc.)?

33 Total - "[Respecting Human Rights in our sphere of operations](#)"; Business & Human Rights Resources Centre. Action Platforms - "[Total](#)" (accessed June 2015).

34 Professor John Ruggie was the UN Secretary-General's Special Representative for Business and Human Rights from 2005-2011. He authored the UN Guiding Principles, also known as the "Ruggie Principles".

35 Total (2015) - "[Code of Conduct](#)". See CEO's message on page four.

CASE STUDY: EMBEDDING HUMAN RIGHTS AT ENI³⁶

The Italian multinational oil and gas company ENI has a human rights policy called the Guidelines on the Protection and Promotion of Human Rights. The company reports that over the years the principles contained in these guidelines have been integrated in its corporate regulatory instruments relating to sustainability, including stakeholder engagement and community relations, planning and control and integrated risk management. The company also included human rights indicators in operational procedures in areas such as exploration and development, human resources or procurement. ENI places strategic value on human rights, including working conditions, the supply chain, indigenous peoples and security. Since 2013, the company has aligned its internal processes with the UN Guiding Principles and has integrated human rights into the drivers of the corporate strategic risk management system. ENI's objective for 2017 is to have a consolidated management system for human rights in place.

TRAINING

Questions for engagement:

Training of employees

- How does the company ensure that appropriate human rights knowledge and skills are available at both HQ and at operational level?
- Which employees receive training? How regularly does training take place?

Training of security personnel

- How does the company ensure that relevant security personnel (including contractors) are aware of its human rights impacts, respect human rights, and align their practices with the Voluntary Principles on Security and Human Rights?
- Does the company engage with the relevant police authorities and/or government security forces regarding security and human rights?

Further resources:

- ICMM (2009) - "[Human Rights in the Metals and Mining Industry: Overview, Management Approach and Issues](#)"
- IPIECA (2009) - "[Human rights training toolkit for the oil and gas industry - 2nd edition](#)"
- UN Global Compact (2014) - "[Organising the human rights function within a company](#)"

Training effectiveness

- How does the company ensure that employees and security personnel understand and implement the human rights training, and respect human rights? How does the company track the effectiveness of training for employees and business partners?

CASE STUDY: HUMAN RIGHTS TRAINING AT BARRICK GOLD AND OCCIDENTAL

Barrick Gold³⁷:

In its human rights policy, Barrick Gold, the world's largest gold mining company, states that human rights "training will be provided, at a minimum, to all new employees, and all employees who may impact human rights, receive reports or complaints on human rights, and who may oversee programs involving human rights. These will involve management, legal personnel, human resources, security personnel, community relations personnel, individuals involved in administering the supply chain and overseeing third parties, and others."³⁸

Barrick developed internal train the trainer materials and workshops, allowing operational level employees to deliver effective human rights training to their peers. The company reported that in 2013, 93% of relevant employees (i.e. those who are based at higher-risk sites and potentially may negatively impact human rights), received in-person training on human rights issues. Barrick also added a human rights component to its existing Code of Conduct e-training, which is provided to many employees.

Occidental Petroleum Corporation³⁹:

Occidental is a US oil and gas exploration and production company operating in the US and the Middle East. In its human rights policy, the company requires private security contractors to provide human rights training to their employees, both before they begin to work for Occidental, and on an annual basis for the duration that they work for the company.

Occidental encourages public security forces who are assigned to protect the company's personnel and facilities to undertake human rights training. The company asserts that where necessary and appropriate, it will provide funding to support human rights training.

36 ENI (2014) - "[ENI for 2013](#)" (sustainability report); ENI - A Commitment to Human Rights and Business & Human Rights Resource Centre. Action Platforms - "[ENI](#)" (accessed June 2015).

37 Barrick (2014) - "[Responsibility Report 2013. Responsible Mining](#)"; Barrick - "[BARRICK GOLD CORPORATION. Human Rights Compliance Program](#)" (accessed June 2015).

