



**Global Compact**  
Network Georgia

# **BUSINESS** and **Human Rights**

**Guideline for State-Owned Enterprises  
to Respect Human Rights**

PART II  
GUIDEBOOK FOR  
STATE-OWNED ENTERPRISES





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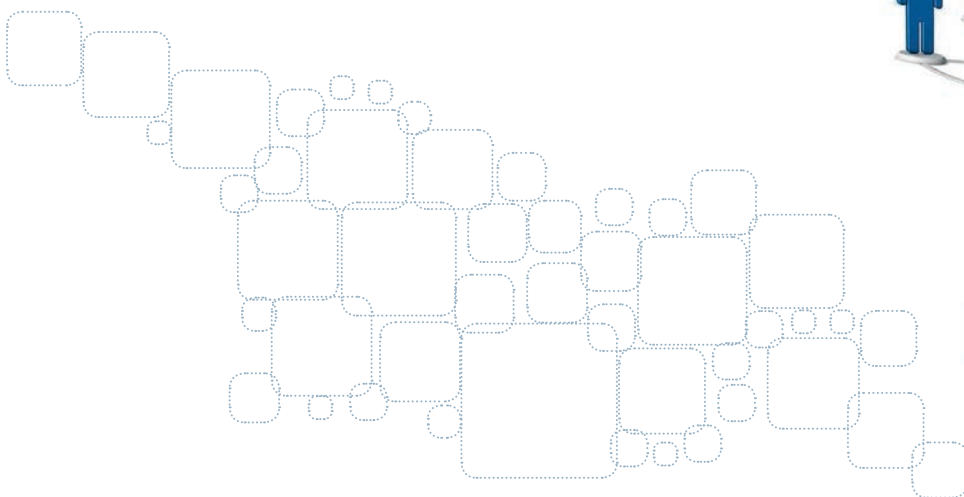
# Introduction

WHAT IS THIS GUIDEBOOK?  
WHO IS THIS GUIDEBOOK FOR?  
HOW SHOULD THIS GUIDEBOOK BE USED?  
WHAT IS THE LINK BETWEEN BUSINESS AND HUMAN RIGHTS?  
WHAT ARE THE STANDARDS FOR BUSINESS RESPONSIBILITY?

## What is this Guidebook?

The primary guarantor of human rights is the state, however, overcoming social, economic and environmental challenges cannot be done by the state alone. This is why it is important that enterprises, especially those owned by the state, step up to their role in the sustainable development process and establish responsible conduct through respecting human rights.

This document is the second part of the Guideline on Respecting Human Rights for State-Owned Enterprises, which provides the reader with practical steps and actions based on international standards and best experience to establish respect for human rights in a systematic manner. The first part of the Guideline contains research on Georgian law and practice, a review of global initiatives and positive experience, which, in unison with this Guidebook, will provide enterprises with complete information on the expectations in front of them both nationally and globally.



## Who is this Guidebook for?

This Guidebook is primarily aimed at state-owned enterprises. This document can also be useful for legal entities of public law and state or municipal non-commercial legal entities which conduct for-profit activities.

**State-Owned Enterprises (SOE), for the purposes of this Guidebook, includes enterprises under the management of the National Agency of State Property, as well as any entity that is in public ownership (fully or partially) – municipal enterprises, enterprises owned by the Autonomous Republic, or owned by the Partnership Fund, etc.**

Since the Guidebook is based on international standards and the experience of businesses, it will also be generally useful for businesses making their first steps towards corporate sustainability or want to put their practices into a more systemic framework.

Steps provided in this Guidebook also take into consideration business size and operation complexity, allowing small, medium, or large enterprises to use this document flexibly.

The Guideline does not have a specific addressee within an enterprise. It is aimed at both high-level management and employees with concrete functions (e.g., structural units or employees responsible for corporate sustainability). If an entity does not have a designated structural unit or special staff member, individuals from related fields can also integrate this document in practice (e.g., human resource managers, public relations personnel, staff working on marketing or similar functions, individuals responsible for legal provision or risk management, etc.).

Additionally, numerous state-owned enterprises operate in fields which are not commercial in nature or are not profitable, however, this does not exclude them from applying this Guideline, as the relevant question is their impact on human rights – not their profit value.



## How should this Guidebook be used?

This document has a high practical nature – its main goal is to support the enterprises in establishing respect for human rights through practical steps.

Both state-owned and private enterprises vary by field, structure, management style and many other characteristics. Therefore, it is impossible to produce a one-size-fits-all formula. This Guidebook aims to offer steps and actions which can be used by all kinds of enterprises which can be tailored to their needs. Enterprises differ by the resources available to them; this too is taken into account.

The document provides a cycle to ensure human rights are respected. At the same time, the process envisages an assumption of periodic review to allow entities to improve their steps every time. The Guidebook offers a series of steps, however, entities can take some of these steps simultaneously based on the magnitude of operations, impact and available resources.

The Guidebook has been written to be as flexible as possible; answers are provided to the main issues which, on the one hand, are relevant for entities that are new to the field and making their first steps in addition to allowing experienced enterprises to reevaluate and improve existing practices.

Each step includes actions, which the enterprises should undertake, and offers a list of issues (experienced entities can evaluate already conducted activities using this checklist) and separately notes the mistakes that should be avoided to reduce the risk of neglecting significant aspects.

Each step requires management and stakeholder engagement and transparency. However, the most important issue is the support and involvement of the decision-makers to ensure the established steps have a high degree of legitimacy. Best practices have demonstrated that successful companies achieve corporate sustainability and, specifically, human rights and environmental protection, as a result of support from high-level decision makers, which, in return, improves the reputation of the entity, trust towards it and external support.

The engagement of the owner – state, municipal or regional entity – is also crucial for state-owned enterprises, namely active communication to keep them informed and engagement with them will help enterprises retain the approaches of the SOE in line with any commitments that the State has taken at a national or international level.

## What is the link between business and human rights?

Respecting human rights and freedoms is one of the main duties of a democratic society. The main idea of human rights is the right of all individuals to be treated with dignity and to enjoy their rights without discrimination. Human rights are interdependent, interrelated and indivisible values.

Protection of human rights is primarily the duty of the state; however, this does not exempt other public actors from abiding by these values. Business entities, based on their activities, have a rather salient impact on human rights, be it the working conditions of employees, environmental impact, consumer rights or other issues. Therefore, the call for businesses to respect human rights is becoming stronger from the society, state and international institutions.



## What are the standards for business responsibility?

In 2011 the United Nations Human Rights Council unanimously endorsed a non-mandatory document titled "UN Guiding Principles on Business and Human Rights" (hereinafter, UNGPs)<sup>1</sup>. The document encompasses thirty-one principles and each one of them is accompanied by an explanation/direction. The Guiding Principles have international recognition and support, including from the EU, the OECD, the World Bank and other institutions.

The Guiding Principles rely on three main pillars, in accordance with the issues noted above. The first pillar "Protect" covers the state's duty to guarantee human rights; the second pillar "Respect" defines businesses' responsibility to respect human rights; while the third pillar "Remedy" provides for access to grievance mechanisms in case of violations by both the state and business.



Detailed information on the UNGPs, which is particularly relevant for state-owned enterprises, is provided in the first part of this Guideline.

In addition to the UNGPs, there are additional tools which help enterprises better understand business responsibility expectations set out by authoritative organizations.

\* 1 Full text of the document is available here:  
[https://www.ohchr.org/documents/publications/guidingprinciplesbusinessshr\\_en.pdf](https://www.ohchr.org/documents/publications/guidingprinciplesbusinessshr_en.pdf)  
Endorsed by the Resolution 17/4 of June 16, 2011, by the UN Human Rights Council (UNHRC).

The UN Global Compact is the largest of such initiatives, which can be a starting point to establish corporate responsibility, regardless of the size and field of the enterprise. Get acquainted with the Global Compact Network Georgia here: [globalcompact.ge](http://globalcompact.ge)

The Organization for Economic Co-operation and Development (OECD) has adopted Guidelines on general respect for human rights by corporations, as well as specifically for SOEs' good corporate governance. These documents are summarized in the first part of the Guideline. Full information on them is available on the links below:



**OECD Guidelines for Multinational Enterprises (which is also used by any other business):** <http://mneguidelines.oecd.org/MNEguidelines/>



**OECD Guidelines on Corporate Governance of State-Owned Enterprises:** <http://www.oecd.org/corporate/soes/>

It is worth noting that the OECD Guidelines are directly referenced by the Association Agreement between the EU and Georgia (see Guideline Part I, Chapter 1, Section "What Obligations Does Georgia Have Internationally?"). Additionally, the United Nations is working on a legally binding international document [this could be a treaty or a convention, author], which will oblige states to promote systemic approaches amongst business entities in respecting human rights (see Guideline Part I, Chapter 1, Section "What Additional Expectations Are There?").





# Respect for Human Rights – Practical Directions

The following Chapter aims to support state-owned (as well as municipal, regional or other publicly owned) enterprises in Georgia in the process of establishing respect for human rights, ensuring their sustainability and success.

Pursuant to the UNGPs and best international practice, we can define 6 main steps, which are needed to establish respect for human rights.

However, making these steps requires SOEs to carry out specific actions. The main questions and their answers, concrete advice, necessary tools and approaches are provided below for each step.



<sup>2</sup> This Chapter of the Guideline is based on the one hand on the practice of Georgian SOEs and, on the other hand, on best international practice and various useful materials, including: UN Global Compact Management Model, 2010, <https://www.unglobalcompact.org/library/231>;

Shift, Global Compact Netherlands, Doing business with respect for human rights, 2016, <https://www.businessrespecthumanrights.org/>; National Human Rights Institute of Korea, Human Rights Management Manual for State Owned Enterprises, 2018, <https://www.humanrights.go.kr/site/program/board/basicboard/view?menuid=002003003002&pagesize=10&boardtypeid=7019&boardid=7603529>;

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Castan Centre for Human Rights Law Monash University, Human Rights Translated 2.0 - A Business Reference Guide, 2016, OHCHR, UN Global Compact, [https://www.ohchr.org/Documents/Issues/Business/Monash\\_HRT.pdf](https://www.ohchr.org/Documents/Issues/Business/Monash_HRT.pdf);

A Guide for Business How to Develop a Human Rights Policy, United Nations Global Compact Office and Office of the United Nations High Commissioner for Human Rights, 2011, [https://www.ohchr.org/documents/publications/develophumanrightspolicy\\_en.pdf](https://www.ohchr.org/documents/publications/develophumanrightspolicy_en.pdf).



The support process and formal initiation should start from the highest management level. Responsible representatives should conduct processes and then again receive approval from high-level management. The executive managers should be fully informed to ensure high support and legitimacy.

**STEP 1** COMMIT TO HUMAN RIGHTS

The management of the enterprise makes a public statement committing to respect for human rights and reflects this responsibility in its strategy, corporate culture or business process.

**STEP 2** ASSESS YOUR ACTIVITIES

The enterprise assesses its risks and capacities both financially and non-financially, as well as assesses its impacts on human rights.

**STEP 3** DEFINE PRIORITIES AND SET GOALS

Pursuant to the assessment results, the enterprise defines its goals, strategies and policies to ensure respect for human rights.

**STEP 4** IMPLEMENT THE GOALS

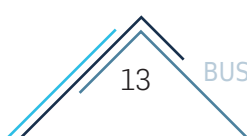
The enterprise implements the policy, ensures the establishment of a corporate culture and other tools to prevent and remedy human rights violations.

**STEP 5** TRACK AND PERIODICALLY MEASURE YOUR STEPS

The enterprise tracks the steps it has made and measures their efficiency against the set indicators to ensure changes when necessary.

**STEP 6** COMMUNICATE WITH STAKEHOLDERS

The enterprise communicates on its progress through public reporting and other methods of communication.



# STEP 1

## COMMIT TO HUMAN RIGHTS

In this chapter you will find answers to:

- How to commit to the recognition and readiness to respect human rights?
- Which rights are relevant for the enterprise?
- Why is communication on commitment necessary?
- What to do if a managing body does not agree with the decision?
- What to avoid when committing to respect human rights?



### ACTION 1.

## Confirm the readiness of the enterprise to recognize human rights

Confirming respect for human rights primarily envisages support from the highest-level management body, which gives additional legitimacy to the commitment.

#### HIGH-LEVEL COMMITMENT

Respect for human rights should be the part of the main mission, vision and values of the enterprise.

#### POLICY STATEMENT

A more concrete and specific statement, how and through what means the enterprise recognizes human rights..

#### OPERATIONAL DIRECTIONS

Detailed guidance for assessing human rights impact, risk avoidance and relevant actions for designated personnel.

## High-Level Commitment

An enterprise should submit a formal letter of commitment to the 10 Principles signed by the chief executive officer in order to become a member of the UN Global Compact Network. This document is the best starting point for the enterprise to make a statement on the commencement of the process and ensuring the engagement of highest-level management.

You can see a letter template and make a submission here:  
<http://globalcompact.ge/biznesistvis/>





## Practice Example

**Australia Post**, which is a state-owned enterprise of Australia, has a **Corporate Governance Statement** on its webpage. It includes eight principles and recommendations. The third principle calls for partners to respect ethics rules, which, among other standards, includes the duty to follow ethical standards on ensuring healthcare, safety, and work environment; acting with corporate responsibility; compliance with laws and regulations.<sup>3</sup>

### ACTION 2.

## Select the rights for which the enterprise should take responsibility

The statement made by the enterprise should not be abstract and merely indicative, i.e., “The enterprise will respect human rights” is not enough. It is necessary that the enterprise decide which rights it will take on the responsibility to respect. However, selecting certain rights without prior impact assessment is difficult. Therefore, it is preferable that global standards, which refer to human rights frameworks, be chosen (detailed information on such standards is available in Part I of the Guideline).

### WHAT STANDARDS ARE THERE ON BUSINESS RESPECT FOR HUMAN RIGHTS?

- UN Guiding Principles on Business and Human Rights (UNGPs)
- Ten Principles of UN Global Compact
- OECD Guidelines for Multinational Enterprises
- OECD Guidelines on Corporate Governance of State-Owned Enterprises

Navigation in these standards still might not be easy for enterprises making their first steps in corporate sustainability. The UN Global Compact, the Ten Principles of which are established on labor rights, environmental protection, respect for human rights and the fight against the corruption, is the best starting point for such commitment.

In the future, when the enterprise has acknowledged its impact, the commitment on responsibility can become more specific with regards to concrete rights. An indication of a commitment to human rights cannot stand by itself. When indicating such standards, such as the UN Global Compact, UNGPs or OECD Guidelines, the enterprise also makes a statement that it will establish a strategic approach, which is necessary for the systemic establishment of respect for human rights.

