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Agathe Derain – Human rights and business: Could performance measurement be premature?

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The common pitfall of rushing towards KPIs

Since the adoption of the United Nations Guiding Principles on Business and Human Rights (UNGPs) in 2011, and their recognition in an increasing number of international or regional standards on sustainability reporting, companies have been expected to know and show that they respect human rights. This new form of accountability leads them to design Key Performance Indicators (KPIs), the Holy Grail of business management, to measure, monitor, and communicate the results of their human rights approach.

Defining statistically reliable metrics on such a qualitative, contextual topic, however, proves to be a difficult exercise.

[A study conducted by Deloitte](#) in February 2015 showed that 85% of large European corporations use the human rights indicators provided by international frameworks such as the Global Reporting Initiative (GRI). However, very few disclose in-house KPIs that indicate the efficiency of their actions – or do so only on a specific issue or area, neglecting reporting requirements on global, aggregated performance.

Besides the inherent complexity of making data analytics work on human rights, companies may also be looking to design KPIs too soon. Business is still only beginning to address the issue, launching pilot programs and refining them through trial and error. If actions are not yet structured enough to be repeatable, let alone managed and made routine, can quantifying human rights performance realistically be the next logical step?

Setting up ongoing management systems: the rising expectation for human rights due diligence

Improving process quality or strengthening organizational maturity in addressing human rights challenges are key provisions of human rights due diligence (HRDD), a cornerstone of the UNGPs, and a growing requirement of an increasing number of investors and regulators (c.f. the [European Directive](#) on the disclosure of non-financial and diversity information to be enforced beginning in 2017).

This represents an important shift in the regulation of human rights reporting, even in countries where it already falls under national legislation. In France, for instance, listed companies are required by law to report on 42 specific Corporate Social Responsibility (CSR) issues, including human rights, in their annual report – but the nature of the disclosed information is left to the company's discretion.

Increasingly, stakeholders will be scrutinizing whether or not the company has set up systems to continuously identify, address, monitor and report on human rights risks at every stage of its value chain, strengthening the organization's built-in adaptive capacity to respond to local or unforeseen circumstances.

Human rights is also a change issue: taking time to focus on behaviors

Just as important as setting up robust due diligence processes – and often overlooked – is fostering an environment conducive to learning inside the company. Human rights is still a relatively new, counter-intuitive topic for most managers or process owners, and the number one challenge for global organizations is to empower them to assess the risks posed to human rights in their own functional or operational fields. In that regard, human rights is a crucial change management issue.

This implies that employees should be granted the necessary gestation period to adopt and integrate new behaviors and practices before being held accountable for human rights. Middle management should be guided through a clear outline of requirements – their feedback should also be leveraged to accurately design and inform new processes, and to challenge and recalibrate solutions.

Deloitte has been working with the pharmaceutical company Sanofi on human rights for the past four years, more recently on the definition of their 2015-2017 human rights strategy. Having engaged in an ambitious, 10-year approach to integrating human rights both at local and corporate levels, and facing a thriving and dynamic normative environment with an increasing number of standards, the Group was looking to take a step back before choosing its entry points and moving forward.

Sanofi's human rights due diligence approach was first assessed against the criteria of the UNGPs. Using Deloitte's proprietary framework, the *Human Rights Maturity Model*, each key step of HRDD, from policy commitment to remediation, was then broken down into a set of descriptive, mutually exclusive goals adapted to Sanofi's business context. Structured along different maturity levels, the identified goals were fed into a roadmap to support management in progressively implementing robust human rights due diligence. The approach's central objective was to secure the learning and experience curves which are instrumental in lastingly shaping operational-level conduct towards human rights integration.

Reporting on continuous improvement – even when progress seems slow

The road to creating a self-sustaining human rights culture is long, yet business needs to meet the actual, recurring demands of external stakeholders for objective, updated data.

Deloitte's experience working with companies on CSR reporting has shown that some of them would sometimes rather wait for their human rights approach to yield results before communicating on it. This reserve is understandable – if only because they fear engaging in “social washing”.

External stakeholders, however, are more knowledgeable than one would think about the complexity of mitigating human rights risks for businesses. Though ultimately expecting results, in the short-term they tend to hold companies accountable for at least engaging in the process, and committing themselves to an obligation of means.

In that context, communicating on incremental efforts to build capacity for human rights due diligence has proven to be an effective and opposable external communication strategy. Transparency regarding difficulties or roadblocks encountered along the way is also recommended, as it can provide opportunities to engage in a constructive dialogue with third parties to identify possible solutions.

A precise and factual narrative, backed with robust deployment indicators, is a safe bet to help a company demonstrate that while still lacking an existing battery of human rights KPIs, it is nevertheless taking concrete action to progressively put its commitments into practice.

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