



United Nations Global Compact



## **Expert Group Meeting on "Responsible Business & Investment in High-Risk Areas"**

**Tuesday 8 November 2011**

**United Nations Headquarters, New York**

The Global Compact Office and the Principles for Responsible investment (PRI) Initiative convened the second Expert Group Meeting of 2011 on 8 November at UNHQ in New York. Chaired by Sir Mark Moody-Stuart, the Expert Group met to share challenges, experiences and lessons learned on issues related to businesses operating in high-risk/conflict-affected environments and to advance implementation of the *"Guidance on Responsible Business and Investment in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors"*. The agenda was developed in response to the priority issues identified by Expert Group Members.

### **NEXT STEPS:**

Expert Group members are encouraged to:

- Re-confirm their interest in participating in the Expert Group by the end of 2011.
- Companies and investors are encouraged to join the Pilot Group to operationalise the Guidance in specific operating environments.
- Suggest other companies and business partners –especially banks they use for project finance - that could be involved in the Expert Group.
- Develop or increase collaboration and engagement with a minimum of 3 Global Compact Local Networks in priority countries.
- Participate in the Corporate Sustainability Forum in the lead-up to Rio +20 where there will be sessions on a variety of issues connected with the priorities of the Expert Group. (15-20 June 2012 in Rio)
- Support future actions towards the development of Global Compact Local Networks – especially in Libya and Myanmar.

### **1. Pilot Group Meeting Update**

A group of 20 companies and investors are participating in a Pilot Project to implement the *"Guidance on Responsible Business and Investment in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors"*. The Pilot Group Meeting took place the day before the Expert Group Meeting and participants shared challenges and experiences regarding the implementation process in greater detail. Key outcomes of the Pilot Group Meeting were shared with participants as follows:

- The Pilot Project will be extended throughout 2012 to enable the participants to further progress on the implementation of the Guidance.

- The Pilot Group agreed to develop a resource package – to be published in early 2013 – that will contain challenges, lessons learned and profile good practices stemming from the efforts of companies and investors to use the Guidance.

## **2. Advancing the Guidance in Practice**

### **A) Conducting a Gap Analysis: Challenges and Lessons Learned**

As part of the Core Business section of the Guidance, companies are encouraged to adapt policies, strategies and operational guidance to the specific needs of a high-risk context. During this session participants discussed the value of the Guidance, the challenges confronted when operationalizing it and identified good practice examples.

#### **Proposed Next Steps:**

- The UN system provides a number of conflict analysis tools that companies may find useful in high-risk operating environments. The GCO will follow-up with the UN’s “peace and development” advisors who may be a helpful resource for Expert Group Members.
- The Expert Group will explore convening focused webinars for sub-groups of interested participants on priority countries and specific issues as a way to further enhance and deepen dialogue and company-investor engagement. One such webinar could focus on examining the Guidance from the perspective of SMEs with a view to exploring how it could be made more accessible to this audience.
- The Expert Group will explore using the ‘Sudan trip’ model to plan visits to countries of interest. Perhaps one or two trips to high-risk countries could be organized each year for interested Expert Group Members. Countries where a local event/visits to a company’s local operations would be of special interest as suggested to date: DRC, Libya, Syria, Myanmar and Sudan.
- Raise awareness about the Guidance amongst PRI signatories and recruit additional investors to join PRI. Many companies noted that their investor relations colleagues are not asked questions about ESG issues by investors. It was suggested that the PRI could recruit additional investors, for example in countries like Colombia, where high-risk issues are most relevant.
- The Pilot Group of investors will share information and lessons learned stemming from their collective engagement process focused on the DRC in the Resource Package that will be developed by 2013.
- The GCO could prioritize the development of Local Networks in countries of interest to Expert Group Members (i.e. DRC, Myanmar). All Expert Group Members are encouraged to identify 3-5 priority GC Local Networks and develop relationships with or further engage with them on these issues.

### **B) Managing Security Issues: Challenges and Lessons Learned**

Companies are encouraged to apply evolving best practices in the management of security services provided by private contractors as well as, to the extent possible, public security forces. During this session participants discussed challenges and examples of good practice. In addition, companies were asked to take a broad and inclusive approach towards stakeholder engagement - but how should a company deal with armed groups? Participants explored this issue with a view to identifying if additional guidance in this area is needed.

