

BUSINESS EVENT SERIES

**SUSTAINABLE BUSINESS AND INVESTMENT  
IN THE GLOBAL CONTEXT:**

*Rights, Risks and Responsibilities*

16 and 17 April 2013, Beijing, China



Global Compact Network  
China  
全球契约中国网络

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GLOBAL BUSINESS INITIATIVE  
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**PRI** | Principles for  
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Mr Gerald Pachoud, Senior Advisor, UN Peacebuilding Support Office, and Formerly Special Advisor to the Special Representative to the UN Secretary-General on Business and Human Rights

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*'Human rights used to be perceived as a concept that was highly politicized. But much more simply, human rights can be seen and used as a universally agreed benchmark of how to treat people. With agreement on clear benchmarks from business and other stakeholders, the era of declaratory CSR is over. In its place, business today has a clear and authoritative roadmap for what it means to respect human rights—that is found in the UN Guiding Principles.'*

Mr Ole Buhl, Head of ESG, ATP Investment Department

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*'A company's reputation is part of, not separate from materiality. A reputational crisis absorbs the time and focus of high-level executives to solve, when they should be focused on creating value. So from a business point of view, it is good for business to be proactive. Companies have certain responsibilities, and respecting human rights is part of this.'*

Ms Ma Xinying, Director of Sustainable Development Office, COSCO

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*'COSCO holds human rights as a core value. That means that our management takes a people-oriented approach. With a people-oriented approach we can maximize our profits. Human beings are the most uncertain factor in business operations, so in terms of risk control, respect for human rights is the major effort we must make. If we reduce human rights risk then we will succeed in promoting sustainable development.'*

Mr Kent McVay, International Labor Relations Director, The Coca-Cola Company

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*'No company is perfect—invariably, any business has human rights impacts. What is important is to build the capacity of our business leaders to understand and identify those impacts. In that way, the journey to respect human rights is parallel to the journey in the 1990s to incorporate corporate codes of ethical conduct.'*

Mr Liang Xiaohui, Chief Researcher, China National Textile and Apparel Council, and Lecturer in Business and Human Rights, Peking University Law School

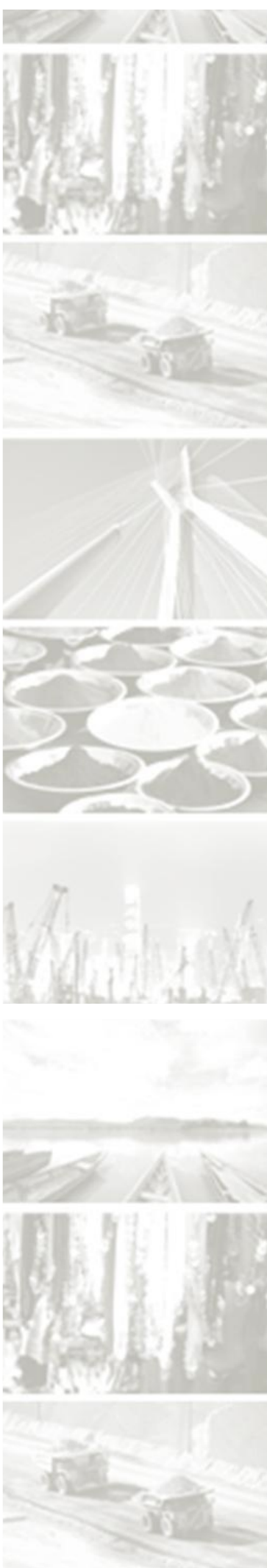
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*'As Chinese companies become more international, the voice of stakeholders like NGOs is becoming stronger. As a result, Chinese companies are incorporating human rights into their management systems. Even within China they cannot avoid this topic. International conventions are being translated into Chinese law and the enforcement of these laws is becoming more stringent. Chinese companies must comply, either voluntarily or involuntarily. This is why Chinese enterprises have a strong drive to respect human rights.'*

Prof. Wang Zhile, Director General, Beijing New Century Academy on Transnational Corporations

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*'To succeed, a company must assume global responsibilities. It is important not just to consider the responsibilities of your home country but also those of the country where you are operating. This requires enhanced transparency, equity and neutrality. If we are modest and willing to learn, then we can do better.'*



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## INTRODUCTION

This report has been written to document key speeches, discussions, insights and outcomes from a one-and-a-half-day business-to-business event series entitled ‘Sustainable Business and Investment in the Global Context: Rights, Risks and Responsibilities’, held in Beijing, China, on 16<sup>th</sup> and 17<sup>th</sup> April 2013. The event series consisted of a Business Executives Conference and a Roundtable for Practitioners aimed at business leaders and investors. The event highlighted the experiences of Chinese businesses and relevant experts, exploring investing and doing business in high-risk contexts and how companies should implement the corporate responsibility to respect human rights.

Speakers at the events included representatives from leading Chinese businesses such as the China Development Bank, China Mobile, COSCO, CPI Yunnan International and Sinosteel; from multinational corporations such as The Coca-Cola Company, Flextronics, General Electric Company (GE), Shell and Unilever; international investors from ATP Investment Department, Hermes Equity Ownership Services and MN Services; and from international and nongovernmental organisations including the United Nations and the International Committee of the Red Cross.

### **Business Executives Conference, 16 April 2013:**

The objectives of the Conference included: promoting responsible business and investment practices by engaging companies to explore the challenges and opportunities of respecting and supporting the UN Global Compact principles in all countries where they operate—especially in high-risk areas; building the business case for corporate respect for human rights in global operations, in accordance with the UN Global Compact principles and the UN Guiding Principles on Business and Human Rights, and highlighting ways in which companies can respect and support human rights, including through integration of human rights principles in management systems and business functions; introducing tools and resources that can be used by companies to develop policies and procedures to advance progress in these areas; sharing experiences and developing the rationale for considering human rights performance when making business partnership and investment decisions; examining the value of partnerships and collective action—among companies, governments, civil society and other stakeholders. The Conference also included the launch of the Chinese-language version of the UN Global Compact-PRI ‘Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors’.

