Global Compact Business Guide for
Conflict Impact Assessment and Risk Management

What is the Business Case for investing in actual or potential zones of conflict?

The World Business Council for Sustainable Development (WBCSD) in its publication "Tomorrow's Markets, Global Trends and Their Implication for Business", 2002, stated in succinct fashion, the business case for investing wisely and appropriately in such zones of conflict:

" Long-term business growth and fair access to opportunity requires bringing millions of people into the global economy and narrowing the income gap between citizens in high –and low- income countries. The expanding middle- and lower- income consumers represent potential markets, and developing affordable goods and services for those markets can drive innovation, new business models, and business growth…However, the conditions for free markets may be threatened by widening income inequalities and economic failures that foster violent conflict and erode democracies and the rule of law. Enduring worldwide progress – economic as well as social – depends on alleviating poverty" (pg. 13).

It is in these areas of underdevelopment that we can also find the highest potential for business growth due to untapped pools of human, social and natural capital, unmet basic needs, unmet expansion opportunities and lower operating costs.

The Global Compact is a values based platform through which the global private sector can promote such enduring worldwide progress through practices that advance universal principles concerning environmental, labour and human rights standards. The Global Compact initiatives have been established within a context of a world that is increasingly interdependent and in which poverty, social unrest and environmental degradation impact on societies and corporations everywhere. The business case for investing in actual or potential zones of conflict is also the business case for investing anywhere in the world. The present and future growth and sustainability of the global private sector depend on it.

Why should corporations use this Business Guide?

The goal of this Business Guide for Conflict Impact Assessment and Risk Management is to aid companies in developing strategies that minimize the negative effects and maximize the positive effects of investing in areas of conflict or potential conflict. In this sense, it can assist corporations, especially small and medium-sized enterprises in promoting the basic conditions for successful investment such as transparency, socio-political stability, the rule of law and respect for all stakeholders involved in corporate activities. It can also help managers determine when underlying tensions and conflicts might escalate to violent confrontations between groups or communities; and ensure that their actions and decisions do not exacerbate them. Even in areas with great potential for business growth, mismanagement of actual or possible conflict environments can undermine a company's license to operate, damage its corporate reputation, threaten its investment, and place its personnel and facilities at risk. The ultimate aim of this Business Guide is to help companies contribute to a sustainable business environment in their countries of operation and to contribute positively to conflict prevention and peace building.

What is Conflict Impact Assessment and Risk Management?

How does it advance the Business Case?

The experience of many corporations and others involved in the drafting of this Guide is that corporations operating in the global arena need a new type of risk assessment and management Guide. Existing types include political risk assessment and management (outlining how the political and social context can affect the development and operation of proposed investments) and financial risk assessment and management (focusing on specific issues related to financial liabilities). This Business Guide develops a new type, one that goes beyond the ambit of the prior two.

Conflict impact assessment and risk management bolsters the business case for investing in actual or potential zones of conflict by examining how to maintain business sustainability in difficult environments. It analyses how business operations can impact local tensions and conflicts and how, in turn, the consequences of such impacts could affect the sustainability and growth of business operations. This Guide shows how corporations can avoid doing harm in such environments and do good both for themselves and for all relevant stakeholders.

This Global Compact Business Guide to Conflict Impact Assessment and Risk Management is a practical guide companies can use to assess and manage risk in conflict and conflict-prone contexts; and thereby promote a positive business, social and political environment. It does not pretend to offer an exhaustive quantitative political or social risk strategy related to conflict situations. Rather, through a focus on asking the right questions, it aims at a qualitative assessment for appropriate business actions and decisions in those challenging contexts.

Which tools does this Business Guide provide?

This Guide assists companies in developing conflict impact risk strategies at two critical stages: the pre-investment and pre-operational stage, and the operational stage. To this end, it contains:
1) An introduction to and a matrix of risk assessment and management questions to be asked, and decisions to be made, during the above two stages.
2) A detailed stakeholder analysis designed to identify key stakeholders, their interests and their relation to the company; and suggest types of activities the company could develop to engage these stakeholders.
3) Impact assessments in the areas of Human Rights, International Humanitarian Law, Labour, and the Environment.

It must be emphasized that this Business Guide is not meant to be used as a screening device for potential investors. It should not function to discourage investment in actual or potential zones of conflict. On the contrary, it is a tool to help investors assess the potential impact of investment and devise strategies to minimize negative societal effects while maximizing positive ones.

This is by no means an exhaustive, definitive document; but one intended for continuous improvement through field testing and further elaboration with diverse stakeholders and partners.

A BUSINESS GUIDE TO CONFLICT IMPACT ASSESSMENT AND RISK MANAGEMENT

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TABLE OF CONTENTS

1.   Conflict Impact Assessment and Risk Management in Zones of Conflict

Conflict impact assessment and risk management constitute two different levels of activities of a company's engagement. Conflict impact analysis should be undertaken as part of the project exploration and planning stage in deciding whether to invest in a specific locality/region. These are referred to as pre-investment and pre-operational phases. Conflict impact assessment consists of an analysis of intrinsic characteristics of a proposed investment and the possible impacts (intended and unintended) they may have on existing tension in a community or region. Understanding how a proposed investment can affect a conflict situation gives businesses a more informed method to make crucial business decisions, in particular whether to invest or not. However, even when the project is in operation, impact assessment should be carried out in the form of monitoring and additional information gathering. Data from such continuing impact assessments provide inputs for planning future project activities (such as expansion or new operations), and are also crucial for many strategic decisions and business practices that are important throughout the project cycle

The decision to invest will trigger the commencement of the risk management phase, which continues throughout the lifecycle of a project. Having identified and understood the potential impacts of a given project, the company is then able to develop a strategy designed to minimize the negative consequences and maximise the positive consequences of doing business in a specific context. It can be useful to think in terms of a spectrum of possible interventions where at one extreme proposed company activities are designed to "do no harm" (avoid negative consequences) and at the other extreme, they are designed to "do good" (promote change that will alleviate tensions, ameliorate inequality and encourage reconciliation). Finally, the risk management guide is designed to be the basis for more focussed strategies that include better stakeholder relations and community-involved decision making. Stakeholder involvement can avoid unintended negative impacts and help maximise the positive. It should be borne in mind that:

- The quality of decision-making depends upon the quality of information inputs and analysis. A balanced mix of locally generated information and that provided by trustworthy international organizations, can be helpful.

