

DIGGING DEEPER: HUMAN RIGHTS AND THE EXTRACTIVES SECTOR

OUTCOMES FROM PRI-COORDINATED
ENGAGEMENT 2015-2017



THE SIX PRINCIPLES

PREAMBLE TO THE PRINCIPLES

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

- 1 We will incorporate ESG issues into investment analysis and decision-making processes.
- 2 We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4 We will promote acceptance and implementation of the Principles within the investment industry.
- 5 We will work together to enhance our effectiveness in implementing the Principles.
- 6 We will each report on our activities and progress towards implementing the Principles.



PRI's MISSION

We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

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CONTENTS

| | |
|--|----|
| HUMAN RIGHTS AND THE EXTRACTIVES INDUSTRY | 4 |
| SIGNIFICANT HUMAN RIGHTS ISSUES IN THE EXTRACTIVE SECTOR | 6 |
| SUMMARY OF PRI-COORDINATED ENGAGEMENT | 8 |
| ENGAGING WITH COMPANIES: FIVE KEY INSIGHTS | 12 |
| ENGAGEMENT AGAINST OBJECTIVES | 13 |

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HUMAN RIGHTS AND THE EXTRACTIVES INDUSTRY

Companies operating in the extractives sector face a multitude of complex human rights issues. They tend to have a big operational footprint, which can lead to long-term risks. While the local operating context is key to determining risks arising from operations, oil and gas and mining companies face different risks and issues.

Mining operations tend to be more sole operators or have joint ventures with fewer operating arrangements. They typically rely on large quantities of unskilled labour, which may pose various human rights risks such as bonded labour, hazardous working conditions, lack of collective bargaining and freedom of association, and health and safety accidents.

In contrast, oil and gas companies often have smaller scale operations and operate as joint ventures, for which contracts may look quite different. While the major oil and gas companies have found a number of ways to impose standards on their business partners, this can be quite challenging if the operator is not an oil major.

WHY ARE INVESTORS ENGAGING ON THE TOPIC?

As extractive companies tend to operate in high-risk locations and are subject to human rights controversies, investors play an important role in engaging proactively with companies on developing policies and tools that can prevent human rights violations, rather than only reacting to them once they've happened. Actively engaging with companies on the topic also makes financial sense: a recent academic study¹ which explored whether shareholder engagement adds value, found that successful engagements improve profitability at target companies.

Investors are increasingly aware and concerned about the significant **potential and actual operational, legal and reputational risks** companies might face when they do not take adequate steps to manage human rights issues. These could include project delays and cancellations, lawsuits and significant fines and negative press coverage and reputational damage.

WHAT ARE HUMAN RIGHTS?

Human rights include civil, political, economic, and social and cultural rights, such as the right to life, the right to freedom of association or the right to health. They were first recognised following the Second World War and [The Universal Declaration of Human Rights](#) and were added to in later international treaties (e.g. ILO's [Declaration on Fundamental Principles and Rights at Work](#)). They have been turned into local laws in some countries, and are featured prominently within sustainability guidelines for companies such as the [OECD Guidelines for Multinational Enterprises](#) or the first two out of the ten principles of the UN Global Compact.

This engagement used the [UN Guiding Principles for Business and Human Rights](#) (the UNGPs) as a key reference point. They are not mandatory, but clearly define corporate responsibility to respect human rights and are being taken increasingly seriously by companies and investors. The OECD Guidelines for Multinational Enterprises are aligned with the UN Guiding Principles and allow individuals and NGOs to bring complaints in front of National Contact Points. Alongside this, pressure is mounting from governments, who themselves are increasingly expected² to ensure respect of human rights in their jurisdictions.

Actively engaging with companies makes financial sense: a recent academic study found that successful engagements improve profitability at target companies

¹ [Gond et.al \(2018\) How ESG engagement creates value for investors and companies](#)

² [Office of the United Nations High Commissioner for Human Rights](#)

By managing human rights well, companies in the extractives industry can ensure inclusive socio-economic development and benefit from a number of opportunities, including:

- being more attractive to prospective employees and investors;
- enhanced employee motivation, leading to increased productivity and higher retention rates;
- maintaining a diverse workforce and being better equipped to compete in the global economy;
- having access to debt and equity markets;
- developing/sustaining a social license to operate and the building of good community relationships.

This could also mean that investors are better able to manage risks as they also have a responsibility, under the [OECD Responsible Business Conduct for Institutional Investors](#), to implement the due diligence recommendations of the OECD Guidelines for Multinational Enterprises to prevent or address adverse impacts related to human and labour rights³. By 'knowing and showing' that the investor meets the expectations under the OECD guidelines (and thereby also the UNGPs), investors make a positive contribution to sustainable development, and have an increased ability to meet expectations of clients (in the case of investment managers) and beneficiaries (in the case of asset owners).

3 [\(2017\) Responsible Business Conduct for Institutional Investors: Key Considerations for Due Diligence under the OECD Guidelines for Multinational Enterprises](#)

SIGNIFICANT HUMAN RIGHTS ISSUES IN THE EXTRACTIVES SECTOR

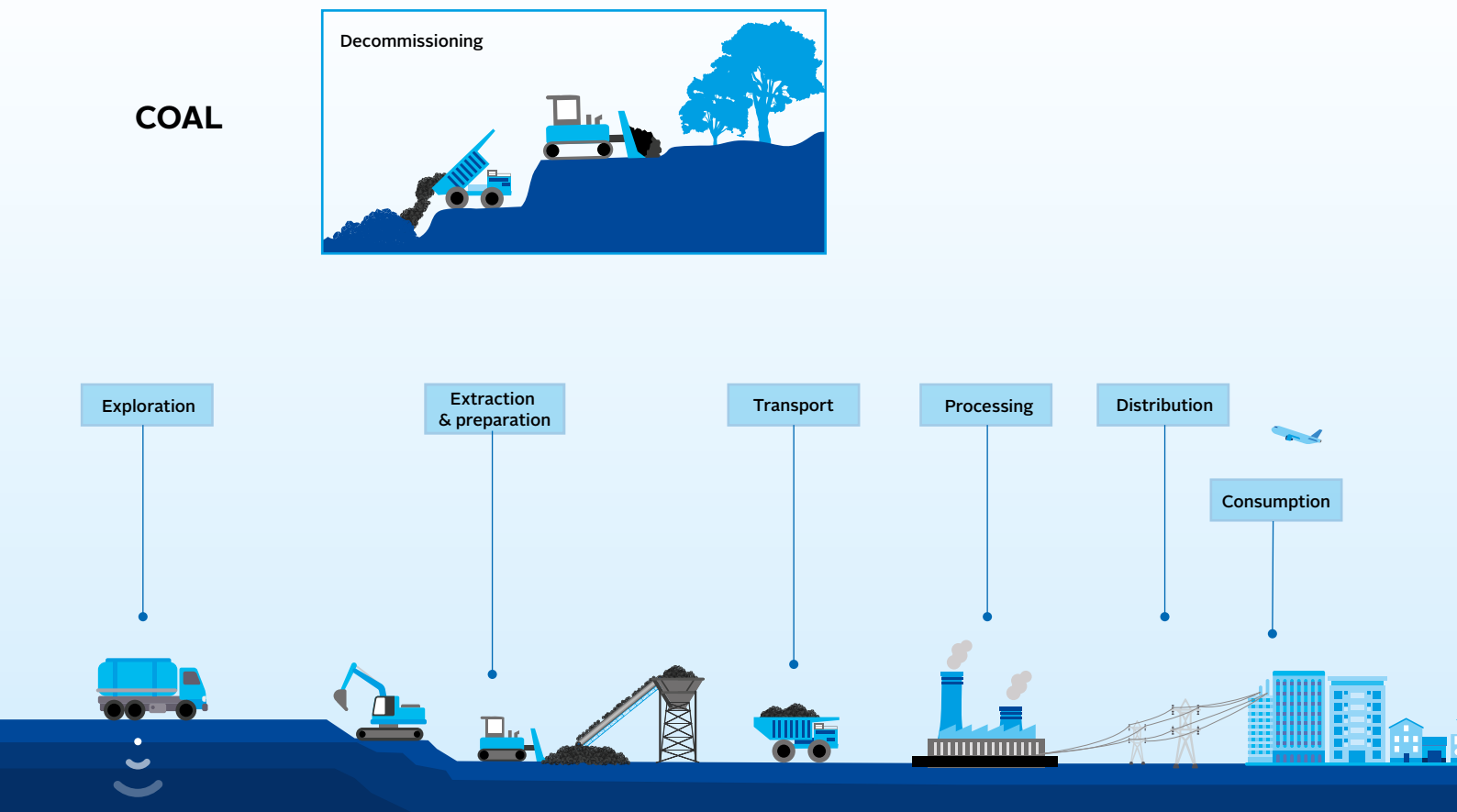
There are different impacts on human rights along different phases of the value chain – exploration, operation and production – which are important to take into consideration when engaging. They also require tailored requests and both qualitative and quantitative human rights indicators to be meaningful. Even companies that have engaged on human rights for a long time, and taken the lead on implementing measures to respect and manage risks, are continuously striving to understand and manage them. Some of the typical human rights issues facing companies in the industry include:

