

CSR & HUMAN RIGHTS NEWSLETTER

April 2017



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Editorial

JUST OVER three months in and 2017 has already brought a raft of developments on business and human rights and CSR issues.

This newsletter highlights new and proposed national laws on due diligence; the launch of a global rank of 98 companies in the agriculture, apparel and extractive sectors on their human right performance; updates from the ILO including the recently revised MNE Declaration; how employers can engage in the systematic review of ISO 26000 guidance; and what you need to know about the UN's increased focus on "access to remedy" (among other things).

The IOE is keenly aware that most of the world's attention – in terms of awareness-raising, regulations, capacity building and advocacy – is focused on the policies and practices of the largest global brands, especially those that are headquartered in the West and operate across borders. This focus has been sharpened by UN, ILO and G20 initiatives on "global supply chains" whereby some Governments, international organisations, NGOs and trade unions (incorrectly) assert that MNEs are the source of all harm and that further regulation at the international level is needed to address governance gaps.

We are constantly reminding policy-makers and civil society about business's positive contribution to society, as well as the need to maintain coherence with authoritative standards such as the UN Guiding Principles on Business and Human Rights (UNGPs). The UNGPs clearly spell out the correlating human rights duties of Governments and responsibilities of all business enterprises regardless of their size, sector, operational context, ownership and structure and are as valid as ever.

As the ill-effects of globalisation continue to be voiced and amid increased calls for a living wage, mandatory human rights due diligence and stronger corporate accountability, divergent approaches are starting to creep in.

Against this backdrop, it is vital that business continues to actively engage in human rights discussions and to demonstrate its meaningful contribution to sustainable development.

Looking ahead, I would like to highlight two areas that the IOE welcomes concrete input from our members and partners:

- 1. The IOE's project to help SMEs to identify, manage and report on the main sustainability issues that may involve and affect their business.
- 2. This year's UN Forum on Business and Human Rights (27-29 Nov) will focus on "access to remedy". We welcome information that can feed into discussions on sector-based challenges and solutions on ensuring access to remedy.

Finally, I would like to introduce Peter Hall who replaced Matthias Thorns as Adviser on Business and Human Rights and CSR. Before joining the IOE, Peter worked on the same topic for the UN, the non-profit centre Shift, and the UK Government. He is formerly an international journalist in Europe, the Middle East and Africa.

Yours sincerely,

Linda Kromjong Secretary-General

New national laws on due diligence



France

 What? In February, the French Parliament voted for a new corporate "duty of vigilance" law in relation to human rights, health and safety and the environment.

• Scope of the law:

- Under the law, parent companies are obliged to draw up and implement a "due diligence plan" to identify and prevent human rights and environmental impacts resulting from their own activities, from activities of companies they control, and from activities of their sub-contractors and suppliers with whom they have an "established commercial relationship". The plan must be publicly-available and updated annually.
- The law applies to companies headquartered in France that at the end of two consecutive financial years employ: (a) at least 5,000 employees including in their French subsidiaries that are also headquartered in France; and (b) at least 10,000 employers within the company and its French and foreign-headquartered subsidiaries. The law is expected to apply to 100-150 companies.
- The company's due diligence plan must include: (a) a method for identifying, analysing, and prioritising different risk areas; (b) procedures for regularly evaluating subsidiaries, subcontractors, and suppliers; (c) actions to mitigate identified risks; (d) mechanisms for reporting and receiving alerts about abuses; and (e) methods for tracking the effectiveness of the measures taken under the plan. The Government may add to the required elements.

Enforcement:

- If a company fails to draw up, implement or publish a due diligence plan, any "interested party" such as a victim, NGO or trade union can file a complaint with the relevant jurisdiction.
- After receiving formal notice to comply with the law, a company has three months to meet its obligations. If the company continues to flout the law, a judge can oblige it to publish a plan. The judge also has the authority to rule on whether a due diligence plan is complete and appropriately fulfils the obligations described in the law.
- Interested parties can also hold defaulting companies liable through civil action and ask for compensation when a victim suffers harm ("damage") as a result of non-compliance with the law.
- The burden of proof falls on the claimant who will need to: (a) prove that the company has failed to establish, implement or publish a due diligence plan; and (b) prove a causal link between the fault and the harm/damage the victim has suffered. Therefore, if a company implements an effective due diligence plan, respecting the binding content and quality of the plan, it should not be held liable, even if a harm occurs.
- In March, the French Constitutional Council which rules whether laws voted by Parliament conform with the Constitution before they are signed into law by the President maintained the law's text but it removed the €10 €30 million civil penalty.