38 Barrick (2015) - "[Human Rights Policy](#)".

39 Oxy - "[Human Rights Policy](#)" (accessed June 2015).

4. HUMAN RIGHTS RISK ASSESSMENT

Questions for engagement:

- **Process:** How does the company identify actual and potential human rights impacts across its business activities and relationships? Does the company assess risks to the company and/or impacts on rights-holders? Does the company incorporate human rights into existing risks assessments and/or conduct stand-alone human rights impact assessments (and if so, in what circumstances)?
- **Use of expertise:** Does the company's risk identification process use international human rights instruments as a benchmark and framework? Do the people conducting the identification and assessment of human rights risks have human rights expertise and other relevant competencies (e.g. language, culture etc.)?
- **Outcomes:** Which actual and potential human rights impacts does the company identify for its own operations and business relationships, and what is their scale, scope and remediable character?
- **Changes over time:** How does the company identify any changes to human rights risks over time, including any new or emerging issues, and have there been any changes since the last reporting period?

CASE STUDY: GOLDCORP ON IDENTIFYING AND ASSESSING HUMAN RIGHTS RISKS⁴⁰

Goldcorp is a Canadian gold producer with operations in seven countries.

Ongoing and integrated human rights risk assessment:

Goldcorp performs ongoing risk assessments for the local, regional and national geographical areas, looking at environmental, political, economic and social risks, including human rights and indigenous rights. In 2013, quarterly country risk assessments were undertaken for Guatemala, Mexico, Argentina, Chile and the Dominican Republic. Through the creation of a dedicated function to monitor significant risks across the organisation, known in-house as the Enterprise Risk Management (ERM), human rights risks are integrated in Goldcorp's overall risk assessment. On a quarterly basis, the executive management team and the Board review the results. In addition, significant investments are reviewed against a number of criteria, including human rights risks – in

particular where there is a history of alleged violations.

Use of expertise, and publicly available outcomes: Human Rights Assessment (HRA) at Marlin mine: In 2008/2009 Goldcorp undertook an independent HRA at its Marlin mine in Guatemala, which was directed by a committee including a company representative, a shareholder and a Guatemalan representative. The methodology incorporated the Danish Institute for Human Rights Human Rights Compliance Assessment tool, and the assessment included interviews with more than 200 stakeholders. In 2010, the company made the outcomes of the HRA publicly available, and provided a first response to the recommendations, one of which was a commitment to develop and implement broader human rights due diligence. The company will continue to evaluate the need to undertake more in-depth human rights risks assessments at individual operations.

Further resources:

- IPIECA and the Danish Institute for Human Rights (2013) - [“Integrating human rights into environmental, social and health impact assessments. A practical guide for the oil and gas industry”](#)
- IPIECA (2012) - [“Human rights due diligence process: a practical guide to implementation for oil and gas companies”](#)
- The International Business Leaders Forum and IFC (2010) - [“Guide to Human Rights Impact Assessment and Management”](#)

⁴⁰ Goldcorp (2014) - [Goldcorp Sustainability Report 2013 – One company, thousands of opportunities](#); Goldcorp - [Marlin – Human Rights Assessment](#) (accessed June 2015).

5. STAKEHOLDER ENGAGEMENT AND GRIEVANCE MECHANISMS

STAKEHOLDER ENGAGEMENT

Questions for engagement:

- **Identification process:** How does the company identify on an ongoing basis which stakeholders to engage with in relation to its human rights impacts both at corporate and operational level? How does the company ensure that its consultation efforts include all relevant parties, including minorities or vulnerable voices?
- **Engagement process:** How does the company engage with stakeholders on its human rights impacts prior to and throughout the project lifecycle (for example when identifying and assessing risks)?
- **Capacity building:** How does the company strengthen both its internal capacity to engage as well as the capacity of the community to engage in meaningful dialogue?
- **Engagement examples:** Which stakeholders did the company identify, or what are representative examples of stakeholders the company identified and engaged with?
- **Outcomes:** How have stakeholder views influenced the company?

CASE STUDY: STAKEHOLDER ENGAGEMENT AT BG GROUP⁴¹

BG Group plc is a British multinational oil and gas company, and as of April 2015, expected to be taken over by Royal Dutch Shell. The company's business principles set out its commitment to engage with stakeholders.

Identification of a wide range of stakeholders: The main stakeholders that BG Group has identified include the investment community, governments and regulators, employees and contractors, business partners, industry associations, competitors, NGOs, and in particular local communities. On human rights issues, the company mentioned that it responds to questionnaires from socially responsible investors and engages with civil society. For example, in 2014 the company participated in mediation meetings convened by the UK National Contact Point for the OECD Guidelines for Multinational Enterprises, in relation to a complaint filed against KPO, which is jointly operated by BG Group.

