



THE DANISH INSTITUTE
FOR HUMAN RIGHTS



The Arc of Human Rights Priorities

A New Model for Managing Business Risk

Mike Baab and Margaret Jungk
The Human Rights and Business Department

Case study examples provided by



THE ARC OF HUMAN RIGHTS PRIORITIES

Introducing a New Model for Managing Human Rights Risk in Business



Georg Kell

Executive Director,
Un Global Compact

As globalisation has confronted the business community with a new set of human rights challenges, companies have a growing need for practical guidance on addressing these challenges. In this context, the UN Global Compact and the Human Rights and Business Department are proud to offer the Arc of Human Rights Priorities.

The Arc is designed to help companies effectively manage the most urgent risks in their operations and maximise their business opportunities to support human rights. Each challenge is an opportunity, and the Arc allows companies to focus their efforts where it counts.



Margaret Jungk

Director,
Human Rights and
Business Department
Danish Institute for
Human Rights

The Human Rights and Business Department understands that human rights are just one out of dozens of considerations that companies must deal with every day. Businesses operate in a range of contexts, and interact with a diverse array of consumers, suppliers and local partners in the course of their operations. Human rights issues occur at all levels of the company, both internally and externally, and company managers do not always know where to focus their efforts to begin a comprehensive response.

The Arc of Human Rights Priorities was designed to help companies confront this challenge, and create a human rights program that focuses limited time and resources on the most important issues first. Our goal at the Danish Institute for Human Rights is to help companies address human rights issues in the most efficient and effective way possible. The Arc is our latest contribution towards that goal.

INTRODUCTION

Why prioritise human rights?

You are the Corporate Responsibility Director for a multinational company. Your operations are immensely complex, with marketing, production and distribution in dozens of countries, each with their own logistical and political challenges. Your company is the hub of a wide-ranging network of upstream suppliers and downstream distributors, wholesalers and retailers, reaching millions of consumers every year.

You recognize that your company's operations have wide, deep impacts, and the public expects that you safeguard the welfare of your employees, local communities and customers, from hiring practices to product disposal. In a perfect world, you would have unlimited time and resources to address all the human rights issues your company might interact with around the world. In reality, however, you are part of a business, not a human rights organization, so managing human rights issues is only one of a hundred things you do every day. You do not have the time or the money to investigate every potential risk in your operations, and you cannot prevent every possible abuse from occurring. So how do you maximize your effectiveness, ensuring that your limited time and resources are allocated correctly? How do you identify the most important human rights issues facing your company, and perform due diligence to reduce the risk of future abuses and mitigate the effects of existing ones?

CONTENTS

Sphere of Influence	5
<hr/>	
Presents the current model for mapping human rights issues within the company, and describes how the Arc supplements this approach.	
The Arc of Human Rights Priorities	6
<hr/>	
Introduces the Arc, defines the process of plotting company human rights issues.	
Issue Identification	15
<hr/>	
Describes how companies define which issues to place on the Arc, and how to ensure that all relevant issues are mapped and assessed.	
Applying Results: What's Next?	19
<hr/>	
Once human rights issues are defined as high-, medium- and low-priority, the company must decide how this analysis can be used to create and ensure broad and deep human rights compliance	
Conclusion: Over the Arc	22
<hr/>	
Further uses for the Arc, as well as continuing company processes.	



The Sphere of Influence

The Sphere of Influence Model

One well-known tool for understanding the human rights landscape within your company's operations is the United Nations Global Compact Sphere of Influence model. This 'onion skin' approach maps human rights issues as concentric circles. The company's direct operations and labour rights issues are placed at the centre, with issues relating to suppliers, communities and local governments placed in the outer folds. The presumption is that the human rights issues at the center of the onion represent areas where the company has greater influence, and influence diminishes toward the outer layers.

This model provides a useful starting point for conceptualizing human rights and the broad scope of people and groups affected by business operations. The Human Rights and Business Department of the Danish Institute for Human Rights seeks to expand and enhance the UN Global Compact Sphere of Influence approach by adding additional dimensions to the company mapping exercise.

These additional considerations—human rights impact and connection to the company—widen the lens through which companies examine their influence, and begin by considering all stakeholders and all rights. This allows companies to map their influence broadly, and target resources to the human rights issues where action is needed most.