The event was attended by over 200 participants, with representatives from Chinese private and state-owned enterprises, overseas multinational companies, representatives of overseas companies with subsidiaries in China, and local and international experts. This meeting was the first event of this size in China dedicated to responsible business in high-risk areas and implementing respect for human rights. It presented a unique opportunity to share good practices, challenges and lessons learned on responsible business operations and investment practices in high-risk areas, and business respect for human rights in line with the UN Global Compact principles and the UN Guiding Principles on Business and Human Rights.

### **Roundtable for Practitioners – Risk Management and Human Rights, 17 April 2013:**

The second day of the event series was a half-day Roundtable for Practitioners on Risk Management and Human Rights. This half-day Roundtable saw businesspeople from different industries and diverse corporate functions engage with each other on how companies are integrating respect for human rights in their businesses. The half-day Roundtable was an opportunity for deeper dialogue and discussions to explore the steps that can be taken to manage human rights impacts and risks, through business management systems and processes, and specific challenges that businesses face.

The Roundtable comprised an opening welcome and introductions, a presentation on the UN Guiding Principles in the Chinese context, two sets of small group sessions and a closing panel. Roundtable small group sessions were confidential discussions on integrating human rights into management systems and processes, and specific human rights challenges.



## REGIONAL POLICY AND PRACTICE CONTEXT

### Background:

Throughout the 1990s and early 2000s, businesses around the world were confronted by non-governmental organization (NGO) campaigns examining sweatshops and allegations of labour abuses in their own operations and throughout complex global supply chains. Many multinational companies developed codes of conduct for their suppliers aimed at combatting such abuses. China is a key part of this global supply chain.

Since that time, China's role in the international economic and political spheres has been fundamentally transformed. Today, China is the world's second largest economy; no longer merely the factory to the world, China is a major global economic player in its own right, with large, competitive, private, publicly listed and state-owned companies operating in all industries and all corners of the globe.

China's companies are increasingly operating overseas, facilitated by the country's accession to the World Trade Organization in 2001 and the "Go Out" policy, which encouraged Chinese companies to operate abroad. By the end of 2011, 18,000 Chinese-invested companies operated in 177 countries. The challenges facing these companies include the human rights impacts of their investments and operations, especially under conditions of weak governance. Societal reactions in host countries and external pressures are contributing to a greater awareness of the need to address and mitigate these challenges.



## **CSR and Reporting:**

There have been many developments in the wider corporate social responsibility (CSR) sphere in China, encompassing issues related to the environment, corruption, labour rights, philanthropy and other aspects of human rights. A range of actors, both public and private, have proactively taken steps to encourage business to fulfil their corporate responsibilities. This is most apparent in the sharp increase that has been seen in CSR and sustainability reporting: in 2006 only 19 such reports were published, but by 2012, over 2,000 Chinese companies were publishing CSR or sustainability reports. Many of these reports include issues related to human rights standards and responsibilities.

State-owned enterprises are not immune from CSR pressures either. In response to evolving expectations, CSR reporting became mandatory in 2013 for state-owned enterprises under the State-owned Assets Supervision and Administration Commission (SASAC). In 2008 SASAC released the 'Guide Opinion on the Social Responsibility Implementation for the State-Owned Enterprises Controlled by the Central Government', which provides guidance on CSR implementation to state-owned enterprises.

Stock exchanges are leading further reporting requirements. For example, all companies listed on the Shenzhen Stock Exchange must publish a CSR report. Similarly, the Shanghai Stock Exchange in 2008 encouraged companies that are listed on Shanghai Stock Exchange Corporate Governance Index, companies that list overseas and companies in the financial sector to publish an annual CSR report.

## **Evolving Expectations:**

In 2012 the State Council announced that all major industrial projects must now pass a social risk assessment, aimed at preventing social incidents and grievances that might have operational consequences. There are also a number of international and Chinese organisations working with business to try to address societal concerns. One of these organisations has been the UN Global Compact, which at the time of writing had 246 Chinese business signatories. The Global Compact Local Network China, which sits within the China Enterprise Confederation, annually highlights best practice case studies relating to the 10 Global Compact principles on human rights, labour rights, environment and anti-corruption. Six Chinese companies are also members of Global Compact LEAD.

Industry bodies have also released standards and guidelines: for example the Social Responsibility Guide of China Industrial Companies and Industrial Associations, and the development of the China Social Compliance CSC9000T standard by the China National Textile and Apparel Council.

These activities provide a snapshot of the growing discourse and disclosure around CSR, and the increasing pressures on companies to meet standards. The impact of reporting requirements alone is difficult to discern, however the mandatory nature of some of these requirements is putting pressure on companies to consider their impacts and act accordingly.

## **GLOBAL CONTEXT**

International standards and principles such as the Universal Declaration of Human Rights, the UN Global Compact principles and the UN Guiding Principles on Business and Human Rights provide a framework to guide the actions and decisions of companies and individuals in all country contexts. This framework forms the basis for responsible business action and fair and equitable globalization.

The UN Global Compact principles represent a practical framework for the development, implementation and disclosure of sustainability policies and practices. With over 10,000 corporate participants and other stakeholders from over 135 countries, the UN Global Compact is the largest voluntary corporate responsibility initiative in the world. The universally accepted principles include six principles on labour and human rights and four more on the

environment and anti-corruption. The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies.

In June 2011, the United Nations Human Rights Council unanimously endorsed the UN Guiding Principles on Business and Human Rights for implementing the 'Protect, Respect and Remedy' framework, developed by United Nations Special Representative John Ruggie (SRSG). These principles were supported by a number of governments, including the Chinese government. The work of the Special Representative has sparked a global convergence, including the alignment of the OECD Guidelines for Multinational Enterprises and the content of ISO 26000 with the UN Guiding Principles. Further incorporation of the principles in guidelines, policies and other instruments, at the national and international level, is expected in this rapidly evolving area.

