

**UN GUIDING PRINCIPLES
REPORTING FRAMEWORK**

INTRODUCTION

1. RATIONALE FOR THE UN GUIDING PRINCIPLES REPORTING FRAMEWORK

In today's ever more transparent world, companies are under increasing pressure to show that they respect human rights throughout their operations. That means demonstrating that they are not harming the fundamental dignity and welfare of people as they go about their legitimate work and generate the jobs, wealth and growth that benefit all societies.

In particular, there is growing demand for greater *formal* reporting by companies on their human rights performance. This comes from a range of sources:

- ✓ Regulators in ever more jurisdictions are requiring companies (large, listed, state-owned or other) to report on their human rights performance in their annual or sustainability reports;
- ✓ Investors are increasingly demanding greater transparency in this area of a company's performance, supported by research showing that where companies pose risks to human rights they also risk their own sustainability;
- ✓ Stock exchanges are increasingly seeking information on companies' sustainability performance, including with regard to human rights;
- ✓ Government agencies are requiring companies to demonstrate that they have identified and managed risks to human rights before granting export credit or procurement contracts;
- ✓ International finance institutions are making similar demands of companies seeking various forms of financing;
- ✓ Companies' other stakeholders in society are also seeking improved disclosure as a condition of granting them a social license to operate. Without this license, companies may face serious reputational harm, lost business opportunities, operational disruptions and even litigation, as well as a decline in their ability to recruit and retain the best staff.

Conversely, the opportunities and benefits that accrue to companies that provide meaningful disclosure of their human rights performance include:

- ✓ The role that disclosure plays in heightening internal attention to the policies, processes and practices on which information will be provided, thereby supporting improved risk management and the embedding of respect for human rights;
- ✓ Greater access to business opportunities with governments, financiers and business customers and buyers, who increasingly recognize the reduced risk to themselves when working with a company that effectively manages risk to human rights;
- ✓ Public recognition of both the honest disclosure of challenges and improving human rights performance, including from socially responsible investors and civil society actors;
- ✓ Improved relationships with key external stakeholders and a stronger license to operate;
- ✓ Improved ability to preserve their reputation when negative impacts occur, given fuller public understanding of their overall efforts to avoid such incidents;

- ✓ Improved ability to recruit young leaders, who are often much more focused on companies' performance in this area than previous generations;
- ✓ A comparative advantage with a growing number of stock exchanges scrutinizing companies' non-financial performance, including with regard to human rights.

2. THE UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

This push for more formal reporting has been accelerated by the advent of the UN Guiding Principles on Business and Human Rights (“Guiding Principles”). The Guiding Principles were unanimously endorsed by the UN Human Rights Council in June 2011, supported by governments from all regions of the world. The Guiding Principles are founded on three pillars:

- **The state duty to protect human rights** against abuse by third parties, including business, through appropriate policies, legislation, regulations and adjudication;
- **The corporate responsibility to respect human rights**, meaning to act with due diligence to avoid infringing on the rights of others and address adverse impacts with which they are involved;
- **The need for greater access by victims to effective remedy**, both judicial and non-judicial.

One of the major and widely recognized contributions of the Guiding Principles has been to clearly set out the duties of states and the responsibilities of companies to ensure that businesses operate with respect for human rights throughout their operations. Since their endorsement, the Guiding Principles have driven a convergence in standards on business and human rights across the international arena, reinforcing their position as the authoritative global reference point on business and human rights.

The Guiding Principles have been taken up directly by states and regional and international organizations on all continents. They are reflected in the European Commission’s 2011 Corporate Social Responsibility Policy, the Organization of American States’ 2014 endorsement of the Guiding Principles, the International Organization for Standardization’s ISO26000 social responsibility standard, the OECD’s Guidelines for Multinational Enterprises, the African Union’s “Africa Mining Vision” and in the work of the ASEAN Intergovernmental Commission on Human Rights.