The Arc of Human Rights Priorities

The Arc of Human Rights Priorities, introduced here, allows companies to incorporate other variables into the analysis, offering a complete picture of the low-, medium- and high-priority human rights issues where a company should focus its efforts and resources. The Arc has long been offered by the Danish Institute to Human Rights and Business Department company partners, but is now being offered publicly as part of an ongoing effort to widen, strengthen and support the UN Global Compact approach.

To help readers understand this new concept, the Human Rights and Business Department has used a single company throughout this paper—The Coca-Cola Com-



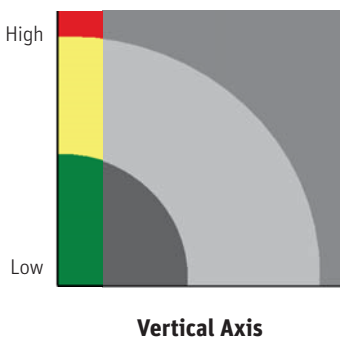
pany—as a source of examples to illustrate our model. Coca-Cola provided input on the examples to ensure factual accuracy and relevance. This paper does not necessarily reflect the views of The Coca-Cola Company, nor should it be seen as an endorsement of that company’s policies and practices.

As shown in the figure above, the Arc of Human Rights Priorities maps human rights issues on two axes: Impact on Human Rights and Connection to Company. The Arc is split into layers representing low, medium and high priority areas, depicted in green, yellow and red arcs, respectively. Each human rights issue should be considered in relation to its attributes on both axes.

Each axis consists of several variables to consider when mapping a rights issue. To assess the Impact on Human Rights set out on the vertical axis, one must consider i) the severity of abuse and ii) the number of people affected. To assess the Connection to the Company set out on the horizontal axis, one must consider i) whether the company perpetrates the abuse itself or it is done by a third party, and ii) whether the company is the only actor responsible for the abuse, or if responsibility is shared with others. These concepts will be described further, and illustrated with examples in the following sections.

Human Rights Impact

The first step in prioritizing the numerous human rights issues confronting a company is to consider the impact on the rights holders themselves—the Human Rights Impact. This represents a twist in the way companies traditionally approach the subject of impact—that is, they tend to consider the impact of human rights issues and potential abuses on the company itself. For this reason, issues with a high public profile, such as child labour, tend to receive more company attention than other equally severe issues with less media coverage, such as migrant labour exploitation. Though the impact of rights issues on the company is an impor-



tant consideration, particularly from a reputational and legal standpoint, this exercise assesses and maps rights risks on the potential victims of abuses. In this manner, the rights holders themselves are incorporated into the scoping process as early as possible.

Human rights impact: Severity

In the Arc of Human Rights Priorities, the Impact on Human Rights axis is broken into two variables: First, the severity of the abuse is taken into account. Though the human rights community is still wary of introducing a rights hierarchy into a world where rights are interrelated and interdependent, certain human rights must, nonetheless, be conceived of as 'fundamental' for the purposes of prevention and mitigation. These fundamental rights are sometimes referred to as non-derogable, reflecting that they constitute the highest priority under international law.

Fundamental rights are those that protect against bodily harm to an individual. Examples of such rights include the Right to Life, Liberty and Security of Person (Universal Declaration of Human Rights article 3), Freedom from Slavery and Servitude (UDHR art. 4) and Freedom from Torture (UDHR art. 5). Other rights areas, such as the Right to Freedom of Speech, while important, do not directly protect against bodily harm or death, and for this exercise, must be placed below fundamental rights on the dimension of severity.

It is important to note that the severity principle is based on the *consequences* of a rights abuse, and often requires a long-term outlook to be assessed. For example, land-use rights abuses, such as the pollution of a local watershed, are likely to affect the ability of local peoples to obtain food, affecting their Right to Life. The pollution itself is not a fundamental rights abuse, but since it could lead to loss of life, it must be ranked as high severity. Any human rights issue with potential consequences for bodily harm constitutes a high-severity issue.

EXAMPLE 1

CORE LABOUR CONVENTIONS

Rights abuses in a company's extended supply chain can be managed using the severity principle, even though the company often has little or no influence over second-, third- or fourth-tier suppliers. For example, The Coca-Cola Company is aware that hazardous child labour takes place in sugarcane harvesting in a number of countries where local sugar is used to sweeten its products.