- In the pre-operational phase, and during the entire risk management phase of the project, it is important to have incentives for project managers and supervisors to adhere to the basics of sound risk assessment and management that respects the nine principles of the Global Compact. Clear lines of responsibility should be delineated. The company should consider developing training programs for managers and employees.

- In cases of joint ventures, the company should seek clear agreement with its partners on the need for and importance of carrying out conflict impact assessment and management. This may even be more crucial in situations where other companies have operational control.

- When developing strategies for risk management, companies should identify those factors for which it has direct control and those over which it can only have an indirect influence. The types of interventions and the resources allocated should vary accordingly.

In order to better understand the consequences of specific interventions, managers may want to ask if they:

- Avoid damaging or undermining existing positive initiatives (especially local community and government ones)?

- Avoid duplication or cross-purpose with other initiatives?

- Avoid absolving government or other groups of their social responsibility?

- Reduce/stop overt violence in ways that reduce animosity and tensions? How?

- Reduce/stop subtle 'violence' (intimidation/oppression) in ways that transform tensions? How?

- Remedy/alleviate the consequences of violence (i.e. rebuilding damaged roads, schools, etc.) in ways that encourage tolerance and reconciliation across conflict lines? How?

- Strengthen 'connector' actors and institutions that can be bridges in the community? Act as a resource for peace by promoting/creating conditions for dialogue, problem-solving, joint needs analysis and collaboration?

- Avoid playing into or perpetuate, and hopefully transform, inequalities? Reinforce structures or systems of oppression/repression/exclusion? How?

- Help redress underlying causes of conflict in ways that lead to stable peace? How?

2. Impact Assessment and Risk Management Guide

The following table illustrates the key conflict factors, links between the risk factors and conflict, identification of activities that can reduce conflict, together with the key management decisions that must be taken. They are not intended to be exhaustive either in content or nature.

		Risk Assessment Considerations		Risk management strategies to avoid exacerbation or implication in conflict
	Analysis of risk factors that contribute to conflict	Linkages between risk factors and conflict	Identification of company activities that can impact risk factors	
Governance	Is the government accountable, responsive transparent? Level of protection or violation of human rights? Are officials corrupt? Is there a functioning regulatory/legal framework? Is there an independent and neutral judiciary or other forms of redress of grievances? Does government provide basic services?	In democracies, grievances are moderate and there are multiple channels through which to express them. When regulatory and judicial structures do not function, violence becomes the predominant means to express grievance and secure control over wealth and key economic goods. Corruption and repression contribute to undermining of regime legitimacy and promote violence, widespread human rights violations and breakdown of law and order.	Will company investment in the country be perceived as providing key support to governments with historical involvement in repression, human rights abuses, and on going conflict? Does the company have clear policies to guide employees so they do not themselves contribute to corruption? Are social investment programs developed with the objective of increasing government capacity or providing a substitute for government?	Can the company identify honest officials and other allies who can help it resist corruption and promote transparency? Does the Risk Management component of the project include the development of strategic planning for fair settlement of disputes arising out of company's operations? Through alternative dispute settlement mechanisms? Can the company set up a dispute settlement mechanism for stakeholders in the project that is seen to be neutral and fair? Can the corporation work with legitimate groups who encourage democratic accountability, monitor human rights and help strengthen civil society?

Risk Assessment Considerations

	Analysis of risk factors that contribute to conflict	Linkages between risk factors and conflict	Identification of company activities that can impact risk factors	Risk management strategies to avoid exacerbation or implication in conflict
Economics	Are there gross inequalities in wealth distribution/ social exclusion? Are there competing claims to land rights & natural resources? Are their disputes among central, regional and local governments over the use of revenue? Are there illegitimate markets/networks that provide funding for arms/supplies to belligerent groups?	Centralized control of resources and revenues can be a major source of violent conflict by local communities / indigenous peoples. Illegitimate markets can fuel criminal activities or insurgencies and lead to macroeconomic instability.	Are current or future revenues derived from company operations the object of dispute between local communities and central authorities? Is/can the company be transparent on the taxes and bonuses it makes to the various levels of government? Does company have policies in place so that managers verify if suppliers or contractors are not key-providers of financing and resources to belligerent groups?	Does the Risk Management component of the project include the development of local sustainable community development strategic planning for fair sharing of benefits in an open/transparent fashion? Can the company influence central authorities for local benefits/royalty sharing with local communities? Can company facilitate the development of revenue sharing regimes with stakeholder participation?
Labour	What is the level of unemployment/underemployment by age & sex? What is the structure, education & skill level of the work force? What is the extent & nature of violations of core labour rights?	The labour force structure can contribute to the conflict, e.g. unemployed youth become easy recruits for extremist groups. Lack of independent unions/ respect for core labour rights can fuel conflict.	Can the company, within its sphere of influence and operations ameliorate the unemployment situation in local communities and respect core labour rights within its operations even if they are violated within the conflict zone?	Does the Risk Management component of the project include the development of strategic planning for recruitment, diversity & respect for core labour rights within its sphere of influence and operations, even if this is not the normal business practice in the conflict zone?