Increasing numbers of individual companies are taking public steps to implement the Guiding Principles across their operations. Business associations are also taking up the Guiding Principles in their work, from country-based groups such as the Global Compact’s local networks to industry groups, including the International Council of Mining and Metals, the IPIECA group of oil and gas companies, the Electronic Industry Citizenship Coalition, the “Equator Principle” banks and others. Such groups have aligned their policies or codes with the Guiding Principles or developed guidance documents on their implementation.

Many multi-stakeholder initiatives also reflect the Guiding Principles in their work, such as the Voluntary Principles on Security and Human Rights, the Global Network Initiative, the Roundtable on Sustainable Palm Oil, the Ethical Trading Initiative and the Agricultural Ethical Trade Initiative. Trade unions, civil society organizations, investors and others have also embraced the Guiding Principles in their own efforts to improve corporate practices with regard to human rights.

3. THE CORPORATE RESPONSIBILITY TO RESPECT HUMAN RIGHTS UNDER THE GUIDING PRINCIPLES

Human rights impacts related to business operations do not typically occur because they are intended or desired by companies, but because they require a particular level of care, attention and concerted action by companies to help ensure that these kinds of impacts do not occur.

The corporate responsibility to respect human rights as set out in the second pillar of the Guiding Principles is a standard of conduct for companies. Through efforts to attain this standard, companies may work toward achieving the objective of respect for human rights. It makes clear that companies should have in place:

- A statement of their policy commitment to respect human rights;
- A human rights due diligence process to:
 - Assess their actual and potential human rights impacts;
 - Integrate the findings and take action to prevent or mitigate potential impacts;
 - Track their performance;
 - Communicate their performance;
- Processes to provide or enable remedy to those harmed in the event that the company causes or contributes to an actual impact.

Critical features of the corporate responsibility to respect human rights include the following:

- **The responsibility relates explicitly to the risks to human rights** that can result from companies' activities and business relationships. There is increasing evidence that risks to human rights frequently equate with risks to business, at least over the medium to long term. However, the Guiding Principles focus on risk to human rights, which is also the starting point for this Reporting Framework.
- **Identifying and addressing human rights risks effectively requires an understanding of the perspectives of those who may be impacted.** This means engaging directly with the company's stakeholders: those individuals or organizations who can be affected by, or affect, the company's human rights performance. Particular emphasis is placed on engagement with potentially affected stakeholders wherever possible.
- **The responsibility to respect human rights applies across the company's own activities and also to its business relationships.** The responsibility therefore extends beyond impacts the company may cause or contribute to and includes impacts that are linked to

its operations, products or services without any cause or contribution on the company's part. The nature of the responsibility varies in each instance. (For more explanation of these distinctions, see Annex [x].)

- **The responsibility to respect human rights is distinct from a company's efforts to support or promote human rights.** Projects or other measures by companies to support or promote human rights can make a significant contribution, but they are not an expectation of all companies. By contrast, it is a baseline expectation of all companies, regardless of size, sector or operating context, to, at a minimum, ensure that they do not infringe on human rights, and to address any harms with which they are involved. This responsibility cannot be offset by social investment or philanthropic activities.

Implementing the corporate responsibility to respect human rights takes time. The steps defined in the Guiding Principles empower companies to know and show that they are advancing adequately in their efforts to meet this responsibility. Moreover, the expectation that companies should know and show how they are respecting human rights has reinforced growing calls for more and better corporate reporting on human rights performance.

4. OBJECTIVES OF THE UN GUIDING PRINCIPLES REPORTING FRAMEWORK

This Reporting Framework has been developed to help companies meet the evolving expectations for more and better public information about how they meet their responsibility to respect human rights.

The Reporting Framework is developed through the Reporting and Assurance Frameworks Initiative (RAFI). RAFI is co-facilitated by Shift and Mazars through an open, global, consultative process involving representatives of companies, investors, civil society, governments, assurance providers and other experts from all regions of the world. Consultations to date have taken place in New York, London, Jakarta, Bangkok, New Delhi, Medellin, Addis Ababa, Yangon and Manila. The framework will be tested through pilot work with companies; the first pilot with Unilever was announced in September 2014. *[to be updated in final draft]*

This Reporting Framework is grounded in the Guiding Principles and aligned with the structure and content of the corporate responsibility to respect human rights. It is also designed to dovetail with various industry and issue-specific initiatives related to business and human rights that provide some clarity about how the Guiding Principles apply in specific situations, as well as with broader reporting frameworks in the non-financial or integrated reporting fields.