Diverse means of community engagement: Means of engagement at BG Group include formal and informal group and targeted meetings, community programmes, community liaison offices, publications/online material, events, and feedback and grievance processes.

Approach of community engagement, including on human rights: According to BG's Social Performance Standard, consultation with affected stakeholders shall:

- take into consideration existing decision making processes;

- be mindful to include the voices of marginal and vulnerable groups;
- provide communities with sufficient time to review information, which needs to be presented in an accurate and meaningful way;
- be two-way so that community issues are taken into account in corporate decision making;
- provide a record of consultation activities and outcomes, including any agreements and the extent to which community voices have been taken into consideration (this is required for formal consultations and recommended for informal consultations).

Engagement examples: BG Group engages with diverse communities from small-scale farmers and fishermen in Egypt to small and large landowners and indigenous groups in Bolivia. In its operation in Queensland (Australia), the company engages community stakeholder groups through a range of channels including information centres, community liaison officers who live and work in the communities, local forums, regular briefings to interest groups and individuals, and information stalls at community events and shopping centres. In 2010, the company formed six Regional Community Consultative Committees, which include representatives from local government, local business, education, health, environmental groups and community services sectors. Over the course of that year, each committee met at least four times, and all meeting notes were made publicly available.

GRIEVANCE MECHANISMS

Questions for engagement:

- **Means of communication:** Through what means can the company receive complaints or concerns that its operations, products or services have led or may lead to negative human rights impacts?
- **Involving stakeholders:** How does the company engage key stakeholders on the design, revision, and monitoring of the mechanism?
- **Process:** How does the company process complaints and assess the quality of outcomes (both from its own and the complainant's perspective)?

⁴¹ BG Group – “[Stakeholder engagement](#)” and Business & Human Rights Resource Centre. Action Platforms – “[BG Group](#)” (accessed June 2015); BG Group (2015) - “[Sustainability Report 2014](#)”; QCG. A BG Group business (2014) – “[QGC Sustainable Communities Program Update](#)”.

- **Outcomes:** How does the company monitor and assess the performance of the mechanism on a regular basis? What are the outcomes, key trends and patterns over time as well as the lessons learnt?

Effectiveness⁴²:

- **Accessible:** Does the company provide information on the existence and functioning of the mechanism in a way that is adapted to the context and audience for whose use it is intended? Does the company address barriers that stakeholders may face in accessing the mechanism (for example, by providing multiple access points that are adapted to the local context)? Does the company have an explicit commitment to protect the user from reprisals?
- **Equitable:** Does the company share relevant information in a way that can be easily understood? Does the company facilitate means through which affected stakeholders have access to advice or expertise?

- **Transparent:** Does the company keep users informed throughout the process?
- **Rights-compatible:** Does the company assess complaints on its possible human rights impacts? Does the company have processes to ensure that outcomes do not infringe on the rights of the complainant? Does the company adopt a higher standard in case of conflict between national legislation and international norms on human rights?
- **Source of continuous learning** (also covered under process): How does the company integrate key lessons learnt?
- **Based on engagement and dialogue:** Has the company established a system for feedback collection from users? Does the company prioritise engagement and dialogue as a means of addressing and resolving grievances?

CASE STUDY: RIO TINTO AND ITS GRIEVANCE MECHANISM⁴³

The British-Australian multinational mining company Rio Tinto has a communities' complaints, disputes and grievances guidance policy, requiring that all sites have a community complaints, disputes and grievances procedure. Employees and contractors can also use Speak-OUT, a confidential telephone whistleblowing service to raise any concerns (including related to human rights) to senior management at the company.

Types of grievances and trends: At Rio Tinto Coal Australia, stakeholders raised 907 grievances for issues such as blasting, dust, light, noise and odour during 2013. Most complaints were raised at one particular operation in the Hunter Valley, New South Wales. The company explained that while this figure is high, it has decreased by 215 complaints in comparison to 2012.

Effectiveness: According to Rio Tinto's guidance, grievances mechanisms must be in line with the effectiveness criteria for operational-level grievance mechanisms of the UN Guiding Principles. For example, grievance mechanisms must be publicly

available, locally appropriate and easily accessible to all affected community members. Rio Tinto analyses complaints to better understand the impacts that its operations are having on stakeholders and it will continue to work to improve the way in which it responds to minimise these impacts.