Indonesia

- In February, Indonesia issued new Ministerial Regulation to establish a certification mechanism to protect against human rights abuse in the fishing industry.
- Under the regulation, fishing companies must have in place a human rights policy, as well as mechanisms for human rights due diligence and remediation in order to be allowed to operate in Indonesian waters.

Netherlands

- In February, the Dutch Parliament adopted a child labour due diligence bill. If approved by the Dutch Senate, the law would require companies to identify whether child labour is present in their operations or supply chains and – if this is the case – to develop an action plan to combat and remedy the harm.
- The bill uses the ILO's definition of "child labour."
- The company's action plan must be consistent with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.
- The companies covered by the bill include not only those registered in the Netherlands, but also companies selling products to Dutch consumers, such as online retailers. The bill would allow for the Government to exempt certain categories of companies, such as small businesses.
- The 2015 ILO-IOE "Child Labour Guidance Tool For Business" is referenced in the bill.
- If approved by the Senate, the law would enter into force in 2020 to give companies time to adapt.

Other due diligence developments:



Australia: Efforts are underway to introduce a law to combat modern slavery in Australia. In February, the Foreign Affairs and Aid Sub-Committee of the Australian Parliament began an inquiry into whether Australia should adopt national legislation to combat modern slavery, comparable to the UK Modern Slavery Act of 2015.

- The Sub-Committee is looking at:
 - The nature and extent of modern slavery (including slavery, forced labour and wage exploitation, involuntary servitude, debt bondage, human trafficking, forced marriage and other slavery-like exploitation) both in Australia and globally;
 - The prevalence of modern slavery in the domestic and global supply chains of companies, businesses and organisations operating in Australia;
 - iii. Identifying international best practice employed by governments, companies, businesses and organisations to prevent modern slavery in domestic and global supply chains, with a view to strengthening Australian legislation;
 - iv. The implications for Australia's visa regime, and conformity with the Palermo Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children regarding federal compensation for victims of modern slavery;
 - v. Provisions in the United Kingdom's legislation which have proven effective in addressing modern slavery, and whether similar or improved measures should be introduced in Australia;
 - vi. Whether a Modern Slavery Act should be introduced in Australia; and
 - vii. Any other related matters.
- Interested parties are invited to make submissions to the Sub-Committee by 28 April 2017.
- Contacts for the Committee Secretariat: (02) 6277 2313 / jscfadt@aph.gov.au
- Website: www.aph.gov.au/jfadt



Germany: In its "national action plan" (NAP) on business and human rights – published in December 2016 – the German Government took a first step towards the possible introduction of mandatory human rights due diligence. Its NAP says:

- At least 50% of German companies with more than 500 employees should put policies and processes in place to conduct human rights due diligence in their operations by 2020. If this target is not reached by then, the government will examine the introduction of mandatory due diligence.



Switzerland: Legislation on mandatory human rights due diligence is being considered in Switzerland, where the necessary signatures have been collected for a referendum (over 10,000). The Swiss Federal Council and Parliament are due to discuss the initiative known as the "Responsible Business Initiative" before putting it to popular vote.



European Union: The EU Parliament and the EU Council are expected to adopt the Conflict Minerals Regulation before summer 2017. The law will require European companies to ensure that their trade of minerals from conflict-affected areas is not linked with human rights abuses.

(February) and responsible business conduct for institutional investors (March).