<sup>3</sup> Statement is available here:  
<https://auspost.com.au/about-us/corporate-information/our-organisation/corporate-governance-statement>

## ACTION 3.

### Inform stakeholders on your commitment

When an enterprise takes on the responsibility to respect human rights, it should be ready to do so within systemic approaches, which means that respect for human rights should become a part of the corporate culture. To ensure this, it is necessary to inform both internal and external stakeholders of the decision.

#### INTERNAL COMMUNICATION

- Employees
- Owners(s)
- Management Body(ies)

#### EXTERNAL COMMUNICATION

- Procurers
- Providers
- Business Partners
- Civil Society Sector

Internal communication envisages informing every level of the enterprise, which can be done through internal communication systems (such as internal social networks; intranet or similar systems, if any; internal information bulletins, etc.), as well as staff meetings, internal meetings and/or vocation process (e.g., training of staff in this direction, where both the decision and accompanying process shall be discussed).

In addition to employees, enterprise management should also be sure to inform enterprise owners (shareholders, stockholders). The SOE may be fully or partially owned by state bodies. Therefore, state and other entities should receive the information in a timely manner. It is beneficial to engage owner bodies (relevant ministries, municipal bodies, regional entities) during the decision making process, which will ensure their involvement and support.



## WHAT SHOULD YOU DO IF THE OWNER ENTITY DOES NOT AGREE WITH YOUR DECISION?

SOEs may face resistance from certain bodies while establishing a respect for human rights framework, which can be caused by many reasons. As a rule, this happens when relevant bodies do not understand what benefit comes from this process.

This is why the management of the enterprise should be ready for such barriers and when communicating with owner(s), it should emphasize the following issues:

- 1** The commitments of Georgia on international (Association Agreement with EU) and national (Human Rights National Action Plan) levels indicate that special measures should be taken for the SOEs to respect human rights.
- 2** The majority of SOEs are subject to mandatory annual reporting on human rights, labor rights, environmental protection, and fight against corruption issues; if such approaches are nonexistent, SOEs should provide arguments as to why they are not in place and when they will be established. Therefore, the law indirectly requires SOEs to establish such practices in a timely fashion.
- 3** Respect for human rights is not a burden for enterprises. Multiple studies show that this is necessary for survival and, furthermore, it is beneficial for any business. Prepare specific business case evidence for decision makers.

*See Part I of the Guideline on Legislative Framework and Step 3 for Business Case.*

As stated in the beginning of the Guidebook, public communication should accompany all stages of the process. In addition to internal communication, it is necessary to communicate with external stakeholders regarding the adoption of policies.

It is vital that the decision of the enterprise to commit to the respect for human rights be communicated with business partners such as procurers, providers, donors, creditors and other parties. Their activities are essentially linked with your responsibility, which will be elaborated below, and thus it is important that be informed regarding your commitment.

Communicating with procurers and providers means informing the supply chain, which should preferably be in written form, especially if any changes are expected with regards to their processes and your relationship to them.

SOEs conduct procurement based on state procurement legislation within a very specific framework, allowing SOE to make communication on relevant policies and expectations through procurement documents, that are published during the process of selecting a supplier.

Based on your field, you could have additional communication with experts and civil society involved in the field. You should inform these groups too of your commitment, as this ensures their engagement in upcoming steps and will provide essential support for establishing efficient mechanisms – in some instances even helping you seek necessary human and/or financial resources.

## Practice Example:

**Australia Post** has its **Ethics Code (Our Ethics)**<sup>4</sup> publicly available, which defines ethical and responsible conduct principles and components for its employees, contractors and third parties acting in the name of Australia Post. Additionally, Australia Post has a **Supplier Code of Conduct**,<sup>5</sup> which includes provisions for contractors to respect human rights, such as labor rights, discrimination, migrant rights, environmental impacts, etc. Suppliers receive the Code of Conduct with their contract and they also participate in the risk assessment process.

Informing external stakeholders is also possible proactively. Japanese SOE **Shikoku Electric Power Group's** annual report provides detailed information on stakeholder communication methods as a part of its transparent management; stakeholders include consumers, society representatives and business partners. Communication methods include information dissemination by brochures, journals, meetings with local community members and consultation office for business partners.<sup>6</sup>



## What Should You Avoid?

**Talking only about responsibility in the statement** – the enterprise's statement should clearly define what measures it has and what it can do. Indicating only an intent to take up responsibility is abstract and does not demonstrate the vision of the enterprise regarding its own role.

**Hiding challenges** – the enterprise should be able to recognize its challenges and the statement allows it to indicate how it plans to overcome them. Additionally, by talking about your challenges you can convince both internal and external stakeholders that your statement is tailored to your needs and it aims to bring about real change.

**Isolating the function of respect for human rights within the enterprise** – although it is possible to impose the duty of managing, directing, reporting on the process of respect for human rights on one or several people, it does not mean that these issues are not relevant for other employees. Respecting human rights is the duty of the whole enterprise and not just one group of people. Additionally, relevant employees should have access to specific information and the ability to engage with other groups of employees. This will allow you to take efficient steps.

\* <sup>4</sup> For more information on Australia Post ethical approaches see:  
[https://auspost.com.au/content/dam/auspost\\_corp/media/documents/our-ethics-booklet.pdf](https://auspost.com.au/content/dam/auspost_corp/media/documents/our-ethics-booklet.pdf)

<sup>5</sup> Supplier Code of Conduct of Australia Post is available here:  
[https://auspost.com.au/content/dam/auspost\\_corp/media/documents/supplier-code-of-conduct.pdf?](https://auspost.com.au/content/dam/auspost_corp/media/documents/supplier-code-of-conduct.pdf?)

<sup>6</sup> Company 2020 annual report is available here:  
[https://www.yonden.co.jp/english/assets/pdf/ir/tools/ann\\_r/annual\\_e\\_2020.pdf](https://www.yonden.co.jp/english/assets/pdf/ir/tools/ann_r/annual_e_2020.pdf)

## CHECK IF YOU CORRECTLY TOOK STEP 1



**1. Readiness is expressed from the decision makers of the enterprise**

**2. Commitment statement is prepared and includes necessary elements:**



2.1. It has been prepared as a formal letter of the enterprise and has been published on the webpage



2.2. It includes reference to international standards (at least one: UN Global Compact, UNGPs, OECD Guidelines)



2.3. Letter/Statement is signed by the highest-level official (chief executive officer, general director, or other)



2.4. Responsibility to respect human rights is envisaged in Company vision, mission, or other statement (on webpage, high-level document, annual report)

**3. Commitment to respect human rights has been communicated both internally and externally:**



3.1. Owner (shareholder, stockholder) and/or management entity (Property Agency, Ministry of Economy and Sustainable Development, other entities, municipalities or regional bodies, etc.) was informed



3.2. Employees were informed (through internal network, at staff meetings or other methods)



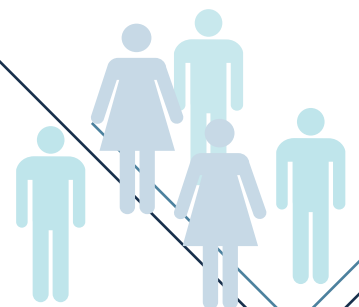
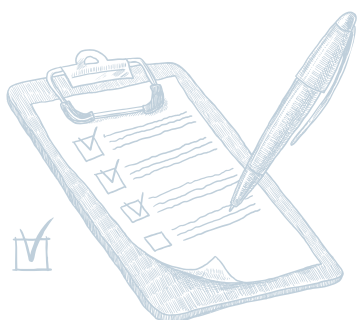
3.3. Information was posted as news on webpage, social media and was sent out to media outlets



3.4. Information was delivered to partners (procurers, providers, international partners, etc.)



3.5. Stakeholders – local community, trade unions, field experts, civil society within the sector – have been informed of this news



In this chapter  
you will find  
answers to:



- Where to start assessing the activities of the enterprise?
- How to decide which human rights are impacted by the enterprise?
- How should the business' human rights impact be assessed?
- What kind of adverse impacts need assessment?
- How is human rights impact risk assessment different from standard risk assessment?
- How often should risks be assessed?
- How to define risks the enterprise faces?
- What processes need risk assessment?
- What should we consider during the risk assessment?
- What does capacity assessment mean and how can it be done?
- What to avoid when making assessment?

After committing to respect for human rights, specific measures need to be taken. To go through this process, enterprises need to assess their activities in several directions:

- 1. Assessment of enterprise impacts –**  
to define what impacts the enterprise has on specific rights
- 2. Risk assessment –**  
to proactively define what happens in case of a negative impact
- 3. Capacity/Opportunity assessment –**  
so that the enterprise knows what it can do to promote respect for human rights

Establishing respect for human rights does not start directly through policy document adoption. An enterprise should first analyze its experience, rights relevant and linked to it, risks of adverse impact on human rights, and capacities it holds.

## ACTION 1.

### **Start by appointing a responsible individual**

A responsible individual or group of people should first be appointed. These can be representatives of relevant structural units. SOEs in Georgia rarely have personnel working on corporate sustainability or corporate responsibility, however, these are not the only people who can be tasked with human rights respect: personnel employed in fields such as human resource management, legal provision, work safety, environment protection, public relations (or communications in general), internal audit, staff involved in business operations or responsible for government or investor relations and others can also undertake functions with respect for human rights.

This does not mean that the policy and practice of respect for human rights should be elaborated solely by these people. Process should be as participatory as possible and all stakeholders, as well as the highest-level management, should be engaged.

Make sure that all people involved in the process possess information about human rights (this could be thematic information, such as labor or environmental issues). Which human rights should be understood by the staff? The short answer is "all". However, this does not mean that the enterprise and its representatives are required to possess a complex knowledge of human rights. It is essential that they be able to identify the impact on a certain human right and can select human rights relevant for the enterprise operations.



## ACTION 2.

### Search for human rights information

The starting point is always the Constitution of Georgia and the human rights and freedoms enshrined therein. UN Guiding Principles require businesses to assess universally recognized human rights, which may go beyond the Constitution of Georgia. This is why it is necessary to assess the International Bill of Human Rights (Universal Declaration of Human Rights (UDHR), the International Covenant on Economic, Social and Cultural Rights (ICESCR), the International Covenant on Civil and Political Rights (ICCPR))<sup>7</sup> and principles enshrined by the Eight Core Conventions of the International Labor Organization on fundamental labor rights.<sup>8</sup>

#### INTERNATIONAL BILL OF HUMAN RIGHTS

- Universal Declaration of Human Rights
- International Covenant on Economic, Social and Cultural Rights
- International Covenant on Civil and Political Rights

#### EIGHT CORE ILO CONVENTIONS

- Freedom of Association and Protection of the Right to Organise Convention, 1948
- Right to Organise and Collective Bargaining Convention, 1949
- Forced Labour Convention, 1930
- Abolition of Forced Labour Convention, 1957
- Minimum Age Convention, 1973
- Worst Forms of Child Labour Convention, 1999
- Equal Remuneration Convention, 1951
- Discrimination (Employment and Occupation) Convention, 1958

It is noteworthy that human rights also envisages environmental protection, since the environment is directly linked to human rights. For instance, the right to live in a clean and healthy environment is a universally recognized right and enterprises should pay particular attention to their impact on climate and environment.

<sup>7</sup> Documents are available here: UDHR, 1948: <https://www.un.org/sites/un2.un.org/files/udhr.pdf>, ICESCR, 1966: <https://www.ohchr.org/EN/ProfessionalInterest/Pages/ICESCR.aspx>, ICCPR, 1966: <https://www.ohchr.org/EN/ProfessionalInterest/Pages/CCPR.aspx>.

<sup>8</sup> ILO conventions are available here: <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>



## ACTION 3.

### **Define specific human rights falling within the enterprise's impact**

The main starting point for the enterprise should be an assessment which is as specific as possible and tailored to the reality of the company. For instance, a public transportation company may have an impact on the right of transportation, road safety, clean air, etc. If a company operates in an extractive industry, a whole array of environmental rights, property rights of the local community, traditional cultural life preservation, even freedom of religion and expression may fall within its impact. Right to decent work, labor safety, strike and other labor rights fall within the scope of an enterprise operating in any sector.

**It is necessary to assess planned projects and initiatives, as they may have different impacts than standard operations do.**

When SOE representatives have acknowledged human rights and all instruments are utilized, no human right is discarded. Therefore, activities, projects, initiatives may be assessed individually and specific rights may be identified, upon which the enterprise has either a direct or indirect impact. Notably the planned activities and projects that are not derived from core operations of the enterprise should also be considered, as their impact is often different. For instance, an infrastructural project undertaken by an enterprise from the healthcare sector requires a consideration of local community property rights, environmental protection and other issues, which would not fall within the impact of ordinary operations.



## Practice Example:

IKEA sustainable development strategy - the **IKEA People & Planet Positive strategy**<sup>9</sup> - is based on UN Sustainable Development Goals and is comprised of three main parts: healthy & sustainable living, circular & climate positive approaches, and fairness & equality. The third tenet of the strategy – fairness and equality – includes respect for human rights in the business of IKEA, as well as specific problems and solutions. For instance, children's rights, health and safety, gender equality are significant parts of the strategy.

IKEA regulates supplier relations by **IWAY Standard**, which sets requirements of environmental and social policy for suppliers. The standard is based on human rights fundamental principles within UDHR and relevant issues such as the ILO Core Conventions and UN Global Compact Principles. Core standards prohibit forced labor, adverse environmental impacts, high threats to health and safety, child labor, etc.<sup>10</sup>

## ACTION 4.

### Assess human rights impacts

Assessing human rights impacts means identifying possible adverse impacts. An enterprise should consider what kind of adverse impacts it can have directly or indirectly due to its business relationships.

**An enterprise should assess:**

1. What impacts it causes by its actions
2. What impacts it contributes to by its own actions or the actions of a contractor
3. What impacts it contributes to by its own actions or the actions of a contractor



<sup>9</sup> The strategy is available here: <https://gbl-sc9u2-prd-cdn.azureedge.net/-/media/aboutikea/pdfs/people-and-planet-sustainability-strategy/people-and-planet-positive-ikea-sustainability-strategy-august-2020.pdf>

<sup>10</sup> Information on IKEA Standards is available here: <https://gbl-sc9u2-prd-cdn.azureedge.net/-/media/aboutikea/pdfs/people-and-planet-sustainability-strategy/people-and-planet-positive-ikea-sustainability-strategy-august-2020.pdf>

Enterprises with relatively more resources and experience may conduct an impact assessment not only on an operational level on a but product/service delivery level, which is a life-cycle assessment. This allows the company to consider impacts in the whole process from the product/service design to its delivery or usage.