Example – community feedback system at Bauxite mine in Weipa, Queensland, Australia:

Local communities can provide both positive and negative feedback via multiple contact points, including a toll-free phone number and direct contact with company personnel. The feedback system is advertised in the local newspaper, site newsletters, on community noticeboards and informally when company staff visit local communities. The company has a clear process for logging, assessing, following up on, and where necessary, escalating grievances. For example, the company engages with affected community members to understand their expectations and suggestions for the resolution.

Further resources:

- OECD (2015) - [“Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractives Sector – Draft for Comments”](#)
- CSR Europe (2013) - [“Assessing the effectiveness of Company Grievance Mechanisms”](#)
- IPIECA (2015) - [“Community grievance mechanisms in the oil and gas industry: A manual for implementing operational-level grievance mechanisms and designing corporate frameworks”](#)
- ICMM (2010) - [“Human Rights in the Mining & Metals Sector - Handling and Resolving Local Level Concerns & Grievances”](#)
- World Resources Institute (2009) - [“Breaking Ground. Engaging Communities in Extractive and Infrastructure Projects”](#)

⁴² Note that the questions above also cover some effectiveness criteria, most notably those related to legitimacy and predictability.

⁴³ Business & Human Rights Resource Centre, Action Platforms - [“Rio Tinto”](#) (accessed June 2015); Rio Tinto (2013) - [“Why human rights matter”](#); Rio Tinto (2013) - [“2013 Coal Australia Sustainable Development Report”](#).

6. BUSINESS RELATIONSHIPS

Questions for engagement:

How does the company use leverage to mitigate human rights risks through its business relationship? More specifically:

- **Selecting partners:** How are human rights criteria included in the selection of business partners, including private security forces, arrangements with public security forces, joint venture partners and other suppliers?
- **Stipulating expectations:** How are human rights criteria included in investment agreements (i.e. with joint venture partners) and contracts with business partners (e.g. through human rights clauses)?
- **Raising awareness:** How are business partners made aware of the human rights implications of their work, and how to address them?
- **Monitoring:** How are human rights commitments by business partners monitored on an ongoing basis?
- **Addressing breaches:** How does the company proceed when human rights breaches at its business partners are discovered?

CASE STUDY: BUSINESS RELATIONSHIPS AND HUMAN RIGHTS AT ANGLO AMERICAN ⁴⁴

Anglo American acknowledges the potential influence and impacts associated with its suppliers and contractors.

Procurement and contracts: With regards to selecting and retaining suppliers, Anglo American commits to favour suppliers that strive to follow the Anglo American Supplier Sustainable Development Code, which includes upholding fundamental human rights, in line with internationally recognised standards.

In advance of procurement, sites are required to conduct risk assessment and develop criteria to determine which contracts need to consider social aspects. Sites further need to develop tender requirements to evaluate the ability of potential suppliers to identify and manage negative social impacts as well as positive development opportunities appropriately. This should include core labour rights such as fair wages, decent accommodation, health and safety, access to a grievance mechanism and freedom of association.

The company conducts due diligence on potential public and private security providers to understand their ability to respect

human rights in their operations, including to meet the Voluntary Principles on Security and Human Rights.

The company includes human rights-related requirements in contracts with business partners and host governments when the contracted activity could have potentially significant negative impacts and/or an ability to deliver significant positive development opportunities.

Awareness raising and training: Anglo American commits to ensure that its existing contractor workforce is competent to perform their activities in a socially responsible manner through the provision of training in Anglo American's social requirements, local contexts, and, where necessary, tailored training and awareness raising on any issues, in particular on human rights.

Monitoring: The company monitors contractor performance against social key performance indicators (which include human rights) on a regular basis. Sites are expected to further develop appropriate corrective actions for cases of non-compliance.

Further resources:

- Institute for Human Rights and Business and Global Business Initiative on Human Rights (2012) - [“State of Play: The Corporate Responsibility to Respect Human Rights in Business Relationships”](#)
- UN Global Compact (2010) - [“How Business Can Encourage Governments to Fulfil their Human Rights Obligations”](#)

⁴⁴ Anglo American (2010) - [“Sustainable Development in the Anglo American Supply Chain”](#); Anglo American (2014) - [“Social Way, Version 2”](#); Anglo American (2014) - [“Human Rights Policy, Version 1”](#) (accessed June 2015).

