UN FORUM SERIES – Human rights reporting: 2016 could be a pivotal year

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The implementation of the United Nations Guiding Principles on Business and Human Rights (UNGPs) is, most certainly, a journey which will take some time for companies. There are a number of significant challenges, ranging from the growing understanding of what appropriate due diligence should look like, building companies’ understanding of the need to collaborate with a range of stakeholders, through to the development of really effective and appropriate grievance and remedial mechanisms.

While there are some companies that are taking the lead, there are many who are just starting to come to grips with these issues – and some who are not even starting to work on human rights at all.

One of the most significant challenges, which may see a substantial amount of change in the coming year, relates to the promotion of increased transparency on human rights performance and challenges. One way in which transparency may be improved is through the adoption of effective reporting frameworks. What’s more, there is a strong argument that reporting requirements can stimulate action.

When we talk about reporting, it is important to understand that there never should be, nor could be, a single approach. Different audiences will expect different things. So, investors and those who seek to benchmark company performance may have a different view about what they expect to see in a report from other company stakeholders, either internal or external, who are focused either on a particular business, a particular geography, or a particular industry.

Human rights reporting on a broader company basis

There are a number of frameworks that look to promote company reporting at a corporate level, ranging from the UNGPs reporting framework, through emerging frameworks aimed at investors, through to specific legislation-driven reporting on defined issues – the UK’s Modern Slavery Act (MSA) being the most recent and visible.

In many ways this is where the ‘action’ is at, but there are a number of tensions that emerge between different expectations. While the investor frameworks – for example Corporate Human Rights Benchmark – seek to benchmark activities and performance across companies to allow for comparison, to drive a virtuous circle of improved performance, the UNGPs and MSA type reporting encourage focussed reporting and some degree of selection of key or salient issues.

Merits starting narrow, but moving broad

Given the challenges that many businesses will find in carrying out meaningful reporting at the outset, there is a strong argument to start with a more focussed approach and build from there, rather than trying to produce an all encompassing report at the outset that covers nothing in any detail or reveals little of relevance to external stakeholders.

One good place to start for many will be the new UK legislation on reporting on Modern Slavery.

The rules – which start to apply with businesses whose financial year end falls on or after 31 March 2016 – apply to a significant range of private-sector actors, whether or not they are headquartered in the UK. This is as a result of the very broad definition of what falls within the scope of the legislation; namely, any company that does some business in the UK and has a global turnover of more than the £36 million.

The requirement is to report on actions taken – aligned with the UNGPs – to identify and respond to modern slavery within a broadly defined ‘supply chain’ of goods and services and direct operations. Full details are here in the new UK Government guidance. The scope and scale of the report is completely open, but recommended headings for reporting include:

- the organisation’s structure, its business and its supply chains
- policies in relation to slavery and human trafficking
- due diligence processes in relation to slavery and human trafficking in its business and supply chains
- the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk

- effectiveness in ensuring that slavery and human trafficking is not taking place, measured against such performance indicators as it considers appropriate
- the training and capacity building on slavery and human trafficking

**MSA+ reporting a good entry point**

The MSA requirements are a good opportunity for many companies to dip their toe in the human rights reporting water, but they only really start to make sense if they are seen in the broader labour and human rights context, rather than a sole focus on forced labour and trafficking issues – as important as these are. With this in mind, we are anticipating a number of companies starting their human rights journey by producing an ‘MSA+ Report’ for 2016.

Such reporting can be done in a way that covers all of the bases of the MSA, in terms of the specific Modern Slavery issues, but also matches up against selected elements of the Corporate Human Rights Benchmarking project, the UNGPs reporting framework and others. The key here is that affected companies **legally must** do something in relation to the MSA at some point in 2016 (dependent on the financial reporting year), so an otherwise missing driver to promote transparency on human rights issues is in place.

Inevitably, human rights reports will look different depending on the company, its sector, its approach, but the positive thing will be that we are now certain to start seeing some actual reports. Hopefully, this in turn will prompt real debate and discussion and, hopefully, stimulate internal and external engagement on the extent to which progress is being made on the implementation of the UNGPs.

While there may be some companies who are doing little, there are many who doing good and interesting work which simply does not get disclosed publicly. This is a shame. Better transparency and reporting will both encourage the lagards, but also bring out good practice examples for broader use. Further, honest reporting will hopefully start to identify those areas where only collaboration with State, civil society, trade unions, other companies and other actors can lead to real progress in the implementation of human rights.

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