**Proposed Next Steps:**

- Further discussion of the issue of dealing with armed groups in a specific operating environment would be helpful. The GC could convene a webinar to further discuss this issue with interested participants. Participants highlighted a number of outstanding questions including:
  - How does the presence of armed groups impact a company's operations and security situation?
  - Should armed groups be considered stakeholders?
  - Is engaging with armed groups a business necessity that goes beyond mere due diligence?
  - To what extent does an armed group represent a local community?
  - Which issues are especially relevant for companies in order to better manage the presence of armed groups?
- The Expert Group and the GCO will continue to build a closer relationship with the Voluntary Principles on Security and Human Rights and explore how we could build greater synergies with our work.

**3. Advancing Responsible Business Practices in Post-Conflict Environments: the case of Libya**

The session aimed at identifying challenges and potential solutions to advance the implementation of responsible business practices in post-conflict areas with a special focus on Libya. Following the profound changes that occurred in Libya this year, the imperative is now to focus on the country's needs for reconstruction and economic development. In this context, the private sector has an important role to play in contributing to stability and development. The private sector's potential and interest in establishing sound economic structures and in building a thriving and sustainable business environment requires a number of challenges to be overcome. The participants identified key challenges and suggested potential solutions to address them.

**Proposed Next Steps:**

- Participants highlighted the need to find key leverage points for negotiation, to identify priorities to speak with a unified voice and focus their efforts on the most pressing issues.
- Participants suggested that there may be an opportunity for the Expert Group to stimulate the establishment of a multi-stakeholder platform/local network for engagement which could convene local and international business and civil society actors to help promote the implementation of responsible and sustainable business practices. Working towards the establishment of a Global Compact Local Network in Libya was put forward as a way to respond to some of the current challenges.
- Participants suggested that action should be taken to mainstream the Global Compact principles, to build local capacity and to transfer knowledge through training.
- Connecting high-level corporate and government officials was also noted as important giving rise to the suggestion that a neutral third party could be established to provide a legitimate interface between private sector actors and the new government. To the extent that the UN is perceived as a legitimate and neutral entity on the ground, UNDP or other UN agencies present in the field could potentially play this role.

- Participants suggested that international companies operating in Libya could take a more proactive approach to creating jobs beyond the oil and gas sector - for instance by creating apprenticeship programme for youth or by developing programmes to hire, train and reintegrate former fighters.
- It was also suggested that companies and investors with interests in Libya could develop and publicly issue a joint statement expressing support for responsible business in Libya. Such an action would send an important signal politically.

#### **4. Opportunities for Expert Group moving forward**

This session was dedicated to the presentation and discussion on specific opportunities for action for Expert Group members in 2012.

##### **A) Water & Peace**

In collaboration with the CEO Water Mandate, the Expert Group members are invited to participate in a new project “*Water in Conflict-Affected and High-Risk Areas: Business Threats and Response*”, initiated against the background in preparation for Rio+20. This project is a collaborative initiative to advance a conflict-sensitive approach to water management, contribute to sustainable development and offers an opportunity to demonstrate leadership in an important area. The Pacific Institute provided brief description of three possible options for this collaborative effort.

##### **Next steps:**

- On 6 December 2011 there was a conference call for all interested companies and investors to further explain and refine the scope of the project and to confirm participation.
- All Expert Group Members are asked to confirm their interest in this project by the end of 2011.

##### **B) Conflict minerals and new disclosure requirements**

Section 1502, otherwise known as the ‘Conflict Minerals rule’ of the Dodd-Frank Act will likely materially impact a broad spectrum of global businesses. At a minimum it will affect industrial and retail companies, and depending on the language of the to-be-released final rules, it could include virtually all companies which produce tangible goods or invest in industrial or commercial production.

It creates a responsibility for companies to “*include in their annual reports to the SEC a disclosure describing any measures the company has taken during the year to identify and address conditions of forced labor, slavery, human trafficking, and the worst forms of child labor within the company’s supply chains caused by certain minerals produced in the Democratic Republic of Congo and neighboring countries.*” These reports would be publicly disclosed in a company’s 10K and must be posted on corporate websites. The SEC is hoping to create a self-regulatory environment, with public interest providing an impetus for companies to comply.

##### **Next Steps:**

- The SEC has indicated that the final rules for Section 1502 will be adopted between August and December 2011. To date, the final rules have yet-to-be issued.
- Once the rules are released, impacted companies will be required, at a minimum, to: conduct supplier audits to determine mine of origin and chain of custody of minerals used; educate and inform suppliers; and publish results.