APPENDIX 2: ABOUT THE UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

According to the UN Guiding Principles, companies should respect internationally recognised human rights, in particular the core rights set out in the International Bill of Human Rights⁴⁵, which includes the Universal Declaration of Human Rights, and the International Labour Organization (ILO)'s Declaration on Fundamental Principles and Rights at Work.

The UN Guiding Principles deal with both actual (those that have already occurred) human rights impacts, including legacy impacts, as well as potential impacts that may occur in the future. They are concerned with companies identifying, addressing and preventing human rights impacts caused or contributed to by their activities. They further outline how companies should use their leverage to prevent or mitigate negative human rights impacts directly linked to the operations, products or services of their business partners. More specifically the UN Guiding Principles set out that companies should have a human rights commitment in place, undertake due diligence (including engaging stakeholders, assessing risks, integrating findings, tracking performance and reporting outcomes), and remediate impacts.

All companies have the responsibility to respect human rights - regardless of their size, sector, location, ownership and structure - but the UN Guiding Principles recognise that how companies should meet their responsibilities may vary.

Variables include the type of company, and particularly the severity of the impact. Questions that are pertinent to the latter include: How many rights-holders were negatively impacted? How severely were they affected? Is the damage reversible?

The UN Guiding Principles complement existing frameworks. For example, while the [Voluntary Principles on Security and Human Rights](#) provide a framework for the extractive industry on how to deal with issues around the provision of security, the UN Guiding Principles apply to issues beyond security, and strengthen expectations, in particular around grievance mechanisms.

The UN Guiding Principles have been incorporated into and referenced by, frameworks and internationally recognised standards, such as the OECD Guidelines for Multinational Enterprises, the IFC Sustainability Framework and Performance Standards, the ISO 26000 - Social Responsibility guidance and the EU Directive on the disclosure of non-financial information.

Similarly, key corporate sustainability reporting frameworks such as the Global Reporting Initiative (GRI)⁴⁶ aim to align with the UN Guiding Principles. In turn, the [UN Guiding Principles Reporting Framework](#) also references linkage points with other frameworks in its implementation guidance.

⁴⁵ The International Bill of Human Rights consists of the "Universal Declaration of Human Rights" (adopted in 1948), the "International Covenant on Civil and Political Rights" (1966) with its two Optional Protocols, and the "International Covenant on Economic, Social and Cultural Rights" (1966).

⁴⁶ See Global Reporting Initiative (2013) - "[G4 Sustainability Reporting Guidelines](#)": Links with UN "Guiding Principles on Business and Human Rights", p. 89

APPENDIX 3: FURTHER RESOURCES FOR ENGAGEMENT

Please find below selected resources to support investor engagement with extractive companies on human rights.

UN 2011 - [“Guiding Principles on Business and Human Rights”](#) (full text of the UN Guiding Principles, plus explanatory comments)

By investors, for investors:

- Institute for Human Rights and Business, Calvert Investments, Interfaith Centre on Corporate Responsibility (2013) - [“Investing the Rights Way”](#) (guide for investors on how to address human rights in portfolios; includes questions for engagement as well as guidance and resources organised by types of impacted individuals/groups, issues and sectors)
- VBDO (2013) - [“Responsible Investment, Human Rights and the Extractive Industry”](#) (focus on how responsible investment is put into practice when it comes to human rights in the extractive industry)
- Standard Life Investments (2011) - [“Business and Human Rights”](#) (review of human rights policies and procedures of 16 large extractive companies against the requirements of the UN Guiding Principles)

How-to resources for companies:

- European Commission (2013) - [“Oil and Gas Sector Guide on Implementing the UN Guiding Principles on Business and Human Rights”](#)
- Business & Human Rights Resources Centre - [“Extractives”](#) (compilation of guidance on how to address human rights issues in the extractive sector)
- INCAS Consulting (2012) - [“Corporate Implementation of the Guiding Principles: a Guide on how to Review Company Performance and Implement the Guiding Principles on Business and Human Rights”](#)
- Please see appendix 1 for guidance on how to implement specific elements of the UN Guiding Principles.