Following the endorsement of the UN Guiding Principles on Business and Human Rights, companies now have an accessible, concise and authoritative global standard on the business responsibility to respect, and the state duty to protect, human rights. The challenge is now to increase awareness of the Guiding Principles among the business community as a whole, and for companies with relevant policies in place to fully embed good practice. Progress is encouraging but efforts by business to fully respect human rights are still in the early stages.

In June 2011 the UN Human Rights Council also established a Working Group on the topic of human rights and transnational corporations and other business enterprises, consisting of five independent experts, of balanced geographical representation, for a period of three years. In addition, the Council established an annual Forum on business and human rights under the guidance of the Working Group to discuss trends and challenges in the implementation of the Guiding Principles and promote dialogue and cooperation on issues linked to business and human rights. This includes challenges faced in particular sectors, operational environments or in relation to specific rights or groups, as well as identifying good practices. The first Forum took place in Geneva on 4 and 5 December 2012.

The following themes emerged from the presentations and discussions at the event series on Sustainable Business and Investment in the Global Context.

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**THEME ONE – AS MORE COMPANIES HEADQUARTERED IN CHINA OPERATE GLOBALLY, THERE IS INCREASED RECOGNITION OF HUMAN RIGHTS AND SUSTAINABLE BUSINESS IMPERATIVES**

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Private and state-owned companies headquartered in China are encountering a range of social challenges in their operations overseas—including in high-risk areas—to which there are no easy answers. Businesses facing these challenges have quickly become aware of the imperative to meet human rights and sustainability standards, and the business case for doing so. Both international and Chinese companies operate in contexts that can be difficult to predict, and that need to be navigated responsibly and sustainably. Adopting an approach to business operations in line with all ten UN Global Compact Principles and the UN Guiding Principles, assists companies in upholding their responsibilities and managing social risks. Additionally, there is much guidance available for business today on navigating these challenges and meeting global expectations of social sustainability in practice, including from the UN Global Compact.

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**THEME TWO – RECENT DEVELOPMENTS IN CHINA AND INTERNATIONALLY ARE BECOMING MORE ALIGNED WITH THE RESPONSIBILITY TO RESPECT HUMAN RIGHTS**

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There have been a number of developments, both in China and internationally, that are encouraging business to respect human rights and operate in a sustainable manner. These include mandatory CSR reporting for state-owned enterprises in China; the Shenzhen and Shanghai Stock Exchanges encouraging reporting; standards such as CSC 9000T for the textiles industry on CSR, and mandatory disclosures on the use of conflict-minerals under the US Dodd-Frank Act. Companies are becoming more aware of their responsibility to respect human rights and are changing how they do business accordingly. Furthermore, increasing numbers of investors are taking human rights into consideration as an issue of materiality in investment criteria and dialogue with companies.

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**THEME THREE – THE UN GUIDING PRINCIPLES ESTABLISHED RESPECT FOR HUMAN RIGHTS AS A BASELINE FOR COMPANIES**

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The UN Guiding Principles on Business and Human Rights established that the corporate responsibility to respect human rights is the global baseline standard that companies must meet. This means that companies should deal with their direct impacts first and foremost, which involves undertaking human rights due diligence to prevent and mitigate adverse human rights impacts. This is distinct from business support for human rights and their role in the realisation of human rights, such as through proactive philanthropic or CSR activities. Companies may invest in corporate philanthropy and provide local infrastructure such as schools and hospitals to the communities surrounding operational areas. However, these efforts do not offset the baseline responsibility to respect human rights in practice.

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**THEME FOUR – COMPANIES HEADQUARTERED IN CHINA ARE OFTEN RESPECTING HUMAN RIGHTS, BUT MAY USE OPERATIONAL LANGUAGE TO DESCRIBE THEIR ACTIONS**

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Companies in China and elsewhere are already integrating many of the components of the corporate responsibility to respect human rights: for example through policies and procedures aimed at non-discrimination, working hours, health and safety, responsible supply chain management, community relations and security provision. These may be described through operational language, but they are a core component of rights-respecting behaviour. Enhancing existing mechanisms and management systems through a comprehensive human rights approach remains imperative.

## **THEME FIVE – BUSINESSES HEADQUARTERED IN CHINA AND OVERSEAS HAVE MORE TO DO TO ENSURE RESPECT FOR HUMAN RIGHTS AND CORPORATE SUSTAINABILITY**

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While progress has been made, all companies need to continue to advance their human rights journey. Businesses agree that they have much to learn from each other, and many welcome opportunities to come together to discuss challenges and ways forward. Companies headquartered both in China and overseas need to advance respect for human rights within their businesses, in line with the UN Guiding Principles and the UN Global Compact principles. In addition to simply doing the right thing, the business case for respecting human rights and operating sustainably include: enhanced risk management, reputational concerns, preventing escalation of grievances, productivity gains, and access to capital and finance. Companies should engage their own workforces as well as the communities where they operate in order to better understand human rights risks and impacts and to develop effective management processes. This is an ongoing journey for companies everywhere.



## **THEME SIX – COMPANIES AND INVESTORS NEED TO UNDERTAKE ENHANCED DUE DILIGENCE IN CONFLICT AND HIGH-RISK AREAS**

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While every context presents its own challenges, situations in which governance is weak or which have undergone (or are in the midst of) conflict have a unique set of risks related to human rights and sustainability. Companies should take steps to identify the interaction between their core business operations and conflict dynamics and ensure that they do no harm, adapting existing due diligence measures to the specific needs of conflict-affected and high-risk contexts. Investors are increasingly taking account of how businesses operate responsibly in conflict and high-risk areas in their investment-making decisions. Engagement with stakeholders can also be especially important in high-risk areas.

