



HUMAN RIGHTS & BUSINESS
ROUNDTABLE
ANNUAL REPORT 2015



THE FUND FOR PEACE



The Fund for Peace is an independent, nonpartisan, 501 (c)(3) non-profit research and educational organization that works to prevent violent conflict and promote sustainable security. We promote sustainable security through research, training and education, engagement of civil society, building bridges across diverse sectors, and developing innovative technologies and tools for policy makers. A leader in the conflict assessment and early warning field, The Fund for Peace focuses on the problems of weak and failing states. Our objective is to create practical tools and approaches for conflict mitigation that are useful to decision-makers.

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Human Rights & Business Roundtable

Annual Report 2015

The Fund for Peace Human Rights and Business Roundtable reaches an incredible milestone this year, as it celebrates its 20th anniversary. Of course, the Roundtable has changed significantly since it began in 1996 as the Foreign Policy Roundtable, but its core principle remains the same — bringing together diverse stakeholders to constructively discuss critical human rights and development issues in an atmosphere of mutual trust and respect.

When the Roundtable was created in 1996, the field of business and human rights was considerably different to what it is now. There was nowhere near the level of engagement — let alone constructive engagement — that exists between companies and civil society today. Where communication did exist, it was more frequently adversarial, rather than constructive in search of practical solutions.

We trust that the Roundtable — first as the Foreign Policy Roundtable, later as the Human Rights and Business Roundtable, and more recently as the Security, Rights, and Development Roundtable — has contributed to the evolving positive and constructive relationships between diverse, multisector stakeholders. It is important that a light be shone on areas of concern, or worse, wrongdoing. It is necessary that we cast a critical eye on business operations, particularly where they have the potential to affect communities in fragile environments.

But being critical is comparatively easy. What takes real effort and hard work is building bridges with other stakeholders,

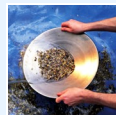
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and not allowing perfect to become the enemy of the good.

Regardless of the role that the Roundtable has played in advancing discourse more widely, we can identify two key advances that the Roundtable has achieved.

Firstly, our Roundtable hosted some of the very first discussions regarding the formation of the initiative that would later become the Voluntary Principles on Security & Human Rights (VPs). In mid-2015 FFP moved premises, and as with any big move, there were many boxes of files and mementos from years past. Among those files were agendas, minutes, and reports from those early discussions about the VPs, providing a unique insight into the early days of what has become a highly successful and meaningful international initiative that has brought real practical change to the manner in which private enterprise approaches security in fragile environments. Of course, success has many fathers, and it would be inaccurate to say that the Roundtable was completely responsible for the creation of the VPs. But the genesis of the VPs demonstrates the true utility of the Roundtable, in providing a safe space for finding practical solutions to very real problems that require the cooperation and collaboration of stakeholders of all sectors, government, corporate, and civil society.

Secondly, the Roundtable internally within FFP has fostered our role in collaborating with companies to help them address their own complex security challenges, and as a

result, hopefully create safer and more stable environments for affected communities. Though NGO collaboration with companies may be commonplace now, it was not always so. The Roundtable allowed FFP to be able to build up trust over many years to the point where we were comfortable enough to partner and collaborate with companies. At the time, when FFP was one of the pioneering NGOs to partner with oil, gas, and mining companies, we were harshly criticized, perhaps most vociferously without our own sector. But now, the reality is very different, and NGO-company collaboration has gone from being criticized to even celebrated.

As we look forward to 2016, we will seek to continue to innovate, both in terms of the subject matter we examine and the relationships we seek to build.

The Roundtable has for much of its existence focused on the oil, gas, and mining industries, however this was more by accident than design. Though the Roundtable was multi-sectoral for its early years, the nature of the security and human rights challenges faced by the oil, gas, and mining sector led the Roundtable to channel its energy and focus in that direction. Now, over a decade hence, the oil, gas, and mining industries have collected years of lessons learned and good practice, and we see the role of the Roundtable as a forum for sharing that learning with other industries. In 2016, true to the inclusive Roundtable, we will continue to reach out to bring together diverse sectors and industries.