An enterprise should also assess the scale, scope and remediability of human rights impact.<sup>11</sup>

DIMENSION	DEFINITION	EXAMPLES	
		Potentially less severe	Potentially more severe
Scale	How grave or serious would the impact be?	An employee is dismissed without explanation	A 10-year-old is employed in hard work conditions
Scope	How widespread would the impact be (how many people would be affected)?	Enterprise has impact on one or two people's lives	Whole community (village, territorial unit) is under impact
Remediability	How hard would it be to make the situation right?	In the event an employee is dismissed on a discriminatory basis, reinstating them can happen in a timely manner and by paying relevant compensation, making additional steps to prevent similar occasions	An employee contracts incurable disease due to lack of health and safety measures



<sup>11</sup> The Sheet is adapted from Shift, Global Compact Netherlands, *Doing Business with Respect for Human Rights* (hereinafter, Shift, 2016), 2016, p. 52. [https://www.businessrespecthumanrights.org/image/2016/10/24/business\\_respect\\_human\\_rights\\_full.pdf](https://www.businessrespecthumanrights.org/image/2016/10/24/business_respect_human_rights_full.pdf)

## ACTION 5.

### Assess three types of impact

#### Impacts Caused by own operations



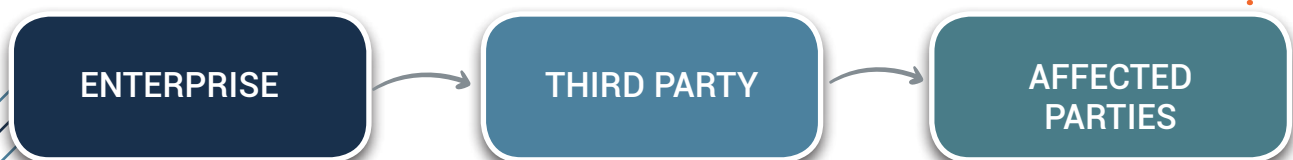
- Dangerous work environment in a construction company
- Private messages posted in public spaces, such as common post boxes, by the carriage or postal service delivery company
- Wastewater drain into local water sources by an enterprise.

#### Impacts, which the enterprise contributes to



- An enterprise purchases equipment for its staff for such a low price, that the supplier is unable to ensure fair wages
- Several enterprises drain their waste into the well of a single village, each enterprise releases waste within legally set threshold, however, together they are severely polluting water
- An enterprise buys raw material from a company, which damages cultural heritage during extractions

#### Impacts linked to the enterprise



- A financial organization gives out loan to a company, which is known for its practice of evicting locals from their traditional homes, regardless of a contradicting agreement
- An enterprise has rented a space to a company where violence against women took place

International standards set out three types of impacts on human rights, which should be on the radar of a company. When specific projects, operations or processes are assessed, adverse impacts directly stemming from the company activities should be assessed, in addition to threats coming from contractors or other business partners and, generally, from supply chain members.<sup>12</sup>

A correct assessment of impacts is essential to evaluate the relevant activities and possibilities of the enterprise.

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## ACTION 6.

### **Distinguish a human rights impact risk assessment from a standard risk assessment**

In this instance an enterprise assesses adverse human rights impact through direct, contributory or otherwise linked activities (the so-called “cause, contribute, linkage framework”, see above).

The purpose of assessing these types of risks is to anticipate their economic, reputation, and legal consequences and, in many cases, to calculate financially measurable potential losses. For example, an adverse impact due to which reputation risks are high may be reflected in a boycott of consumers purchasing services or products offered by an enterprise, which has real financial consequences. It is true that SOEs often operate in segments where consumers do not have much choice, but in such cases there are political risks, during which public protest erupts and the relevant shareholder/stockholder faces a problem.

There have been a number of legal disputes with state-owned enterprises in Georgia, which is also a rather serious risk. In addition to legal costs, in case of unsuccessful termination of the dispute, the enterprise also faces significant financial loss. Preliminary assessment of such risks not only means better respect for human rights, but also insures against further complications (especially since the management of a state-owned enterprise often bears different political responsibilities towards the relevant state agency).

 <sup>12</sup> See also: Practical Definitions of Cause, Contribute, and Directly Linked to Inform Business Respect for Human Rights, 2017, available here: <https://media.business-humanrights.org/media/documents/files/documents/Debevoise-Enodo-Practical-Meaning-of-Involvement-Draft-2017-02-09.pdf>

## Practice Example:

Norwegian state investment fund **Norfund** conducts **responsible investment**<sup>13</sup> practices. An important part of this policy is making a risk assessment pursuant to environmental, social and governance (ESG) standards. Norfund assesses investment related risks and their management possibility in potential business partners according to the **IFC Performance Standards**.

- IFC Performance Standards are used in private sector to assess environmental and social risks by financial institutions, banks, and development financial partners, and it includes fundamental human rights, such as labor rights, cultural heritage, community and indigenous people rights, etc.
- Norfund does not require potential partners to have fully established ESG standards, however it requires they have an action plan to approximate to IFC Standards over time. This condition is part of the investment agreement and its contents are set based on existing risks.

## ACTION 7.

### Conduct risk assessment periodically

Risks should be assessed periodically (for example, annually or on an enterprise-adjusted cycle). However, in addition to periodicity, risk assessments should also be made for relevant projects, especially when an unscheduled or large project is being carried out.

## ACTION 8.

### Correctly define the human rights impact risks

The group of people responsible for identifying risks should be well aware of all rights and have an understanding of the impacts that the enterprise has already assessed.

Adverse impacts should be assessed after understanding the impact (for example, the impact on the employment process may be on the right to equality, while an adverse impact encompasses discrimination on the basis of gender or other grounds).

It is essential that the enterprise correctly assess which impacts it causes, which it contributes to, and to what impacts it has linkage with (see above).

Risk management takes place in any enterprise, especially in large state-owned enterprises or public interest entities. It is also possible to introduce a mandatory human rights risk assessment in the process of identifying general risks.

<sup>13</sup> NorFund policy is available here:  
<https://www.norfund.no/responsible-investor/environmental-social-risk/>

For small businesses that are taking their first steps, it may be helpful to evaluate their own performance by reviewing specific activities, as well as learning from the experience of similar enterprises.

## Practice Example:

Dutch private company **AkzoNobel** has established a human rights committee and out-sourced the identification of risks relevant to human rights throughout the supply chain. Risk analysis has uncovered significant shortcomings based on their scale, scope and remediability – health and security, work conditions, discrimination and violence and child labor. Based on this analysis the company's human rights committee held meetings with civil society organizations, human rights experts, government representatives and other organizations to share their experience and knowledge.

AkzoNobel is a **Together for Sustainability (TFS)** initiative member and proactively supports suppliers in managing sustainable development activities and risk management. Through the initiative and other partner support, the company assesses risks of suppliers with respect to sustainable development, employees and human rights impact, which operate in high-risk regions and sectors. If the assessment results are not in compliance with company standards, suppliers undergo a further audit and should commit to improvements, including through action plans.<sup>14</sup>

## ACTION 9.

### Choose processes where risks should be assessed

The enterprise, in addition to the core business, must assess risks to the terms of specific projects as well as its partners. For example, with regards to the procurement process: what could happen if the supplier selected by the state procurement violates human rights? What type of risk is it for the enterprise and how it can be insured against?

The issue of supply may also need to be assessed. For example, sending military equipment to a conflict zone of another country is an additional reputational risk for Georgia, which itself is involved in a conflict.



<sup>14</sup> See <https://www.akzonobel.com/en/about-us/governance-/policies---procedures/code-of-conduct>

## ACTION 10.

### Things to consider when assessing risks

- 1 The risk identification function should be assigned to a separate employee (by size - even a group of employees), who has sufficient access to the relevant information, although this should not be detached from other structures of the enterprise and their engagement should be encouraged
- 2 Encouraging employees to gather information can raise interesting and important issues, as it is often certain employees who face risks of negative impact that other employees cannot see
- 3 Grievance mechanism can simplify risk assessment, as the analysis of received grievances reveals what negative impact risks the enterprise faces and what it means for the enterprise
- 4 Frequent communication (meetings, public hearings, community consultations, social media communication, etc.) with affected parties - such as consumers, local community, where the enterprise operates, etc., allows the identification of risks based on the concerns expressed by them
- 5 Through communication with expert groups, the enterprise will be able to take into account relevant practices when establishing international standards
- 6 At the risk identification stage, unforeseen situations and methods of responding to them should also be identified

## ACTION 11.

### Assess the capacities of the enterprise

Enterprises, according to their impacts and risks, should preferably assess the resources or capacities available to them, which will enable the enterprise to insure itself against these risks and reduce the corresponding losses (legal fees, damages, reputational losses, etc.).

Examples of such capacities are: simple change of operations, introduction of a mechanism for timely detection of adverse impacts, evaluation of all operations in the supply chain and request for relevant changes, change of contract templates (as a part of procurement documentation), etc.

Every enterprise has different prerequisites, however at the initial stage enterprises can use the help of partners (civil sector, academia, etc.). International instruments, such as the UNGPs and UN Global Compact, can guide an enterprise to understand and apply opportunities. Enterprises can use the resources at their disposal in such a way as to increase their reputation, trust, and thus reduce the negative financial and non-financial consequences.



Capacity assessment (identification) may be expressed in setting strategic goals, the elaboration of an action plan and the development of measurable indicators so that the enterprise can evaluate the steps taken.



## What Should You Avoid?

**Exclude flexibility** – planning, evaluating and identifying everything perfectly is impossible. An enterprise should leave room for unforeseen circumstances and, in the light of such circumstances, for a timely and effective impact assessment. The crisis caused by Covid-19 has clearly shown us the importance of timely adaptation and prompt action in unforeseen situations. An enterprise should not assume that all rights and influences have been accurately identified and should include in the policy document how it behaves in situations that it had not anticipated. Also, clear and robust mechanisms for restoring the right should be provided, as the possibility of making a mistake should also be predetermined, provided that the enterprise is ready to correct the mistake and show how it intends to do so.

**Engagement for engagement only** - stakeholder engagement must be meaningful and effective at all stages. To achieve this, it is necessary to ensure the simplicity of the process and produce effective feedback. The latter means that the remarks, questions, recommendations received during the consultations will be followed up with an appropriate response. It is not always possible to take into account all the comments and reflect them in the policy document, but it is possible to explain why they were not taken into account and ensure proper communication on this (at least in the form of a public report, at most in individual and relevant group feedback).

**Conducting a process without understanding human rights** - to assess adverse impacts, risks and opportunities, it is essential for the enterprise to have a good understanding of what human rights are expected to be respected. The main sources of universally recognized rights, the Ten Principles of the UN Global Compact and similar international instruments, substantially simplify the process, especially when enterprises are taking their first steps.

**Neglecting the experience of others** - Many enterprises (including competitors) are already actively implementing corporate sustainability approaches. The results they achieve (as well as mistakes and the negative consequences of legal disputes or negative public campaigns, in particular) are an important lesson for other enterprises. When the reason for an employee strike in one enterprise is the neglect of personal data, or the public refuses to purchase products of a company due to unfair remuneration of its employees, or a large business receives large financial loss as a result of court decision ruling that discriminatory approaches existed, these examples should be carefully considered. Any enterprise could face similar risks.

## CHECK, IF YOU CORRECTLY TOOK STEP 2

1. Responsible persons are assigned for the assessment process

2. Human rights impacts are assessed:

2.1. Existing practice and its efficiency are assessed;

2.2. Impacts caused by the enterprise are assessed;

2.3. Impacts the enterprise contributes to are assessed;

2.4. Impacts of third parties, linked with the enterprise are assessed.

3. Risks in the event of adverse human rights impact are assessed:

3.1. Risk assessment approaches, periods and areas are defined;

3.2. Potential risks based on impacts are assessed (legal, financial, reputation);

3.3. Processes, which absolutely require risk assessment, are identified.

4. Enterprise capacities to avoid risks are assessed:

4.1. Processes, which can be changed are identified;

4.2. The capacity and resources to change the impact on enterprise partners are identified;

4.3. The experience of other entities is analyzed to define own resources.



In this chapter  
you will find  
answers to:



- What type of document should a human rights policy be?
- Who should be involved in the policy-making process?
- How to determine the business case of introducing new approaches to the enterprise?
- What is meant by enterprise approaches?
- What should be the magnitude of enterprise actions?
- What happens when a right is violated?
- What is the leverage of the enterprise?
- How to act in an unforeseen situation?
- What should we avoid when defining enterprise approaches and goals?

## ACTION 1.

### Decide what kind of document your policy should be

It is up to the company to decide whether its human rights policy is developed and approved as a stand-alone document or incorporated into another document(s). Execution, monitoring, evaluation and communication of a stand-alone document may be easier and more efficient. However, it is essential that the enterprise legitimizes such policies (for example, it should be approved by the Board of Directors, the CEO, or, if necessary, the share/stock managing state entity) and be integrated into all types of company activities. For integration, the enterprise may find it more efficient to reflect the policy in key regulatory acts (e.g., bylaws, code of ethics, business plan).

For small and medium-sized enterprises, putting the policy document in another, already existing document could be effective, since an additional policy document may lead to bureaucratic barriers and difficulties.

It is important for the enterprise to consider projects and initiatives of particular importance that go beyond standard business operations (e.g., the construction of a new building or reconstruction for an enterprise that is not related to the construction sector). Although such a project should already be evaluated by the enterprise when assessing the impacts, if it is a one-time and/or short-term activity, it is better for the policy document to provide a basic approach to new projects and develop a separate policy for this project, especially when a project is large-scale and has a large impact on human rights - the interests of local population, construction safety, severe environmental impact, etc.

## Practice Example:

The **Telia Company Code of Responsible Business Conduct** is a guide for employees and leaders.<sup>15</sup> The Code is an ethical compass that sets clear standards of conduct and expectations. It regulates cases such as conflicts of interest, corruption and public relations, responsible sourcing, equal employment and diversity, occupational health, safety and well-being, freedom of expression and environmental responsibility.

An example of integrating sustainability policy into a core business is the **IKEA Business Plan**<sup>16</sup>, which outlines the company's vision and mission for sustainability. The Company's business idea is to "to offer a wide range of well-designed, functional home furnishing products at prices so low, that as many people as possible will be able to afford them.", which means creating sustainable, quality, affordable products, which is named "Democratic Design".