- It also held a public consultation on its general "Due Diligence Guidance for Responsible Business
 Conduct" that aims to provide practical support to companies on implementing the OECD Guidelines
 for Multinational Enterprises.
- The Annex to the draft Guidance includes a new term "Omissions" (that does not appear in the OECD Guidelines or the UNGPs) in its examination of the concepts of "cause," "contribute to" and "direct linkage." In its submission, BIAC requested further discussion on this new term as well as raising other concerns.
- In his letter to the Chair of the OECD Working Party on Responsible Business Conduct, Professor John Ruggie expressed concern about the introduction of "entirely new premises" and "terminology" that misconstrue and diminish the core concepts in the UNGPs and the OECD Guidelines.

Thun Group of Banks New terms:

In January, the Thun Group of Banks released a "discussion paper" to further understand how the UNGPs should be applied in the banking sector. The paper, which examines the application of UNGP 13 and 17 on due diligence and introduces two new terms has come under criticism for "misconstruing" the UNGPs.



New terms:

- "Proximity to an impact" this may indicate the "degree of directness" of linkage between the impact and the product and service offered by the bank; and
- ii. "Unit of analysis" a means to inform the focus of a bank's due diligence (for example, by reference to the client (company or subsidiary) to which the financial product and service is offered, or asset in the case of specific asset finance).

Responses:

- Professor John Ruggie said he was "deeply troubled" by the discussion paper as it "misconstrues" the central
 Guiding Principle on the corporate responsibility to respect human rights (UNGP 13). The paper's analysis is
 "off-track" and risks "confusing" and "undermining" the common understanding of the UNGPs since 2011.
- **UN Working Group** challenged the paper's position that a bank cannot "contribute" to adverse human rights impacts beyond its own employment practices and queried the paper's narrow interpretation of the extent to which the third pillar of the UNGPs (ensuring access to remedy) is relevant for banks.
- Civil society urged the Thun Group to withdraw/reconsider the paper, and prioritise wide stakeholder engagement. They also urged the OECD Working Party on Responsible Business Conduct to ensure that its finance sector work builds on prior OHCHR advice and disregards the Thun Group paper.
- The Thun Group has requested ongoing dialogue with various stakeholders on this paper.

Thun Group members:

• The Thun Group comprises 10 official members (Barclays, BBVA, BNP Paribas, Credit Suisse, Deutsche Bank, ING, RBS, Standard Chartered, UBS, and UniCredit), as well as J.P. Morgan.



Launch of the Corporate Human Rights Benchmark

The first Corporate Human Rights Benchmark was launched in March ranking 98 publicly-traded companies operating in three sectors (agricultural products, apparel and extractives) on their human rights activities and performance.

Only three companies (BHP Billiton, Marks & Spencer and Rio Tinto) scored more than 60%. The average score was 28.7%.

Measurement themes:



Company feedback:

- Companies called it a useful learning opportunity that, thankfully, has not been promoted or interpreted as a "naming and shaming" exercise.
- However, they added that there was too much emphasis on scoring companies according to "specific
 wording" rather than understanding what companies are doing in practice and focusing on their "actual
 action". Many also had to remind the CHRB team about key information and they felt that the researchers
 were not adequately versed on key topics/terms/processes.

What next?

 The second rank is scheduled for September 2018. Over time, the CHRB team aim to expand the list of companies to 500 and include more sectors, including ICT.



ILO adopts a revised MNE Declaration

In March, the ILO Governing Body adopted the revised "Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy" (MNE Declaration). This is the most extensive update of the MNE Declaration since it was negotiated in 1977.

An ad-hoc Working Group of representatives of Governments, workers and employers, which the GB established in March 2016, led the revision of the MNE Declaration. Renate Hornung-Draus (Germany), Hiroyuku Matsui (Japan), Mthunzi Mwabada (South Africa) and Ed Potter (USA) represented the employers' group. Following two meetings, the Working Group agreed upon a revised text - by consensus - that ensured three important aims:

- i. The revised MNE Declaration has been brought in line with other internationally-recognized standards and developments, such as the UN Guiding Principles on Business and Human Rights (UNGPs);
- ii. It deleted provisions that are no longer relevant; and
- iii. The text is more readable to its intended audience.

The revision process did not change the voluntary, promotional, and guidance-serving nature of the MNE Declaration. No new obligations are created for MNEs, especially in relation to their suppliers and contractors. Instead, the new text recognizes the different roles and responsibilities of governments, enterprises and social partners regarding corporate social responsibility and sustainable business practices.