The objectives of the Reporting Framework are threefold:

1. To provide guidance to companies about how to disclose information about their human rights performance that it is meaningful for their shareholders and other stakeholders to read, and which can support better ongoing dialogue with their stakeholders;

2. To provide guidance for human rights reporting that it is viable for companies to follow, recognizing resource constraints, legitimate legal constraints and the need to be able to use the guidance in the context of broader sustainability and integrated reporting frameworks;
3. To ensure that use of the framework helps companies foster the internal conversations, decisions and actions that directly support more effective management of their human rights risks.

5. STRUCTURE OF THE UN GUIDING PRINCIPLES REPORTING FRAMEWORK

The Reporting Framework is divided into three parts:

Part A has two sections, each consisting of one overarching question and one or more supporting questions. These focus on the company's commitment to and governance of human rights risk management.

Part B provides a **filter point** for the reporting company to narrow the range of human rights issues to the salient human rights risks on which it will focus the remainder of its reporting under Part C.

- Salient human rights risks are identified first and foremost based on the severity of potential human rights impacts, followed by their likelihood. Where there are too many salient risks for concise reporting, the reporting company may focus on those salient risks that are most prevalent across the company's operations. If severe impacts occurred within the reporting period that are distinct from these salient risks, they should be included in the disclosure.

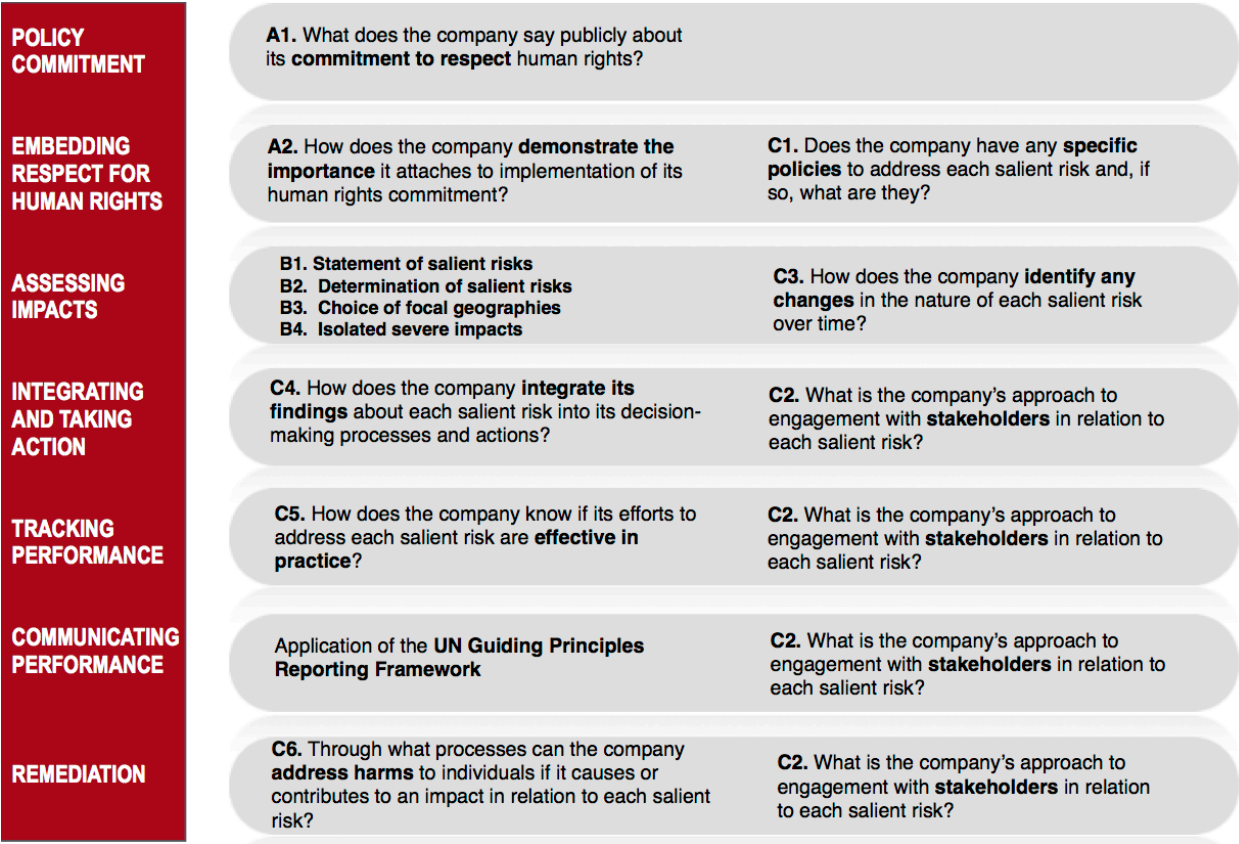
Part C has six sections, each with one overarching question and one or more supporting questions. These focus on the effective management of each salient human rights risk on which the company is reporting.

