Managing Human Rights Risks in the Supply Chain

Keeping your Social License to Operate

13 June, 2013 – 8:00 AM EDT
Technical Difficulties: If you have technical issues, please let us know by typing a message in the Questions pane (A). You can raise your hand (B) if we do not respond.

Q&A: We will be taking questions on content at the end, but you can send them to us throughout the webinar by using the Questions pane (A). Please specify to whom the question should be directed.

Example: Question for John Doe: What is Human Trafficking?
Agenda

Welcome by the Moderator
Matthew Daly, Human Rights, UNGC

Supply Chain Sustainability - An Introduction
Anita Househam, Issue Manager, Supply Chain Sustainability, UNGC

Respecting Human Rights Through Global Supply Chains
David Kovick, Senior Advisor, Shift

Social License and Risks in the Supply Chain
Katherine Teh-White, Managing Director, Futureye

Human Rights: Why is it our business?
Yann Wyss, Human Rights Specialist, Nestlé

Q & A: Remaining Time
Human Rights and Labour Working Group

In June 2006, the Global Compact Board established a Global Compact Human Rights Working Group (HRWG). In 2013, in light of growing recognition that labour rights are human rights, the Global Compact Board decided to merge the Labour Working Group and the Human Rights Working Group.

Supporting Worker Empowerment - Including Support for Workers' Assertion of their Human Rights - in the Supply Chain

A Good Practice Note prepared for the United Nations Global Compact Human Rights Working Group


The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment, and anti-corruption. In June 2006, the Global Compact Board established a Human Rights Working Group. The goal of the working group is to provide strategic input to the Global Compact's human rights work. The following is one of an ongoing series of notes on good business practices on human rights endorsed by the working group. Rather than highlighting specific practices of individual companies, Good Practice Notes seek to identify general approaches that have been recognized by a number of companies and stakeholders as being good for business and good for human rights.

Contents
1. Introduction
2. Human Rights Standards
3. Why Support Workers, Including in Assertion of their Human Rights, in the Supply Chain?
   - Workforce relations are the best mechanism for ensuring quality working environments
   - Greater confidence that workers' human rights are actually being respected
   - Quality of life improvements
   - Improved worker satisfaction, leading to operational efficiency and productivity gains
   - Workers are more likely to remain.
   - Risk of operational disruptions are mitigated
   - Corporate brand and customer confidence and loyalty are enhanced
4. Pitfalls of Programmes to Support Workers, Including in Assertion of their Human Rights
   - Failing to co-ordinate and accord with trade unions, labour organisations, and internationally-recognized human rights
   - Reinvigorating the wheel or getting it alone when it is unnecessary or counter-productive
   - Failing to address workforce realities, such as employee demographics, organizational structure, human resources policies and practices
   - Failing to respond to actual worker needs and interests
   - Unmanageable programme scope
   - Undertaking programmes for inauthentic reasons and under-appreciating the fact that human rights are at stake
5. Commonly Used Good Practices to Support Workers in Supply Chains
   - Using Supplier Codes of Conduct as a basis for collaboration
   - Developing a shared vision for the programme with suppliers
   - Institutionalising accountability by supporting channels for workers to communicate concerns and assert their human rights
Human Rights and Labour Resources from UNGC

Guidance Material

In June 2011, the UN Human Rights Council endorsed Guiding Principles on business and human rights, which, among other things, provide guidance for business on how to implement the corporate responsibility to respect human rights, a key element of Global Compact Principle 1 and 2. The Guiding Principles are available in all UN languages (Download: العربية | 中文 | English | Français | Русский | Español)

The tools listed under the following headings can help businesses to implement the responsibility to respect human rights as well as their commitment to support human rights, which is the other key element in Global Compact Principle 1. In addition, the Global Compact Office has developed a short summary document and complementary presentation demonstrating how some key business and human rights guidance tools and materials found below and on the next page can be used.

- General Guidance
- Human Rights Policies
- Risk Assessment
- Impact Assessment
- Stakeholder Engagement
- Training
- Reporting
- Grievance Mechanisms
- Legal Accountability
- Human Rights Advocacy
- Specific Issues
- Webinar Recordings
- Other Resources
## Dilemmas and case studies

<table>
<thead>
<tr>
<th>Access to water</th>
<th>Child labour</th>
<th>Community relocation</th>
<th>Conflict minerals</th>
<th>Corruption</th>
<th>Doing business in conflict-affected countries</th>
</tr>
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</table>

## Health and safety

This page presents an introduction to and analysis of the dilemma. It does so through the integration of real-world scenarios and case studies, examination of emerging economy contexts and exploration of the specific business risks posed by the dilemma. It also suggests a range of actions that responsible companies can take in order to manage and mitigate those risks.