## **THEME SEVEN – PUBLIC AND PRIVATE INVESTORS CONSIDER RESPONSIBLE BUSINESS AND HUMAN RIGHTS IN INVESTMENT DECISION-MAKING CRITERIA**

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Many investors are considering responsible business and human rights in their decision-making criteria and ownership practices. Internationally, this is being seen through: the Principles for Responsible Investment and the Equator Principles, the IFC performance standards, export credit agency criteria, sovereign wealth funds, and socially responsible investment funds, among others. Investors can play a key role in promoting sustainable business and respect for human rights due to the close relationship they may have and the financial incentives they can hold for business. Investors may encourage companies to be more transparent about their social impact or to bring their policies into line with the UN Global Compact principles and the UN Guiding Principles. Companies can build trust with investors by disclosing both their positive as well as their negative impacts.

## CONFERENCE IN BRIEF

### WELCOME PANEL

The one-day Business Executives Conference opened with a session to set the context and current state of play of responsible business in high-risk areas and human rights—globally and locally—and outlined the objectives of the Conference. Initial welcome and introductions were given by Mr Li Decheng, Executive Vice Chairman of China Enterprise Confederation, Board Member of UN Global Compact, Chairman of Global Compact Network China; Mr Wang Jianzhou, Former Chairman, China Mobile; Ms Liu Meng, China Representative, UN Global Compact; and Mr Mark Hodge, Executive Director, Global Business Initiative on Human Rights. The panel was moderated by Mr Cheng Duosheng, Executive Secretary-General, Global Compact Network China.



Mr Li Decheng, Executive Vice Chairman of China Enterprise Confederation, Board Member of UN Global Compact, Chairman of Global Compact Network China

*‘Enterprises are the main driving force promoting sustainable development. Chinese companies are making an active contribution. However, there is still a gap as compared to best practice, and Chinese enterprises need to learn from those in other countries. The Business Executives Conference is an opportunity to communicate on these issues to ensure better management and a more sustainable society.’*

Mr Wang Jianzhou, Former Chairman, China Mobile

*‘The revenue of some enterprises can be larger than the GDP of a small country. As a result, enterprises can drive social and economic development. However, they can also have side effects when they are too powerful. Enterprises must take more action to promote sustainable development. We need innovative thinking to take the challenges along with the opportunities of sustainable development.’*

Ms Liu Meng, China Representative, UN Global Compact

*‘Without sustainability, business cannot survive and thrive. Regardless of size or sector, companies can make a positive contribution to peace and sustainable development wherever they operate. The UN Global Compact believes companies can be problem solvers rather than trouble makers through responsible investment and practices.’*

Mr Mark Hodge, Executive Director, Global Business Initiative on Human Rights

*‘Many companies here today already have commercial interactions with each other, but we hope to add a new component to your conversations: a component that talks about rights, risks and responsibilities. We will discuss what due diligence looks like, what it means to build corporate policies, to integrate human rights into risk assessments and into enterprise risk management, to build social concerns into the value chain, and to conduct the right training and capacity building around human rights.’*

The first session of the Conference provided context on the topic of the rights, risks and responsibilities of business, followed by direct reports from major businesses and investors on recent trends and developments in this area. Panellists provided specific examples of how their businesses have moved beyond legal compliance and philanthropy to be more responsible and sustainable. Panellists were Mr Gerald Pachoud, Senior Advisor, UN Peacebuilding Support Office, and Formerly Special Advisor to the Special Representative to the UN Secretary-General on Business and Human Rights; Mr Guo Gengliang, Vice General Manager, CPI Yunnan International; Mr Mark Nordstrom, Senior Labor and Employment Counsel, GE; Mr Bert Fokkema, Sustainable Development Manager – Human Rights, Shell; and Mr Ole Buhl, Head of ESG, ATP Investment Department. The panel was moderated by Mr Mark Hodge, Executive Director, Global Business Initiative on Human Rights.



**Key discussion points**

- There is increasing recognition among investors and business leaders that sustainable business and respect for human rights are very important to take into account, and they are taking practical steps to address this.
- Conducting responsible business does not need to be a vague concept—it can be practical and well-defined, just like other areas measured by business.
- The UN Global Compact principles established that business has an impact on the society where it operates, and the UN Guiding Principles clarified the baseline responsibilities of business and how these responsibilities differ from those of the State. Business has a responsibility to respect human rights, which means not infringing on rights. This is distinct from the State’s obligation to protect, respect, promote and fulfil human rights.
- Corporate respect for human rights is different and distinct from support for human rights. Business may (and often does) have a positive impact on the realisation of rights, through support for the needs and concerns of their employees and the communities where they operate; for example through supporting education, healthcare and employment. However, business has a baseline responsibility to avoid infringing on human

rights and to address the adverse human rights impacts with which they are involved. Supporting human rights does not offset any negative impacts a company may have, and thus companies must prioritise preventing and mitigating negative impacts.

- Companies are realizing that they need to manage the adverse impacts of their operations in order to maintain their social license to operate.

Mr Gerald Pachoud, Senior Advisor, UN Peacebuilding Support Office, and Formerly Special Advisor to the Special Representative to the UN Secretary-General on Business and Human Rights

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*‘Human rights used to be perceived as a concept that was highly politicized. But much more simply, human rights can be seen and used as a universally agreed benchmark of how to treat people. With agreement on clear benchmarks from business and other stakeholders, the era of declaratory CSR is over. In its place, business today has a clear and authoritative roadmap for what it means to respect human rights—that is found in the UN Guiding Principles.’*

Mr Guo Gengliang, Vice General Manager, CPI Yunnan International

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*‘I feel that, if you make a sincere effort, you can solve problems. By working together, we can do the right thing.’*

Mr Mark Nordstrom, Senior Labor and Employment Counsel, General Electric Company

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*‘At GE we want to make money, we want to make it ethically, and we want to make a difference. The UN Guiding Principles show companies how to achieve these things simultaneously. They allow you to look at your operations and make sure you are respecting people, treating them with dignity, and mitigating adverse effects to the extent possible.’*