- **Employee/labour relations** – treatment of workers with respect and dignity, promotion of diversity and gender equality in the workplace including the participation of women, protection of workers against harassment and health and safety risks. Labour risks

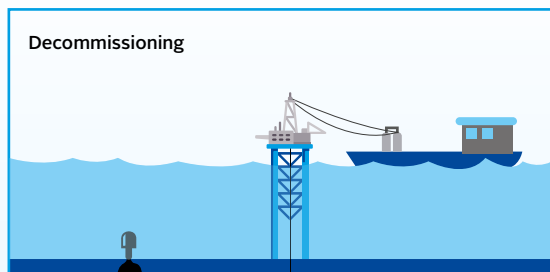
include hazardous working conditions, health and safety incidents, lack of collective bargaining and freedom of association.

- **Supplier and business partner engagement** – worker rights such as freedom of association, collective bargaining, forced and compulsory labour, child labour, discrimination in the workplace, working conditions (e.g. health and safety) and impacts on local communities.
- **Provision of security** – provision of security to protect personnel and assets in a manner that respects human rights of staff and community members. Extractive companies frequently employ private security contractors or engage with state security forces, e.g. police or military forces. Inappropriate conduct of such forces can have adverse human rights impacts on a company's operations and neighbouring community.

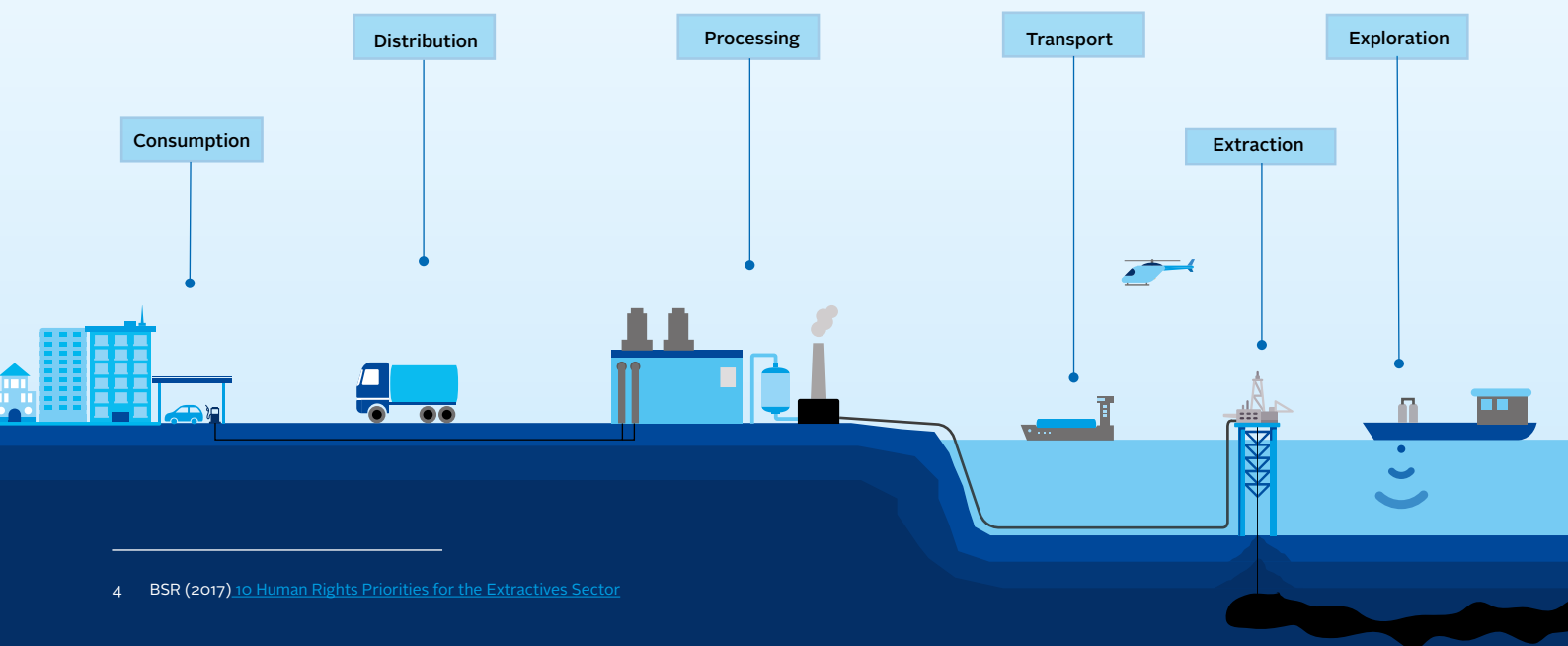
Figure 1. Value chain of production and consumption of fossil fuels (oil, gas and coal)



- **Human trafficking and sexual exploitation** – including the possibility of sex trafficking, can be a risk around mining camps because of the transitory nature of the workforce and isolation of the worksites. An issue having emerged to be material to the mining sector is the rise of HIV/Aids within local communities of operations.
- **Artisanal and small scale mining** – management of disputes between the operation and artisanal miners.
- **Community engagement** – impacts on water quality and access, land access, livelihoods, employment, vulnerable groups, and preservation of cultural heritage and religion.
- **Environmental impacts** – these can affect human health and wellbeing⁴. A common human rights issue in the sector concerns access to water and health impacts of local communities.
- **Indigenous people** – protection of minorities' rights, right to self-determination and right to a cultural life.
- **Land issues** – insufficiently negotiated land acquisition and potential displacement of communities and social exclusion of indigenous peoples can lead to human rights violations and community conflict in both the short and long term.
- **Revenue transparency/conflict** – risk of resource revenues being used to fund conflict and corruption.



OIL AND GAS



SUMMARY OF PRI-COORDINATED ENGAGEMENT

From 2015 – 2017, 51 PRI signatories representing USD \$7.3 trillion in assets engaged with 32 companies in the extractives sector. The overarching objectives of the engagement were to improve:

- **Practices:** enhance implementation of the UNGPs
- **Disclosure:** enhance the level of disclosure and address the lack of consistent disclosure with regards to human rights

CORE ENGAGEMENT AREAS

In order to support the more general request that companies implement the UNGPs, depending on the current level of disclosure and/or implementation at each company, **three or more core engagement areas** were identified for each company by the lead investor. These were drawn from the overall six core areas for engagement, identified by the PRI Human Rights Steering Committee⁵ and based on outcomes from roundtables and research findings on the disclosure of 50 extractive companies prior to the engagement.