Global sector-specific initiatives:

- [ICMM](#) (the International Council on Mining & Metals brings together companies in the sector to address core sustainable development challenges; members are required to implement ICMM's [Sustainable Development Framework](#))
- [IPIECA](#) (global oil and gas industry association for environmental and social issues)
- [Voluntary Principles on Security and Human Rights](#) (guiding principles for companies on how to maintain safety and security of their operations while respecting human rights; also see ICMM, International Committee of the Red Cross (ICRC), IFC, IPIECA (2012) - [“Voluntary Principles on Security and Human Rights: Implementation Guidance Tools”](#))
- [Extractive Industries Transparency Initiative \(EITI\)](#) (global standard to promote open and accountable management of natural resources; EITI-compliant countries are required to disclose taxes and payments from extractive companies; EITI is supported by a multi-stakeholder coalition that includes [investors](#))

Reporting guidance:

- Shift and Mazars (2015) - [“UN Guiding Principles Reporting Framework”](#) (assurance framework currently under development by the [Human Rights Reporting and Assurance Frameworks Initiative \(RAFI\)](#))
- Voluntary Principles on Security and Human Rights (2000) - [“The Voluntary Principles on Security and Human Rights”](#)
- Global Reporting Initiative (2013) - [“G4 Sector Disclosures. Metals and Mining”](#)
- Global Reporting Initiative (2013) - [“G4 Sector Disclosures. Oil and gas”](#)
- IPIECA, the American Petroleum Institute (API) and the International Association of Oil & Gas Producers (OGP) (2010) - [“Oil and gas industry guidance on voluntary sustainability reporting”](#)
- UN Global Compact (2011, updated 2014) - [“The UN Guiding Principles on Business and Human Rights: Relationship to UN Global Compact Commitments”](#)

Company-specific information:

- Business & Human Rights Resources Centre - [Company Action Platform](#) (database with information provided by nearly 150 companies across sectors on human rights policies, actions, and due diligence)
- Forthcoming: Aviva Investors, Business & Human Rights Resource Centre, Calvert Investments, EIRIS, Institute for Business and Human Rights, VBDO - [Corporate Human Rights Benchmark](#) (starting 2016; public open source human rights benchmark of extractive sector and other companies)
- Forthcoming: Responsible Mining Foundation - [Responsible Mining Index](#) (starting 2017; biennial, publicly available ranking of mining companies, including publicly listed, privately-owned and state-owned enterprises)

Country information:

- The Danish Institute for Human Rights et al - [“Human Rights and Business Country Guide”](#) (country-specific overview of human rights issues, which will cover 40 countries by 2016)
- Human Rights Watch (2015) - [“World Report 2015”](#) (annual review of human rights practices in approximately 90 countries)
- Amnesty International (2015) - [“Amnesty International Report 2014/15: The State of the World's Human Rights”](#) (documents the state of human rights in 160 countries and territories during 2014)

This report builds on existing work of the PRI in the area of human rights, most notably two publications produced in collaboration with the UN Global Compact in 2010 ([“Guidance document on responsible business in conflict affected and high-risk areas”](#)) and 2013 ([“Responsible business advancing peace: examples from companies, investors and Global Compact local networks”](#)).

For further questions please contact felicitas.weber@unpri.org.

The Principles for Responsible Investment (PRI) Initiative

The PRI Initiative is a UN-supported international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices. In implementing the Principles, signatories contribute to the development of a more sustainable global financial system.

The Principles are voluntary and aspirational. They offer a menu of possible actions for incorporating ESG issues into investment practices across asset classes. Responsible investment is a process that must be tailored to fit each organisation's investment strategy, approach and resources. The Principles are designed to be compatible with the investment styles of large, diversified, institutional investors that operate within a traditional fiduciary framework.

The PRI Initiative has quickly become the leading global network for investors to publicly demonstrate their commitment to responsible investment, to collaborate and learn with their peers about the financial and investment implications of ESG issues, and to incorporate these factors into their investment decision making and ownership practices.

More information: www.unpri.org



The PRI is an investor initiative in partnership with [UNEP Finance Initiative](#) and the [UN Global Compact](#).

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org



UN Global Compact

Launched in 2000, the United Nations Global Compact is both a policy platform and 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 catalyse actions in support of broader UN goals. With 7,000 corporate signatories in 135 countries, it is the world's largest voluntary corporate sustainability initiative.

More information: www.unglobalcompact.org