Although the Company has little to no influence over the actors at the farm level in the sugarcane supply chain and no direct business relations with them, Coca-Cola has nevertheless determined that it is necessary to take action on this issue because of the severity of the human rights abuses. The Company has decided to work in collaboration with other stakeholders at the local level who have direct business relationships and greater leverage and influence over sugarcane producers, in order to reduce rates of hazardous child labour.



Human rights impact: Number affected

The second dimension of human rights impact is the number of people likely to be affected by an abuse. Just as rights must be judged on the level of their severity, they must also be judged on their scope. Risks that have the potential to affect larger numbers of people—an entire local community, for example—are placed higher on this axis than those affecting only a small subset.

EXAMPLE 2

WORKING CONDITIONS IN SUPPLIERS

When a company is aware that large numbers of workers in its supply chain are victims of rights abuses, this issue can be addressed using the number affected principle. Conditions could include abuses of core labour rights, including those related to work hours, health and safety or minimum wage. For example, The Coca-Cola Company is aware that many of its suppliers do not yet fully adhere to the core labour standards that the Company requires as a part of its Supplier Guiding Principles.

These failures to uphold standards impact a significant number of workers in developing countries where goods such as ingredients and packaging are produced and sold to locally-based Coca-Cola bottling partners. For this reason, the Company routinely audits labour standards in its suppliers' workplaces and ensures that issues are addressed. It also emphasizes building capacity among its suppliers to help ensure that issues are addressed over the long-term, building a stronger local culture of respect for core labour rights.

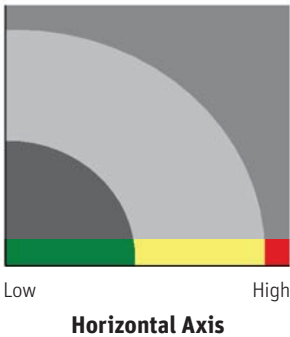


Company Connection to Human Rights Abuses

The horizontal axis of the Arc of Human Rights Priorities takes into account the company connection to each human rights issue. Company Connection in the Arc of Human Rights Priorities is not determined by the type of stakeholder affected, such as employee, supplier or consumer. Connection here refers to the actor committing the abuse and how the abuse is being committed. These components of Company Connection are conceived as Direct vs. Indirect Connection and Singular vs. Collective Responsibility.

Company connection: Direct vs. indirect

For the purpose of placing an issue along the Company Connection axis, the first dimension to consider is Direct vs. Indirect Connection. This variable depends on who is committing the potential abuse. A Direct Connection means the company itself is committing an



abuse. Examples include discriminatory hiring practices or policies such as locking factory doors to prevent workers from leaving during night shifts.

An Indirect Connection means the company contributes to the abuse, but does not actually carry out the abuse itself. Instead, it is carried out by a related actor. Depending on the context, this could relate to abuses by government security forces guarding company installations, child labour in a joint venture partner or substandard safety conditions in a supplier factory. The term ‘complicity’ is frequently used now for such cases, while the term ‘indirect violations’ has traditionally been used by human rights practitioners.

EXAMPLE 3

CHILD LABOUR

Abuses that occur in the extended supply chain can be addressed using the direct vs. indirect connection principle. Situations may vary greatly in the degree of relationship between the company and the abuse in question.

If child labour abuses were found on farms that supply Coca-Cola with sugar, for example, the company may not be able to exert pressure to raise standards because it does not communicate directly with sugarcane farms. Similarly, Coca-Cola bottling partners that purchase from local sugar suppliers are often just a small part of a vast local market, and may lack influence over producers. In such cases, the company identifies local bottling partners who have direct business relationships with farms, and can exert strong influence over sugarcane producers. This gives the company more leverage to ensure that children are not employed. Additionally, the company utilizes its convening influence to bring together a wide range of stakeholders to understand the complexities of the child labour issue and to form multi-faceted, locally-driven solutions.



In Direct Connection cases, the company has a straightforward and immediate responsibility to respond to abuses. In Indirect Connection cases, mapped as low-priority on the Arc of Human Rights Priorities, the

company still has responsibility to take action to ameliorate the harm, but in proportion to the strength of the connection between the company and the abuses. For example, a supplier with discriminatory hiring practices becomes more urgent for intervention if it is the company's main or only supplier. A supplier providing goods to numerous area companies requires a different approach for mitigation, as the above example demonstrates.