The six core areas:

- Response to human rights incidents or allegations (acknowledgment, remediation and lessons learnt)
- Human rights commitment
- Governance and embedding respect for human rights into corporate practice
- Human right risk assessment
- Stakeholder engagement and grievance mechanisms
- Business relationships

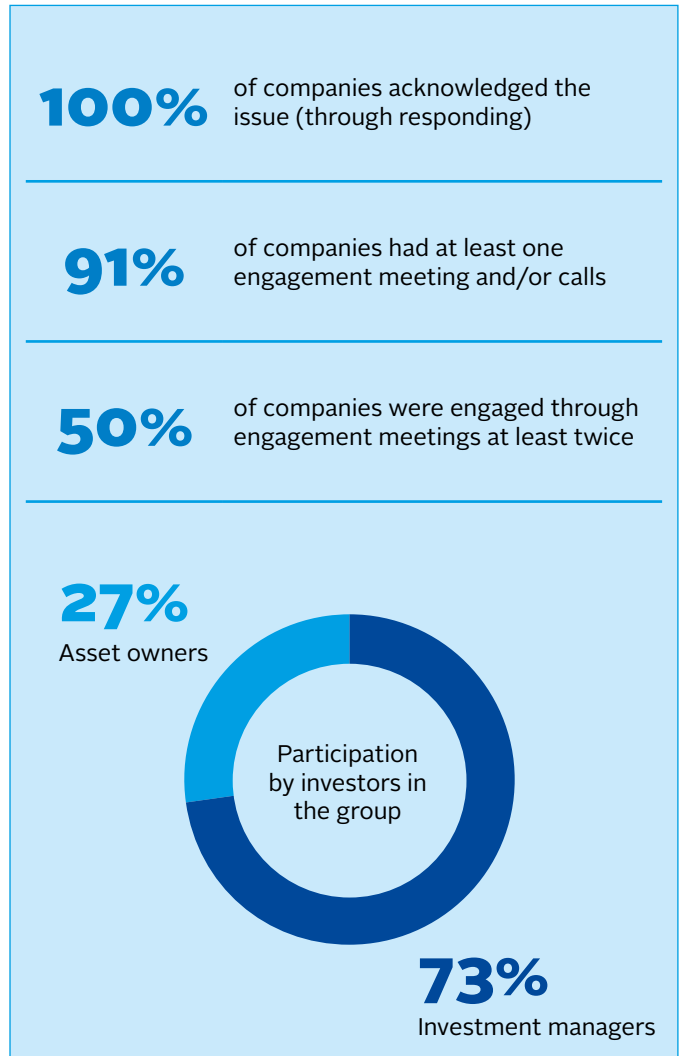
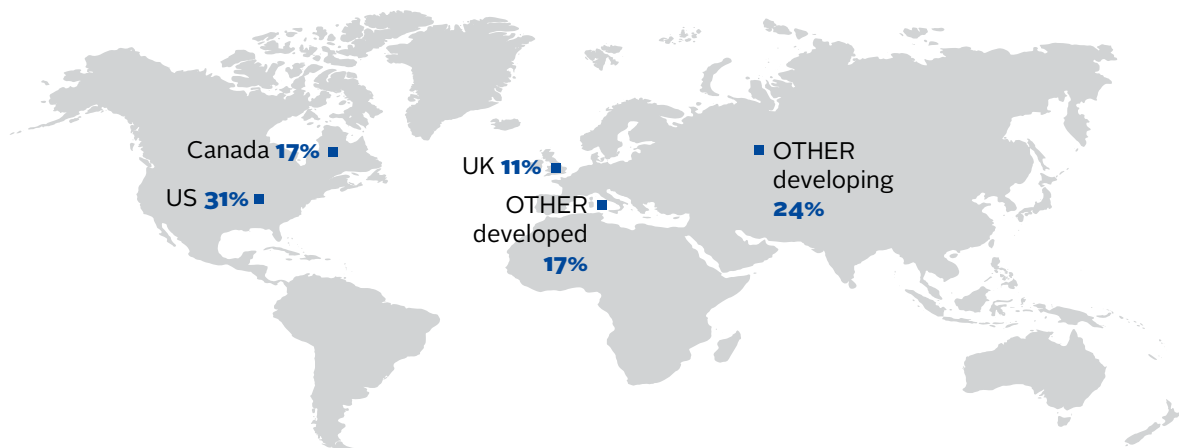


Figure 2. Engagement targets by geography



5 The PRI Human Rights Steering Committee includes representatives from Aviva Investors, British Columbia Investment Management Corporation, Canada Pension Plan Investment Board, Mirova, PGGM Investments and Standard Life Investments.

BENCHMARKING OF COMPANIES

The companies in the engagement were selected depending on their exposure to human rights risks. Starting from a universe of large global extractive companies, the PRI Human Rights Steering Committee developed a list of 50 oil and gas and mining companies which were considered to be particularly exposed to human rights risks based on one or more of the following criteria:

- operating in/expanding to high risk countries;
- no or limited human rights policies and/or systems;
- human rights allegations or breaches occurred (including at companies with more advanced policies and/or systems).

The Human Rights Steering Committee held two investor-company roundtables with 12 extractive companies, which helped to inform the engagement questions. These were further informed by research undertaken by the PRI on the disclosure of human rights policies and processes by the target companies.

Applying the UN Guiding Principles as a framework, the PRI Human Rights Steering Committee developed a benchmarking scorecard outlining indicators for disclosure on each of the six core engagement areas. These reflected human rights policies, human rights due diligence and grievance mechanisms. They laid out the initial research for each company to help identify focus areas and gaps for engagement. During the engagement, the scoring methodology was updated with the [Corporate Human Rights Benchmark](#) Framework in 2016, as well as the [UN Guiding Principles Reporting Framework](#) to ensure consistency with existing market benchmark methodologies.

ENGAGEMENT RESULTS OVERVIEW

Overall, the companies engaged in the group improved their disclosure in all focus areas. All companies publicly showcased their commitment to human rights and most now also inscribe this commitment within their internal policies and management processes. There was a slight difference in disclosure within the sector, with the mining companies improving their disclosure more than oil and gas companies.

In terms of company responsiveness, all companies responded to outreach by investors, with the majority open for a meeting or call to discuss the topic. Investors had at least one engagement meeting with 29 out of 32 companies (91%). Some companies in emerging markets had ongoing dialogue but only via email. The most disclosed indicator was on a human rights policy commitment, with 100% of companies disclosing one publicly.

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This is an encouraging step towards providing an overarching view of how human rights issues are dealt with. Seventy-five percent of target companies have incorporated human rights considerations into their risk management processes and evaluate their potential human rights impact from the project development stage and throughout all subsequent stages. This was the indicator with the greatest improvement, which reflects that an overwhelming number of companies have started to translate their commitment into concrete steps/implementation.

However, most companies still struggle to monitor and track the effectiveness of the policies they have put in place. This is, for example, illustrated by disclosure on training. While three quarters of the 32 target companies state they conduct training for employees and security personnel, only three companies have a mechanism in place to track its effectiveness.

Seventy-five percent of target companies have incorporated human rights considerations into their risk management processes

UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

In 2011, the UN Human Rights Council unanimously endorsed the [UN Guiding Principles on Business and Human Rights](#). These constitute the authoritative international reference point for how states should protect, and how companies should respect, human rights. They identify the protection of human rights as the duty of the state, recognise that companies have a responsibility to respect human rights, and contain a third component on access to remedy for victims, which is applicable to both states and companies.