Risk Assessment Considerations

	Analysis of risk factors that contribute to conflict	Linkages between risk factors and conflict	Identification of company activities that can impact risk factors	Risk management strategies to avoid exacerbation or implication in conflict
Human Rights	What are the degree, the conditions, and type of human rights abuses in the country? Focus should include abuses of minorities, land treaty rights, displacement etc.	Frustration in view of repeated violations of human rights can lead to individual or group violence.	Have company operations led to protests that where then repressed by police or military? Have company operations led to the displacement of large numbers of people?	Does the Risk Management component of the project include HRI assessments, continuous monitoring and emergency response protocols? Has the company established a dialogue with relevant organizations (ICRC, UN humanitarian agencies, human rights and humanitarian NGOs), to access concrete issues and explore possibilities for promoting respect for human rights? Has the company considered supporting contingency plans by relief organizations to help cope with the humanitarian consequences of conflict?
Int'l Humanitarian Law (IHL)	Has conflict led to humanitarian crisis in the region? Are there violations of International Humanitarian Law?	In an armed conflict, IHL violations can be committed both by state and non-state actors. As a basic rule, persons not taking part in hostilities should be protected.	Has the company identified the most important humanitarian principles and adopted commitments to uphold them? If so, are the principles operationalized?	Has the company established a dialogue with relevant humanitarian organizations? (see stakeholder analysis annex)

Risk Assessment Considerations

	Analysis of risk factors that contribute to conflict	Linkages between risk factors and conflict	Identification of company activities that can impact risk factors	Risk management strategies to avoid exacerbation or implication in conflict
Security	Does the region have a history of armed resistance against the government? Is there a history of insurgency?	Insurgency, crimes and unaccountable security forces perpetrate and escalate violence.	Does company employ private security forces?	Does the company assess and manage risks regarding security matters? Has the company adopted best practices in developing relations with public and private security forces?
	Is there a history of violent crime? Is there widespread use of private security firms or unaccountable security forces?		Is violence at such levels that company must rely heavily on government police and army for security of its property and personnel? Do criminal or paramilitary groups frequently attack company operations?	Can the company develop security protocols based on best practices and voluntary principles such as the U.S.-U.K Voluntary Principles on Security and Human Rights, which incorporate applicable international law enforcement norms? Is it possible for the company to adopt security policies, practices and personnel that will not undermine human rights?
Environment and Community	Does environmental degradation in the area affect the traditional livelihood of the community?	Environmental damage caused by companies is increasingly a major source of conflict –esp. in the extractive sector.	Have company operations led to environmental problems that affect livelihoods of community?	Do the company's Risk Assessments and management include impacts of company projects on local communities, wildlife and biodiversity based on effective stakeholder consultations?
	What has been the community's past experience with environmental damage attributed to private sector activities?	Lack of community consultation in project planning can lead to community confusion, opposition & violence. Companies may pay for the sins of others who preceded them.	Will operations drastically change the local environmental system in ways that affect the well-being of communities?	Are communities involved in the decision-making process for the issues that affect them? Has the company developed an effective environmental management system for its operations? Are international standards such as ISO 14000 applicable and helpful?

3.   ANNEXES

a) Stakeholder Analysis

What is Stakeholder Analysis?

- Stakeholder analysis is an extremely important part of conflict risk assessment and management. It involves mapping the roles, agendas, influences and interests, capacities and relationships of all relevant stakeholders.
- Stakeholder analysis should not be a one-way process. Instead, it should be aimed at the establishment of a genuine dialogue to address the root causes of conflict. It should also be aimed at the development of a shared analysis among key stakeholders.
- Used in conjunction with other tools, this analysis supports the identification of initiatives to help reduce the risk of violence and maximise opportunities for stability.
- The limits of stakeholder engagement must be recognised since it is only one tool among many that can be used by companies to help reduce risks.

Why should companies undertake this process?

- Stakeholder analysis provides an opportunity for companies to reflect on their interface with all actors in order to take appropriate action to manage their relations with them.
- It provides an opportunity for dialogue and the fostering of relationships with a cross-section of society - a means of mitigating conflict.
- The analysis should help to indicate whose interests should be taken into account when decisions are made and why those interests should be considered.
- Used properly, it can be an extremely important partnership and trust-building exercise for corporations operating in zones of conflict. This can be of enormous benefit to business in terms of helping to reduce risk, reduce costs, and improve their profile.

When should Stakeholder Analysis be undertaken?

- It allows companies to anticipate, and therefore solve, problems that if not addressed could be project breakers.
- Consultations should be undertaken at the earliest possible stages of the project cycle before perceptions and division are entrenched. Following the initial analysis, it should also continue on an on-going basis, throughout the planning and operations stages, in order for a company to monitor relationships as the project unfolds.
- Especially during the formulation of a strategy for the project's implementation, a solid analysis of stakeholder expectations and appreciation of the relative importance of different stakeholder groups and their interests can be a key input

for the design of strategies to manage different groups in order to help assure their future support.

Who are "Stakeholders" and how can they be identified?

▪ According to the World Commission on Dams (2000): "Those whose rights are most affected, or whose entitlements are most threatened…[and] those groups facing the greatest risk from the development have the greatest stake in the outcome and therefore must have a corresponding place at the negotiating table".[1]

▪ Among various stakeholders, we can distinguish between:
   - *"Primary stakeholders"* whose lives are directly affected by the proposed project (e.g. employees, local government, community, operating companies etc).
   - *"Secondary stakeholders"* who play an intermediary role and have the potential to affect the proposed project. (e.g. government, non-state actors, political parties, civil society, religious leaders, consumers)
   - *"External stakeholders"* those whose personal interests are not at stake, but are an interested party. (e.g. advocacy groups, international NGOs, Intergovernmental Organizations etc.)