The Roundtable has also for much of its existence been a fundamentally an in-person endeavor, with meetings initially in New York and later, Washington, D.C. A few years ago, we experimented with allowing participants from outside of Washington to call-in and participate virtually. Though the emphasis of the Roundtable will continue to be on in-person meetings — not least because we feel that it is through personal interactions that bridges have truly been built across sectors and will continue to be so — we nevertheless hope to further cultivate participation from stakeholders outside of Washington by improving accessibility of the Roundtable to virtual participants.

This year also marks a decade of my own personal association with the Roundtable. I attended my first Human Rights and Business Roundtable as a participant, in 2006, representing another long-standing organizational member of the forum. Well before I had joined the Fund for Peace, and well before I had assumed the Chair of the Roundtable in 2011, I earned a deep appreciation for the diverse stakeholder participation, the respectful dialogue, and the safe space afforded by all participants. I am excited to see the Roundtable continue to go from strength to strength, as we enter into its third decade in 2016.

We are immensely proud of the achievements of the Roundtable that, though perhaps not evident at the time, are abundantly clear 20 years hence.



J.J. Messner
Executive Director, The Fund for Peace
Chair, Human Rights & Business Roundtable

About the Human Rights & Business Roundtable

At the time of its launch in 1996, there was a growing global movement of activists that recognized problems and shortcomings in the practices and operations of corporations around the world, be it in regard to environmental concerns, labor rights, or security. Though there was a rapidly increasing level of coverage of these issues, a lack of dialogue between stakeholders existed; activists and companies viewed each other as adversaries, and rarely (if ever) engaged with one another.

The idea that activists and corporations would even be comfortable in the same room together was a somewhat alien concept, such was the culture at the time of mutual mistrust. Though there was much legitimacy behind many of the claims made by the activist community, there was minimal focus on actually affecting change that could address the problems that were being highlighted. After all, it is difficult to find solutions if the problems themselves are not even discussed in the first place.

In 1996, FFP sought to address this gap in stakeholder communication and understanding by convening the Human Rights & Business Roundtable. The Roundtable was one of the very first forums to bring together stakeholders from the business and NGO communities to discuss issues of concern in an environment of trust and mutual respect.



As the Roundtable progressed in its formative years, it was discovered that the issues faced by the oil and mining industries, along with the high level of willingness to engage by the companies from those industries, led the Roundtable to focus specifically on that sector. Eventually, other key stakeholders were introduced into the dialogue, including government agencies (both American and foreign), military, aid and development agencies, multilateral institutions, and academia.

Nearly two decades later, the Roundtable continues to provide a forum for exchange and understanding between multiple, diverse stakeholder groups on a wide range of issues. Meeting every two months in Washington, D.C. (with many others calling in from around the world), the Roundtables focus on issues as wide-ranging as security and human rights, indigenous rights,

sustainable livelihoods, conflict-free supply chains, grievance mechanisms, and measuring impact of implementation. Though the focus of the Roundtable continues to be the oil and mining industries, it is currently expanding to include sectors that face similar challenges, such as agriculture, construction, and renewable energy, among others.

Though the impact of the Roundtable is often indirect and hard to quantify, the evolution of the discussion on security, rights, and development issues over the past two decades is unmistakable. The Roundtable also provided the seed for the Voluntary Principles on Security & Human Rights, an international initiative that now boasts nearly ten governments and 30 multinational corporations.

Constructive Engagement on Human Rights and Business

Plenty of attention has been placed on problems and shortcomings in the practices and operations of corporations around the world, be it in regard to community relations, environmental concerns, human rights, labor rights, or security. Many activists rightly expect and demand that corporations address these concerns and improve their practices. Frequently, however, companies lack the necessary expertise or experience in executing and implementing certain specialized programs. For example, a large oil company can be very effective at exploration, drilling, and production but lacks a staff of trained experts to advise on issues related to security and human rights.