Company connection: Singular vs. collective responsibility

Another distinction that must be considered when determining the company connection to an abuse is how the abuse is taking place. Is the company itself contributing significant encouragement or enabling of the abuse? Or is the company one of a number of actors who are influencing whether the abuse occurs? This distinction is registered in the Arc of Human Rights Priorities as Singular vs. Collective Responsibility.

Singular Responsibility means the company is the sole enabling or empowering agent in a human rights abuse. Company personnel using unreasonable force to disperse a pro-union demonstration, for example, has Singular Responsibility for the abuse.

Collective Responsibility means a number of actors are responsible for the end abuse. Imagine dozens of factories situated on a lake or waterway. Each factory's emissions are below the legal limit, and alone would not significantly alter the conditions of plants or animals in the area. The emissions of all the factories combined, however, are exceeding recommended limits and reducing fish stocks, damaging harvests, and impacting the Right to Food of local communities.

Though each company's actions are legally compliant, each carries a duty to manage any impact on local communities, even when the share of responsibility is small.

In cases of collective responsibility, it should be stressed that the responsibility also lies with national governments. It is the duty of government to effectively regulate water and scarce resource usage, control pollution emissions and other negative externalities of commercial actors to protect citizens. In the real world, however, governments often lack the will, expertise or ability to regulate, and the actors involved in collective abuses must strive to act responsibly. Such collective effort to address a problem should be mapped at the lower end of the horizontal axis. But, as the example of collective pollution illustrates, these issues will often rank higher on the vertical axis registering the impact on human rights.

EXAMPLE 4

COMPANY COALITIONS

When a company is aware that its supply chain contains rights abuses, and that it is one of many buyers, this can be managed using the collective responsibility principle. Abuses could include violations of core labor rights, including freedom of association, collective bargaining, work hours, environment, health and safety, minimum wage, child labor, forced labour, and discrimination. Because a large number of companies purchase goods and services from suppliers where rights abuses are occurring, those buyers may try to work collectively to address the issues. They may choose to work through industry coalitions and/or to engage with the local government.

For example, The Coca-Cola Company has engaged in a coalition of companies called AIM-PROGRESS, whose objectives include working jointly on the evaluation of responsible sourcing programs, increasing efficiency by recommending common assessment standards and methodologies for responsible sourcing and seeking convergence with similar efforts and platforms around the world.





Traditional risk matrix



**The Arc of Human Rights
Priorities**

The Model:

Why an Arc and Not a Traditional Risk Matrix?

In contrast to a traditional square model risk matrix, the rounded Arc model includes red, high-priority areas at the end of each axis. This reflects the reality that certain issues will have such a high impact or be so closely connected to the company that they will be high-priority regardless of their placement on the other axis. These issues must be approached as high-priority overall.

The incorrect placement of a security camera in the company elevator, for example, poses a risk of a violation of the Right to Privacy. Though this doesn't threaten fundamental rights or affect a large number of people, the direct company connection and singular responsibility mean that this issue must be managed as a high-priority issue.

On the other axis, a human rights issue which severely impacts a large number of people, such as a toxic chemical spill near a waterway, must be managed as a high-priority by the company, even if the company has a weak causal connection to the violation. The Arc was designed to visually represent these realities.

DUE DILIGENCE

Issue Identification:

Consider Human Rights in All Aspects and Dimensions

Before the prioritization exercise can begin, your company must have a broad awareness of the human rights issues relevant for your operations. It is only after all relevant issues have been identified that they can be prioritized through the Arc and the correct action taken.

Just as cars are expected to have headlights, brakes and seat belts to be considered safe, companies are expected to discover, prevent and address adverse human rights impacts. Professor John Ruggie, the United Nations Special Representative on Transnational Corporations and Human Rights, has done extensive work in this area, and stresses these steps as the cornerstone of human rights due diligence.

The following section provides guidance for identifying all the issues that should be discovered, prevented and addressed through due diligence processes. Though the identification of human rights issues will depend greatly on your company's activities, geographies and relationships, this section briefly outlines some of the steps toward gaining a broader understanding of your human rights risk profile.

Further discussion of these issues can be found in the Global Compact's 'Human Rights Management Framework' and the 'Guide to Human Rights Impact Assessment and Management', published jointly by the International Business Leaders Forum, the IFC and the Global Compact.

Think about all parts of the company

When assessing company operations, social responsibility managers often focus only on those issues which affect employees. That is only part of the ballgame. Consider violations in relation to all parts of the com-

pany: Land management, research and development, marketing, production and distribution all contain human rights challenges and opportunities.