## ACTION 2.

### Engage stakeholders in policymaking

Engagement of both internal and external stakeholders in the process of policy formulation is vital. Internal stakeholders denotes both employees of the enterprise in the broadest sense and staff with specific functions. However, experience shows that the wider the involvement, the more beneficial the process for the enterprise, as the implementation of the policy is much simpler and more effective afterward.

When engaging with external stakeholders, it is recommended to assess which stakeholders are familiar with the internal processes, structure, influences and activities of the enterprise. This could be a civil society organization operating in the relevant sector, academics, an international organization, etc.

For the engagement of internal stakeholders, it is useful to arrange an extended meeting, which can also be held in an electronic format. Such a meeting is attended by almost all employees, and managers have the opportunity to reaffirm their commitment to human rights (which by all means includes the rights of employees) and thus strengthen the confidence of employees and a positive relationship with them. Process owners will keep employees informed of the ongoing process, and with employee feedback, it will be possible to develop a policy document that will be fully shared and understood by the whole company.

<sup>15</sup> Telia Company Code of Responsible Business Conduct is available here:  
<http://dontdothisatwork.teliacompany.com/about.html>

<sup>16</sup> IKEA business plan is available here:  
<https://www.ikea.com/us/en/this-is-ikea/about-ikea/vision-and-business-idea-pub9cd02291>

The involvement of external stakeholders will enable the enterprise, on the one hand, to get closer to them and build mutual trust and on the other hand, to look at own activities with an external eye and to assess its impact on human rights more objectively. In addition, the engagement of stakeholders at this stage ensures the involvement of professionals and experts from the proper field in the development of the policy document, this represents a resource, which the enterprise may not have at the initial stage.

The state body (as well as the municipal or autonomous republic entity) that manages the enterprise and the need for its engagement should be separately noted. Although it is unlikely that this agency will oppose the introduction of respect for human rights by the enterprise, it is through this body that it is easy and effective to communicate with relevant agencies that have more information about the obligations of the state at the international or national level. In this way, the enterprise will be able to take into account state policies which will contribute to the creation of public good and contribute to the sustainable development of the country.

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### ACTION 3.

## Identify the business case for new approaches

It is not easy to take these steps if the enterprise, its management, its shareholders or stockholders are not sure why and how they are embarking on this journey. That is why it is often necessary to show the "benefits" of respect for human rights.

Clearly, the introduction of respect for human rights by businesses is a morally and ethically correct step, but it is noteworthy that it is also economically profitable for any company. But when it comes to gaining maximum support from all levels at the enterprise, it would be good to define the real benefits (business case) beyond moral, ethical and state policies.

**Identifying business cases and communicating correctly will help staff convince decision-makers of the need to implement a human rights policy or mechanism.**



## RESPECT FOR HUMAN RIGHTS:

- Improves the attraction and retention of qualified employees<sup>17</sup>
- Improves risk assessment and management
- Reduces possible protest from consumers or the public and the corresponding negative economic or political consequences
- Improves relationships with other business entities, trade unions, suppliers or buyers (especially in the international market)
- Ensures the company's readiness to enter the international market (especially European or North American)
- Facilitates cooperation with international organizations, increases the possibility of attracting loans and, especially, donor funding

## ACTION 4.

### Make specific decisions

Defining enterprise approaches means making specific decisions by the enterprise based on pre-assessed impacts, risks and capacities/opportunities. It can be:

- The formulation of an internal regulatory document (Code of Ethics, Rules of Procedure, etc.)
- The development of a policy document(s)
- The creation of strategy and action plans
- The introduction of action mechanisms for specific situations
- Other systemic changes that will change the activities, operations, relationships of the enterprise while respecting human rights

<sup>17</sup> Multiple studies have demonstrated that the Millennial Generation chooses companies with a higher degree of social and corporate responsibility. Therefore, attracting and retaining highly qualified staff is much easier for such enterprises. See on this matter American author and business TV-host Jeffrey Hayzlett, 4 Ways Employers are Using Corporate Social Responsibility To Recruit Millennials, 25 November, 2016, Entrepreneur, available here: <https://www.entrepreneur.com/article/285587>

## ACTION 5.

### Use policy document elements from practice

#### General applications

- Purpose and hierarchy of policy
- A general statement containing a commitment to respect human rights
- Reference to international instruments or standards
- An explanation of how the company respects human rights and what its due diligence is

#### Specific applications

- How the enterprise ensures respect for rights in the workplace
- How it ensures the protection of consumer rights
- How it ensures integration with partners
- How the enterprise ensures that the rights of potentially affected parties are respected.

#### Implementation provisions

- Who is responsible for implementing the policy?
- How is the policy integrated into processes?
- How are stakeholders engaged?
- How is feedback reflected in policy?

### Practice Example:

Swedish state-owned enterprise **Vattenfall**, one of Europe's leading energy players, has a stand-alone policy document for human rights that addresses the company's commitment, its expectations from partners, international standards and practical approaches (staff training, requirements for suppliers, supplier capacity building, stakeholder collaboration, etc.).<sup>18</sup>

<sup>18</sup> Vattenfall human rights policy document is available here:

[https://group.vattenfall.com/siteassets/corporate/who-we-are/sustainability/doc/human\\_rights\\_policy\\_2019\\_.pdf](https://group.vattenfall.com/siteassets/corporate/who-we-are/sustainability/doc/human_rights_policy_2019_.pdf)

## ACTION 6.

### Take active steps

For an enterprise to clearly demonstrate to all stakeholders that what it has committed to is actually being implemented, it must take active steps. These steps should be focused on both prevention and restoration of rights. The enterprise should try to prevent human rights abuses by changing the internal corporate culture, consider potential issues in advance and when dealing with partners. However, if rights are abused despite the efforts of the enterprise, it must have appropriate mechanisms for timely and effective response, which will ensure both individual redress (grievance redress, error correction, damage compensation) and systematic resolution of the problem.

## ACTION 7.

### Act accordingly when abuse takes place

When an enterprise has an adverse impact on human rights, expectations towards the enterprise depend on its role in that impact. In describing the previous Step, we talked about the types of enterprise involvement in adverse impact - when the enterprise causes, contributes, or has linkage with adverse impacts (see Step 2, Action 5). Enterprise approaches are also determined by the types of involvement.

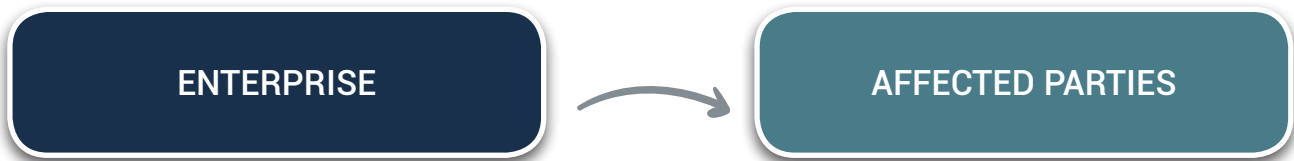
- 1 When an enterprise has caused an adverse impact on human rights, it has the greatest responsibility to prevent, terminate abuse and/or remedy the relevant right
- 2 When the enterprise does not cause, but by its own action contributes to the adverse impact caused by a related person (e.g., supplier, partner), it is responsible to prevent or terminate an action that causes adverse impacts and must ensure that proper remedial action takes place
- 3 When an enterprise is linked to an adverse impact caused by another person, it has the responsibility to ensure that such impact is avoided or terminated to the best of its ability, for which it must use the leverage at its disposal. In such a situation, there is no expectation of restitution of the right from the enterprise





Above examples of enterprise impacts were listed, to which the appropriate actions may be as follows:

### Impacts Caused by own operations



- **When there is damage to health:** a construction company must eliminate dangerous working conditions
- **When Personal postal messages are delivered in a public space:** this should be eliminated and ways to ensure in-person delivery should be introduced
- **When hazardous waste is disposed:** the enterprise must provide drinking water treatment and in case of damage to health must provide compensation

### Impacts, which the enterprise contributes to



- **When purchasing at an unreasonably low price:** the enterprise should review its requirements with suppliers of products or services and make sure that fair remuneration can be ensured at an appropriate price
- **In case of adverse effects caused by several enterprises:** the enterprise should assess the impact of its own and other enterprises, taking care with other enterprises to eliminate the adverse effects and compensate the damage
- **In case of damage to cultural heritage by the partner:** the enterprise must influence the activities of the supplier company, adopt the relevant standards, and assist in the implementation. If the protection of rights is not ensured, the enterprise must be ready to terminate such relationship

### Impacts linked to the enterprise



- In the event of a detrimental effect on the right to traditional housing by the borrower: the enterprise should assess whether it can use its leverage (e.g., financial) to change the partner's activities, but if this does not happen, the enterprise should avoid such relationships
- In case of violence of the lender: the enterprise should try to use its leverage to change the behavior of such a partner or take measures to terminate the relationship with it

## ACTION 8.

### Use available leverage

#### WHAT IS "LEVERAGE"?

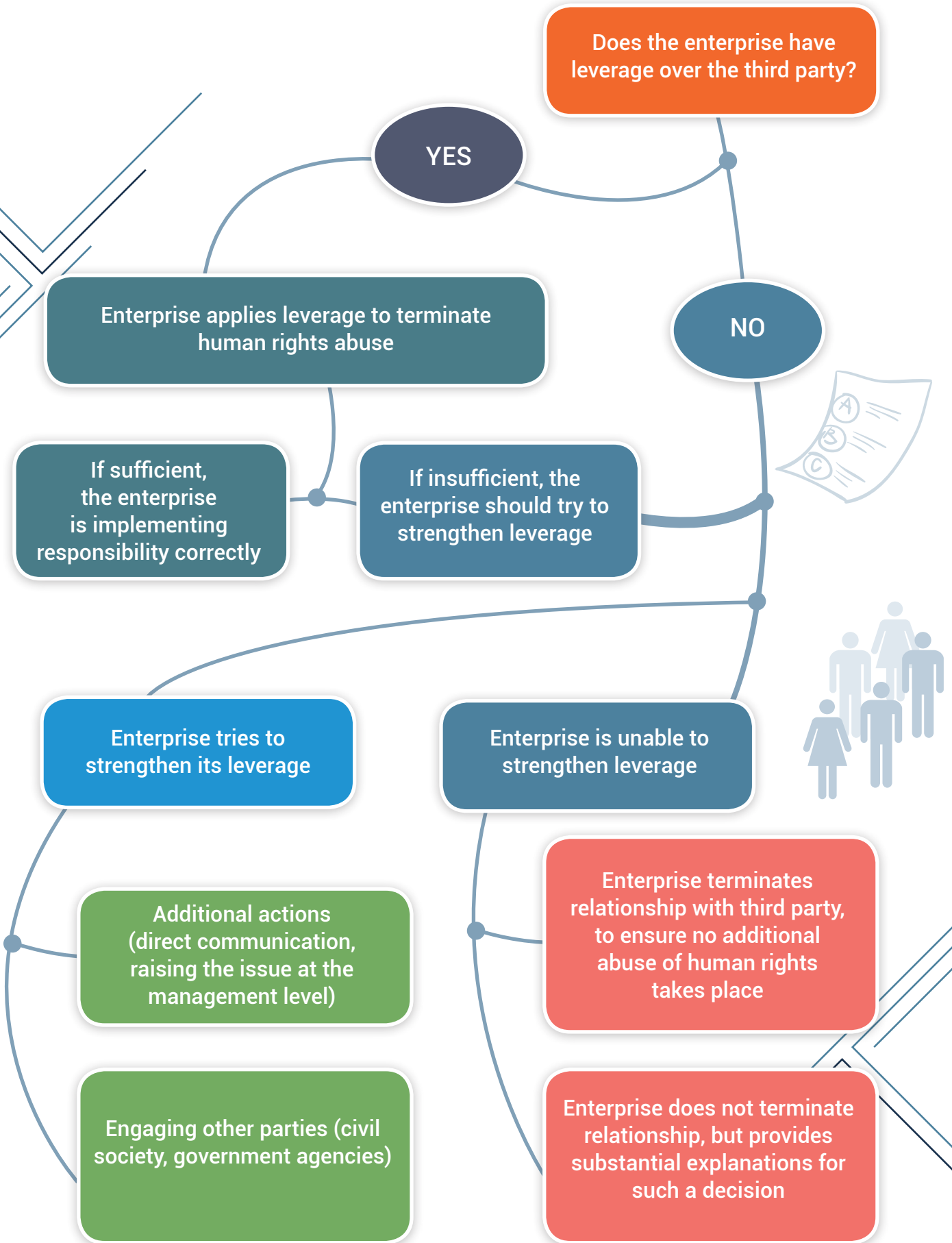
In this context, leverage means that you have the power to make/force other organizations respond to the adverse impact on human rights that they are causing or contributing to. Lack of your leverage does not mean that you are not responsible for this adverse impact.

However, the existence of a leverage and the determination of its power must be made on a case-by-case basis, and often an enterprise can strengthen its own leverage through cooperation with other parties with similar interests.

#### Leverage of the enterprise may vary based on a situation:

- 1 Traditional commercial leverage:** concluding a contract, rejecting it, postponing it and other actions that the enterprise has in its practice. Obviously, termination of a contract under public procurement entails its own legal procedures, however, if the impact of the relevant organization is so severe that it is on the verge of a legal violation, the legislation provides for the possibility of terminating the contract in such situations. In addition, the complete integration of the human rights policy document means that the procurement procedures include the criterion for the supplier to respect human rights and the leverage of the enterprise is greatly strengthened in the event of human rights abuse.
- 2 Broad business leverage:** actions beyond standard commercial activities, such as, for example, institutional strengthening of an organization where human rights are severely impacted, when this is related to you (offering training, sharing experiences, etc.)
- 3 Joint leverage with business partners:** making systemic decisions and agreements with other industry stakeholders that will affect the relevant organization (especially when it comes to a large organization)
- 4 Leverage through bilateral engagement:** leverage gained through relationships with a representative of another sector, such as civil society, an international donor, as well as a shareholding/stock owner agency
- 5 Leverage through multilateral cooperation:** steps taken with partners through various initiatives, such as calling for systematic approaches with the civil society and business sector, encouraging change through the Global Compact Network and similar initiatives, etc.

**ACTION 9.**  
**Strengthen your leverage**



## ACTION 10.

### **Be ready for unforeseeable events**

Identifying unforeseen situations by assessing risks and developing methods for responding to them in advance allows reacting to such situations in a simpler and more effective manner. Yet perhaps very few enterprises can boast that doing this is enough for them; for example, it was virtually impossible to imagine Covid-19 and its adverse effects.