Mr Bert Fokkema, Sustainable Development Manager – Human Rights, Shell

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*‘Safety is a key focal area for Shell. Everyone who works for Shell should come home safely at the end of the day. In order to improve our safety record, Shell instituted a focused programme that went from leadership to policies to procedures to behaviours. If their leadership is serious about change, shows the way and gives the tools to operationalize it, then companies can make enormous progress.’*

Mr Ole Buhl, Head of ESG, ATP Investment Department

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*‘A company’s reputation is part of, not separate from, materiality. A reputational crisis absorbs the time and focus of high-level executives to solve, when they should be focused on creating value. So it is good for business to be proactive. Companies have certain responsibilities, and respecting human rights is part of this.’*

## CORPORATE EXPERIENCES AND RESPONSES IN ADDRESSING BUSINESS RISK AND SOCIAL IMPACTS

The second panel reviewed the early steps taken within companies to understand key impacts and risks. Company representatives addressed the business case for respecting human rights, how corporate social responsibility relates to business and human rights, and how and why investors engage with companies on these issues. Panellists were Ms Ma Xinying, Director of Sustainable Development Office, COSCO; Mr Kent McVay, International Labor Relations Director, The Coca-Cola Company; Ms Marcela Manubens, Global VP for Social Impact, Unilever; Ms Naheeda Rashid, Head, Emerging & Frontier Markets, Hermes Equity Ownership Services; and Mr Liang Xiaohui, Chief Researcher, China National Textile and Apparel Council, and Lecturer in Business and Human Rights, Peking University Law School. The panel was moderated by Professor Yang Bin, Senior Associate Dean, Tsinghua University School of Economics and Management.



### Key discussion points

- There is a trend, both globally and in China, towards greater corporate awareness of the responsibility to respect human rights. This includes practical developments such as the China National Textile Association's Corporate Social Responsibility Management System (CSC9000T) and the newly released CSR Guide on Social Responsibility for the Chinese ICT Industry, which, for the first time in China, makes reference to the UN Guiding Principles.
- Serious human rights challenges continue to face all businesses, including external pressures on Chinese companies as are increasingly operating abroad. These challenges include the impact of a business on the rights of its employees as well as other individuals and communities directly affected by company operations.



- Respecting human rights can be good for business, including by identifying and reducing risk to operations, motivating and retaining employees and building investor trust.
- To be effective, corporate respect for human rights must be integrated throughout a business's culture, starting from top leadership, and continue to develop through an on-going process of review.

Ms Ma Xinying, Director of Sustainable Development Office, COSCO

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*'COSCO holds human rights as a core value. That means that our management takes a people-oriented approach. With a people-oriented approach we can maximize our profits. Human beings are the most uncertain factor in business operations, so in terms of risk control, respect for human rights is the major effort we must make. If we reduce human rights risk then we will succeed in promoting sustainable development.'*

Mr Kent McVay, International Labor Relations Director, The Coca-Cola Company

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*'No company is perfect—invariably, any business has human rights impacts. What is important is to build the capacity of our business leaders to understand and identify those impacts. In that way, the journey to respect human rights is parallel to the journey in the 1990s to incorporate corporate codes of ethical conduct.'*

Ms Marcela Manubens, Global VP for Social Impact, Unilever

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*'At Unilever we believe you cannot decouple social and environmental issues from economics. The new business model is like a tripod: it is supported not just by economic equitable growth but also by addressing social and environmental issues. Only by advancing the conditions of workers can you achieve the growth you desire.'*

Ms Naheeda Rashid, Head, Emerging & Frontier Markets, Hermes Equity Ownership Services

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*'Companies report reasonably well on human rights, but investors would like to encourage an even greater level of openness. Company representatives communicating with investors should be empowered to have a robust and open discussion. Long-term institutional investors appreciate that this is a journey and that companies will not always get it right; instead the key is for them to understand what the company is working towards.'*

Mr Liang Xiaohui, Chief Researcher, China National Textile and Apparel Council,  
and Lecturer in Business and Human Rights, Peking University Law School

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*'As Chinese companies become more international, the voice of stakeholders like NGOs is becoming stronger. As a result, Chinese companies are incorporating human rights into their management systems. Even within China they cannot avoid this topic. International conventions are being translated into Chinese law and the enforcement of these laws is becoming more stringent. Chinese companies must comply, either voluntarily or involuntarily. This is why Chinese enterprises have a strong drive to respect human rights.'*

### Launch of Guidance on Responsible Business in Conflict-Affected and High-Risk Areas:

The third session began with context-setting and the launch of the Chinese-language version of the UN Global Compact-PRI 'Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors'. A panel discussion set the context, with speakers including Mr Gerald Pachoud, Senior Advisor, UN Peacebuilding Support Office, and Formerly Special Advisor to the Special Representative to the UN Secretary-General on Business and Human Rights; Ms Melissa Powell, Head Strategy & Partnerships and Business & Peace, UN Global Compact; Mr Hong Dengjin, Deputy Director of Training Dept., China Development Bank; and Ms Sara Ellison, Manager, Americas' FS Regulatory Center of Excellence, KPMG. For more information on the Guidance, see box on next page.