AREAS OF MOST IMPROVEMENT – AND WHERE COMPANIES ARE EVOLVING

The areas where there was the most increase in the number of companies disclosing on the indicators include:

- **Human rights risk identification and assessment:** this is the area where most progress was made. While only two companies publicly reported on these indicators in 2015, two thirds now do in their annual disclosure. Qualitatively speaking, the way companies proactively identify and assess potential human rights risks and actual human rights impact both before a new operation is launched and throughout the life cycle of the project has also significantly improved.

While only two companies publicly reported on these indicators in 2015, two thirds now do in their annual disclosure

- **Access to grievance mechanisms and processing grievances:** the number of companies that provide access to grievance mechanisms both at the corporate and site level and that publicly report on the way they process complaints has tripled from 2015 to 2017. Improvement was registered across all categories (mining/oil and gas; developed/emerging markets; small/large companies).
- **Monitoring business relationships:** the number of target companies monitoring the relationship with suppliers and contractors quadrupled between 2015 and 2017 from five to 20 companies. This is one of the only areas on monitoring and tracking effectiveness where the number of companies disclosing has significantly increased.

The number of target companies monitoring the relationship with suppliers and contractors quadrupled between 2015 and 2017 from five to 20 companies

The areas in which **less progress was made** were mostly monitoring and tracking the effectiveness of existing processes. For example:

- **Tracking training effectiveness:** while companies have made substantial progress in reporting on the human rights training they conduct for both employees and security personnel, the number disclosing whether and/or how they track training effectiveness is still very low. This should be the next step to ensure that training is understood and integrated properly across all operations.
- **Tracking the effectiveness of steps taken in response to human rights risk and impacts:** although there has been slight progress in disclosure around this indicator, the upward trend is mostly because of an improvement in disclosure among mining companies and those from developed markets, with almost half of both these sub-groups now reporting on human rights. Progress has been less substantial among oil and gas companies, and as of 2017, no company from emerging markets has started reporting on this indicator. It is interesting to note that the human rights risks identification and assessment was one of the three top areas of improvement while companies are still lagging on tracking effectiveness of these risk assessments. Companies that have started to identify and assess risks may need a few years to properly track the effectiveness of the mechanisms they put in place.
- **Effectiveness criteria:** very few companies provide evidence that their grievance mechanisms meet some of the effectiveness criteria (e.g. they are legitimate, accessible, predictable, equitable, transparent, rights-compatible and a source of continuous learning)⁶ for non-judicial grievance mechanisms as per the UNGPs. Benchmarking grievance mechanisms against these criteria would allow to monitor and track effectiveness of existing systems and tailor them to specific geographies/operations.

These trends show that an increasing number of companies are acknowledging human rights and adopting the UN Guiding Principles and responding to investors' requests, but given the nature of the topic it would be expected that the quality of disclosure will follow.

⁶ OHCHR (2011) UN Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework (p.33)

Figure 3. Companies disclosing on all basic indicators

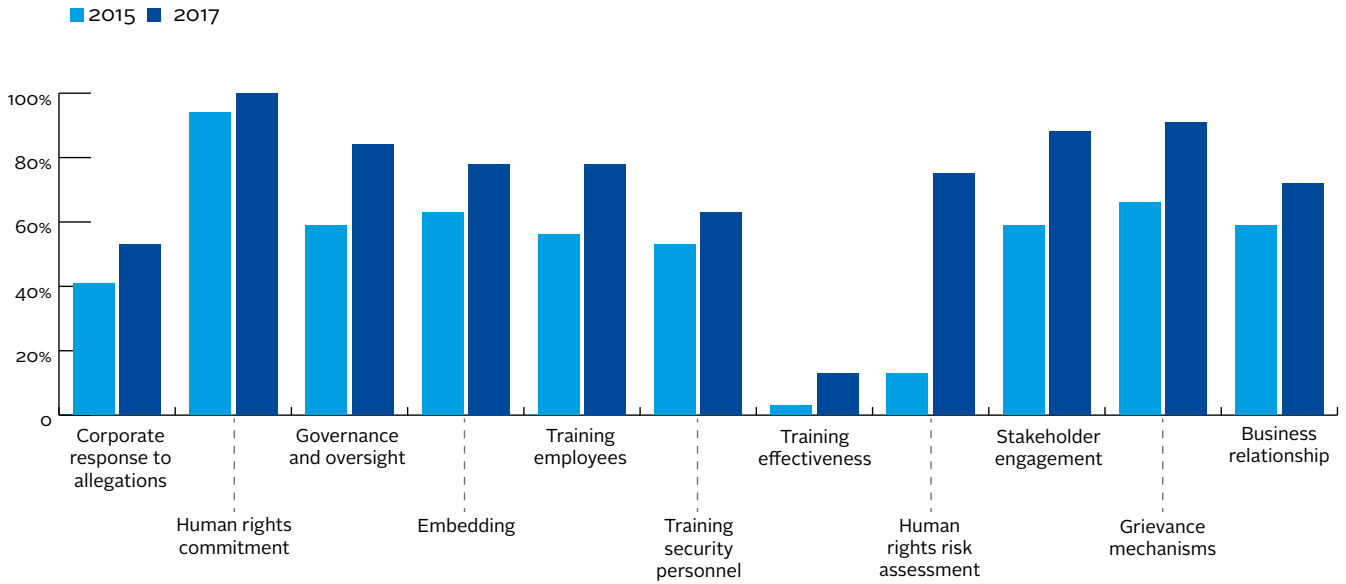


Figure 4. Oil & gas companies

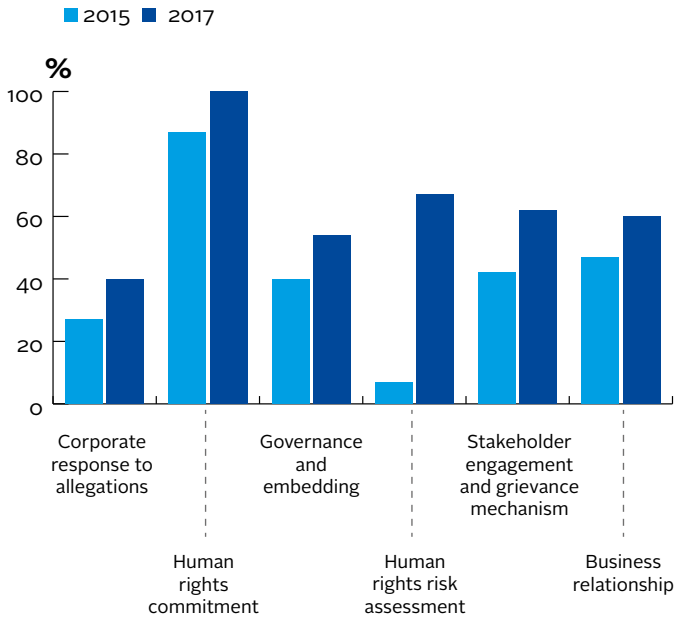
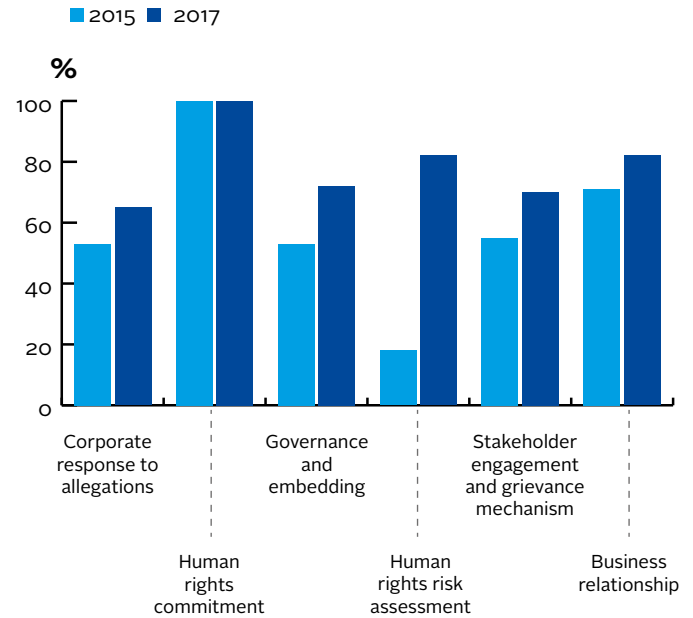