Questions to consider when conducting and managing stakeholder analysis and engagement:

The process is most useful if it is **transparent and credible**:

Transparent

▪ Does the process consist of clear content ensured by jointly defining the criteria for public access to information and the identification of the factors to be taken into account in decision-making?

▪ Are key documents and discussions translated to ensure all stakeholders understand?

▪ Have attempts been made to ensure that stakeholders and the entire process itself are as free as possible from external manipulation, interference or coercion? This may be extremely difficult as stakeholder analysis concerns perception – yet it is an affective tool to go beyond perceptions and understand real interests.

Credible

▪ Were the initial analyses and the development of strategies conducted with professionalism, rigor, impartiality and balance? Were they subject to independent checks and verification?

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[1] World Commission on Dams. Dams, People and Development – A New Framework for Decision-Making. Earthscan, 2000.

- Was consideration given to the issues perceived by the project proponent and to those perceived by affected individuals, groups and communities both in the preparation phase and throughout the implementation of the project?

- Is the process aimed merely at information extraction, or is it focused on the establishment of a participatory process to address common problems and to take action?

- Have attempts been made to establish a critical mass of stakeholders and a reasonable balance of power between them? In order for all groups to participate effectively, authorities and project proponents should attempt to make adequate resources available to enable those groups who are politically or financially weak, who lack technical expertise or organized representation to participate.

- Have the appropriate techniques and experts in the relevant disciplines been employed, including use of relevant traditional knowledge?

- Has there been consideration of the use of third party facilitators as impartial mediators?

Steps one may consider when conducting stakeholder analysis

Step 1 – Use secondary sources to gain broad understanding of the social, political and economic context, the key actors and how they relate to each other.

Step 2 – Conduct one on one interviews with community leaders and key external actors in the area. Organize surveys, informal panel groups or workshops to identify interests and tensions. This can be carried out by local community leaders or third party facilitators

Step 3 – Map out of stakeholders, their resources, their capacity to mobilise, and how their interests and well-being can be affected by the project.

Step 4 – Engage key stakeholders in a process to develop a strategy that will safeguard their interests and reduce existing or potential tensions. Consideration should be given to issues perceived by the project proponent and to those perceived by affected individuals.

Step 5 – Conduct problem-solving workshops with community leaders. Create independent dispute resolution mechanisms for issues on which consensus is not possible

As with conflict analysis, a simple matrix can be drawn up to guide corporations in undertaking stakeholder analysis. A first step is the identification of all key stakeholders; these appear in the left-hand column. Examples of the generic sorts of interests that might arise from stakeholder analyses are provided below.[2] These perceptions and interests will depend on the case in question and so should not be taken as generally applicable outcomes. * As a result of the analysis, the manager should complete the final "conclusions" column. **NB. Questions can be developed to conduct structured interviews with all the identified stakeholders and a process of refinement can be used to identify common areas.**

Stakeholders	Role and agenda	Influence and interest	Capacity	Relationships and perceptions re: the risk factors contributing to conflict	Conclusions/ Proposed Actions
Government - officials, policymakers, parliamentarians local, regional and national authorities, neighbouring governments, Embassies, UN missions	• Set economic and political environments in which companies must act. • Provide security for company operations. • Set national laws to which companies must adhere.	• Strong influence on revenue-sharing arrangements. • Popular support from economic benefits of investments. • Maintaining stability and security. • Political power.	• Can be weak or strong government but usually powerful vis-à-vis companies • Capacity/ interest to provide military and police protection of investments.	• Can the level of corruption and the abuses of human rights constitute severe risk factors? • Are there tensions between central and regional government authorities? • Is there an independent judiciary/ legislature? • How will tax and other revenues benefit local community needs?	
Business - other companies, contractors, suppliers, international/ local, associations	• Competition or collaboration over concessions. • Collective action on sensitive issues. • Ensure stable supply chains.	• Strong economic ties. • Relative size.	• Depends on size and number of companies.	• Are the suppliers part of a specific group involved in conflict? • Are groups split along ethnic or religious lines in their involvement with business associations? • History of problems with international investors?	

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[2] A detailed description of each of these actors and companies relations with them can be found in the Business of Peace, p49-54

Actor	Role	Influence	Leverage	Questions to consider
Civil society - NGOs, community groups, employers' and workers' organisations, media, religious groups, traditional leaders, opposition political parties	• Employment from companies. • Make company accountable for human rights, corruption, etc. • Negotiate over claims for natural resources.	• Weak or strong influence depending on position of NGOs in particular country. • Socially responsible behaviour by companies	• Depends on political space for NGOs to operate, resources available, maturity of civil society sector.	• Do any civil society groups transcend ethic or religious divisions? • Have civil society groups developed conflict prevention programmes? • Have issues concerning indigenous communities' land rights/intellectual property rights been addressed? • Does the company have contacts with relevant international, national, local, sectoral organisations? • Is there an independent media?
Labour Unions, regional labour organizations, National trade union federations, Global Unions	• Negotiate employment conditions. • Provide voice for employees' workplace concerns & facilitate dialogue on employment & social policy. • Monitor compliance with core labour standards.	• Weak or strong depending on union density, employer receptivity and government policy. • Fair pay and benefits and equitable economic development	• Weak or strong depending on level of organization	• Are unions organized to bridge racial, ethnic and religious divisions? • Does government policy protect and enforce core labour standards? • Are unions accepted as legitimate social partners?
International community - World Bank Group, international NGOs, UN and other inter-governmental organizations	• Promotion of economic growth and development, peace and stability, protection of human rights, reduction in corruption, etc	• Political and economic leverage. • Financing and resources.	• Economic resources. • Technical assistance.	• Are the organizations already active in the country on issues related to the risk factors identified?

b) <u>Human Rights Impact Assessment and Management</u>

1. Meeting the Global Compact Commitments

- Has the company developed policies consistent with the Global Compact principles?[3]

Principle 1: support and respect the protection of international human rights within their sphere of influence

Principle 2: make sure their own corporations are not complicit in human rights abuses.