### **C) From Red to Green Flags:**

The report entitled “*From Green to Red Flags: The corporate responsibility to respect human rights in high-risk countries*” (see link below) was briefly presented. It offers a comprehensive overview of good practices, covering a range of relevant and practical human-rights-related challenges that companies may face in difficult operating environments including engaging with governments, specific communities and armed groups, integrating a gender perspective, dealing with land and water issues. The report further provides insights into practical responses that companies may use to address these challenges.

[http://www.ihrb.org/news/2011/from\\_red\\_to\\_green\\_flags.html](http://www.ihrb.org/news/2011/from_red_to_green_flags.html)

#### **Next Steps:**

- As a complement to the Guidance, Expert Group members are encouraged to use this resource to help change their culture of thinking and build on the UN endorsed “Protect, Respect and Remedy” framework on business and human rights.

### **D) Extractive Industries Transparency Initiative:**

Following a presentation on the key features of the Extractive Industries Transparency Initiative (EITI), the participants explored how they can support its implementation at country-level, with a specific focus on the Middle East. The EITI promotes reporting on revenues that can be a platform for long-term reform, for building trust and confidence and for enhancing accountability. In this way, it was recognized as being of great relevance, especially given recent developments in the Middle East.

#### **Next Steps:**

- The Expert Group is encouraged to support efforts to bring on-board the following countries: Canada, South Africa and Brazil.
- Corporate commitments to publish all payments in the context of Libya are also encouraged as a clear signal to the government of the standards companies intend to respect going forward. This would also help establish a level playing field and encourage other companies to report.
- Revenue-sharing was at the heart of the Comprehensive Peace Agreement with South Sudan which offers a sound basis for articulating expectations. However, a key challenge is to build trust around the figures published. More work is needed to develop the necessary contacts and networks.

## **5. Next Steps**

### **A) Renewed Commitment/Priority Areas for 2012:**

Since the last Expert Group meeting in May 2011, the Expert Group Terms of Participation were finalized and a “renewed commitment process” was initiated to ensure that all members are actively involved in the work of the group and to identify priority areas of interest. Going forward, the Expert Group will focus on the following priority areas, among others:

- Government relations,
- Dealing with local stakeholder engagement: such as armed groups and ex-combatants,
- Contributing to post-conflict environments,
- Local level activities tailored to specific contexts,
- Development of real-life examples illustrating good practices,

- More opportunities for in-depth engagement with investors on priority issues.

**Follow up:**

- All Expert Group Members were asked to re-confirm their interest in participating in the Expert Group by the end of 2011.
- The GCO will take action to broaden the participant base of the Expert Group – especially by attempting to involve banks.

**B) Advancing the Guidance/Resource Package:**

The development of a resource package – to be published in early 2013 – will contain lessons learned and best practices stemming from company/investor experiences will be an important deliverable. All companies and investors in the group are encouraged to join the Pilot project and contribute to the development of this resource.

**Follow-up:**

- Expert Group participants are encouraged to suggest business partners, including banks, that could be involved in the Expert Group.
- Each Expert Group participant is encouraged to identify a minimum of 3 countries where there are existing Global Compact Local Networks and where they would like to increase collaboration/dialogue/advocacy on these issues.
- The GCO has agreed to clearly articulate the connection between the Guidance and the Communication on Progress in order to help facilitate reporting on actions taken.

**C) GC Local Networks/Action at the Country-Level**

Expert Group Members continue to express an interest in further engaging with Global Compact Local Networks. New Local Networks were launched in Iraq, Mexico, Ecuador, and Azerbaijan is on the way. Further, the joint statement on Responsible business in Egypt supported by a number of Expert Group members was launched at the Cairo Sustainability Conference in June 2011. Finally, the Guidance was translated into Spanish by Pacific Rubiales and the Regional Centre for Latin America and the Caribbean. The Spanish version is now available online.

**Follow-up:**

- Events are planned in Columbia, China among others.
- Actions will be taken to build on the interest expressed in working towards the development of a Local Network in Libya.
- The GCO will take action to explore the creation of a Local Network in Myanmar among other high-risk countries.

**D) Global-level Events in 2012 - The UN Conference on Sustainable Development –**

**Rio +20 (June, 2012)**

- All Expert Group Members are invited to attend the “Corporate Sustainability Forum”- a week-long series of sessions organized by the Global Compact on specific topics related to sustainable development: climate change, energy, water, food, sustainable finance and responsible investment, and social aspects including peace-building.
- Rio+20 will provide a powerful platform to advance implementation, innovation and collaboration towards sustainability with all stakeholders and will also offer an opportunity to engage with governments.
- The next in-person Expert Group Meeting will take place in the context of this series of events.