Mr Gerald Pachoud, Senior Advisor, UN Peacebuilding Support Office, and Formerly Special Advisor to the Special Representative to the UN Secretary-General on Business and Human Rights

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*'Conflict-affected zones are no one's favourite destination, but these environments do and will see major investments because they are where resources or new markets are. Because we are interested in business opportunities, or building peace and development, we all have a shared interest in stability. It is therefore crucial to know how to operate specifically in these contexts, where the complexity means that risks are magnified. This in turn requires enhanced due diligence.'*

Ms Melissa Powell, Head Strategy & Partnerships and Business & Peace, UN Global Compact

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*"We recognise that conflict-affected and high-risk areas make it more challenging for companies to live up to their commitment to the Global Compact and the 10 principles. But responsible business can make a significant contribution to peace and prosperity. It is important that we support companies when they are operating in difficult environments around the world—to help reduce risks and enhance their capacity to make a positive long-lasting contribution to peace and development. What is good for society is also good for business.'*

Mr Hong Dengjin, Deputy Director of Training Dept., China Development Bank

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*'Comprehensive and inclusive dialogue is an important means to achieve sustainable development. There may be a conflict of ideas, but in the process of conflict we are strengthening mutual understanding. And business benefits from participating in dialogue with others.'*

Ms Sara Ellison, Manager, Americas' FS Regulatory Center of Excellence, KPMG

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*'Following the original publication of the Guidance, the Global Compact and PRI started a pilot program to support companies and investors in putting the Guidance into practice. Out of the pilot program emerged the idea to develop a resource package with good practice examples of how companies, investors and Global Compact local networks have implemented and promoted the Guidance. This package will showcase good corporate examples and enhance investor engagement.'*

## **The UN Global Compact-PRI 'Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors'**

Adopting a pragmatic approach, this resource supports companies in developing policies and procedures to align their operations with their commitment to the Global Compact in challenging operating environments. It also serves as a common reference point for constructive engagement between companies and investors.

The Guidance assists companies in implementing responsible business practices by living up to the Global Compact Ten Principles in conflict-affected and high-risk areas so they may maximize their long-term financial performance and make positive contributions to peace and development, while minimizing risks and negative impacts to both the business and society. In addition, it provides a systematic framework for investors and companies to structure their dialogue on the topic of business operations in conflict-affected and high-risk areas.

Among the key messages of the guidance are:

- A company's decisions on investment, employment, relations with local communities and protection for local environments has the potential to positively or negatively affect conflict dynamics in a country.
- Business has a stake in achieving sustainable development as healthy societies and healthy markets go hand-in-hand. Business cannot thrive in societies that fail.
- The private sector is capable of growing new enterprises, opening investment opportunities, and providing employment and enduring economic security. However, investment and business activity must be sustainable and responsible—upholding the highest standards of business ethics. Responsible business has a key role to play in breaking the cycles of violence and stimulating economic development.

The guidance is available at [http://www.unglobalcompact.org/docs/issues\\_doc/Peace\\_and\\_Business/Guidance\\_RB.pdf](http://www.unglobalcompact.org/docs/issues_doc/Peace_and_Business/Guidance_RB.pdf)

### **Panel Discussion:**

Following the launch of the guidance, a panel discussion explored innovative examples of how companies and investors are applying responsible business and investment practices in high-risk areas of the world. The panel included Prof. Wang Zhile, Director General, Beijing New Century Academy on Transnational Corporations; Mr Zhong Hongwu, Director, CSR Research Center of School of Economics of Chinese Academy of Social Sciences; Mr Philip Jordan, Chairman of the Ethics Committee, Total; Mr Kris Douma, Head of Responsible Investment & Governance, MN Services; and Mr Thierry Meyrat, Head, Regional Delegation in Beijing, International Committee of the Red Cross (ICRC). The panel was moderated by Ms Melissa Powell, Head Strategy & Partnerships and Business & Peace, UN Global Compact.

### **Key discussion points**

- High-risk areas present challenges to companies that require unique and tailored solutions, going beyond simply enhanced versions of processes and procedures used in other regions. Companies and investors are paying increased attention to the challenges and opportunities of doing business in conflict-affected and high-risk areas, which differ significantly from more stable operating environments.

- Companies may face numerous challenges to their operations in conflict-affected and high-risk areas. Through responsible core business operations, government relations, local stakeholder engagement and strategic social investment, a company can mitigate risk factors posed to and by corporate activities, reduce operational challenges enhancing its ability to create value, and foster stability that will secure long-term benefits for the company.
- To successfully manage operations in high-risk areas, companies are encouraged to: take adequate steps to identify the interaction between their core business operations and conflict dynamics and ensure that they do no harm; explore opportunities for constructive corporate engagement with government in order to support peace; establish strategic and rigorous stakeholder engagement mechanisms; and establish strategic social investment programmes as a component of, not a substitute for, local stakeholder consultation.
- Companies can learn from each other and other stakeholders to find the most effective solutions for managing high-risk contexts.

Prof. Wang Zhile, Director General, Beijing New Century Academy on Transnational Corporations

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*'To succeed, a company must assume global responsibilities. It is important not just to consider the responsibilities of your home country but also those of the country where you are operating. This requires enhanced transparency, equity and neutrality. If we are modest and willing to learn, then we can do better.'*

Mr Zhong Hongwu, Director, CSR Research Center of School of Economics of Chinese Academy of Social Sciences

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*'There should be some minimum standards for the types of information companies disclose. Companies should not only tell the positive stories of what they have done, but also the negative stories. This will take time, but progress is already being made. We should tackle this problem head on and be proactive in order to have a more positive image of China and of business in general.'*

Mr Philip Jordan, Chairman of the Ethics Committee, Total

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*'In terms of how far our responsibility goes, as part of our risk analysis when we are considering new projects and investments, we look at human rights aspects and the extent to which we think we'll be able to find solutions to those risks. You don't have to find a solution the first day you arrive, but you should be confident that, when you arrive, you will be able to put programs in place to make progress within a reasonable period of time.'*



Mr Kris Douma, Head of Responsible Investment & Governance, MN Services

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*'Investors have different approaches to promoting human rights and other standards. In the case of MN Services, we engage with a company for two reasons: One, when we see a structural pattern of violation of the UN Global Compact standards, and two, as a material issue, as we answer to our pension beneficiaries as well as the media about where and how we have invested.'*

Mr Thierry Meyrat, Head, Regional Delegation in Beijing, International Committee of the Red Cross

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*'In order to limit the impact of armed conflicts, it is imperative that all the actors involved act according to the provisions of international humanitarian law. This includes the business sector, which is more and more present in areas at risk. Communication between these actors and humanitarian organizations is key to improve the situation of those affected by conflicts.'*

## CLOSING REMARKS AND REFLECTIONS

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The Conference closed with final remarks from Mr Liu Peng, Deputy Director General of China Enterprise Confederation, summarizing the day's events and providing thoughts for going forward.