- Has the company established management systems for ensuring compliance of its operations and activities, including those of its subsidiaries, with international human rights standards?[4]

- Has the company established internal or/and external monitoring mechanisms to assess the actual impact of its investments and operations on international human rights standards?

2. Context and Monitoring of Potential Risks

- Is the company familiar with the international human rights obligations, including specific human rights treaty obligations, of the country where it operates/or intends to operate?[5]

- Are reports of United Nations treaty bodies and special procedures mechanisms referring to the country systematically and regularly consulted by the company to determine the overall human rights situation?[6]

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[3] Detailed explanations of the nine principles of the Global Compact, with examples of their implementation at the company or facility level can be found at www.unglobalcompact.org

[4] International standards on human rights are found in the Universal Declaration of Human Rights and further elaborated in the six core international human rights treaties:
1. International Covenant on Economic, Social and Cultural Rights
2. International Covenant on Civil and Political Rights
3. International Convention on the Elimination of All Forms of Racial Discrimination
4. Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment
5. Convention on the Elimination of All Forms of Discrimination against Women
Convention on the Rights of the Child

[5] Information on the status of country obligations under each of international human rights treaties can be found on the website of the Office of the United Nations High Commissioner for Human Rights – http://www.unhchr.ch/html/intlinst.htm

[6] Information on country and thematic reports of United Nations human rights experts can be found on the website of the Office of the United Nations High Commissioner for Human Rights - http://www.unhchr.ch/html/menu2/2/mechanisms.htm

- Does the company systematically and regularly collect qualitative and quantitative data and information on the country's human rights situation (from the UN, NGOs, academia, other sources)?

- Does the company have a thorough knowledge of the human rights "weak points" within the country and at local level? Does the company understand which rights are most often violated and by whom?

- Has the company developed an understanding of possible sources of conflict or resentment in areas where it plans to operate or is currently operating?

- Is there a possibility that the project will result in the relocation of communities or will it affect their income-generation activities? Does the programme address the right to compensation for those negatively affected?

- What is the situation concerning the land rights of indigenous communities where the company is planning operations? Have issues concerning indigenous communities' intellectual property rights been addressed?

- What impact does the project have on the right of local communities to participate in the cultural life, share in scientific advancements and their benefits?

- Has the company consulted with local community leaders about the proposed project?[7]

3. Company's Operations with Consequences for Conflict

- What impact (positive/negative/neutral) does the project have on the fulfilment of the right to an adequate standard of living for people affected, including access to adequate food, housing, health care and necessary social services?

- What impact does the project have (positive/negative/neutral) on the right of people to life, on the right not to be tortured and on the right to a fair trial?

- Has the company taken due account of local wages necessary for decent living conditions as well as national practices and conditions, including the general level of wages, the cost of living, the relative standards of other social groups, etc.?

- What impact does the project have (positive/negative/neutral) on the right of people affected to education, in particular to a compulsory and free available primary education?

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[7] For further information please see ILO Convention 169 which provides detailed guidelines on consultation with indigenous communities.

- What impact (positive/negative/neutral) does the project have on freedom of movement, freedom of thought, conscience, and religion and freedom of opinion and expression?

- Is the company able to ensure that children's rights and women's rights are respected, protected and promoted within its sphere of influence?

- Is the company addressing the specific needs and rights of children in the design of its operations?

- Is the company addressing the gender-differentiated impact of the project and of its operations?

4. Conflict's Consequences for Company's Operations

- Has the company put policies in place to ensure responsible management of its security arrangements consistent with international human rights standards? Have specific measures been put in place concerning relations with government security forces?[8]

- Has the company taken steps to ensure that its own community investment programs are not sustaining groups responsible for human rights abuses?

- Has the company determined how much direct control it has in responding to or addressing the human rights abuses leading to or resulting from the conflict?[9]

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[8] Emerging best practices concerning security arrangements developed by industry, civil society, and governments reflect international human rights standards, particularly the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment; the Rome Statute of the International Criminal Court; the U.N. Principles on the Use of Force and Firearms; and the U.N. Code of Conduct for Law Enforcement Officers. For further information, see US-UK voluntary principles on security and human rights – www.iblf.org/humanrights AND www.bsr.org; see also UN Draft Fundamental Human Rights Principles for Business Enterprises – www.umn.edu/humanrts/links/principles11-18-2001.htm

[9] For useful guidance on this issue see "The Business of Peace: the private sector as a partner in conflict prevention and resolution", International Alert, Council on Economic Priorities and the Prince of Wales Business Leaders Forum, 2000 – www.international-alert.org.   For a recent discussion of the issue of company "spheres of influence" see "Beyond Voluntarism: Human rights and the developing international legal obligations of companies", International Council on Human Rights Policy, 2002, www.ichrp.org/107/1.pdf

c) International Humanitarian Law Impact Assessment and Management

1. What is International Humanitarian Law?

- International humanitarian law (IHL), also referred to as "the law of war" is a body of international rules established by treaties or custom, which are specifically intended to solve humanitarian problems directly arising from international or non-international armed conflict.

- These rules, for humanitarian reasons, set limits regarding the way parties to a conflict can conduct hostilities (i.e. the methods and means of warfare). They are meant to protect those who are not - or not anymore – taking part in the hostilities (e.g. civilians, prisoners). Agents of governments and non-state actors alike can commit serious violations of humanitarian law.