That is why it is necessary for the enterprise to introduce employee training practices that will focus on rapid, professional and fair response methods and will give staff sufficient tools to find effective steps and solutions even in the most unimaginable situations.

A clear policy statement, correct impact and risk identification, as well as a high transparency standard, further simplify such flexibility.





## What Should You Avoid?

**Disregarding stakeholder engagement** - enterprise representatives often think that it is enough to inform employees in relevant positions and engage experts from relevant fields, and that the involvement of other employees or, moreover, external stakeholders is not necessary. Practice shows however that documents developed without the involvement of internal and external stakeholders have less credibility, quality and efficiency.

**Inconsistent and merely responsive approach** - often enterprises fail to respond in a timely and effective manner in the face of adverse human rights abuses. Due diligence aims to develop systems that help the enterprise implement positive practices. If the enterprise practice is inconsistent in its responses, it will negatively affect its image and, at the same time, weaken the unified policy. An enterprise should not wait for an adverse impact or the submission of a complaint. If an adverse impact is foreseeable, the enterprise should try to avoid it and only after such an attempt is unsuccessful can it work on a remedy.

**Assuming that the enterprise itself will not have a negative impact** – human rights due diligence (HRDD) practices will prevent the enterprise from having an adverse impact, however not entirely. That is why there should be mechanisms to rectify the situation.

**Ignoring leverage** - leverage of a state-owned enterprise is stronger than that of a privately owned one under the same conditions (although there are more expectations and requirements for SOEs). Especially when the impact on human rights is on the verge of breaking the law, the SOE also has more state and public pressure not to neglect its own ability to “force” another organization (even through assistance) to change approaches.

**Neglecting links to adverse impact** - as expectations for state-owned enterprises are higher (like those of large and affluent corporations), often the actions of its contractors, with whom the enterprise has only a linkage, are still held attributable to the state-owned enterprise (e.g., neglecting the work safety standards or the interests of local community during a large infrastructural project directly exacerbates negative attitudes towards the purchasing SOE). Therefore, a state-owned enterprise, especially a large one, should try to actively use and strengthen its leverage.

## CHECK, IF YOU CORRECTLY TOOK STEP 3

- The policy document complies with international conventions and norms (International Bill of Rights, ILO Conventions)
- The policy is relevant to the company and its impacts
- Policy includes a statement on respect for human rights, protection and remediation and a promise to prevent abuses
- Policy applies to all elements of the enterprise and the existing documents (e.g., healthcare, procurement, human resources)
- Policy includes a statement of expectations of the enterprise regarding its partners, subsidiaries and supply chain
- Existing Codes and Initiatives are considered as far as possible (e.g., UN Global Compact, OECD Guidelines, etc.)
- When evaluating employee performance, human rights issues (as relevant to the functions) are considered and taken into account
- When procuring, making sales (products or services) and during other contractor selection processes, and afterwards, at the contracting stage, respect for human rights is indicated proactively
- In case of discovery of error or abuse by any employee, structural unit or a contractor, the entity has a timely and robust reaction
- Enterprise high-level management has the will to terminate contracts (including a partnership), when partner/contractor abuses human rights and, despite the enterprise request, the situation remains unchanged



Adapted from Business Leaders Initiative on Human Rights, UN Global Compact and OHCHR, A Guide for Integrating Human Rights into Business Management, 2006, p.20.



In this chapter  
you will find  
answers to:



How to implement enterprise policy in the daily life of the enterprise?

What can be included in the enterprise action plan?

How to instill an internal corporate culture?

How to introduce respect for human rights for external parties?

Why do we need a grievance mechanism?

What is an effective remedy?

What should we consider in grievance redress?

How to evaluate and improve the effectiveness of the grievance mechanism?

What should we consider when introducing a grievance mechanism?

What should we avoid when implementing the goals?

## ACTION 1.

### Implement the policy in daily life of the enterprise

Once a policy document has been developed and adopted, it should be integrated into the DNA of the enterprise, which will become the guarantee of its effectiveness. The following steps are required for this:

- 1 **Leadership of the process** - the Supervisory Board, the Board of Directors and/or other top decision-making body must clearly demonstrate respect for human rights and must ensure periodic communication both inside and outside the enterprise

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- 2 **Functions should be redistributed to the relevant structural units or employees** – it is ideal if the enterprise has the ability to appoint human rights officer or a group of employees to ensure full policy implementation and appropriate relationships with all other essential employees of the enterprise

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- 3 **Talks about policy should be active** - it is necessary to train employees and introduce policies to new employees (see Step 1 and Step 3), to talk with partners about this topic, to help them share the same standards, to communicate publicly and set an example, especially for privately owned enterprises operating in the same sector

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- 4 **Introduce incentives and condemnation mechanisms** - in both internal and external relations, the enterprise should have a clear position on what human rights abuses will lead to (see Steps 3 and 6 for details).

## ACTION 2.

### Formulate enterprise action plan

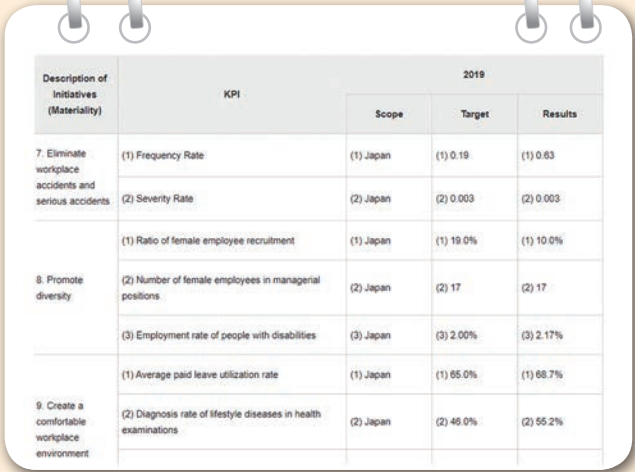
The enterprise may decide to develop an action plan for the introduction of respect for human rights, which will be targeted over a period and will be based on realistic, achievable and measurable goals.<sup>19</sup>

#### Practice Example:

The human rights policy of the Swedish state-owned enterprise **Vattenfall** includes the “**11 Steps to 2022**”<sup>20</sup> adopted in 2018, the Human Rights Action Plan, which incorporates 11 important steps for the company to respect human rights. The events are divided into three blocks:

- **Policy and embedding** - includes policy development, improvement of internal resources, integration of human rights in internal processes and updating of the general legal evaluation mechanism
- **Human rights due diligence** - includes targeted action plans, enhanced work with local and indigenous peoples, and human rights impact assessment
- **Grievance and remediation** - includes whistleblower system evaluations, providing access to whistleblower system for contractors and external stakeholders, and the remedy process, as well as policy implementation and compliance measures

A company's human rights action plan is often based on specific indicators, which make it easier to set specific goals and therefore achieve them. Japanese company **Daifuku's Human Rights Action Plan**,<sup>21</sup> which is part of the company's corporate social responsibility action plan, among other things, aims to prevent occupational injuries and incidents, promote equality, create a comfortable work environment and develop human resources. As indicators for these goals, Daifuku uses **Key Performance Indicators (KPIs)**, which allow progress towards social goals to be measurable.



Description of Initiatives (Materiality)	KPI	2019		
		Scope	Target	Results
7. Eliminate workplace accidents and serious accidents	(1) Frequency Rate	(1) Japan	(1) 0.19	(1) 0.63
	(2) Severity Rate	(2) Japan	(2) 0.003	(2) 0.003
8. Promote diversity	(1) Ratio of female employee recruitment	(1) Japan	(1) 19.0%	(1) 10.0%
	(2) Number of female employees in managerial positions	(2) Japan	(2) 17	(2) 17
	(3) Employment rate of people with disabilities	(3) Japan	(3) 2.00%	(3) 2.17%
9. Create a comfortable workplace environment	(1) Average paid leave utilization rate	(1) Japan	(1) 65.0%	(1) 68.7%
	(2) Diagnosis rate of lifestyle diseases in health examinations	(2) Japan	(2) 46.0%	(2) 55.2%

<sup>19</sup> SMART goal setting. The “SMART” acronym stands for “specific,” “measurable,” “attainable,” “relevant,” and “time-bound.” See George Doran, “There’s a S.M.A.R.T. way to write management goals and objectives”, *Management Review* 70.11 (November. 1981): 35. Business Source Corporate. EBSCO. 15 October, 2008.

<sup>20</sup> Vattenfall Action Plan is available here: [https://group.vattenfall.com/siteassets/corporate/who-we-are/sustainability/doc/human\\_rights\\_11-steps.pdf](https://group.vattenfall.com/siteassets/corporate/who-we-are/sustainability/doc/human_rights_11-steps.pdf)

<sup>21</sup> Daifuku Action Plan is available here: <https://www.daifuku.com/sustainability/management/plan/#plan04>



## ACTION 3.

### Establish internal corporate culture

Once the policy has been developed, the enterprise should ensure that it is properly communicated to all employees. It will not be enough to simply publish a statement of respect for human rights and a policy document, as the change should be reflected in the actions of company representatives. Consequently, proper communication is required to get internal stakeholders acquainted with the documents and, if necessary, in-depth training on processes, procedures, actions and mechanisms. On the other hand, some employees need to acquire additional knowledge and strengthen practical skills, so that they are able to integrate the policy into their functions and daily activities.

IDENTIFY WHO NEEDS ADDITIONAL KNOWLEDGE AND PRACTICAL SKILLS. TYPICALLY, THESE ARE STAFF EMPLOYED IN THE FOLLOWING AREAS:



- Human resources management
- Procurement
- Security issues
- Sales of goods or services
- Communication and public relations
- Quality assurance and/or internal audit
- Risk and/or business process management
- Management tier



THE ENTERPRISE CAN INTRODUCE SEVERAL EFFECTIVE MECHANISMS FOR TRAINING EMPLOYEES, FOR EXAMPLE:

- E-learning (more useful for general, wider groups of employees. In addition to learning about policy implementation, it can also be used for new employees (in the form of an onboarding program). Interactive video lessons may be prepared for current or new employees. At the end of the lessons they can answer a short questionnaire - to test the receipt and comprehension of information, and, on the other hand, to evaluate the effectiveness of the teaching
- Special training programs for strengthening or introducing specific procedures; also for the staff involved in the implementation of a specific project
- Development of sectoral training courses (eg, security, procurement, recruitment, etc.)
- Preparation of internal guidance documents, guides, etc.
- Selection of external training course and engaging employees in it – currently there are numerous initiatives to gain high quality professional knowledge about business and human rights, corporate responsibility, corporate sustainability and/or responsible business conduct, both in Georgia and abroad. The enterprise may enroll staff in such programs and build a qualified personnel.



## Corporate Sustainability Academy

The Global Compact Network Georgia offers a tailor-made and general corporate sustainability training course for representatives of various sectors and, above all, for enterprises.

International Standards, ethical entrepreneurship, sustainable governance, and practical guidelines, which are introduced to the groups by experienced teachers involved in the Academy aim to develop knowledge of corporate sustainability and incorporate it into the day-to-day operations of both private and public companies.

<http://globalcompact.ge/academy>

### ACTION 4.

## Encourage respect for human rights amongst partners

The procedures and policies developed by the enterprise should also be directed to external parties such as contractors and business partners, especially when certain actions are required of them. State-owned enterprises can pre-determine their expectations of contractors when selecting contractors (e.g., during a state procurement process). Enterprises often use a document that envisages the rules of conduct for suppliers, which clearly sets out the approach of the enterprise to other organizations that have a contractual relationship with it and may even become part of the contract.

In addition to business partners, it is also important to influence the enterprise or groups of people who are not its employees (for example, local community representatives, consumers). They are the direct addressees of the procedures and policies implemented by the enterprise. It is especially important for the affected internal (employees) and external (e.g., local community) parties to have access to a grievance mechanism that allows them to protect their rights and seek remedy in the event of a human rights abuse.

## ACTION 5.

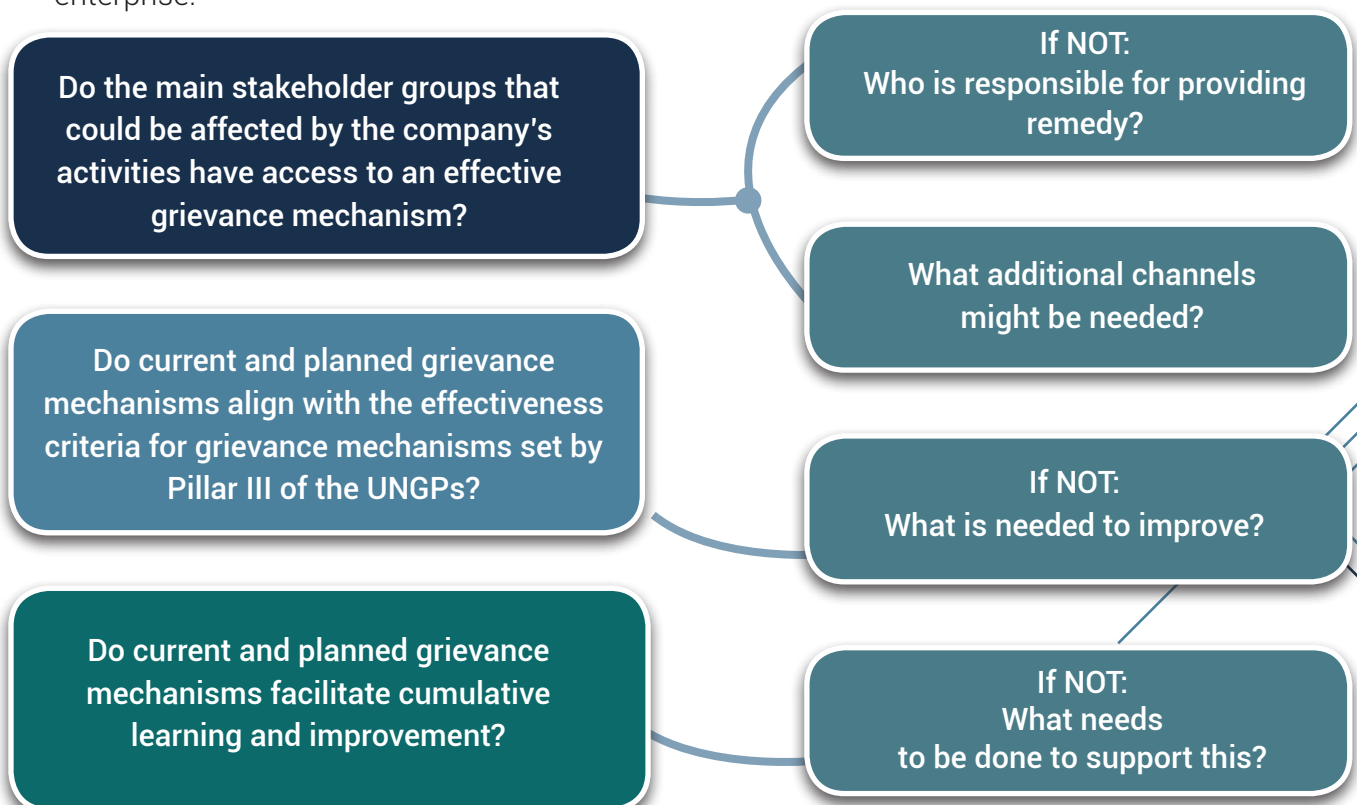
### Elaborate grievance mechanism

Despite attempts, mistakes cannot be entirely prevented. However, by identifying the right risks and taking active steps, such errors can be minimized. Enterprises that respect human rights enjoy public support – the absence of such respect makes it easier for the public to believe an enterprise is more likely to violate human rights.<sup>22</sup>

Correcting an error is no less valuable for maintaining the reputation or economic standing of the enterprise. That is why respect for human rights must include a mechanism for restoring the right - whether it is a financial or non-financial redress to the fact of an adverse impact on the right.