Supply Chain Sustainability

- An Introduction

13 June 2013

Anita Househam, Issue Manager, Supply Chain Sustainability
Purpose – Bringing it Together
### The UN Global Compact Advisory Group on Supply Chain Sustainability

- A.P. Moller—Maersk (Denmark)
- ArcelorMittal (Global)
- Boyner Holding (Turkey)
- BSR (Global)
- Cemex (Mexico)
- Cisco Systems Inc. (USA)
- Det Norske Veritas AS (DNV) (Norway)
- Ford Motor Company (USA)
- Hitachi, Ltd. (Japan)
- Inditex S.A. (Spain)
- Infosys Technologies Ltd (India)
- Innovation Norway (Norway)

- Mahindra & Mahindra Limited (India)
- Nestlé S.A. (Switzerland)
- Nokia (Finland)
- Reed Elsevier Group plc (UK)
- Restaurantes TOKS (Mexico)
- Safaricom Limited (Kenya)
- Sedex (UK)
- Social Accountability International (SAI) (Global)
- Arche Advisors (USA)
- Telenor Group (Norway)
- Volkswagen Aktiengesellschaft (Germany)
Tools and Resources
Supply Chain Sustainability - A Practical Guide for Continuous Improvement

- Launched June 2010
- **Practical guidance** to develop a sustainable supply chain programme
- Features numerous **good corporate practices** and other **initiatives**
- Based on the **values and principles of the UN Global Compact**
Tools and Resources
Website: Sustainable Supply Chains – Resources and Practices

- ‘One-stop-shop’ for business
- Includes information about sustainable supply chain:
  - Initiatives
  - Resources
  - company practices
- Articles searchable by issue area, sector, region and practice category
- Register and submit articles

http://supply-chain.unglobalcompact.org/
Tools and Resources
Quick Self-Assessment & Learning Tool

- Launched June 2012
- Identify strengths and areas of improvement
- Benchmark your company’s approach
- Scorecard with benchmarking results and recommendations
- References to additional resources, company practices and initiatives

http://supply-chain-self-assessment.unglobalcompact.org/
Additional initiatives/work areas

- **Promote Good Practices**
  - Webinar Series
  - Good Practice Notes (in collaboration with HRLWG)
  - Note on Occupational Health & Safety (in collaboration with Better Work/ILO/IFC)
  - Engagement with Global Compact Local Networks

- **Issue Specific Activities**
  - Practical Guide on Supply Chain Traceability – initial stages
  - Stand Together Against Corruption – A Practical Guide – final stages
  - Occupational Health & Safety - emerging
Respecting Human Rights Through Global Supply Chains:
Obligations and Challenges

David Kovick, Senior Advisor
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Introduction

• **Shift**: independent non-profit center for business and human rights practice

• Peer Learning Workshop, October 2012

• Forthcoming Shift research with GSCP:
  “Beyond Compliance Audit”
Responsibility and Supply Chains

1. Cause, Contribute, Linkage
   - Differentiated Responsibility

2. Prioritization
   - Severity of impacts on stakeholders, vs. leverage or risks to business

3. Leverage
   - Not a filter for responsibility
   - Use it where you have it
   - Build it where you don’t
Implementation Challenges

1. Mapping the Supply Chain
   - Scale, scope and visibility

2. Prioritization
   - Whose risks are paramount? Business or Stakeholders?

3. Identifying Risks: Audit as Due Diligence?
   - The limitations of audit

4. Limited Leverage Situations
   - Excuse vs. Opportunity

5. Contribute vs. Linkage
   - Purchasing Practices and Internal Alignment
Summary Points

1. Prioritization:
   - Human Rights Lens, not just the Business Lens

2. Reflection:
   - Honest Assessment of Existing Systems

3. This is Challenging:
   - Don’t have to have all the answers; No one does
   - Credit for transparently acknowledging problems, responsibility
   - Seeking help to figure out what to do
Addressing community concerns is the new normal for successful companies.

Katherine Teh-White
Managing Director, Futureye
In a global climate of increasing community expectations it’s not enough for companies to think smart branding, marketing and efficient business models guarantee legacy.

Concerned communities become activists.

Only by truly listening and responding honestly and transparently to community concerns can you be assured of your future social licence to operate.

Massive Potential or Serious Reputation And Operational Risk.