Figure 5. Mining companies



ENGAGING WITH COMPANIES: FIVE KEY INSIGHTS



MOVING THE LAGGARDS, THE MIDDLE AND THE LEADERS

Rooted in a risk-based approach, investors tend to focus on portfolio companies that have a poor human rights approach and performance. However, it was highlighted in engagement dialogues that investors should consult not only with laggards but also the leaders. This can help ensure that senior management understand the importance of the topic for investors and make sure it does not slip off the radar if the company is assumed to be quite mature. As the findings demonstrate, even the mature and leading companies in the group need to improve their approach to and implementation of the UN Guiding Principles.



BETTER TRACTION WITH CLOSER PROXIMITY

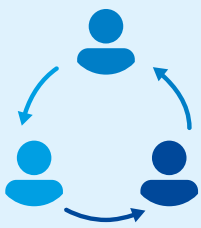
Investors highlighted that having a lead investor closer to where the company is headquartered or have their key operations is beneficial. This also enabled more in-person meetings than phone calls, which in turn may have helped build a stronger relationship between investors and companies. This is reflected in a recent academic study⁷ which highlighted that success rates were enhanced when the investor is headquartered in the same region as the target firm. Supporting investors also play a crucial role as they can help influence and leverage because of their scale, ownership and geographic breadth.



CONNECTING WITH THE RELEVANT PEOPLE AND COMMITMENT FROM THE TOP

Investors highlighted it is crucial to speak to company representatives that are sustainability-minded in order to raise awareness of investor expectations on the topic. Unsuccessful dialogues were often because of the fact that target companies had consistently failed to put investors in touch with the relevant people within the organisation.

In cases where companies did not have a real commitment from the top, it was difficult for investors to motivate companies to deliver on engagement asks and move towards the expected improvements requested by investors. However, where investors had direct access to C-suite level representatives, the engagement dialogues were often more impactful.



COMPANY COLLABORATION THROUGH MULTI-STAKEHOLDER INITIATIVES

Active participation in and dialogue around complex issues such as those addressed in this engagement is intrinsically beneficial to participants given that companies are often exposed to the same type of risks. Actively participating in human rights working groups led by industry associations such as [IPIECA](#) and [ICMM](#) allow companies to engage with peers and benefit from knowledge sharing platforms. Companies may learn from leading companies' best practices and potentially showcase their own. Investors emphasised the value of this as it can take the spotlight off individual companies and may contribute to company engagement dialogue by demonstrating industry momentum.



IT DRILLS DOWN TO COMPANY CULTURE

Company culture is key to managing and responding to human rights risks effectively. Where a company can show it can respond **adequately** and in a **timely way and provide remediation where relevant and learn from mistakes**, it can help inform investors about the potential and actual human rights risks to consider in their processes and due diligence, selection of portfolio companies and ongoing monitoring and reporting.

⁷ Gond et.al.(2018) How ESG engagement create value for investors and companies

ENGAGEMENT AGAINST OBJECTIVES

RESPONSE TO HUMAN RIGHTS INCIDENTS OR ALLEGATIONS

HIGH-LEVEL TRENDS

- Half of the companies evaluated now report on the way they respond to human rights allegations.
- While companies from developed markets have slightly progressed, companies from emerging markets have stalled – with the same 14% disclosing on this area as in 2015.

WHAT SHOULD INVESTORS LOOK OUT FOR?

- Company failure to acknowledge responsibility or provide evidence of corrective action.
- The response or remediation provided is inadequate to scale of incident (e.g. systemic issue is being addressed with a plan that does not entail changes to the company's internal processes).
- Failure to implement compliance mechanisms to improve internal management systems to prevent negative impact from reoccurring.
- Failure to involve relevant stakeholders (victims/ authorities/experts) in the design of the remediation plan.
- Failure to provide compensation/reparation to affected parties.

GOOD PRACTICE - MINING COMPANIES

Barrick Gold has reinforced its disclosure in this area. Following incidents at the Veladero mine in Argentina, the company has installed cameras to monitor the mine and has made it accessible to the general public to enhance transparency. The company publicly acknowledged its responsibility and has published an independent report [on its website](#). It attempted to take a culturally sensitive approach to remediation and sought ongoing input from affected stakeholders during the design of remediation plans. This shows how a company may learn from incidents and alter its internal processes.

HUMAN RIGHTS COMMITMENT

HIGH-LEVEL TRENDS

- All 32 companies publicly commit to respecting human rights.
- However, the level of commitment varies: a third has reached a very sophisticated level of commitment (standalone human rights policy/active participation in multi-stakeholder initiatives, etc.); a third has a clear and well-defined commitment but may not be as proactive in showcasing it; and the last group has managed to inscribe a commitment to human rights within an internal policy but is still at a very early stage.

GOOD PRACTICE – MINING COMPANIES:

Newmont has formalised its approach to human rights with an explicit commitment in its Sustainability and Stakeholder Engagement Policy. This is underpinned by Newmont's Human Rights Standard, which is designed to help identify minimum requirements to identify, prevent, mitigate, track and report on how Newmont addresses human rights risks. For example, at each stage of their project life cycle, Newmont works to gain consent from indigenous communities, using the ICMM Position Statement to define consent, and in 2016 all sites completed implementation of auditable processes for capturing community commitments.

Half of the companies evaluated now report on the way they respond to human rights allegations

Half of the companies evaluated now report on the way they respond to human rights allegations

50%



WHAT SHOULD INVESTORS LOOK OUT FOR?

- Vague wording – no explicit reference to existing international human rights conventions or instruments.
- Commitment does not explicitly extend to business partners, contractors or suppliers.
- Not enough information about how the company intends to demonstrate its commitment.
- Poor internal and/or external communication of the commitment.
- No disclosure around local stakeholder engagement.

GOVERNANCE AND EMBEDDING RESPECT FOR HUMAN RIGHTS INTO CORPORATE PRACTICE

HIGH-LEVEL TRENDS

Governance and oversight

- Companies have made continuous progress in terms of governance and oversight – in particular there are now twice the number of companies from emerging markets and smaller sized companies that disclose how their board and senior management oversees the human rights policy and due diligence process.

Embedding policy

- Disclosure in embedding policy has not significantly improved. Nevertheless, over the period 2015-2017, more than half of the companies have strengthened their commitment to human rights by better integrating them into risk management systems and strategies and across relevant functions of the company.

GOOD PRACTICE – OIL AND GAS COMPANIES:

Royal Dutch Shell's human rights commitment applies to employees and contractors alike. They are an active member of a number of initiatives (IPIECA, VPSHR, etc.) and work collaboratively with human rights-focused organisations such as the Danish Institute for Human Rights. The company has community liaison officers who keep community members informed throughout the project life cycle. Their code of conduct, available in 14 languages on their website, is showcased to internal and external stakeholders through training or local engagements.

Training – employees

- Overall, disclosure around human rights training of employees has improved. Nonetheless, there are some important discrepancies amongst companies. Mining companies have done significantly better than oil and gas companies and emerging markets' companies are lagging behind their developed markets counterparts.