Furthermore, the revised text does not establish a new mechanism to mediate, settle and/or provide remedy for disputes that may arise. Instead, the new Annex II encourages tripartite-appointed "national focal points"* to promote the MNE Declaration at the national level. It also includes a section on "Company-union dialogue", whereby the ILO may support or facilitate dialogue between MNEs and trade unions upon joint request. The dialogue process and its content would be strictly confidential and it would not be used for any binding procedure.

(* The term "national focal point" is deliberately in lower caps because it is not intended as an official title that would clash with the OECD's "National Contact Point".)

ILO's work on "global supply chains" – update following 329th Governing Body





Employers ensured that the GB gave clear instructions to the Office to correct terms and modify future projects that threatened the fragile consensus between the tripartite members. The GB also requested the Office to consolidate its different plans into one clear and logical document that would:

- i. Ensure that the information is fully consistent with and in line with the tripartite consensus reached at the ILC;
- ii. Follow an approach to "global supply chains" consistent with the UNGPs; and
- iii. Include missing information, such as the "baseline" review (requested at the 328th GB to show what work/knowledge already exists on the topic of global supply chains), and the three tripartite meetings.

The IOE will continue to carefully monitor the Office's work on global supply chains.



G20 focus on "sustainable global supply chains"

The German Presidency of the G20 in 2017 has a strong focus on "promoting sustainable global supply chains" with the G20 Employment Working Group having chosen this as one of its main focus areas.

Employers have stressed that cross-border exchange fosters economic growth, creates jobs, promotes technological progress, and contributes to the reduction of poverty. While decent work challenges may exist in some cross-border supply chains, these challenges are not caused by trade itself, but mirror the challenges in national economies in general. It is essential that governments enact national legislation and strong national institutions to protect workers.

The UN has called for the G20 Ministerial Declaration and in the G20 Leaders' Declaration to explicitly cite the UNGPs.

ISO 26000 – systematic review

What?

ISO 26000 is undergoing a "systematic review", which takes place every three years, to decide if this guidance tool for companies and organisations on social responsibility should be: (a) confirmed; (b) revised/amended; or (c) withdrawn.



Each national standards body (and its national mirror committee) is being asked six questions as part of the ISO 26000 "systematic review":

- i. Recommended action: "confirm"; "revise/amend"; "withdraw"?
- ii. Has ISO 26000 been adopted or is it intended to be adopted as a national standard/other publication?
- iii. Is the national publication identical to ISO 26000 or was it modified?
- iv. If ISO 26000 has not been nationally adopted, is it applied or used in your country or are products/processes/services used in your country based on this standard?
- v. Is ISO 26000 referenced in regulations in your country?
- vi. In case the committee decided to "Revise/Amend" ISO 26000, will/are you committed to participate actively in the development of the project?

Suggested action by IOE members

- The IOE strongly recommends that each member contact its national standards body ASAP to advise it that ISO 26000 should be "confirmed" (ie: the guidance is up-to-date and relevant for another 3 years).
- Deadline to input into the "systematic review": end of May.
- The IOE does <u>not</u> believe that ISO 26000 should be "revised/amended" or "withdrawn". The current guidance
 is still valid and does <u>not</u> need a wholesale revision. Revising ISO 26000 could trigger calls for it to be certifiable
 and/or become a management system, which we oppose. It would also lead to a very costly and timeconsuming, three-year review process with lots of unnecessary international travel.

In addition – ISO 26 International Workshop Agreement (IWA)

- Please note! There is a separate process to create an "ISO 26 international workshop agreement" which
 would enable companies and organisations to use the ISO 26000 guidance in their existing management
 systems.
- Second "ISO 26 IWA" negotiation: May 2-3 in London.
- Preliminary IWA 26: summer 2017.



UN activities

UN annual database of *all* business enterprises involved in activities connected to Israeli settlements in the Occupied Palestinian Territory (OPT), including East Jerusalem.

The UN Human Rights Office (OHCHR) delayed until the end of 2017 at the latest, the release of its first database on companies involved in activities connected to Israeli settlements in the OPT.