Futureye
Business Supply Chains = Communities

Communities are watching your entire supply chain

Shared value concept of looking after the communities in which you operate is no longer enough

Observe the rising market for fair trade products

Consider global communities
Supply chain risks are everywhere

Crops – chocolate, coffee, sugar

Carbon footprint impacts – mining, manufacturing

Livestock – live animal exports

Labour source working conditions – electronics, apparel
Supply chain risks are migrating

USA – March, 1911: 146 garment workers die in Triangle Shirtwaist factory, New York

CHINA – February, 2007: Eight people die in factory fire in Shenzhen City

INDIA – April, 2012: factory collapse kills five in Punjab

BANGLADESH – April, 2013: 1100 people die in building collapse

CAMBODIA – May 2013: shoe factory accident in Phnom Penh kills two, injures seven
The dilemma informs the solution

Third world countries need economic development
Third world countries need popular support
Third world countries have weaker governance signals

= Prime focus for concerned communities around the world
Human Rights: Why is it our business?
A Material Issue Now…
and for the Future

Our Key Opinion Leaders (KOLs) think that Human Rights:
✓ Are critical to Nestlé’s business
✓ Will become even more important in the next few years

Source: Nestlé Stakeholder Community Survey, GlobeScan, 2012
Human rights is critical to business continuity and continues to rise in significance for a wide range of stakeholders beyond the factory gate.

Child labour is a fundamental issue that affects not only livelihoods in rural communities, but also the long-term sustainability of one of our key raw materials, cocoa.
The Nestlé Strategic & Performance Framework 4x4

**Our ambition**

**Good Food, Good Life**

- The leading Nutrition, Health and Wellness Company
- A reference for financial performance
- Trusted by all stakeholders

**Creating Shared Value**

Nutrition | Water | Rural Development

- **Sustainability**
- **Compliance**

**Competitive advantages**

- Products & brands
- R&D capabilities
- Global presence
- People, culture and values

**Growth drivers**

- Nutrition, Health and Wellness (NHW)
- Emerging consumers (PPP)
- Out-of-home (OOH)
- Premiumisation

**Nestlé Model – every year**

- 5%-6% organic growth
- Margin & EPS growth
- Improving capital efficiency
- Market leadership

**Nestlé culture, values and principles**
Nestlé’s Human Rights Due Diligence Programme
Nestlé’s Human Rights Due Diligence Programme - Video

Nestlé’s Human Rights Due Diligence Programme has 8 pillars.
8. Monitoring & Reporting

Monitoring our performance to fill the gaps and further strengthen our approach to human rights due diligence.

- Nestlé facilities
- Tier-1 suppliers
- Upstream suppliers
  - CARE
  - RS Audit Program
  - RS Traceability Program
  - Fair Labor Association (FLA)
  - Certification schemes for specific commodities
- Integrity Reporting System
- Human Rights Risks Assessments
- Human Rights Impacts Assessments (Danish Institute)
Nestlé’s Child Labour Monitoring and Remediation System (Côte d’Ivoire)
Nestlé & the FLA

- First food & beverage company to affiliate to FLA
- Opened up our cocoa supply chain in Côte d'Ivoire to public scrutiny (November 2011)
- FLA Report published together with Nestlé’s Action Plan (June 2012):
  - Child Labour Monitoring & Remediation System
Nestlé’s Child Labour Monitoring & Remediation System

- **Nestlé**: Oversight by Nestlé
- **Suppliers**: Consolidate reporting to Nestlé
- **Coop Child Labour Agents**: Organise reporting up to supplier level and liaise with CLPs
- **Community liaison people**: Organise community child labour sensitisation, local monitoring and reporting to coop and local remediation (assistance to individuals at risk, community projects)
Network of Cocoa Cooperatives in Côte d’Ivoire

Key

S1

S2

S3

S4

S5

UTZ

FAIRTRADE

Sustainable supply chain
Social License to Operate vs. Taking Responsibility

Bloomberg

Nestle Audit Finds Child Labor Violations in Cocoa Supply

By Deonah Doberry & Stanley B. James • Jun 29, 2012 3:51 PM EDT+0000

A Nestle KitKat bar is seen in this undated handout photograph.

Nestle via Bloomberg

just-food

Comment: Nestle takes responsibility on child labour

By Ben Cooper • 4 July 2012

Ben Cooper believes Nestle’s response to the investigation into its Ivory Coast cocoa supply chain by the Fair Labor Association has the potential to move the needle on what has been frequently described as an intractable issue.

Nestle’s announcement late last year that it had asked the Fair Labor Association (FLA) to undertake a thorough investigation of its Ivory Coast supply chain offered an opportunity to inject new impetus into the beleaguered efforts to address the issue of child labour in Ivory Coast cocoa production, dating back to the signing of the Harkin-Engel Protocol in 2001.
Upcoming Webinar

Occupational Health and Safety in the Supply Chain: Lessons from the Bangladesh Factory Collapse

19 June 2013, 10AM EDT

https://www4.gotomeeting.com/register/669980031
Thank you for joining us today.
Presentation slides and a recording of the webinar will be available on the UNGC website.

*If you have any additional questions, please contact:*

**Matthew Daly:** [daly@unglobalcompact.org](mailto:daly@unglobalcompact.org)