- International humanitarian law and international human rights law are complementary. Humanitarian law applies in situations of armed conflict, whereas human rights, or at least some of them, protect the individual at all times, in war and peace alike. The specific purpose of humanitarian law is thus to protect victims by endeavouring to limit the suffering caused by war.

2. Fundamental principles and rules of humanitarian law include among others:

(i) the distinction to be made at all times between civilians and combatants;

(ii) the obligation to respect and protect detained persons;

(iii) the prohibition of forced movement of civilians carried out for reasons related to the conflict (unless the security of the civilians involved or imperative military reasons so demand);

(iv) the prohibition of indiscriminate attacks;

(v) the ban on the use of means and methods of warfare of a nature to cause superfluous injury or unnecessary suffering;

(vi) the respect for medical services and for the Red Cross and Red Crescent emblem.

3. Examples of the key types of questions to be addressed depending on the actual situation on the ground:

- When operating in conflict-prone countries and dealing with security issues, are companies aware of the basic rules of international humanitarian law?

- Under international humanitarian law, what are the implications for a company if a party to a conflict uses its facilities for military purposes?

- Do security arrangements and contracts with private security firms or with regular troops include relevant provisions on international humanitarian law? The so-called "Voluntary Principles on Security and Human Rights" may provide some useful insights in this regard.

- When a company invests in a given area, is there a risk that this may limit or impede the access by the civilians to the goods indispensable to their survival, especially food and water? In the same vein, does the investment increase the risk of an attack on works and installations containing dangerous forces or substances?

- Could an investment cause or contribute to a forced displacement of population? If so, may this population transfer be part of a strategy by a party to a conflict to gain military advantage?

- Are appropriate measures foreseen if security forces working for a company happen to take people into custody?

3. References

1. Further information on international humanitarian law can be found on the site of the International Committee of the Red Cross (ICRC): www.icrc.org

2. Additional data can also be found regarding the activities of the ICRC where it operates worldwide:

    - ICRC's activities by country: http://www.gva.icrc.org/eng/operations

    - Addresses of individual ICRC offices: http://www.gva.icrc.org/eng/delegations

3. Relevant publications, also available from the ICRC web site:

Carbonnier, G. (2001). "Corporate responsibility and humanitarian action: What relations between the business and humanitarian world" *International Review of the Red Cross*, N°844, December 2001, pp. 947-968.

Gasser, H.-P. (1993). "International humanitarian law: an introduction" in Haug, H. (Ed.), *Humanity for all: the International Red Cross and Red Crescent Movement*. Geneva: Henry Dunant Institute, and Berne: Paul Haupt Publishers.

d) Labour Impact Assessment and Management

1. Meeting the Global Compact Commitments

- Is the company taking steps to implement the Global Compact core labour principles in its operations:
  (a) Does it respect the right to freedom of association for its workers, and their right to organize unions and to collective bargaining?
  (b) Does it ensure it does not resort to any form of forced or compulsory labour?
  (c) Is it reducing its use of child labour, if it had any, and proscribing it for dangerous tasks and in dangerous sites?
  (d) Are company's practices non-discriminatory (i.e. ethnic, religious, political affiliation, gender, disability and other grounds) in recruitment, occupation assignment, remuneration, training, promotions, retrenchment, etc.? Among others, does it limit as much as feasible resorting to expatriates and migrant workers, and granting them better remuneration and other employment and working conditions?

Are there policies on those principles and mechanisms to implement them? What have been their results?

2. Context and monitoring of potential risks

- What are the country's commitments on international labour standards? What is its record on their implementation?

- What are the levels of unemployment and underemployment[10] in the country and area where the company is operating? How have these levels been evolving in the past few years and months? How are they expected to evolve in the next few months and years? Is the company's monitoring based on reliable data?

- What is the structure of unemployment and underemployment in the country and the area where the company is operating; In particular by age,[11] but also by sex, education, skill type sand level,[12] and professional work experience?

- Are any important inflows into the labour market expected in the coming months and years; namely of groups linked to the conflict such as ex-combatants, returning refugees or displaced persons and the war-disabled, and of others such

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[10] Both qualitative underemployment (that is, work at a lower level than a worker's skills) and quantitative underemployment (that is, work for shorter than normal time, despite worker's willingness to work full time).

[11] As idle, frustrated youths are an easy prey to extremism and anti-social behaviour in general.

[12] Skill mismatches occur frequently, causing unemployment, underemployment, and thus dangerous frustration.

as ethnic groups and youths? What challenges each of these flows pose to society and to the company?

- Do basic labour market mechanisms exist (in particular employment services and training institutions) in the area where the company is operating, that help people acquire marketable skills, find jobs, move between jobs, etc.? How effective and relevant are they, in general and with respect to critical groups (i.e. those who could be initiating or aggravating violence)?

- What is the incidence of poverty, inequality and social exclusion in the country and the area where the company is operating? Do socio-economic disadvantages cumulate for some groups or communities?[13]

- What mechanisms are in place (unemployment benefits, pensions, health facilities, education and other basic social services) to provide safety nets to workers and their families; and thus combat their poverty, despair and negative outlook? Are they distributed equitably, so as to avoid tensions between groups?

3. Company's impact on conflict

- Does the company adhere to its own Code of Conduct, if it has one; and to those relevant to the industry in which it operates?

- How well integrated is the company into the local economy, so it can be an engine of growth (and thus create jobs), rather than stifling local entrepreneurship (and thus cause job losses)? Is it hiring and buying locally to the maximum feasible extent?

- Is the company using appropriate technology that is employment-intensive, so as to maximise both profit and job-creation?