Even beyond expertise, companies may often struggle to convene necessary stakeholders, such as local community groups, NGOs, human rights commissions, and other groups that may not necessarily be forthcoming towards corporations. Thus, there is a need for a trusted organizations with convening power to assist with establishing such dialogues.

FFP has been engaged in a wide array of programs that have assisted companies in the oil, mining, and agribusiness sectors, including:

- Assessments (including Community, Human Rights Impacts, Risk, Security);
- Training on Human Rights and Security for companies, communities, and security forces;



- Technical support for human rights monitors;
- Expert advice on implementation;
- Community/stakeholder engagement;
- Workshops on security and human rights for a variety of stakeholders.

FFP was one of the very first (and continues to be one of very few) non-profit NGOs that is willing to partner with corporations to assist them with implementation projects that can take high-level security and human rights concepts, ideals, and obligations, and apply them on-the-ground. FFP continues to be a leader in this field, known for a multistakeholder and inclusive approach, as well as being renowned for innovative and responsive in program design and implementation. FFP has experience implementing these programs in Cameroon, Canada, Colombia, Guatemala, Honduras,

Laos, Malaysia, Mexico, Morocco, Nigeria, Panama, Papua New Guinea, Philippines, Spain, Turkey, and Western Sahara.

FFP has been a leader in the field of company-NGO cooperation on security and human rights implementation, with a number of notable achievements. One of the best known projects was where FFP assisted the Cameroonian military in improving their human rights training program, ensuring that the program was context specific and accompanied by materials that would be more likely to appeal to, and resonate with, soldiers — in this case, comic books. FFP continues to employ an innovative and inclusive approach that focuses on finding contextual, practical solutions to affect change.

Supporters of the Roundtable

The Fund for Peace is grateful for the continuing support of the Corporate Members of the Human Rights & Business Roundtable.



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Freeport-McMoRan
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Hess



Kosmos Energy



Newmont Mining



Shell

FFP also thanks the following organizations for their continuing participation in the Human Rights & Business Roundtable:

- Access Health Worldwide
- Afghan American Chamber of Commerce
- Africa Expert Network
- Amazon Conservation Association
- American Bar Association Rule of Law Initiative
- Arcadia University
- Barrick Gold
- BP
- Cardno Emerging Markets
- CARE
- Chevron
- Citi
- Climate Nexus
- Compliance Advisor Ombudsman, World Bank
- Conservation International
- Deloitte
- Department of Foreign Affairs and Trade, Canada
- Devonshire Initiative
- DLA Piper
- Earthworks
- Embassy of Australia
- Equitable Origin
- ExxonMobil
- First Peoples Worldwide
- Freeport-McMoRan
- GardaWorld
- Gemological Institute of America
- George Washington University
- Goldcorp
- Hess
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- IO Sustainability
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- Kosmos Energy
- McCain Institute
- MSI Integrity
- National Defense University
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- New Gold
- Newmont
- Noble Energy
- Organization of American States
- Oxfam America
- PAE
- Partners for Democratic Change
- Pax Mondial
- Pepper Hamilton
- Prospectors and Developers Association of Canada
- Resolve
- RioTinto
- Shell
- U.N. Association
- Universal Human Rights Network
- U.S. Department of State
- World Bank

Roundtable Presenters in 2015

The Fund for Peace would like to thank the following experts (including many coming to the Roundtable from far and wide) for their contributions in leading and facilitating the Roundtable discussions in 2015:

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Jenny Stein

U.S. Department of State
Washington, D.C.

Stephen Winstanley

MSI Integrity
Washington D.C.

Addressing the Effects of Business on Poverty

Roundtable 1: February 18, 2015



As society's expectations on businesses to shape positive impacts on communities, it is increasingly important that the role of businesses in development be considered. With pressure emanating from stakeholders as diverse as consumers and investors, local communities, NGOs and governments, companies must consider how their operations effect local populations over the longer term. Reflective of a wider shift in the corporate social responsibility lexicon, philanthropy and compliance is now moving towards an integration of social needs and economic prosperity.