The overarching questions in parts A and C focus on general, relevant information on the company's efforts to meet its responsibility to respect human rights. They are designed to enable responses from any company, including small companies and those at a relatively early stage in the process. ***Responding to these eight questions, in addition to the information requirements under Part B, is the basic threshold for using the UN Guiding Principles Reporting Framework.***

The supporting questions highlight more substantial and detailed information that would improve the quality of the reporting company's response to the overarching question. Each company can assess how many of these supporting questions it can answer, and to what extent. Companies should be able, over time, to address these questions more fully and deeply, thereby providing more robust reporting overall.

Figure 2 below illustrates how the overarching questions from this framework compare to the key elements of the corporate responsibility to respect human rights.

FIGURE 2



6. IMPLEMENTATION GUIDE TO THE UN GUIDING PRINCIPLES REPORTING FRAMEWORK

The Implementation Guide that accompanies this Reporting Framework provides assistance to companies using the Framework.

In relation to each overarching and supporting question, the Implementation Guide sets out:

- **The objective:** A statement of the question’s intent, to help the user understand what it seeks to achieve;
- **Supporting guidance:** Additional guidance about how to go about answering the question;
- **Relevant information:** Some examples of information that it could be relevant to include in response to the question;
- **The UN Guiding Principles:** Excerpts from relevant parts of the Guiding Principles;

- **Other cross-references:** References to relevant provisions of broader reporting frameworks and industry- or issue-specific initiatives, so that companies can quickly and easily see how they fit with this Framework.

The Implementation Guide also includes guidance on meeting the informational requirements in Part B of the Reporting Framework, including on how to identify salient human rights risks.

Further resources for companies applying the Framework are included in annexes to the Implementation Guide [to be completed].

7. APPLICATION OF THE UN GUIDING PRINCIPLES REPORTING FRAMEWORK

A. Including human rights reporting within other disclosures

The Reporting Framework can be used for reporting on a company's human rights performance as part of an annual report, sustainability report, integrated report or a stand-alone human rights report. It is intended for regular reporting, typically on an annual basis, or where preferred, more frequently through web-based or other interim or ongoing reporting means.

A reporting company may need to structure the information it provides in response to the questions in this Reporting Framework differently from the sequence of questions themselves, in order to provide a coherent narrative. This may be true whether integrating responses within a broader annual, sustainability or integrated report, or producing a stand-alone human rights report. The Implementing Guide provides a template in Annex [X] that companies can use to indicate to the reader where responses to specific questions from this Reporting Framework can be found.

B. Understanding the relationship between salience and materiality

Companies typically consider the materiality of information as the threshold for its inclusion in the broader forms of corporate disclosure referenced above. Definitions of materiality vary across different regulatory requirements and reporting frameworks. Under this framework, the focus of disclosure is defined as the company's "salient human rights risks" and any additional, severe impacts that occurred within the reporting period. This centers the disclosure on those human rights that are most at risk based on what the company does, where it works and who it works with. The selection is made relative to the broader array of possible human rights issues, rather than relative to the interests of any one particular audience.