- Does the company have mechanisms to assist its dismissed or retrenched workers find new jobs, and to provide them basic income support in the transition period?

- Is the company using team-building, conciliation and other techniques to avoid or defuse tensions at the workplace and, by way of example, stimulate reconciliation process in society?

- Does the company recognize and negotiate with unions organized by their workers?

- Is the company implementing basic occupational health and safety rules, so it can limit accidents and illnesses, including HIV/AIDS prevention and support?[14]

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[13] The link between despair and destabilizing behaviour is widely acknowledged.

[14] Work-related accidents and illnesses are, among others, potential sources of poverty and frustration

- Does the company provide wages, social security and other benefits that enable workers and their families to lead a decent life? Does it provide some support to the families of its workers in terms of training and/or employment opportunities outside the company including micro-enterprise development?

- Does the company provide safe transportation to/from work, housing facilities and other services needed to ensure workers' safety in the specific conflict context?

- Does the company have security devices/procedures to protect its staff at work from external violence?

- How does the company cater to the conflict-related needs of workers: psychological, social and professional counselling, basic work skills, technical skills upgrading, literacy classes, mentoring, social services such as nurseries, basic health care, housing, transportation, etc.

- How does the company support its workers particularly affected by the conflict; both individuals and groups such as ex-combatants, women who have become heads of households, refugees and internally displaced, war-disabled, etc.?

- Has the company developed mechanisms for an ongoing workers-management dialogue (on employment practices, working conditions including discrimination and harassment, etc.)? Does it have mechanisms to detect and to allow workers to express grievances in those areas, and to tackle those grievances?

- Is the company providing similar decent working conditions to all its workers, including temporary and casual labour?

- Is the company prompting its suppliers and subcontractors to abide by the four core labour principles, basic working conditions and labour-sensitive management, as described above?

4. Selected references and contacts for further guidance

- *Business and Social Initiative Database*. An ILO database that includes comprehensive information on private sector initiatives addressing labour and social conditions in the workplace and the community where enterprises operate. It features corporate policies and reports, codes of conduct, accreditation and certification criteria, and various programmes. (oracle02.ilo.org:6060/dyn/basi/vpisearch.first)

- Common Country Assessments (CCA). Regular assessments of a country's social, economic and political situation and its challenges; prepared by the UN Resident Coordinators system, with contributions from the various agencies, including the ILO for labour-related issues.

- *Crisis response: Rapid needs assessment manual* (Geneva, ILO, 2002). (www.ilo.org/crisis)

- *Decent work.* Report of the ILO Director-General to the International Labour Conference (Geneva, June 1999) (ilo.org/public/english/standards/relm/ilc/ilc87/rep-i.htm)

- *Guidelines for employment and skills training in conflict-affected countries* (Geneva, ILO, 1998) (www.ilo.org/crisis)

- *ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up* (adopted by the ILO in June 1998) (ilolex.ilo.ch:1567/english/decfunde.htm)

- *ILO generic crisis response module*s (Geneva, ILO, 2002). Particularly module 3, on armed conflicts. (www.ilo.org/crisis)

- *ILOLEX.* An ILO database containing ILO Conventions, Recommendations, ratification information, comments of the Committee of Experts on the Application of Standards and the Committee on Freedom of Association, representations, complaints, interpretations, general surveys and related documents. (ilolex.ilo.ch:1567/english)

- *Key Indicators of the Labour Market (KILM)*. An ILO database providing country data on 20 key labour indicators. (ilo.org/public/english/employment/strat/kilm/index.htm)

- *NATLEX.* An ILO database featuring national laws on labour, social security, and related human rights. (natlex.ilo.org/natlexnewface)

- *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy* (adopted by the ILO in November 1977, and amended in November 2000). (ilolex.ilo.ch:1567/english/multie.htm)

Relevant ILO units to contact are: the Multinational Enterprise Activities Programme (multi@ilo.org; www.ilo.org/multi); Bureau for Employers Activities (ACT/EMP; actemp@ilo.org; www.ilo.org/employers); Bureau for Workers Activities ACTRAV; actrav@ilo.org; www.ilo.org/workers); Infocus Programme on the Promotion of the Declaration (IFP/Declaration; declaration@ilo.org; www.ilo.org/declaration; Department on Sectoral Activities (sector@ilo.org; www.ilo.org/sector;); InFocus Programme on Crisis Response and Reconstruction (IFP/Crisis; ifpcrisis@ilo.org; www.ilo.org/crisis); International Training Centre in Turin (Italy). But also with its various Units dealing with enterprise management, International labour standards, social dialogue, child labour, gender, etc. See the general ILO Web site: www.ilo.org

e) Environmental Impact Assessment and Management

1. Meeting the Global Compact Commitments[15]

- Has the company developed "a precautionary approach to environmental challenges"?[16]

- Does the company "undertake initiatives to promote greater environmental responsibility"?[17]

- Does the company "encourage the development and diffusion of environmentally-friendly technologies"?[18]

2. Identifying the Context and Monitoring Potential Risks

- Does the company understand the relevant international environmental commitments of the country where it operates?

- Is it aware of the trends facing natural resources under greatest stress/demand in the region or country[19]?

- Does the company have in place a system for managing environmental aspects of its operations? Auditing its performance? Comparing against local and international benchmarks? Communicating the results to relevant communities (stakeholders, stockholders, managers)?

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[15] Detailed explanations of the nine principles of the Global Compact, with examples of their implementation at the company or facility level, can be found at
http://www.unglobalcompact.org/un/gc/unweb.nsf/content/thenine.htm.

[16] Principle 15 of the Rio Declaration of the UN Conference on Environment and Development (UNCED, 1992) states: "In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation".