In early 2016, the UN Human Rights Council requested OHCHR to prepare this annual database and the Office had been expected to report back in March. However, the UN High Commissioner for Human Rights requested more time to "carefully consider" submissions received and to "ensure that due process... is fully respected."

The IOE provided comments to OHCHR's "call for submissions" in December 2016 in which it warned that a UN database on business enterprises in any context - not just in relation to settlements in the OPT - in effect creates a UN-endorsed quasi-sanction mechanism and a boycott of such entities. The IOE has also raised a number of questions about OHCHR's methodology, including how it is selecting companies to be included in the database; the sources of information it is relying on; how the database will reflect the different ways that a business can be involved in human rights impacts (as per the UNGPs); if OHCHR is consulting with businesses; and what criteria determines how a company is take off the database.

We will continue to update you on this initiative.



UN (continued): Strong focus on "access to remedy"

The UN / OHCHR is giving a lot of focus to "access to remedy" - the third pillar of the UNGPs in 2017 with projects, reports and Forums devoted to the topic.

OHCHR's new project on State-based non-judicial grievance mechanisms

- Following a request by the Human Rights Council, the Office of the High Commissioner for Human Rights (OHCHR) is working on its second "access to remedy" project (ARP2) on State based non-judicial mechanisms (NJMs) with respect to business-related harms.
- The ARP2 report due in March 2018 will analyse lessons learned, best practices, and possibilities to improve.
- At a meeting in January to discuss OHCHR's draft scoping paper the IOE provided information on prevention, policy coherence and accountability. We continue to provide input to this project.

CESCR General Comment No. 24

- In February, the UN Committee on Economic, Social and Cultural Rights (CESCR) held a Day of General Discussion on its "General Comment" (No. 24) on "State obligations under the International Covenant on Economic, Social and Cultural Rights in the context of business activities."
- The IOE spoke about the major limitations of extra-territorial jurisdiction and the important challenges, questions and potentially unforeseen consequences of mandatory human rights due diligence.
- The General Comment will have its second reading in June and should be published by the end of the year.

2017 UN Forum on Business & Human Rights

- The sixth UN Forum (27-29 November) will focus largely on "access to remedy" (two out of the three days) and there will be a number of sessions on sector-based challenges and solutions.
- Request! The IOE welcomes ideas from members and partners on concrete examples that can feed into the discussions, as well as speaker suggestions (including women). Please email: hall@ioe-emp.com

UN Working Group reports

- The UN Working Group will publish two reports in 2017 on "access to remedy": (i) Best practices and how to improve on the effectiveness of cross-border cooperation between States with respect to law enforcement on the issue of business and human rights (June); and (ii) a report to the General Assembly that will seek to articulate an access to remedy framework (Autumn).
- So far, the IOE has provided examples of what business is doing to prevent cross-border human rights abuses and examples of where the private sector has identified and shared information with relevant law enforcement agencies on cross-border cases.

IOE project on SMEs

E-learning Guidance & Workshops

The IOE is currently developing e-learning guidance for SMEs on how to report on sustainability issues. The practical guidance will help SMEs to identify, manage and report on the main sustainability issues that may involve and affect their business.

The e-learning guidance is aimed at SME members of IOE national employers' organisations. The IOE - together with GRI and Centro Vincular - will then lead workshops on this guidance and other business and human rights issues in Tanzania, Ghana, Peru, Colombia, Bangladesh and Cambodia in 2017/early 2018.



If you have any questions contact: Peter Hall (hall@ioe-emp.com) and Anetha Awuku (awuku@ioe-emp.com)

About this project

- This two-year project follows the joint IOE-ILO-UN 2016 survey on SMEs and business and human rights.
- It aims to harness the unique multiplier effect of national employers' organisations and build their capacity to help their SME members demonstrate respect for fundamental human and labour rights.
- The project has been funded by the European Commission.

New Compendium! Contributions of IOE members in Latin America towards implementation of the UN Guiding Principles on Business & Human Rights

The IOE is pleased to publish a compendium of the contributions of its Latin American members towards implementation of the UN Guiding Principles on Business and Human Rights (UNGPs). The report lists the initiatives of ten national employer organisations in the region since 2014. It is an important contribution to the work of the UN Working Group on Business and Human Rights and other stakeholders in measuring implementation of the UNGPs.