If selected according to the criteria provided in Part B, the salient risks and any additional severe impacts should necessarily include those human rights issues that are material for reporting purposes under any applicable definition. The relationship between salient risks and materiality is explained more fully in the Implementation Guide.

C. Choosing to focus reporting on certain geographies

Many companies, particularly national and smaller companies, will not need to select certain geographies, to the exclusion of others, as the focus of the information they report. However, even in this case it is important to include as far as possible specific examples in responses to the questions addressed. This will help ground information about policies and processes in practical realities from within the reporting period. Examples should, taken together, be balanced and broadly representative of the company's performance, or should make clear any regard in which they are unusual.

For other companies, particularly multinational and larger companies, there may be a need to focus the reporting of how salient human rights risks are managed on certain geographies. Part B of the Reporting Framework makes clear that any selection of specific geographies should be based on where salient risks are most significant. This may be the same geographies for all salient risks or different ones depending on the risk in question. Multinational companies might ask subsidiaries or business units to use the Reporting Framework to prepare their own reports, with the corporate group providing responses in relation to Part A and B for the group as a whole. Again, if subsidiaries or business units are selected for such reporting, this should be on the basis of the salient human rights risks at the time of reporting, or additional severe impacts from within the reporting period.

D. Focusing on respect for human rights in core business operations

Since this Reporting Framework is founded on the UN Guiding Principles on Business and Human Rights, its focus is on respect for human rights: the expectation that companies, "should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved," (UN Guiding Principle 11). The framework does not therefore address any social investment or philanthropic activities related to human rights except where these are part of a deliberate strategy to mitigate a particular risk to human rights associated with the company's operations.

E. Understanding the reporting principles

Existing reporting frameworks set out certain cross-cutting principles to guide a company's reporting, for instance to ensure that it is balanced, accurate, reliable and complete. The GRI G4 quality principles and the Integrated Reporting Framework's guiding principles are key examples and are set out in Annex [Y] of the Implementation Guide.

The primary principles for the selection of human rights information under this Reporting Framework are those set out in Part B regarding the identification and explanation of salient human rights risks and additional severe impacts. These principles can be applied in combination with the reporting principles from GRI G4, Integrated Reporting or another applicable reporting framework, with due attention to the relationship between salience and materiality, as described further in the Implementation Guide.

F. Providing contextual information for human rights reporting

Readers of a company's human rights reporting should understand the broader context of what the company does. Relevant information includes the company's business model, organizational structure, governance, strategy and operations. Depending on whether or not human rights reporting is included in an annual report, integrated report, sustainability report or another format, the reporting company may already be providing this information. If a company uses this Reporting Framework for self-standing reporting on human rights, the company should include such information, and may look to the GRI G4 framework or the Integrated Reporting Framework for guidance on the general information to be included.

G. Attaining the minimum threshold and committing to progressive application of the Reporting Framework

The Guiding Principles make clear that the corporate responsibility to respect human rights applies to, "all enterprises regardless of their size, sector, operational context, ownership and structure." However, implementing the necessary policies and processes to meet this responsibility takes time. Moreover, human rights risks evolve, as a company's operations, operating contexts and business relationships change. Putting the Guiding Principles into practice is therefore an ongoing process requiring continuous improvement. It is not a finite process that can be reported as complete.

The Reporting Framework enables companies to start reporting, whatever their size or stage of progress in implementing the Guiding Principles, and to highlight progress over time. The Reporting Framework defines a minimum level of information, but one that is designed to be accessible to any company that has begun to address human rights within its operations.

Any company claiming to use this Framework should therefore *at a minimum*:

- Provide a substantive response to the two overarching questions in Part A;
- Meet the four informational requirements under Part B;
Provide a substantive response to the six overarching questions in Part C.