[17] As outlined in Agenda 21 (UNCED, 1992), environmental responsibility is defined as "…[the] responsible and ethical management of products and processes from the point of view of health, safety and environmental aspects. Towards this end, business and industry should increase self-regulation, guided by appropriate codes, charters and initiatives integrated into all elements of business planning and decision-making, and fostering openness and dialogue with employees and the public."

[18] Environmentally sound technologies (ESTs), as defined by Agenda 21, "…protect the environment, are less polluting, use all resources in a more sustainable manner, recycle more of their wastes and products, and handle residual wastes in a more acceptable manner than the technologies for which they were substitutes. [ESTs] are not just individual technologies, but total systems which include know-how, procedures, goods and services, and equipment as well as organisational and managerial procedures."

[19] A good source of information at the regional level is the UNEP's Global Environmental Outlook reports, 2000 and 2002 (forthcoming) as well the annual publication 'World Resources' (WRI) which provides national data on a broad array of key indicators.

3. Managing Company Operations with Consequences for Conflict[20]

- What natural resources do communities and households use? How are these resources used? When are they used? How important are these resources to the communities and households? Are these resources fundamentally important for the livelihoods of these people? Who within the communities and households use them? Are they replaceable either by substitute resources or alternate sources of the same resource? What trends or shocks affect them?

- What are the possible impacts of natural resource extraction and transport on these critical natural resources, in terms both of shocks (e.g. accidents) and trends (e.g. declining water quality)? These can be temporary (e.g. construction), short term (e.g. changes to resources which will recover quickly), long term (e.g. changes to resources that recover slowly), direct, and indirect? Will the project totally or partially eliminate or prevent access to these resources at any point?

- In terms of social impacts, what are the possible impacts of resource extraction and transport on the communities' capacity to exploit their resources, in terms both of shocks (e.g. foreign disease epidemics, foreclosure of traditional hunting lands) and trends (e.g. gradual influx of foreign workers and wealth, loss of youth to urban centres)?

- In times of crisis (conflict, disaster), what coping strategies[21] do project-affected communities traditionally apply, and what implications do these have for conflict in the region? Strategies might include focusing on remaining livelihoods, creating new livelihoods, seeking new sources of resources (by force of arms or otherwise), and migrating.

- What actions can business take to mitigate (avoid, abate, repair, or compensate…in that order of preference) the environmental (Q3) and social (Q4) impacts of resource extraction on livelihoods? Can these activities be prioritised in terms of their costs and social benefits?

4. Managing Conflict's Consequences with Implications for Company's Environmental Operations

- What are the major concentrations of environmental risk in your company's operations? To what extent could acts of terror or violence lead to major releases of toxic materials or in other ways threaten the lives and livelihoods of surrounding communities, as well as employees? Examples might include:

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[20] The model linking natural resources to community livelihoods to conflict on which this section is based is derived from: IUCN. Vision for Water and Nature - A World Strategy for Conservation and Sustainable Management of Water Resources in the 21st Century – Compilation of All Project Documents. IUCN, Gland, 2000. It is presented in greater detail at www.iisd.org/natres/security .

[21] Coping strategies to address loss of livelihoods include migration in search of additional resources, development of new livelihoods, intensified resource use through remaining livelihoods, cooperation with other communities, or seeking new resources through force of arms.

bombing of hazardous chemicals storage facilities, tailing ponds or fuel stores; destruction of hydroelectric dam operations, water treatment facilities etc.

- To what extent do acts of terror or violence threaten critical personnel, without whom environmental management processes might fail with severe health or environmental consequences?

- What steps can be taken to reduce the likelihood of such events, while protecting the safety and security of staff and local stakeholders?

   a) Risk spreading: Seeking to diminish the concentration of risk in particular locations by, for example, spreading hazardous material storage across several sites; or ensuring that all major environmental management needs have multiple qualified personnel.

   b) Prevention: Focusing security around particular 'hot spots' or personnel; seeking agreements among combatants to avoid mutually-deadly targets[22]; minimizing or eliminating the use of toxic materials in production processes, or directly engaging in peace-building activities.

   c) Mitigation: Contingency planning, rapid response clean-up teams and other mechanisms to ensure rapid clean up, evacuation or other means for addressing the hazard, while ensuring the safety of personnel.

   d) Dialogue: Joining local stakeholders in setting up an Awareness and Preparedness for Emergencies on a Local Level (APELL) programme to help reduce risk, improve effectiveness of response to accidents, and inform non-company staff so that they react appropriately during emergencies[23].

5. Finding Useful References and Further Guidance

Regional Environmental indicators and trends.
UNEP. Global Environmental Outlook. Earthscan, 2000 and 2002 (forthcoming)

National Environmental indicators and trends.
World Resources Institute. World Resources. 2000.

Management Tools for Corporate Social Responsibility
World Business Council for Sustainable Development www.wbcsd.org
Global Business and Sustainable Development. www.bsdglobal.org

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[22] Israel and the Palestianian authority have, for example, agreed to work together to protect water resources in the region in spite of the ongoing conflict, asking protesters and soldiers to avoid sensitive infrastructure.

[23] For further information and guidelines on the establishment of APELL programs with local stakeholders, see http://www.uneptie.org/pc/apell/. For examples of how to assess the environmental impact of conflict situations, see the work of the UNEP Post-Conflict Assessment Unit www.postconflict.unep.ch .

Business for Social Responsibility. www.bsr.org

Linkages between business and environment-related conflict
Switzer, J. Armed Conflict and Natural Resources: The Case of the Minerals Sector. IIED/MMSD, 2001. http://www.iied.org/mmsd

Rosenfeld-Sweeting, A. and A.. Clarke, *Lightening the Lode: A Guide to Responsible Large-Scale Mining* (Conservation International:, 2000)