Mr Liu Peng, Deputy Director General of China Enterprise Confederation

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*'Four of the Global Compact Principles are on the topic of labour rights, and these are part of human rights as set out in the UN Guiding Principles. The Conference participants have shared experiences in protecting human rights and information on how to promote sustainable development for businesses and for society. In the future, we hope to continue to promote better understanding in the area of business and human rights and to partner with others to promote CSR and sustainable development.'*



## ROUNDTABLE FOR PRACTITIONERS IN BRIEF

The second day of the event series was the Roundtable for Practitioners. The Roundtable comprised an opening welcome and introductions, a presentation on the UN Guiding Principles, two sets of small group sessions, and a closing panel. Roundtable small-group sessions were confidential discussions on integrating human rights into management systems and processes.

### WELCOME AND INTRODUCTIONS

The Roundtable opened with a welcome and introductions from Ms Ma Xinying, Director of Sustainable Development Office, COSCO; Mr Seb Nardecchia, Senior Director, Corporate Responsibility, Flextronics; and Ms Sarah Repucci, Programme Director, Global Business Initiative on Human Rights.



#### Key messages included:

- Business needs to go beyond CSR and philanthropy to respect the human rights of their employees and others who are impacted by their operations.
- Investors can play a strong role in encouraging and supporting businesses in their efforts to respect human rights.
- There are often times when a single actor cannot solve a human rights challenge alone. In such circumstances, business should act together with governments, non-governmental organisations, investors and others to have an effective response.

### THE UN GUIDING PRINCIPLES – A FRAMEWORK TO SUPPORT BUSINESS

The Roundtable continued with presentations from two experts on the UN Guiding Principles: Mr Gerald Pachoud, Senior Advisor, UN Peacebuilding Support Office and Formerly Special Advisor to the Special Representative to the UN Secretary-General on Business and Human Rights; and Dr Liang Xiaohui, Chief Researcher, China National Textile and Apparel Council, and Lecturer in Business and Human Rights, Peking University Law School. Mr Pachoud and Dr Liang provided an overview of key aspects of the UN Guiding Principles, particularly the corporate responsibility to respect human rights, and gave practical analysis of how the Guiding Principles help clarify the expectations of business in relation to their actual and potential human rights impacts.

**Key messages included:**

- The UN Guiding Principles are the baseline reference point for business in the area of respect for human rights, with broad global consensus including vocal support from businesses, investors, civil society and governments.
- The Guiding Principles have inspired a convergence in expectations of companies, and in approaches by business itself. It is now clear that business respect for human rights is the foundation of socially responsible enterprises, distinct from corporate social responsibility.
- Businesses need to know and show that they respect human rights, which requires certain policies and processes to be in place.
- Human rights due diligence involves identifying risks, preventing and mitigating these risks, tracking effectiveness of responses, and communicating externally.

**SMALL GROUP WORKING SESSION I: HUMAN RIGHTS DUE DILIGENCE AND COMPANY MANAGEMENT SYSTEMS**

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The first session of small groups explored policies, processes and practice that companies have put in place to address human rights-related risk. In three small groups, companies described their management systems for human rights risks. Each group of confidential proceedings began with a brief conversation between one or two company presenters and a moderator, followed by discussion among all group members. The following groups took place:

**GROUP ONE: GRIEVANCE MECHANISMS AND RISK POLICIES / PROCESSES**

Mr Bert Fokkema, Sustainable Development Manager – Human Rights, Shell

Moderated by Ms Wang Fengzuo, Executive Deputy Director, Global Compact Network China

**GROUP TWO: DEVELOPING HUMAN RIGHTS POLICIES AND MANAGEMENT SYSTEMS**

Mr Seb Nardecchia, Senior Director, Corporate Responsibility, Flextronics

Mr Mark Nordstrom, Senior Labour and Employment Counsel, General Electric Company

Moderated by Dr Wang Xiaoguang, Director, Beijing Rongzhi CSR Institute, and Ms Malin Oud, Associate, Global Business Initiative on Human Rights

**GROUP THREE: SYSTEMS FOR CAPACITY BUILDING AND TRAINING**

Ms Ma Xinying, Director of Sustainable Development Office, COSCO

Moderated by Dr Liang Xiaohui, Chief Researcher, China National Textile and Apparel Council, and Lecturer in Business and Human Rights, Peking University Law School





The second session of small groups saw companies present concrete challenges they are confronting as they implement respect for human rights. In four small groups, participants shared specific scenarios that they are facing on the ground and gave input based on past experiences and exchange of ideas. Each group of confidential proceedings began with a brief conversation between one or two company presenters and a moderator, followed by discussion among all group members. The following groups took place:



**GROUP ONE: STUDENT AND DISPATCH WORKERS**

Mr Ernest Wong, APJ Supply Chain SER Program Manager, HP

Moderated by Ms Wang Fengzuo, Executive Deputy Director, Global Compact Network China

**GROUP TWO: COMMUNITY ADVISORY PANELS AND FINANCIAL ACCESS FOR VULNERABLE GROUPS**

Mr David Moeller, Manager Sustainability, BASF

Mr Cai Dejiui, Division Chief, Project Appraisal Department, China Development Bank

Moderated by Dr Wang Xiaoguang, Director, Beijing Rongzhi CSR Institute, and Ms Malin Oud, Associate, Global Business Initiative on Human Rights

**GROUP THREE: ENGAGING LOCAL COMMUNITIES**

Mr Guo Gengliang, Vice General Manager, CPI Yunnan International Power Investment Co.