Training – security personnel

- Progress in disclosure around the training of security personnel has been twofold. The number of companies reporting increased, and a number of the companies has also strengthened their reporting and practices by formally joining the [Voluntary Principles](#) or by aligning with them.

Training effectiveness

- While companies have made substantial progress in reporting on the human rights training conducted for both employees and security personnel, the number of companies reporting on this specific indicator is still very low. Tracking training effectiveness should be the next logical step to ensure that it is implemented properly across all operations.

GOOD PRACTICE – GOVERNANCE AND OVERSIGHT

At Total, the lead responsibility for human rights is with the Ethics Committee. The Human Rights Coordination Committee, led by the chairman of the Ethics Committee spells out the group's human rights position and initiatives during its quarterly meetings. The meetings bring together representatives of the corporate and business departments most likely to be affected by human rights issues – legal affairs, human resources, public affairs, security, purchasing and sustainable development.

WHAT SHOULD INVESTORS LOOK OUT FOR?

Governance and oversight

- No member of the board or senior management is responsible for or oversees the human rights policy.
- There is no clear line of reporting on human rights risks or incidents.
- It is unclear whether senior management is briefed regularly on human rights issues and whether the company leadership actively supports human rights.

Embedding

- Despite stating a commitment to human rights, the company does not integrate them into internal policies and processes.
- The company does not disclose how the commitment is implemented in practice through impact assessments and due diligence processes.
- Lack of information on how the company will advance its efforts to respect human rights.
- Human rights issues are not considered in risk management.

GOOD PRACTICE – EMBEDDING

Newmont takes a cross-functional approach to human rights integration to support a company-wide understanding, accountability and ownership with the topic. In addition to having a cross-functional human rights working group at the corporate level, the company requires all sites to have ongoing processes to identify human rights risks. The president and CEO, as well as members of the board, often visit sites to ensure policies and standards are being implemented. The company has also incorporated human rights requirements into pre-existing robust assessment and risk management processes and grievance mechanisms rather than create new ones.

Training – employees

- Absence of human rights specific training, even for staff working in high-risk locations – rather the company provides training on the business code of conduct/ethics.
- No disclosure around hours of training conducted or share of employees that have received training.

GOOD PRACTICE – TRAINING OF EMPLOYEES

Vedanta provides human rights training to both permanent and contract employees. The company discloses the number of hours of training provided and has also rolled out the Indigenous Peoples/Vulnerable Tribal Groups Standard with an international consultancy to implement train-the-trainer training for key staff members. All new staff are also trained on human rights as part of their induction process.

Training – security personnel

- No training is provided to security personnel – not even to those located in high-risk locations.
- The company is not a signatory to the VPs – or does not align with them.
- Training is provided only to the company's personnel – not to contractors or public forces.
- Training is not tailored for specific situations (on use of force, for example).

GOOD PRACTICE – TRAINING OF SECURITY PERSONNEL

Barrick Gold conducts heightened vetting and due diligence of its security personnel. All of them are required to be trained on human rights policies and procedures. In 2016, all employees and contractors received human rights training. Over 850 security personnel (100% of security employees) received dedicated, in-person human rights training including on the use of force, and comprising more than 3,000 hours of total instruction. The company plans to extend the focus of their security training content to children's rights and the rights of other vulnerable populations.

Training effectiveness:

- No adequate system is put in place to verify that employees, security personnel and business partners understand the material.
- No survey is conducted pre-training – to assess gaps in employees' understanding – and post training – to measure effectiveness of training.

GOOD PRACTICE – TRAINING EFFECTIVENESS

Goldcorp conducts pre and post online training surveys to assess training effectiveness. With regards to the online training course Respecting Rights, Level I, rolled out in 2016, the workforce's average score improved by 12% – from a pre-course score of 60% to a post-course score of 72%. Goldcorp also conducted an in-depth participatory workshop at the end of which they evaluated employees on their capacity to identify human rights risks related to their operations/identify prevention, mitigation and remediation measures for high-risk human rights issues/explain reporting mechanisms and course of action to take when becoming aware of a human rights risk or violation. The workshop was a pilot they plan to roll out for all operations.

HUMAN RIGHTS RISK ASSESSMENT

HIGH-LEVEL TRENDS

Human rights risk assessment – identifying

- In 2015, two companies reported on human rights risk identification; this increased to 25 in 2017, making it one of the most improved areas. Almost all target companies have incorporated human rights considerations into their risk management processes and evaluated their potential human rights impact from the project development stage and throughout all subsequent stages.

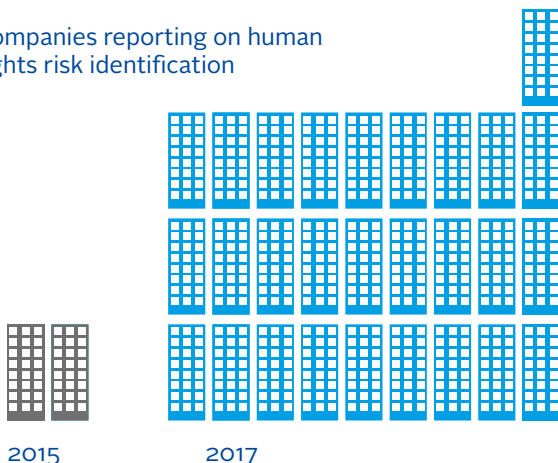
Human rights risk assessment – assessing

- The number of companies that proactively assess potential human rights risks and actual human rights impact both before a new operation is launched and throughout the life cycle of the project has significantly increased. In 2015 only two companies reported on human rights risk assessments – in 2017 two thirds of the target companies did.

Human rights risk assessment – integrating and acting

- While only one company reported on this indicator in 2015, more than a third of them now do. This upward trend is mostly attributed to an improvement in disclosure among mining companies and companies from developed markets, with almost half of both now reporting on how they integrate and act upon the findings drawn from their human rights impact assessments. Progress has been less substantial among oil and gas companies, and as of 2017, no company from the emerging markets has started to report on this indicator.

Companies reporting on human rights risk identification



In 2015, two companies reported on human rights risk identification; this increased to 25 in 2017

Human rights risk assessment – tracking

- Similar to the integrating and acting KPI, disclosure in public reporting has been led by mining companies and companies from developed markets. Ten companies now report on how they track the effectiveness of the actions taken in response to their actual and potential human rights impacts.

Human rights risk assessment – communicating

- Although nine companies now report on this KPI, against one in 2015, the smallest improvement in disclosure was registered for this indicator. Mining companies and those from developed markets have scored significantly better than oil and gas and emerging markets companies. It is also worth noting that smaller companies have also scored substantially better than their larger counterparts.

GOOD PRACTICE – HUMAN RIGHTS RISK ASSESSMENT, IDENTIFYING:

Freeport-McMoran has a sustainable development risk register that considers human rights impact at the scoping stage and integrates the UNGPs into their system to improve management of potential human rights risks. The company has a corporate HRIA and has tailored HRIAs to specific sites – for operations in the Democratic Republic of Congo, for example. Besides, an online due diligence platform was launched, the Freeport Compliance eXchange (FCeX) – a survey-based software platform designed to assess human rights related risks among others. For example, for the Cerro Verde HRIA, extensive on-the-ground engagement with stakeholders is conducted to verify the desk-based initial assessment of potential human rights risks and impacts and capture less visible risks and impacts.

! WHAT SHOULD INVESTORS LOOK OUT FOR?

Human rights risk assessment – identifying

- Risk identification process does not incorporate exogenous factors (geography, socio-economic conditions etc.).
- Lack of focus on the most salient human rights risks.
- Human rights risks are not incorporated into the risk management system.

- Human rights risks are considered only on the company's own operations – potential risk or impact through relevant business relationships are not assessed.
- Human rights risk identification is not tailored to specific stages of the projects/to changes in activities (entering a new market, launching a new project etc.).