The enterprise must proactively determine the ways in which people can express their concerns in the event of a negative impact - a formal letter, a hotline, communication with a special representative, an online form, etc. However, at the same time, it must be clarified what the outcome of filing a complaint will be (not a specific response to a specific violation, but a general possible solution) and what procedure is there for consideration.

The grievance mechanism must be effective, otherwise the problem will be exacerbated and there will be more room for escalation of the conflict, which may ultimately lead to a legal dispute or other, much more serious (reputational, financial, even criminal) consequences for the enterprise.



Adapted from Shift, 2016, p. 106.

<sup>22</sup> For instance, a professor at Toronto University argues in an opinion published on August 20, 2020, that enterprises who are exceptional for their responsible business conduct enjoy greater public trust, support and loyalty, than those who ignore their corporate responsibility. Sarah Kaplan, *Why Social Responsibility Produces More Resilient Organizations*, MIT Sloan Management, Fall Issue, August 20, 2020, <https://sloanreview.mit.edu/article/why-social-responsibility-produces-more-resilient-organizations/>

\*

## ACTION 6.

### **Ensure the effectiveness of the grievance mechanism**

Grievance mechanisms have additional benefits - through them, enterprises, in addition to solving the problem, analyze what systemic problems they are faced with, where the main challenges lie and plan appropriate changes.

Often companies fear that if they activate the grievance mechanism, especially for external stakeholders, the number of grievances will be immeasurably large. In practice this does not always happen and over time the number of complaints will even decrease. The main issue is clear communication, active engagement and detailed explanation of procedures. With active involvement, the enterprise can hear a large number of complaints during consultation meetings with stakeholders. However, it is essential to take the appropriate steps and not wait for a formal complaint to be re-ceived.

It is recommended that the enterprise determine its own complaint template (at least as a recommendatory one), which will help the complainant know in advance what information to prepare and how to file a complaint, at the same time allowing the enterprise to receive complaints in a systemic and uniform manner. The complaint template can be prepared as a simple document and highlight only the key issues so as not to artificially complicate the grievance procedure.



## COMPLAINT TEMPLATE

<b>Date:</b>		
<b>Time:</b>		
<b>Place:</b>		
<b>Name, surname:</b>	<input type="checkbox"/>	I do not want to publish my name
	<input type="checkbox"/>	I want to publish my name
	<input type="checkbox"/>	I would like to engage this person in my name: (indicate name, surname, position/status)
<b>Contact Details</b>	<b>E-mail:</b>	
	<b>Phone:</b>	
	<input type="checkbox"/>	I would like to receive response in person
	<input type="checkbox"/>	I would like to receive response through the contact person mentioned above
<b>Description of facts:</b> (please provide detailed description of process, involved parties, etc.)		
<b>Additional Comments</b> (How do you envisage resolution of the problem?)		
<b>Additional Documents:</b>	<input type="checkbox"/>	Written (e-mail, letter, SMS, etc.)
	<input type="checkbox"/>	Photo
	<input type="checkbox"/>	Voice Recording
	<input type="checkbox"/>	Other:
<b>Consent:</b>	I understand, that my complaint is received and I have information on the procedures	
<b>Signatures</b>	<b>Complainant:</b>	<b>Company Representative:</b>
<b>Complaint topic:</b> (filled by company representative)	<input type="checkbox"/>	Sexual harassment
	<input type="checkbox"/>	Discrimination
	<input type="checkbox"/>	Other:



## ACTION 7.

### Establish Grievance Procedures

The grievance procedure should be pre-defined and as accessible as possible to responsible units as well as potentially affected persons. The procedures should take into account both the rights of the complainant and the rights of the addressee of the complaint (who is "accused").<sup>23</sup>

#### Complainants should be able to:

- Submit a complaint form detailing the situation
- Use the assistance of a representative at all stages of the process:
  - In case of internal complaint, a trade union representative, workers' representative or other preferred colleague, as well as another proxy/trustee
  - In case of an external complaint, a trustee/proxy selected by the complainant - from the civil sector or legal circles
  - It is desirable that the power of attorney/proxy be introduced in a simplified form of the enterprise and not require notarial procedures in all cases
- Appeal any formal decision

#### The persons concerned (accused) should have the right to:

- Receive a copy of the complaint (accusation) against them
- Respond to allegations and present their position
- Use the assistance of a representative (similar to the rights of the complainant)
- Appeal any formal decision

#### Procedures should also address important issues such as:

- Complaint submission forms
- Deadlines for reviewing the complaint
- Possible ways to resolve the complaint
- Statement of fairness of the procedure (the complaint adjudicator cannot be the addressee (who is "accused") of the complaint and the enterprise ensures an impartial process).
- Further steps (information on internal or external appeals mechanisms)
- Statement on the protection of personal data and personal information

<sup>23</sup> These recommendations are adapted from "Labor Standards in Global Supply Chain, How to Fulfill Their Requirements and Become More Competitive and Sustainable" (hereinafter ILO Sustainability Guide, 2019), ILO, 2019, pp. 92-94

## ACTION 8.

### Assess and improve grievance mechanism

KEY PERFORMANCE INDICATORS	INTERPRETATION
Written policy of processing the complaints is established	Indicates that the enterprise is ready to periodically assess the received complaints, analyze them, and take follow-up steps
A significant number of complaints or grievances are brought to the mechanism in the period after its establishment	Indicates both awareness of the mechanism's existence and confidence in it
Over time number of complaints or grievances through other non-judicial mechanisms, such as civil society and media, have decreased	Indicates both awareness of the mechanism's existence and confidence in it
Over time, the number of grievances of a similar nature decreases	Indicates that staff are learning from past mistakes and adapting practices and/or operating procedures
Audits show a reduction in incidents of non-compliance with applicable standards	Indicates that grievance processes are contributing to the identification and remediation of non-compliance incidents
A reduction in absenteeism and staff turnover and/or an increase in productivity among suppliers'/ contractors' workers	A partial indicator of reduced worker grievances and improved worker satisfaction, most relevant in relation to supply chains and contractors
Standard operating procedures (SOPs) have been reviewed and amended where investigations reveal significant and repeat grievances despite staff following existing SOPs	Indicates that lessons for management systems are being learnt and integrated to reduce the likelihood of the similar grievances recurring



## ACTION 9.

### Consider the relevant issues when establishing grievance mechanism

The enterprise must be open, provide more communication with the affected parties as soon as possible to identify problems and concerns.

Several forms of grievance system should be introduced, including easily accessible and manageable hotlines, online forms and complaint boxes (for the possibility of anonymous grievance).

Complaint procedures should be elaborated in advance - what should be written in the complaint, what stages it will go through (posted directly with information about the complaint - hotline if indicated on the website, with an explanatory note; explanatory note can be printed out and posted near the complaints box; etc.).

## Practice Example:

The **PostNord** whistleblower system allows employees, suppliers, customers and other stakeholders to notify the company of violations.<sup>24</sup> They may include: financial crimes, significant misconduct regarding workplace safety, significant violations of environmental regulations and substantial environmental pollution, severe forms of discrimination and violence, violations of the Code of Conduct.

The **whistleblower system** emphasizes the responsibility of senior officials and employees in other important positions and offers whistleblowers the option of anonymous disclosure. The whistleblower system is posted on a separate, protected website,<sup>25</sup> which allows the customer to apply anonymously, receive a response and communicate with the company.



## What Should You Avoid?

**Neglecting employee training** - establishing corporate sustainability cannot be achieved without building an internal culture. Providing relevant information to employees about new approaches, processes and policies by the enterprise ensures both employee motivation and their participation in the introduction of these approaches. As a result, the enterprise, together with the employees, becomes more responsible. At the same time, numerous studies show that a good employer reputation is a prerequisite for employee retention and productivity growth.

**Ending a grievance once a decision has been made** - a grievance is not just a way to solve a problem, it is also a way of observing problems to prevent similar situations in the future and to learn from it.

**Considering only the company's perspective when deciding on a complaint** - the purpose of reviewing a complaint is not to check compliance with the law or relevant rules by the enterprise, but to solve the problem, therefore, it is necessary to understand the complainant's perspective.

**Neglecting legal remedies** - The grievance mechanism is not a substitute for a legal dispute. Its aim is to resolve the problem quickly to prevent escalation of the conflict and to balance the interests of both parties. When litigation is not strong or time-consuming, it is much more profitable for the enterprise to resolve the issue through a grievance mechanism than to wait for a dispute and incur the costs of producing a dispute.

**Associating the grievance mechanism with the court** - the enterprise should not play the role of a judge in deciding the dispute. The grievance redress mechanism is a form of dialogue and mediation.

<sup>24</sup> Information regarding the whistleblower system is available here:  
<https://www.postnord.com/about-us/whistleblower-system>

<sup>25</sup> Whistleblower webpage can be accessed here:  
<https://postnord.whistleblowernetwork.net/frontpage>



## CHECK IF YOU CORRECTLY TOOK STEP 4

### 1. Situation analysis is required before the introduction of the mechanism:

- 1.1. Familiarize yourself with the mechanisms available in state-owned enterprises and evaluate their usefulness
- 1.2. Evaluate mechanisms from a privately owned enterprise from your industry or similar to your enterprise
- 1.3. Get acquainted with information about complaints, disputes, campaigns on issues relevant to your enterprise
- 1.4. Consider the results of risk assessments
- 1.5. Consider a third-party managing your grievance mechanism and reporting to you (e.g., civil society, consulting firm, etc.)

### 2. In the process of introducing the mechanism:

- 2.1. Establish a structure responsible for reviewing the complaint - depending on the size and resources of the enterprise, it may be one or more people (or use a third party)
- 2.2. Ensure that this structure is supported by personnel directly involved or directly linked to human rights management processes
- 2.3. It is possible to combine existing and similar mechanisms (e.g., additional function for the person(s) reviewing complaints on sexual harassment, environmental protection, local community rights, sexual harassment)
- 2.4. Preferably, the structure should be directly subordinated to the highest governing body (CEO, Board of Directors)
- 2.5. Contact the civil sector, academia, the Public Defender, the Human Rights Secretariat of the Government of Georgia for advice and support
- 2.6. Provide staff training (possibly by joining forces with other enterprises of a similar size or sector)

### 3. Development of regulations and manuals:

- 3.1. The grievance redressal mechanism should operate in a pre-defined procedure, for the efficiency of the process and legal clarity
- 3.2. Develop or use expert assistance (including from the civil sector) to develop textbooks or guidelines for both staff and grievance reviewing staff

### 4. Activate the grievance mechanism:

- 4.1. Communicate actively and allocate visible space on the website or social media about the mechanism, disseminate information materials
- 4.2. Complaints are encouraged through a constructive environment; it is known that the protection of personal data is ensured

## STEP 5

# TRACK AND PERIODICALLY MEASURE YOUR STEPS

In this chapter  
you will find  
answers to:



How do we monitor and evaluate our own actions?

How to understand the introduced practice?

How to track the activities of partners?

How to measure effectively?

How to select indicators?

Why is external evaluation useful?

What should we avoid in the monitoring  
and evaluation process?

Good management of the enterprise's respect for human rights and its response to potential or de facto adverse impacts necessarily implies that the enterprise tracks and measures its actions.

## ACTION 1.

### Track your partners' activities

The enterprise should track not only its own actions, but also the activities of its affiliates. As mentioned above, respect for human rights applies to the entire supply chain and it is possible to prevent liability for rights infringed on by contractors of the enterprise with a proper assessment.

The evaluation of the entities related to the enterprise depends on the resources, activities and relationship characteristics between the enterprise and its partners. These assessments can be large and complex (using an audit, verifying processes by a monitoring team), as well as relatively simple - using self-assessment questionnaires, surveys, or similar methods for partners.

It is important for partners to receive information about expectations on them and possible evaluations so that they can make appropriate changes and provide information.



## ACTION 2.

### Evaluate efficiently

As a rule, enterprises already have mechanisms for evaluating commercial activities, especially those that produce statutory reporting (even if only financial). Using and adapting these mechanisms will greatly simplify the process of evaluating the effectiveness of human rights policy.

If the enterprise has developed a methodology for quality control or environmental impact assessment, it is possible to integrate a human rights impact assessment into these practices as well.

#### HUMAN RIGHTS AUDIT

Human rights auditing is not currently a mandatory mechanism either in Georgia or globally, although a number of companies use this approach to receive an accurate and qualified assessment. Such an audit assesses the enterprise's policies, enforcement, grievance mechanisms, and other governance processes.

Stakeholders should be involved in the evaluation process - asking them to evaluate your steps shows a positive attitude (emphasizing their importance to you), and you receive objective information.

Evaluating with the help of a civil society representative or other partner also ensures a qualified, independent and objective process and strengthens your collaboration with the sector.