The document demonstrates the crucial role that employers' and business federations play in promoting implementation of the UNGPs and responsible business conduct. Both act as important multipliers and enjoy the trust of companies, offering "a safe space" to exchange experience and learn from leading practices. They also act as important intermediaries between political bodies, international organisations and company representatives.

Contributions of LOE members in Latin America towards implementation of the UN Guiding Principles on Business & Human Rights

List of national employer organisations included in the compendium:

- Argentina Industrial Union (UIA)
- Confederation of Private Businesses of Bolivia (CEPB)
- National Confederation of Industry (CNI)
- Confederation for Production and Trade (CPC)
- National Association of Businesses of Colombia (ANDI)
- Comité Coordinador de Asociaciones Agrícolas, Comerciales, Industriales y Financieras (CACIF)
- Honduran National Business Council (COHEP)
- Employers' Federation of the Republic of Mexico (COPARMEX)
- National Council for Private Enterprise (CoNEP)
- Confederación Nacional de Instituciones Empresariales Privadas (CONFIEP)

To access the compendium, click on the relevant language: ENGLISH / SPANISH



IOE/Randstad/VON-NCW: "International Conference on Business & Human Rights" (19 April, Amsterdam)

- Some 140 business representatives will convene in Amsterdam to discuss:
 - The business case for responsible business conduct; ethical recruitment; sustainable global supply chains: ensuring suppliers respect human rights; how to engage suppliers on respect for human rights; and the private sector's role in helping to achieve the Sustainable Development Goals.
- For more information, contact: Peter Hall (hall@ioe-emp.com) / Matias Espinosa (espinosa@ioe-emp.com)

OECD Forum on Responsible Business Conduct (29-30 June, Paris)

- The draft programme includes sessions on: responsible global supply chains through due diligence; the role of institutional investors; the role of OECD National Contact Points; climate change; migrant workers; anti-corruption; responsible disengagement; and using technology for due diligence.
- Link: http://mneguidelines.oecd.org/global-forum/



Third Inter-Governmental Working Group session on the International Treaty on Business & Human Rights (23-27 October, Geneva)

- Ahead of the third session in October, Ecuador (as Chairperson-Rapporteur) will prepare "elements for the draft legally binding instrument for substantive negotiations at the commencement of the third session of the working group on the subject, taking into consideration the discussions held at its first two sessions".
- To date, there is no information about the "elements" for the draft legally binding instrument.
- At its first two sessions in 2015 and 2016, the States that are part of the Inter-governmental Working Group (including Ecuador and South Africa) held general discussions on the possible content, scope, nature and form of the future international treaty. Western Governments, including the EU, have not actively participated in the discussions so far.
- Link: http://www.ohchr.org/EN/HRBodies/HRC/WGTransCorp/Pages/IGWGOnTNC.aspx

2017 UN Forum on Business & Human Rights (27-29 November, Geneva)

- The focus of the 2017 Forum is Access to remedy (the 3rd pillar of the UN Guiding Principles).
- The IOE has urged the Forum organisers to ensure a critical mass of female voices in the programme. See Linda Kromjong's letter on International Women's Day.
- We encourage IOE members / partners to contact us ASAP with Forum session ideas on "access to remedy" and with speaker suggestions (especially women).
 - Website: http://www.ohchr.org/EN/Issues/Business/Forum/Pages/2017ForumBHR.aspx
 - Concept note: http://www.ohchr.org/Documents/Issues/Business/ForumSession6/ConceptNote.pdf
 - Info on how to submit a session proposal:
 http://www.ohchr.org/Documents/Issues/Business/ForumSession6/InvitationParallelsessions.pdf

IOE members/partner companies are invited to:

- Contribute articles on CSR and human rights developments in their countries or enterprises;
- Share information on conferences and publications within the global business community; and
- Use this newsletter to exchange worldwide experiences and leading practice.

Contact Peter Hall (hall@ioe-emp.com)



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