GOOD PRACTICE – HUMAN RIGHTS RISK ASSESSMENT, ASSESSING:

Barrick Gold hires an independent consulting firm to conduct their human rights impact assessments. The firm assesses the actual, potential and perceived human rights risks and impacts at high-level risk operations and advanced projects. An NGO also serves as an independent advisor and in-depth assessments of applicable country-level risks are provided by the Danish Institute for Human Rights. The company adopts a holistic approach to risks and impacts assessment and conducts interviews with relevant stakeholders (both internal and external). The results of their human rights impact assessments are made available on the website along with some of the steps taken to mitigate these risks.

Human rights risk assessment – assessing

- Absence of a process to assess human rights risks taking into account relevant factors (geography, socio-economic conditions, etc.).
- Salient human rights risks are assessed once – no process to review and adapt them to changing circumstances is in place.
- The company does not disclose the findings of human rights risk assessments.

GOOD PRACTICE – HUMAN RIGHTS RISK ASSESSMENT, INTEGRATING AND ACTING:

Freeport McMoran partnered with an independent firm to develop a set of action plans to address any potential human rights impacts identified through their HRIA. The implementation of the action plans devised to investigate, mitigate and/or remedy adverse human rights impacts (actual and potential) was monitored on the ground. These plans are designed to support continuous improvement of existing systems and processes and where necessary will establish new procedures and measures to address potential and actual adverse impact. The lessons learnt through the HRIA and subsequent action plan conducted at the Cerro Verde mine are integrated in the company's global human rights risk strategy and will further shape site-level HRIA work at other high risk locations over time.

Human rights risk assessment – integrating and acting

- No internal process is in place to integrate findings of human rights impact assessments (HRIA) into relevant internal functions.
- No action plan is in place to prevent, mitigate or remediate the most salient human rights issues identified and assessed through the HRIA.

Human rights risk assessment – tracking

- No system to track effectiveness of action plan to respond/mitigate/remediate potential or actual human rights risks identified through HRIA.
- The company tracks effectiveness of action plan on an ad-hoc basis but does not integrate lessons into overarching internal risk management process.

GOOD PRACTICE – HUMAN RIGHTS RISK ASSESSMENT, TRACKING:

Barrick Gold: Once information on human rights risks is gathered and assessed, a final report is issued and an action plan proposed. The proposed action plan is then reviewed, adjusted and adopted by local management and other relevant personnel. Once finalised, action plan items are included in a data tracking system which automatically sends follow-ups to accountable employees to ensure the plan is executed..

Human rights risk assessment – communicating

- How the company addresses its human rights impact is only communicated internally – relevant external stakeholders are not informed.
- No criteria is set to decide what to communicate, to whom, when and how in response to actual or potential human rights impacts.
- Communication is made without addressing the potential information and barriers affected external stakeholders may face, e.g. the company does not tailor its communication to the potentially affected stakeholders and information is not translated into local language.

GOOD PRACTICE – HUMAN RIGHTS RISK ASSESSMENT, COMMUNICATING:

Goldcorp has communicated extensively around its human rights impact assessment at the Marlin Mine and is one of the only companies to disclose their actual impact assessment. Their disclosure includes an overview of the legal cases involving the mine, a summary of findings by human rights, and an external hazard assessment of chemical constituents.

STAKEHOLDER ENGAGEMENT AND GRIEVANCE MECHANISMS

HIGH-LEVEL TRENDS

Stakeholder engagement

- Just over half the companies reported on stakeholder engagement in 2015, while as of 2017 almost all of them do. Companies that already reported on this indicator have strengthened their level of disclosure and the overall quality of stakeholder engagement.
- Companies participating in multi-stakeholder initiatives often score higher than their peers in the benchmarking of disclosure.

Grievance mechanisms – accessibility

- The number of companies reporting on the accessibility of their grievance mechanisms both at the corporate and site level went from five in 2015 to twenty-seven in 2017. Improvement was registered across all categories. This makes it one of the indicators with most improvement.

Grievance mechanisms – means of communication and involving stakeholders

- From 22 companies disclosing in 2015, there are now 26, with nine having strengthened their level of disclosure.

Grievance mechanisms – processing grievances

- The number of companies that publicly report on how they process complaints filed through their grievance mechanisms has tripled from nine in 2015 to 27 in 2017.

Grievance mechanisms – tracking performance

- The number of companies reporting on how they monitor and assess the performance of their grievance mechanisms has doubled from nine in 2015 to 20 in 2017 – a reflection of improvements in disclosure across all companies. While no companies from emerging markets reported on this indicator in 2015, more than half of them now do.

The number of companies that publicly report on how they process complaints filed through their grievance mechanisms has tripled from nine in 2015 to 27 in 2017

The number of companies reporting on the accessibility of their grievance mechanisms both at the corporate and site level



WHAT SHOULD INVESTORS LOOK OUT FOR?

Stakeholder engagement

- No system or process to identify potentially affected stakeholders on an ongoing basis – and failure to identify most vulnerable groups.
- Lack of effective procedures to attain community consent, where applicable.
- No engagement is conducted with relevant stakeholders throughout the project life cycle – including during the exploration phase and through closure.
- Results of stakeholder engagement do not inform the company's understanding of risks or how to address them.

Grievance mechanisms – accessibility

- Grievance mechanism is available at corporate but not site level.
- Grievance mechanism is made available only to the company's workers – not extended to suppliers/contractors and potentially affected stakeholders.

GOOD PRACTICE – STAKEHOLDER ENGAGEMENT:

Across Newmont's operational sites, the company conducts a local stakeholder mapping process to identify, analyse and document individual and groups of stakeholders and their relationships with the project area. Sites must also develop a process to analyse stakeholder risks, conflicts, concerns, complaints and expectations. The stakeholder engagement plan should include a summary of key issues and a prioritised list of stakeholders based on influence and impact – indigenous peoples must also be consulted using appropriate representative bodies. The company has a standalone sustainability and stakeholder engagement policy supported by their stakeholder relationship management standard. Community input is sought throughout the project and during HRIA, and final reports are made available to local communities.

Grievance mechanisms – means of communication and involving stakeholders

- Failure to implement grievance mechanism at group and site level.
- Means through which complaints can be made are unclear and are not tailored to local contexts.
- Grievances cannot be made anonymously.
- Stakeholders are not consulted in the design, revision and monitoring of the grievance mechanism.

GOOD PRACTICE – GRIEVANCE MECHANISMS, ACCESSIBILITY:

Newmont employs three primary grievance mechanisms for internal and external stakeholders to raise issues related to human rights. The first is an internal grievance mechanism for workers to file grievances and complaints either through their managers or an HR representative. The second is a site-level mechanism, required for all sites, that aim to address external stakeholder concerns. The third is the ethics solution tool – a confidential channel for workers and external stakeholders to report any concern about compliance with the code of conduct, including potential human rights issues.

Grievance mechanisms – processing grievances

- No information is provided on how the company address grievances.
- Lack of independent grievance assessments.
- Process to address grievances is unclear and no line of accountability at site level or corporate level is defined.
- No clear timeline is provided for processing grievances.

GOOD PRACTICE – GRIEVANCE MECHANISMS, PROCESSING GRIEVANCES:

Anglo American describes at length in its SEAT toolbox the social incident (including complaints and grievances) management process. Once the complaint is reported and initially assessed to determine the level of severity, it is recorded on the information system by the complaints coordinator who sends a receipt of complaint and outlines how the latter will be processed. The relevant functions are notified and senior management responsibility is assigned to investigate and address the complaint. The investigation – which may entail engaging with external stakeholders – consists of three phases that lead to the development of conclusions and preventative actions: preparation, data gathering and data analysis. Once the investigation concludes, the company disseminates the learning into its internal processes.