Reporting Manuals or Guiding Principles are often a pretty good starting point for making a good assessment - for example, using GRI indicators,<sup>26</sup> Global Compact Reporting Manuals,<sup>27</sup> etc.;

There are a number of self-assessment tools to help businesses take the first steps, for example, a thematic questionnaire prepared by the UN Global Compact:

<https://globalcompactselfassessment.org/humanrights><sup>28</sup>



<sup>26</sup> [globalreporting.org](https://globalreporting.org)

\*

<sup>27</sup> Different members of the Global Compact submit various types of reports. The website lists information on their preparation, containing interesting guidelines for the evaluation process as well: <https://www.unglobalcompact.org/participation/report/cop/create-and-submit>

<sup>28</sup> Additional interesting mechanisms are given on the portal <https://business-humanrights.be/>, which provides orientation information for enterprises operating in Belgium or enterprises interested in Belgium, however, the self-assessment questionnaires given here are useful for general use as well. For example, a questionnaire to test the human rights knowledge of the representatives of the enterprise: <https://business-humanrights.be/selfscan>

## ACTION 3.

### Track and measure your own actions

- Identify a person or a unit (possibly the one responsible for implementing human rights policy) that will gather information and introduce methods for evaluating specific activities or events in the enterprise processes
- Keep track of complaints and periodic evaluations
- Use measurable data by processing the most detailed information (for example, process information by gender, age or other indicators relevant to the enterprise)
- Establish quality assessment methods - periodic interviews with staff, use short meeting assessment questionnaires during consultation with stakeholders, etc.
- Conduct periodic surveys - both among employees and with other parties in terms of resources (for example, periodically ask users to complete short questionnaires, etc.)
- The enterprise should have pre-defined indicators for evaluating various activities, procedures, mechanisms, which will be specific, measurable, achievable, realistic and time-bound (SMART indicators)
- The evaluation methodology should be based on both quantitative issues (number of complaints, gender distribution of employees; employee injury rates, etc.) as well as qualitative issues (effectiveness of complaints, gender distribution of employees at different levels and comparison of average pay between women and men, causes of injury, and enterprise response adequacy, etc.)
- Produce data that will enable other parties to evaluate your performance - be it the Audit Office, the civil society or your partners (investors, international donors, etc.)
- Ensure external engagement in the evaluation process, which contributes to the objectivity of the process
- It may be helpful to assist a hired consulting firm or partner organization in the monitoring and evaluation process

#### UNDERSTANDING PRACTICE

Examples of employee condition assessment indicators:

##### Process indicators:

- share of trained staff on the code of conduct (which includes issues of respect for human rights)
- rate of use of the grievance mechanism by the employees (percentage of employees)
- number of human rights impact assessments (periodic, by project, etc.)
- number of meetings with trade unions

### Incident indicator

- The number and breakdown of complaints; official findings and observations on policy violations (e.g., employees' right to privacy, overtime, etc.)
- The proportion of employees who believe they are victims of harassment or discrimination - the results of employee surveys or information received from a trade union

Adapted from Shift, 2016, p. 80



## ACTION 4.

### Choose indicators correctly

Enterprise performance evaluation requires pre-defined measuring instruments, i.e. indicators. When taking the first steps, the enterprise, especially small or medium-sized ones, may use quite generalized approaches. Gradually, however, the indicators need to be refined and made more specific. Depending on what decisions the enterprise has made at the defining and implementation stage, it can already set specific tasks. The involvement of external parties, civil society or other experts in this process can simplify the evaluation process of the enterprise and integrate indicators into it.

### Practice Example:

Enterprises often use evaluation indicators that substantially facilitate further analysis of their steps. Finnish state-owned enterprise (46.5% owned by Finland) **NESTE**, one of the major players in the energy sector, uses specific objectives and key performance indicators (KPIs) to monitor its own sustainability, enabling it to measure the objectives it sets out to achieve in a given period effectively and accurately.<sup>29</sup>

Sustainability theme	Material topic	Targets	Achievements in 2019
<b>Climate</b> 	Low-carbon solutions	GHG emissions reduction achieved with Neste's renewable fuels compared to crude oil based diesel, million tons. 1) Target to achieve 14 Mt GHG emissions reduction by 2023 and 20 Mt GHG emissions reduction by 2030.	GHG emissions reduction: 9.6 Mt (7.9 Mt). We introduced an updated emission reduction target for 2030.
		To further develop our solutions portfolio for more sustainable transport, aviation, and chemical sectors.	Share of Renewable Products business area revenue from Group revenue (Clean Revenue) 25.5% (21.7%).
<b>Circular Economy</b> 	Low-carbon solutions	Maximizing the share of waste and residue raw materials in our raw material mix provides the highest possible reduction in greenhouse gas emissions when compared to products derived from crude oil.	Waste and residues accounted for 80% of the total raw material usage to produce renewable products.
		Process more than 1 Mt of liquefied waste plastics by 2030 to reduce crude oil	In 2019 we made progress towards our aim to introduce liquefied waste plas-

<sup>29</sup> See NESTE's sustainability Reports here: <https://www.neste.com/sustainability/performance#66b1367a>

## ACTION 5.

### Use evaluations from external parties

The activities of multiple enterprises are the subject of interest of various external stakeholders - state audit, academic sector, civil society organizations, etc. The activities of specific enterprise are often evaluated both in relation to a specific issue and in general. Such external evaluations must be taken into account by the enterprise and reflected in their own evaluations. The enterprise may have questions about the objectivity of such appraisals, although this does not mean that third party appraisals can be neglected.

In addition, external evaluations allow enterprises to verify the results they have received from their own assessments. It is therefore beneficial for enterprises to try to obtain external evaluations themselves – through large consulting services, for instance, although enterprises with relatively less resources are also given the opportunity to receive external evaluation through multilateral initiatives.

#### Practice Example:

By submitting an annual report to the members of the **Global Compact Georgia Network**, the enterprise can receive feedback in the form of the opinions and additional evaluations of other business entities, civil society and experts. Similar tools for obtaining sectoral and thematic assessments include associations, partnerships and unions.



#### What Should You Avoid?

**Producing only countable data** - essential and important data should be produced, not just countable (or quantitative) data. If it is difficult to make an evaluation of important issues, it is necessary to introduce an effectiveness evaluation. For example, increasing the number of trained staff is not enough, however, it will be difficult to check the effectiveness of the training if the knowledge assessment scheme was not used from the beginning (for example, asking the same questions before and after training and checking whether the training increased knowledge).

**Focusing only on the results of the audit** - audits are an important tool, although their limitations should be considered. Equally important for the development of the enterprise and its policies are stakeholder engagement, institutional empowerment processes, and civil sector evaluation, which are used for your own evaluation of the process.



## CHECK IF YOU CORRECTLY TOOK STEP 5

- 1. Targets and indicators for their achievement are predetermined
- 2. The internal and external parties of the enterprise are aware of the evaluation:
  - 2.1. Existing expectations are defined
  - 2.2. The evaluation period and methodology are defined
  - 2.3. The evaluation process is understood by all parties
- 3. The engagement of external parties is taken into account in the evaluation
- 4. The decision makers of the enterprise have elaborated the future steps (what will they use the evaluation for)



In this chapter  
you will find  
answers to:



What should the reporting look like?

What should we consider when preparing the report?

Why is a Sustainable Development Agenda important in reporting?

Why is communication necessary?

What is the difference between communication and reporting?

Is it enough just to communicate the report?

How to choose a method of communication?

What should we avoid in the communication process?

## ACTION 1.

### Choose your reporting format

The closing of the human rights respect cycle is possible through reporting, which will inform the public about the steps already taken, the policies developed, the approaches implemented and other processes. This information is the main source for both owners and stakeholders about an enterprise's activities in this regard.

The reporting of an enterprise on human rights can be done either by allocating a special section in the general (for example, annual) report, as well as in the form of a stand-alone report. The choice depends on the capacities of the enterprise as well as the audience and the main purpose of reporting. Maybe the enterprise has particular risks when it comes to certain rights or previous practice has shown the existence of severe adverse impacts and now you need to clearly show the steps you have taken to convince all parties that you are treating your impacts responsibly. In such a case, a stand-alone report is much better at achieving your goal.

Most state-owned enterprises report in accordance with the accounting legislation and an integral part of it is non-financial reporting, which covers exactly the issues that are required for this step. If the enterprise does not need a stand-alone report or does not have the resources to do so, a separate section in the integrated annual report on human rights will suffice.



## ACTION 2.

### Consider following issues when preparing a report

When an enterprise prepares a report for the first time, it can focus on the decision to implement respect for human rights, the path taken and the main goals. The reports of more developed and experienced enterprises should talk about specific results, achievements, performance indicators or reasons for non-performance and changes.

Numerous platforms assist enterprises in preparing such reports, there are additional guidelines, guidebooks, practical tips, forms and indicators.

If you have been able to engage stakeholders in the preparation of the report (for example, local community, staff, etc.) and their voices are heard in your report (quotes provided, meetings with them summarized, their assessments reviewed), this will especially enhance your communication with stakeholder groups.

Many countries require their SOEs to report against specific international standards, such as the Global Reporting Initiative: <https://www.globalreporting.org/>, which provides a specific methodology for preparing a comprehensive and coherent report.

If you are involved in international initiatives, such as the UN Global Compact, you should periodically (for example, annually) report to them in an appropriate reporting format and provide information on relevant questions/issues. Such experience facilitates the introduction of a reporting culture and may also facilitate compliance with obligations under the accounting legislation.

Independent verification or verification by a third party will give the document more authority (of-ten a civil society organization or a group of experts are asked to prepare a similar report or communication document that will be simpler, easier to understand and more effective).<sup>30</sup>

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### Global Compact Reporting

The UN Global Compact has its own reporting methods and approaches that are mandatory for its participating enterprises each year. The type of Communication on Progress (a form of reporting at UNGC) depends on the size of the enterprise and its capabilities.

The Global Compact Network Georgia often organizes information meetings and assists its member enterprises in the reporting process.



<sup>30</sup> The UN Global Compact website provides interesting information and guidance on annual reporting forms, information re-quired, methodology and other approaches: <https://www.unglobalcompact.org/participation/report/cop/create-and-submit>

## Practice Example:

Companies often publish information on human rights and accountability as part of an integrated annual report. The annual report of 2019 of the Finnish state-owned enterprise **VR** contains parts of financial and non-financial statements.<sup>31</sup> One of the most important parts of non-financial reporting is information on corporate responsibility, which, based on **Key Performance Indicators**, provides information on issues pertaining to human rights, such as safety, employee attitudes, environmental protection, and corporate social responsibility. Reporting considers human rights as one of the indicators under corporate social responsibility.

### Corporate social responsibility

For VR Group, the key objective of corporate social responsibility is to increase the volume and share of environmentally friendly rail traffic. It supports sustainable development goals in customer operations and in society at large. In addition, VR Group strives to be as responsible as possible in its own operations and throughout the supply chain. VR Group also wants to promote Finland's well-being as a major tax and dividend payer.

#### Corporate social responsibility KPIs

The indicators related to corporate social responsibility are included in the indicators of other areas of responsibility and in the financial indicators. The goal of increasing the volume of electronic public transport and environmentally friendly rail traffic is measured by the development of number of journeys and tonnes transported. A significant tax footprint and dividend for the Finnish state is made possible by growing, more efficient and profitable business operations.

#### Human rights and anti-corruption activities

VR Group adheres to its Code of Conduct that includes anti-corruption guidelines. The Code of Conduct is available on the Group's website and to the personnel on the intranet. Each employee in the Group must complete the training on the Code of Conduct and all new employees are instructed to complete the training when they start working in the Group. VR Group also has separate anti-corruption guidelines and related training for key personnel. VR Group encourages its personnel to report all suspected irregularities and violations of the Code of Conduct. In early 2019, the company opened an anonymous whistleblowing service to report suspected irregularities. Notifications received through this channel during 2019 have been properly processed. No significant corruption-related risks were identified or realised in 2019.

### Supply chains

VR Group purchases services and products mainly for own use to support the provision of different services. The Group's purchases in 2019 amounted to slightly over EUR 600 million. The largest purchases and procurement volumes targeted on different rolling stock investments, transport subcontracts, composition maintenance and IT-systems.

VR Group's annual purchases are made with roughly 4,000 different suppliers, the majority of them located in Finland and other EU Member States. Despite the high total number of suppliers, procurement is extensively centralised to a relatively small group of suppliers. The 30 largest suppliers account for more than half of all purchases.

VR Group takes respect for human rights seriously also in supply chain management and procurement. By seeking an invitation to take part in a competitive tendering process, by submitting a tender in response to an invitation to tender or by entering into a contractual relationship, a company also commits itself to complying with VR Group's Code of Conduct for Partners. The guidelines apply to working conditions, environmental protection and anti-corruption activities and other similar standards. The suppliers also pledge that their supply chains comply with VR Group's ethical guidelines.

Procurement is also guided by the procurement guidelines, guidelines for implementing projects and for managing suppliers and the procurement strategy. In procurement, the aim is to apply environmental criteria in the selection of products and suppliers in competitive tendering.

#### Tax footprint

Companies belonging to VR Group pay their taxes and other statutory charges in accordance with the provisions in their home countries. In addition to Finland, VR Group comprised companies registered also in Russia and Estonia in 2019. Finnish companies accounted for 94.6 per cent of the Group's consolidated net sales. Taxes were paid almost entirely to Finland.

No significant taxation-related risks were identified or realised in risk surveys in 2019.

<sup>31</sup> VR Group annual report of 2019 is available here:

[https://vrgroup.studio.crasman.fi/file/dli/B2bhcA/WbXFFZhsID\\_9NjlxXcfFaQ/VR\\_Group\\_Annual\\_Report\\_2019.pdf](https://vrgroup.studio.crasman.fi/file/dli/B2bhcA/WbXFFZhsID_9NjlxXcfFaQ/VR_Group_Annual_Report_2019.pdf)

**Neste** is one of the largest suppliers of renewable energy and technology in the world. Its annual **Sustainable Development Report** includes, among other issues, information on human rights.<sup>32</sup> In its 2019 report, **Neste** points to a variety of measures taken for human rights risk assessment, policy refinement and implementation in 2017-2019.



In addition to integrated reporting, companies sometimes choose the practice of publishing annual human rights information as a stand-alone report or document. The Dutch bank **ABN AMRO Bank**, together with the integrated annual report issues an **annual human rights update**,<sup>33</sup> that covers both specific human rights issues (e.g., human rights issues in the field) as well as up-to-date information on the company's human rights structure (e.g., grievance mechanism and information on the protection of human rights defenders).



<sup>32</sup> Neste annual report of 2019 is available here: <https://www.neste.com/for-media/material/annual-reports>

<sup>33</sup> ABN AMRO Bank Human Rights Update 2019 is available here: <https://www.abnamro.com/app#/en/about-abn-amro/product/download-centre>

## ACTION 3.

# Take the Sustainable Development Agenda into consideration when reporting

In the reporting process, more and more companies are using the UN Sustainable Development Agenda as it is a key guide to global development.

The United Nations Sustainable Development Goals (SDGs) are a major driver of global processes today, and state participation alone is not enough to achieve them. Today, thousands of companies are involved in achieving the SDGs, which helps them to implement structured approaches.