Think about all stakeholders

Again, direct company employees are not the only group to consider. Additional important stakeholders include communities, customers, potential customers, local businesses, landowners, employees' families and many others.

The human rights field puts particular focus on three types of vulnerable stakeholders, each of which require concerted attention in this and any other rights exercise: 1) the disenfranchised, such as women in traditionally gender-stratified societies, who cannot speak for their own interests and who may bear the worst impact of company actions; 2) the oppressed, such as religious minorities, who cannot defend their own interests when faced with societal or government oppression, and 3) hidden minorities, such as illegal immigrants or those living with HIV/AIDS, who cannot speak for their own interests because being a member of the particular minority carries stigma and potential consequences.

Think about all types of rights

Human rights are designed to protect the dignity, bodily integrity and full participation and development of the human being. They cover three broad areas:

- Fundamental Rights: Those which protect the bodily integrity or security of the person, for example, Freedom from Slavery and Torture;
- Civil and Political Rights: Those which protect the person in relation to her government and wider society, for example, the Right to Vote and Freedom of Expression;

- Economic, Social and Cultural Rights: Those rights which protect the person and his further development or participation as a whole person in society, for example the Right to Education and the Right to Adequate Housing.

These dimensions are described in more detail in the UN Global Compact publication ‘Human Rights Translated’, available at unglobalcompact.org.

Think about all types of violations

Human rights monitors often distinguish between violations by commission and violations by result. Violations by commission entail an abuse by design, such as a company stating clearly in a job advertisement that no immigrants should apply for the position. Violations by result, on the other hand, entail abuses that are the consequence of a company action, generally when combined with negative pre-existing circumstances in the local context. Examples include company hiring policies specifying that all applicants must pass a written language test even for cleaning or catering positions. Some countries include conditions that bar women, minorities and migrants from higher education, and such hiring policies could entrench existing discrimination.

Another example of a violation by result is a company moving high-paid executives to a small town, resulting in goods and service price inflation, limiting the ability of low-income local families to obtain an adequate standard of living.

Violations by result can be more difficult than violations by commission to identify and resolve, and thus tend to be more often overlooked in company human rights surveys.

Think about the likelihood of violations

Though the probability of abuses is of course impossible to predict, some consideration of event likelihood should play into the issue identification process. In general, issue identification should reveal all issues that could plausibly occur throughout routine operations, both in your core business and extended activities. In the context of issue identification, probability is related to two factors:

The country in which you operate and the industry in which you operate, including all company operating procedures, products and supply chain. A number of resources exist for identifying human rights issues at the country level, including the Danish Institute Human Rights and Business Department Country Risk Assessment, which summarizes the business risk according to all rights in the Universal Declaration of Human Rights for a given country. Moreover, in spring 2011 the Human Rights and Business Country Portal will be launched online.

Geography and company activities interact with each other in a number of ways. Some countries, for example, carry a high probability for child labour. But for some sectors, such as the pharmaceutical industry, the probability may be lower, as the high-skilled, educated labour and complex tasks inherent in their business model cannot be performed by children. Similarly, some sectors, such as entry-level janitorial services, will have a high probability of abuses in almost every country

The above processes give the company a broad map of the human rights issues it should consider. With this in mind, the Arc of Human Rights Priorities was designed to assist companies to channel these into a narrower field, and focus efforts and resources on the issues that are most urgent for swift and decisive action.

EXAMPLE 5

SOCCER BALL SUPPLIERS IN INDIA



During the 2006 World Cup, Coca-Cola needed a supplier for the thousands of soccer balls it would use for promotional events. In investigating conditions at potential suppliers in India, it became clear that the risk of child labour in soccer ball production in India was high. To address this high probability, the company created a 'Soccer Ball Pre-Certification System', which included site visits and audits to ensure that its suppliers of Coca-Cola balls upheld anti-child labour standards.

Applying Results: What's Next?

So you have conducted the Arc of Human Rights Priorities exercise, and have an understanding of company's issues and their placement on the impact and connection axes. Now what?

The main utility of the Arc of Human Rights Priorities is focusing internal company processes on the most relevant issues. So when managers define the issues to be routinely monitored and reported, the Arc could guide them toward, for example, remuneration to female employees, or direct them to devote more resources to audits or other supply chain management efforts.