GOOD PRACTICE – GRIEVANCE MECHANISMS, MEANS OF COMMUNICATION AND INVOLVING STAKEHOLDERS:

Eldorado Gold has a company-wide grievance mechanism, comprising a global directive and implementation guide for each site. As part of its code of business, conduct and ethics, the company has a whistleblowing policy so that any stakeholder – internal or external – can confidentially report any concerns. In addition, each of the company's operations has established various mechanisms for receiving and responding to external grievances. Concerns are managed by an external whistleblower reporting agency. All submissions and investigations are overseen by the company's audit committee chair and corporate secretary.

Grievance mechanisms – tracking performance

- Failure to provide basic information on grievances (e.g. number of grievances filed).
- Failure to track trends relatively to the grievances (e.g. most recurring themes).
- Lack of information on the outcome of grievances (e.g. disciplinary action, remedy provided, etc.)
- Failure to establish how the information tracked informs the revision and monitoring of the grievance mechanism.

GOOD PRACTICE – GRIEVANCE MECHANISMS, TRACKING PERFORMANCE:

Glencore's process is aligned with IFC Performance Standards and also refers to ICMM, World Bank and IFC guidelines specific to human rights and grievance mechanisms. Grievances are screened and assessed by the stakeholder response team. When a grievance is related to a contractor, it is transmitted directly to that contractor with a reply expected within two weeks. All communications are recorded and communicated to all appropriate parties to ensure compliance, and they support the contractor throughout the resolution process with the community. If a contractor does not address a grievance, this matter is raised with their stakeholder relations manager. When working to resolve each issue they take community preferences, project policy, past experience, current issues and potential outcomes into consideration. They monitor and report on the entire process to measure the effectiveness of their grievance management and the efficient use of resources. This also allows them to identify broad trends among the topics of grievances, and recurring problems. They can capture the lessons learned from each grievance and feed it into the continual improvement of individual projects and assets.

BUSINESS RELATIONSHIPS

HIGH-LEVEL TRENDS

Business relationships – selection

- Over half of the companies now report on the criteria used to select business relationships e.g. suppliers and security providers. While all categories have made progress on this indicator, companies in emerging markets have shown most improvement with almost half of them now disclosing on this.

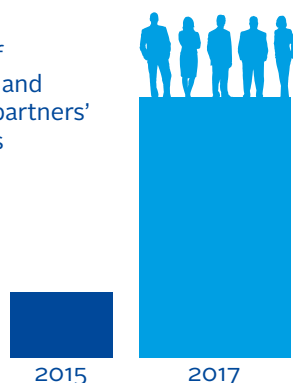
Business relationships – stipulating expectations/terminating contracts

- In 2015, half of the companies were disclosing on whether and how they included human rights criteria in contracts with business partners. Notable progress has been made as more than two thirds of them now do. Progress in disclosure was observed across all categories although emerging countries stood out: the companies from this sub-group disclosing on this indicator has tripled.

GOOD PRACTICE – BUSINESS RELATIONSHIPS, SELECTION:

Total favours the selection of business partners on the basis of their ability to comply with its business principles. Depending on the purchasing categories involved, Total asks suppliers tailored questions about their practices in human rights in the workplace. Furthermore in the case of security providers, the company has issued a guide and a corporate security policy to provide managers with specific guidelines on the selection of private security companies. The group's business units are required to conduct due diligence when recruiting private security personnel. They are meant to check via a preliminary survey of potential security providers that no one involved in human rights abuses has been recruited, for instance.

From 2015 to 2017, the number of companies disclosing on whether and how they monitor their business partners' compliance with human rights has quadrupled



Business relationships – awareness raising

- The number of companies disclosing on whether and how they raise awareness among their business partners around human rights risks has tripled from 2015 to 2017. Progress in disclosure was observed year on year for all sub-categories of companies.

Business relationships – monitoring

- From 2015 to 2017, the number of companies disclosing on whether and how they monitor their business partners' compliance with human rights has quadrupled. This encouraging trend has been driven by considerable improvement across all categories: most notably, while no companies in the oil and gas and emerging sub-categories were disclosing on this indicator in 2015, half of both groups now do.

GOOD PRACTICE – BUSINESS RELATIONSHIPS, STIPULATING EXPECTATIONS/TERMINATING CONTRACTS:

For all new contracts with suppliers, Antofagasta includes specific clauses requiring them to comply with the group's compliance model. It comprises of the code of ethics that contain specific expectations in terms of human rights; the crime prevention model; whistleblowing; communication and training programme and compliance risks and control assessment. As part of the compliance model, due diligence is performed on all new suppliers before they are engaged and periodically thereafter. The due diligence process requires suppliers to complete a questionnaire explaining their compliance models, training programmes, codes of conduct, processes for receiving and investigating complaints, third party background checks and compliance procedures for the prevention of slavery and human trafficking. As part of the risk assessment process, all of the group's suppliers are reviewed based on the outcome of the due diligence analysis, the supplier's location and the slavery index of the country in which they operate.

! WHAT SHOULD INVESTORS LOOK OUT FOR?

Business relationships – selection

- Failure to include human rights criteria in the selection of business partners.
- Failure to conduct due diligence of potential business partners and check involvement in human rights violations.

Business relationships – stipulating expectations/terminating contracts

- Human rights clauses not included in contract with business partners – even in high-risk locations.
- Lack of consideration of how company requirements (e.g. order volume and timing, pricing, etc.) may affect the rights of workers and communities for business partners.
- Violation of human rights clauses is not included as cause for terminating contract with business partners.
- Human rights clauses only included in contract with suppliers but not with other partners e.g. security personnel provider.

GOOD PRACTICE – BUSINESS RELATIONSHIPS, AWARENESS RAISING:

Glencore operations engage with staff and business partners to raise awareness of human rights and ensure alignment with its standards. This can take the form of direct human rights training to employees and contractors, or partnership with appropriate international organisations where direct training may not be possible, as in the case with the DRC, where they partner with UN local entity MONUSCO to raise awareness of human rights issues amongst police officers operating at their concessions. In regions with a high risk of human rights abuses, they require their security contractors to comply with the Voluntary Principles. Where public security forces, such as local military or police forces, operate at their assets, they engage with host governments to raise awareness of international human rights standards and promote responsible practices.

Business relationships – monitoring

- Failure to implement processes to insure that human rights violations by business partners can be reported.
- Failure to regularly review business partners re human rights – only conduct ad-hoc monitoring.
- Lack of onsite visits to assess business partners re human rights.
- Failure to engage with workers and community members when monitoring business partners re human rights.

GOOD PRACTICE – BUSINESS RELATIONSHIPS, MONITORING:

Royal Dutch Shell requires that suppliers register with their Supplier Qualification System (SQS). The results of their supplier assessments are summarised in a green/amber/red rating depending on the number and significance of any gaps between Shell's requirements and the supplier's policies or performance. They work with each of these suppliers to ensure they have a plan to correct serious gaps. Suppliers or contractors that are required to develop a corrective action plan may be subject to onsite audits, which may be announced or unannounced. Audits may be performed by either Shell personnel or third-party auditors. Allegations of practices running contrary to the supplier principles that are raised to the company are investigated and may result in suppliers being required to develop corrective action plans backed up by onsite audits. In addition, contracts may be terminated with immediate effect if suppliers breach the General Business Principles.

Business relationships – awareness raising

- Failure to communicate expectations re human rights to business partners.
- Communication around human rights risks is not made through the appropriate channels (language barrier, etc.).
- Awareness raising around human rights risks does not entail capacity building and training – outcomes of outreach are not monitored.

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The Principles for Responsible Investment (PRI)

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org



The PRI is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact.

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UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

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