Georgia has set nationalized (according to the national situation) objectives for all 17 Goals: <https://sdg.gov.ge/main>, which will help enterprises set their own objectives in such a way as to make an appropriate contribution to the sustainable development of the country. As a result, developing a reporting process in line with the Sustainable Development Goals will help prepare a structured report for the enterprise and better demonstrate the steps taken.



## Practice Example:

Many enterprises set their own action plans according to the Sustainable Development Goals and the reporting is done against these Goals. For example, Japanese state-owned enterprise **Japan Post** prepares a stand-alone **annual report on sustainability**,<sup>34</sup> which provides results achieved in accordance with the SDGs, discusses planned target indicators, provides stakeholder engagement information and external evaluation results.

### Development of local communities

■ Number/percentage of agreements regarding cooperation with local communities (As of June 2020)

Prefectures<sup>\*1</sup> **33 / 70%**

Municipalities<sup>\*2</sup> **1,694 / 97%**

\*1 Comprehensive partnership agreements concluded by Japan Post in the post-privatization period

\*2 Agreements in which employees can report any unusual activities/damages at work ("community-watch activities", "providing information about road damage", "providing information about illegal dumping")



■ Number of regional revitalization funds that we participated

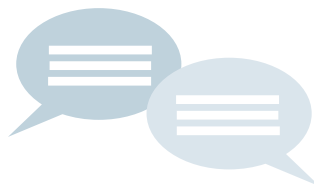
**28** funds



### Development of the next generation

■ Number of elementary and junior high schools visits/number of financial literacy classes held at elementary and junior high schools (FY2019)

**67** schools / **91** classes



\*<sup>34</sup> A stand-alone report from Japan Post 2020 is available here: [https://www.japanpost.jp/en/csr/report/pdf/2020\\_en.pdf](https://www.japanpost.jp/en/csr/report/pdf/2020_en.pdf)

## ACTION 4.

### Communicate

Reporting and communication allow an enterprise to demonstrate what it is doing for the respect of human rights by demonstrating concrete steps to the public.

Often, stakeholders can ask a number of questions about the enterprise; these questions will be answered in a timely manner through active communication, and an enterprise report will help prepare the answers.

Reporting and communication also ensures the production of an active public relations policy and enhances the reputation of the enterprise.

**State-owned enterprises are a model for the business sector. Producing a report on progress and active communication allows for a good way of setting an ex-ample.**

Reporting also allows the enterprise to attract investments, especially from the EU and OECD countries, for which corporate sustainability and business conduct based on respect for human rights are a priority and often mandatory.



**Communication must be with both internal structures and external stakeholders.**

Management should ensure that employees are properly informed, so that, on the one hand, employees have information about their rights and the mechanisms available to them; while on the other hand, they also have enough information about the degree of responsibility of the enterprise, which will increase their motivation, loyalty to the employer and productivity.

Internal communication also ensures timely detection and response to shortcomings within the enterprise. An open discussion on employee problems and strengthening the institution of whistleblowers are some of the most effective means for combating unethical activities by the enterprise or its employees, especially for fighting against the corruption.

External communication on human rights activities should be provided by the enterprise primarily to stakeholders – shareholding/stockholding entities (as well as other shareholders/stockholders if the state's share is not 100%), investors, business partners, groups of affected parties (for example, local community, consumers, etc.), other types of partners (donors, civil society, industry experts, and others).

## ACTION 5.

### **Differentiate communication and reporting**

Reporting is a part of the formal process; it can be a document prepared under the report or prepared separately for an international investor or partner in accordance with the accounting law.

Clearly, it is a good practice to prepare a stand-alone report for internal and external stakeholders, although not all enterprises may have the resources to do so, and it is difficult to fully communicate the report in a formal, legislative or other regulatory framework.

It is in this part that the two approaches need to be separated - when the information in the report needs to be delivered to specific stakeholders or the public. The communication process is relatively informal and allows the enterprise to provide information to involved parties in a more perceptible and easy way.

**Should we communicate only the report?** The simple answer is "NO". Communication should accompany the whole process of introducing respect for human rights. The enterprise should try to inform the public about its progress at all stages, which will especially help it to create a positive attitude and build trust.

At the same time, each step can be communicated to a different audience, which will also help to develop and refine the process by receiving additional evaluations, comments and feedback.

## ACTION 6.

### **Correctly choose the communication method**

The method of communication depends on the interests of the enterprise as well as its impacts. If the enterprise has an impact on a large group of the public, it should use broader methods of report communication - media, social media and the web. In the case of a relatively small stakeholder group, a more formal, albeit small-scale, activity can be organized, such as a public meeting.

Depending on the extent of the impact - if you have a large impact on the local community or frequent complaints from its members, communicating with them about your business will help bring your interests closer, build trust and reduce the risk of conflict.

In the context of step-by-step communication, it is more appropriate to engage in informal communication, such as informing the public about the implementation of human rights policy through social media or other communication channels (this could be done by posting an infographic on a social media page, which also draws attention).





## What Should You Avoid?

**Disseminating personal data** - the report should not require reference to specific, identifiable people. Accordingly, the enterprise should ensure maximum protection of personal data and use initials or specially invented names when talking about a specific situation

**Ignoring proper forms of communication** - use the means of communication that provide information to your relevant groups. For example, for a region with a low Internet uptake rate, a report posted on a website would not be a good means of communication and it would be much more effective to distribute a simple, short version at an informal meeting with the community.

**Ignoring communication on progress beyond the report** - also, after the publication of the report, the mechanisms for delivering short news are quite effective for periodic communication, such as social media, websites and newsletters. Additionally, it is quite difficult to provide complete information given in a report in the way it is portrayed there, so some information will need to be separately disseminated, this will also result in more frequent communication and the ability to regularly maintain the communication on progress.

**Communicating information that is only in the interests of the company** - think about what interests the stakeholders. A formal report may contain information that is relevant to the enterprise and required by law, but you should provide information of interest to them when communicating with the parties.





## CHECK IF YOU CORRECTLY TOOK STEP <sup>35</sup>

- Governance** - Does the report explain the management structure of the enterprise to conduct human rights risk management?
- Specific Processes** - Does the report contain only statements of respect for human rights, or does it also reflect the obligations and specific processes that ensure the enforcement of respect for human rights?
- Specific Impacts** - Does the report address specific impacts that the enterprise had during the reporting period and were linked to its operations?
- Clear Examples** – Does the report provide clear, relevant examples of what impact the enterprise policies and processes had on practices and results achieved during the reporting period?
- Stakeholder Visions** – Is information provided on how the enterprise ensures an understanding of the vision of stakeholders, who may have been adversely impacted?
- Challenges** – Does it discuss complex or systemic human rights challenges and information on how the enterprise copes with them?
- Units of measurement** - Does the report reflect data, indicators, and other units of measurement that confirm the statements reported?
- Future Vision** - Is there any information on a respect for human rights action plan?
- Strategic Initiatives** - To what extent does the report reflect guidance on initiatives (projects, external evaluations, plans for involvement in international initiatives)?
- Impacts of Initiatives** - Is it clear how these initiatives will help the enterprise manage human rights risks?
- Improving the Disclosure of Information** - If this is not the first year of reporting, is there any information on improvements in reporting and communication practices?



<sup>35</sup> The human rights report (including the non-financial statements to be submitted by the entities of public interest) should be prepared according to these criteria. Adapted from, Shift, 2016, p. 78.



## ANNEX 1.

### International Instruments

**UN Guiding Principles – UNGPs on Business and Human Rights, Office of the United Nations High Commissioner for Human Rights 2011:**

[http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)



Take a photo of the code to see the UNHCR website on business and human rights

**An Interpretive Guide on UNGPs Office of the United Nations High Commissioner for Human Rights, 2011:**

<http://www.ohchr.org/Documents/Issues/Business/RtRInterpretativeGuide.pdf>

**Frequently Asked Questions on the UNGPs, Office of the United Nations High Commissioner for Human Rights, 2011:**

[https://www.ohchr.org/Documents/Publications/FAQ\\_PrinciplesBusinessHR.pdf](https://www.ohchr.org/Documents/Publications/FAQ_PrinciplesBusinessHR.pdf)

**Global Compact Network Georgia – Ten Principles of UN Global Compact:**

<http://globalcompact.ge/en/10-principle/>



Take a photo of the code to visit the UN Global Compact Network Georgia website

**UN Global Compact Principles definitions:**

<https://www.unglobalcompact.org/what-is-gc/mission/principles>

**International Bill of Human Rights: (UDHR and relevant Conventions), UN:**

<http://www2.ohchr.org/english/law>

- Universal Declaration of Human Rights (1948):  
<https://www.ohchr.org/EN/UDHR/Pages/UDHRIndex.aspx>
- International Covenant on Civil and Political Rights (1966):  
<https://www.ohchr.org/EN/ProfessionalInterest/Pages/CCPR.aspx>
- International Covenant on Economic, Social and Cultural Rights (1966):  
<https://www.ohchr.org/EN/ProfessionalInterest/Pages/CESCR.aspx>

### International Labor Organization in Georgia:

[https://www.ilo.org/gateway/faces/home/ctryHome?locale=EN&countryCode=GEO&\\_adf.ctrl-state=118d3uof04\\_9](https://www.ilo.org/gateway/faces/home/ctryHome?locale=EN&countryCode=GEO&_adf.ctrl-state=118d3uof04_9)

### ILO Declaration on Fundamental Principles and Rights at Work:

<http://www.ilo.org/declaration/thedeclaration/textdeclaration/lang--en/index.htm>

### ILO Helpdesk for Business and International Labor Standards:

<https://www.ilo.org/empent/areas/business-helpdesk/about-us/lang--en/index.htm>

### The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, 2011:

<http://mneguidelines.oecd.org/guidelines/>

### The Organisation for Economic Co-operation and Development (OECD) Guidelines on Corporate Governance of State-Owned Enterprises, 2015:

<http://www.oecd.org/corporate/guidelines-corporate-governance-SOEs.htm>

## Standards of International Financial Institutions:



**European Bank**  
for Reconstruction and Development

**European Bank for Reconstruction and Development  
EBRD Environmental and Social Policy.**

<https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html>

Policy guidance documents (including risk management, compliance requirements, grievance guide-books, etc.) are provided in the Guidance Documents section:

<https://www.ebrd.com/who-we-are/our-values/environmental-emanual-information.html>



**ASIAN DEVELOPMENT BANK**

**Asian Development Bank  
ADB Safeguard Policy.**

<https://www.adb.org/who-we-are/safeguards/main>

Environmental, housing, indigenous rights standards and relevant guidelines are also available here.



**THE WORLD BANK**  
IBRD • IDA

**World Bank  
Environmental and Social Standards (ESS) for Borrowers:**

<https://www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-standards>

## ANNEX 2.

### Useful Tools

The steps and actions outlined in the guide have been prepared in accordance with international best practice and will help enterprises implement a holistic approach. In addition to each issue it is possible to use a number of tools and manuals. Below are some supporting materials for more in-depth analysis and work. This is not an exhaustive list, but for companies interested in introducing a strong human rights system, it may be helpful:

#### STEP 1

#### COMMIT TO HUMAN RIGHTS

- UNGP Reporting Framework, adopted by Shift. Online self-assessment framework. A1. Policy Commitment and relevant assessment tool: <https://www.ungpreporting.org/reporting-framework/governance-of-respect-for-human-rights/policy-commitment/>
- UN Global Compact. Business application on committing to the UN Global Compact Principles and joining the Network: <https://www.unglobalcompact.org/participation/join/application/business>

#### STEP 2

#### ASSESS YOUR ACTIVITIES

- National Human Rights Commission of Korea, Human Rights Management Manual for State Owned Enterprises (especially pp. 37-58), 2018: <https://www.humanrights.go.kr/site/program/board/basicboard/view?menuid=002003003002&pagesize=10&boardtypeid=7019&boardid=7603529>
- Federal Institute of Sustainable Development (FIDO/IFDD). Self-assessment tool for enterprises (last updated in 2018): <https://business-humanrights.be/tool/10/what>
- UNGP Reporting Framework, adopted by Shift. Online self-assessment framework. C3. Human Rights Impact Assessment: <https://www.ungpreporting.org/reporting-framework/management-of-salient-human-rights-issues/assessing-impacts/>

### STEP 3

#### DEFINE PRIORITIES AND SET GOALS

- UN Global Compact. A Guide for Business, How to Develop a Human Rights Policy (2011): [https://www.ohchr.org/Documents/Publications/DevelopHumanRightsPolicy\\_en.pdf](https://www.ohchr.org/Documents/Publications/DevelopHumanRightsPolicy_en.pdf)
- UNGP Reporting Framework, adopted by Shift. Online self-assessment framework. C1. Setting specific policies: <https://www.ungpreporting.org/reporting-framework/management-of-salient-human-rights-issues/special-policies/>
- ISO 26000: Social Responsibility, International Standardization Organization: <https://www.iso.org/iso-26000-social-responsibility.html>

### STEP 4

#### IMPLEMENT THE GOALS

- Federal Institute of Sustainable Development (FIDO/IFDD), Business and Human Rights online tool. Operational-level Grievance Mechanism (last update in 2018): <https://business-humanrights.be/tool/9/what>
- UNGP Reporting Framework, adopted by Shift. Online self-assessment framework. A2. Embedding Respect for Human Rights: <https://www.ungpreporting.org/reporting-framework/governance-of-respect-for-human-rights/embedding-respect-for-human-rights/>
- C6. Remediation mechanism: <https://www.ungpreporting.org/reporting-framework/management-of-salient-human-rights-issues/remediation/>

### STEP 5

#### TRACK AND PERIODICALLY MEASURE YOUR STEPS

- UNGP Reporting Framework, adopted by Shift. Online self-assessment framework. C5. Tracking performance: <https://www.ungpreporting.org/reporting-framework/management-of-salient-human-rights-issues/tracking-performance-remediation/>
- Shift, Global Compact Netherlands, "Doing Business with Respect for Human Rights: A Guidance Tool for Companies". Chapter 3.5. Tracking performance (2016): <https://www.businessrespecthumanrights.org/en/page/346/tracking-performance>

### STEP 6

#### COMMUNICATE WITH STAKEHOLDERS

- Global Reporting Initiative (GRI): <https://www.globalreporting.org/>
- UN Global Compact Reporting: <https://www.unglobalcompact.org/participation/report>
- Carbon Disclosure Project (CDP): <https://www.cdp.net/en>



BUSINESS and HUMAN RIGHTS