It should also be noted, however, that the Arc can assist the company beyond basic compliance. The Arc can highlight opportunities for development efforts by the company, and can assist in the identification of social investments, core strengths and potential positive impacts throughout business operations. Thus, the Arc provides multiple entry points for company managers.

The Arc was designed to assist companies to focus their resources under four broad categories: Policies, Processes, Monitoring and Reporting.

1. Policy

Armed with the Arc prioritization information, the company should ensure reasonable policy coverage of all high-priority human rights issues.

Once the Arc has assisted in revealing the most critical issues, the next step is ensuring that the company takes a stance on each key issue, using good policies to define the parameters of its engagement in markets around the world. Policies act as guidance for managers when making initial decisions on issues such as land acquisition, hiring practices, product stewardship and many other areas that can impact human rights. Though the company should formulate policy on the most high-priority areas, medium- and low-priority issues should also be investigated and addressed in policies as they become more relevant in the different countries or sectors in which the company operates.

2. Processes

The company should ensure that all high-priority issues are managed by internal controls that prevent abuses from taking place. This includes employee training, stakeholder engagement and procedural safeguards, such as checking the identity documents of all new hires to prevent child labour.

The specifics of this category will greatly depend on the company's operations. Companies can investigate industry best practices, consult with local human rights organizations or integrate human rights into currently existing management systems, such as those for health and safety or legal compliance. The Arc should guide the prioritization of the issues to be managed.

3. Monitoring

The implementation of human rights throughout a company is not a static process, and must be constantly observed, assessed and improved to ensure ongoing

due diligence. Monitoring includes internal activities, such as tracking the percentage of female staff in upper-management positions, but also external processes, such as supplier audits and grievance mechanisms.

The focus is on maintaining feedback channels and performance benchmarks, and ensuring that the most high-priority issues receive the attention they require.

4. Reporting

Companies sometimes take a reactive approach to reporting, focusing their attention to the most vocal stakeholders or the highest-profile campaigns.

In the real world, though, many of the most pressing human rights issues are concentrated among the voiceless—those living in conditions of extreme poverty or oppression.

For genuine stewardship of human rights, company reporting requires a comprehensive approach. This means not only reacting to popular criticism, but focusing on the issues that are of genuine importance and where the potential for human rights impact—positive or negative—is high. Reporting is critical to constructive, ongoing communication with stakeholders, and ensures transparency in human rights processes and performance.

The results of the Arc analysis should be incorporated into company reporting processes, ensuring that the most relevant human rights risks are addressed fully. Progress on each rights area should be regularly reported, and high-priority rights should receive the most comprehensive coverage in external communications, even if they are not the same issues that capture public and media attention.

For more on the reporting process, see Global Compact's Communication on Progress and the Global Reporting Initiative.

CONCLUSION

Over the Arc

It should be stressed that no company can take care of every single individual, directly or indirectly, in every single context related to its operations. The full protection of human rights will always be an aspiration, not an achievement. That said, the value of an exercise like the Arc of Human Rights Priorities, and the consideration of human rights company-wide, is to make the greatest impact you can, where you can.

It is important to have realistic expectations and offer real-world solutions for managing the myriad human rights challenges that companies encounter throughout globalized operations. We offer the Arc of Human Rights Priorities as a first step for companies seeking a more systematic and comprehensive approach to human rights. This approach is critical in setting company policy, reporting challenges and preventing or mitigating abuses throughout business operations around the world.

The Arc of Human Rights Priorities was created with the understanding that human rights form just one of the dozens of rubrics by which companies measure success. Though it is a truism that ‘companies are in business to make money,’ in reality that is only the beginning of what they do. Companies provide jobs, resources and services that enrich peoples’ lives, and in so doing, naturally help spur development, democracy and human rights. The extensive reach of companies in the modern world widens and deepens the scope of their impact on society, and with it the responsibility to address negative outcomes that can occur in the wake of business activity. The Arc is the first step toward managing this responsibility.

Further information

**The Human Rights and Business Department
Danish Institute for Human Rights**

Strandgade 56

1401 Copenhagen K

Denmark

+45 32 69 88 88

www.humanrightsbusiness.org

business@humanrights.dk

The UN Global Compact

DC2 -612, 2 UN Plaza

New York, NY 10017

www.unglobalcompact.org

globalcompact@un.org