PART A: GOVERNANCE OF RESPECT FOR HUMAN RIGHTS	
POLICY COMMITMENT	
	Overarching Question
A1	What does the company say publicly about its commitment to respect human rights?
	Supporting Questions
A1.1	How has the public commitment been developed?
A1.2	Whose human rights does the public commitment address?
A1.3	How is the public commitment disseminated?
EMBEDDING RESPECT FOR HUMAN RIGHTS	
	Overarching Question
A2	How does the company demonstrate the importance it attaches to implementation of its human rights commitment?
	Supporting Questions
A2.1	How is day-to-day responsibility for human rights performance organized within the company, and why?
A2.2	What kinds of human rights issues are discussed at the senior management and Board levels, and why?
A2.3	Are employees and contract workers made aware of the relevance and significance of their decisions and actions for achieving respect for human rights and, if so, how?
A2.4	How does the company make clear to business partners or others in its value chain the importance it places on respect for human rights?
A2.5	What lessons has the company learned during this reporting period about achieving respect for human rights, and what has changed as a result?

PART B: DEFINING THE FOCUS OF REPORTING	
B1	Statement of Salient Risks: State the salient risks to human rights associated with the company’s business activities and relationships at the time of reporting.
B2	Determination of Salient Risks: Describe how the salient risks that will be the focus of reporting were determined, including any input from stakeholders.
B3	Choice of Focal Geographies: If reporting on these risks focuses on particular geographies, explain how that choice was made.
B4	Isolated Severe Impacts: Identify any severe impacts on human rights that occurred within this reporting period but which fall outside of the salient human rights risks being reported, and provide an explanation of how they were addressed.
PART C: MANAGEMENT OF SALIENT HUMAN RIGHTS RISKS	
SPECIFIC POLICIES	
	Overarching Question
C1	Does the company have any specific policies to address each salient risk and, if so, what are they?
	Supporting Questions
C1.1	How does the company convey the significance and relevance of such policies to those who need to implement them?
STAKEHOLDER ENGAGEMENT	
	Overarching Question
C2	What is the company’s approach to engagement with stakeholders in relation to each salient risk?
	Supporting Questions
C2.1	How does the company identify which stakeholders to engage with in relation to each risk, and when and how to do so?

C2.2	During this reporting period, which stakeholders has the company engaged with regarding each risk, and why?
C2.3	During this reporting period, how have the views of stakeholders influenced the company's understanding of each risk and/or its approach to addressing it?
ASSESSING IMPACTS	
Overarching Question	
C3	How does the company identify any changes in the nature of each salient risk over time?
Supporting Questions	
C3.1	In this reporting period, are there any notable trends or patterns in impacts related to each salient risk and, if so, what were they?
C3.2	In this reporting period, were there any severe impacts related to each salient risk and, if so, what were they?
INTEGRATING FINDINGS AND TAKING ACTION	
Overarching Question	
C4	How does the company integrate its findings about each salient risk into its decision-making processes and actions?
Supporting Questions	
C4.1	How are those functions/units/departments whose decisions and actions most directly influence each risk involved in finding and implementing solutions?
C4.2	If tensions arise between the mitigation of each salient risk and other business objectives, how are they addressed?
C4.3	In this reporting period, what action has the company taken to address each risk?
TRACKING PERFORMANCE	
Overarching Question	
C5	How does the company know if its efforts to address each salient risk are effective in practice?

	Supporting Questions
C5.1	In this reporting period, what specific examples illustrate if each risk has been effectively managed?
	REMEDATION
	Overarching Question
C6	Through what processes can the company address harms to individuals if it causes or contributes to an impact in relation to each salient risk?
	Supporting Questions
C6.1	Through what means can the company receive complaints or concerns related to each salient risk?
C6.2	How does the company know if stakeholders feel able and empowered to raise concerns?
C6.3	How does the company process complaints and assess the quality of outcomes?
C6.4	In this reporting period, what are the trends and patterns in concerns and complaints being raised regarding each salient risk, their outcomes and lessons learned?
C6.5	In this reporting period, what examples of remedy for impacts related to each salient risk can the company provide?