Mr Wang Xin, Deputy Manager of News Office, Sinosteel

Moderated by Dr Liang Xiaohui, Chief Researcher, China National Textile and Apparel Council, and Lecturer in Business and Human Rights, Peking University Law School

**SUMMARY, WAYS FORWARD AND CLOSING REMARKS**

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The final session of the Roundtable began with a panel discussion highlighting key lessons learned from the day's proceedings. Panellists included Dr Wang Xiaoguang, Director, Beijing Rongzhi CSR Institute; and Mr Yang Jin, Secretary-General, Social Responsibility Management Oversight Committee, CBMI Construction Co. The session was moderated by Ms Malin Oud, Associate, Global Business Initiative on Human Rights.

Closing remarks were provided by Mr Mark Hodge, Executive Director, Global Business Initiative on Human Rights.

## CONVENERS



### GLOBAL BUSINESS INITIATIVE ON HUMAN RIGHTS

In partnership with:



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Federal Department of Foreign Affairs FDFA  
**Directorate of Political Affairs DP**  
Political Affairs Division IV, Human Security

**THE GLOBAL BUSINESS INITIATIVE ON HUMAN RIGHTS (GBI)** exists to advance human rights in a business context around the world. The underlying vision is a global community of corporations from all sectors knowing and showing that they respect the dignity and rights of the people they impact and interact with. GBI is led by a core group of 18 major corporations headquartered in Asia, Europe, Latin America, Middle East, North Africa and North America. The GBI work plan is organised into two parallel tracks: First, Member Peer Learning creates a safe space for the 18 GBI companies to share practices, challenges and innovations with peers focused on respecting human rights in practice and implementation of the UN Guiding Principles for Business and Human Rights. Second, Global Business Outreach focuses on awareness-raising and capacity building for business in diverse regions of the world, particularly in emerging and developing markets. GBI works in collaboration with the UN Global Compact Office and is supported by the Swiss Government.

For more information visit: [www.global-business-initiative.org](http://www.global-business-initiative.org)



**THE UNITED NATIONS GLOBAL COMPACT**, launched in 2000, is both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. As a multi-stakeholder leadership initiative, it seeks to align business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to catalyze actions in support of broader UN goals. With 7,000 corporate signatories in 135 countries, it is the world's largest voluntary corporate sustainability initiative.

For more information visit: <http://www.unglobalcompact.org>



**THE GLOBAL COMPACT NETWORK CHINA (GCNC)** is the local network of UN Global Compact in China. GCNC strives to: promote Chinese companies signing up to the UN Global Compact; propel companies to embrace and implement the ten Global Compact principles in respect of human rights, labor rights, environment and anti-corruption; strengthen the communication and cooperation between Chinese companies and the international community; continuously improve the international status and image of Chinese companies; and promote sustainable development of Chinese companies in the context of economic globalization. In recent years, a large number of both state-owned and private companies have joined the initiative, bringing the total number of Chinese participants to over 300.

For more information visit: <http://www.gcchina.org.cn>



**THE PRINCIPLES FOR RESPONSIBLE INVESTMENT** is a United Nations-supported international network of over 1000 investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision-making and ownership practices. In implementing the Principles, signatories contribute to the development of a more sustainable global financial system.

For more information visit: <http://www.unpri.org>

## 清华经管学院 Tsinghua SEM

**TSINGHUA UNIVERSITY SCHOOL OF ECONOMICS AND MANAGEMENT (Tsinghua SEM)** sits within Tsinghua University as the parent institution. The University was founded in 1911 and reports directly to the Ministry of Education of China. It currently consists of 16 schools and 56 departments and offers a whole array of degree programs, i.e., undergraduate, master's and doctoral programs. The University now has over 39,470 students. Tsinghua SEM was founded in 1984 with the mission "to advance knowledge and cultivate leaders for China and the world". Tsinghua SEM consists of 7 academic departments, with over 150 full-time faculty and nearly 300 staff. Currently over 4,000 students are studying in the undergraduate, master's, doctoral, MBA and EMBA degree programs, and over time more than 20,000 alumni graduated from its degree programs. Each year Tsinghua SEM also trains over 7,000 senior executives in its non-degree programs. Tsinghua SEM is the first school on the Chinese mainland to attain both AACSB and EQUIS accreditation.

For more information visit: <http://www.sem.tsinghua.edu.cn/portalweb/appmanager/portal/sem>

**CHINA OCEAN SHIPPING (GROUP) COMPANY (COSCO)**, one of the major multinational enterprises in the world, is China's largest and the world's leading Group specializing in global shipping, modern logistics and ship building and repairing, ranking the 327<sup>th</sup> in Fortune Global 500. Established on April 27<sup>th</sup>, 1961, COSCO owns and controls over 800 modern merchant vessels with a total tonnage of 56 million DWTs and an annual carrying capacity of 400 million tons. COSCO's shipping lines cover over 1,600 ports in more than 160 countries and regions worldwide, and its fleet size ranks the first in China and the second in the world

In 2004, COSCO joined the UN Global Compact initiative to voluntarily practice the 10 principles of Global Compact and fulfill sustainable development. The sustainable development report of COSCO has been appraised as notable COP by UN Global Compact for four consecutive years, making COSCO to become the only Asian enterprise whose sustainable development report was included in the list of notable COPs for four years in a row.

COSCO has combined the performance of corporate social responsibilities and corporate development strategies, and actively cultivated "green competitiveness". Its main indicators for internationalization operation are closing to UN's standards for Global 100 transnational companies. It is gradually enhancing its position as a system integrator in international shipping, logistics and ports and ship-building and ship-repairing sectors and is marching towards a leading enterprise in global shipping industry under the principle of "globalized development, harmony and mutual benefits" and the century vision of "building up a century-old COSCO".

*For more information visit: [www.cosco.com](http://www.cosco.com)*