Identifying the right tools and frameworks of analysis for companies to measure their social, environmental and human rights impacts on local communities in developing regions is integral to shaping positive longer term outcomes. In the extractives sector particularly, where accelerated economic growth and prosperity within conflict-prone areas can breed new community complexities, can utilize a range of integrated tools

Synopsis

With the increasing reach of technology and industry innovation, there is unprecedented growth of businesses into new global markets. Expansion into countries and regions which face deep political, social, economic and environmental challenges can result in complex stakeholder relationships and expectations around investment in development. This includes mounting pressure on the private sector to play a greater role in shaping positive long term impacts within these communities.

This roundtable explored the new tools becoming available to businesses for measuring their poverty footprint on societies, and the future of public-private development initiatives on an international scale.

assess their poverty footprint and address community issues.

Poverty Footprint: Assessment Tools and Outcomes

There is a wide variety of assessment tools available to businesses to measure their impact on communities through different lenses. One common tool is Human Rights Impact Assessments (HRIAs) initiated by either companies, or increasingly by the local communities themselves. Others range from Input-Output Modelling to calculate the economic value the company and its supply chain adds to the national economy, to Millennium Development Goal (MDG) benchmarking which estimates the number of people affected by the company in relation to the United Nations MDGs.

A new initiative launched by Oxfam represents a new assessment regime available to businesses which provides a

more comprehensive insight into the company's poverty footprint. The initiative involves a jointly funded partnership between a company and Oxfam, which comprehensively explores the value chain and sphere of influence of the company's operation.

The assessment framework examines five key corporate areas including Macro-economy, Value Chain, Local Environmental Practices, Products and Marketing, and Institutions and Policy. These areas are then measured against the poverty dimensions of Livelihood, Diversity and Gender Equality, Security and Stability, Health and Well-being, and Empowerment.

The Roundtable discussed the value of the poverty footprint assessment frameworks, as well as considering a possible integration of the framework into other existing tools and frameworks to meet economic investor compliance requirements.

Report Transparency: Risks and Opportunities for Businesses

Requiring significant investment in resources and time on both sides of a partnership like Oxfam's, the Roundtable discussed the value proposition for businesses to take on this type of initiative. An assessment that delves into the multifaceted areas of a business operating in a complex geographical region, requiring the public release of the final report, presents both risks and opportunities.

While some Roundtable participants met the idea of this level transparency with trepidation, highlighting the risks of exposure to significant reputational damage, there was also a case made for the opportunities, such as identifying issues early and having the opportunity to address them before they escalate, has the potential to provide increased stability within the community and the business operations. Additionally, the in-depth research into key business aspects such as the supply chain, provides new market research opportunities and product innovations.

With increasing expectations for companies to integrate corporate social responsibility into global business operations, a major study with outcomes for poverty reduction which is broadcast in the public domain can have its rewards. Such an assessment enables companies to become part of the solution narrative to tackle poverty issues worldwide, rather than identified as a cause.

Navigating the Stakeholders

An effective assessment of business impact on poverty, requires consultation and buy-in from a range of stakeholder levels. Raised in the Roundtable discussion, the risks of consultation fatigue and the creation of unrealistic expectations in local communities during this process must be carefully considered, and if necessary, mitigated.

Also discussed was the importance of capacity building within the local communities themselves. Improving education and empowering communities to provide input into the direction of public revenues is an effective approach to promoting long term local governance. The value of meaningful

engagement with government in the research process was also highlighted.

The consultation between the global businesses and international organizations will play an important role in the adoption and implementation of a post-2015 development agenda at the United Nations summit in September 2015. Oxfam's Poverty Footprint Initiative is an example of how private-public partnerships may evolve in the future to meet development challenges. This may result in partnerships not only between global businesses and NGOs, but also on multi-industry or sector scales.

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Informed and Educated Stakeholders

Roundtable 2: May 7, 2015



Operating in complex environments requires a range of stakeholders to come to engage with one another and “come to the table.” Limiting or excluding certain groups from the dialogue, such as local affected communities, can drive conflict and instability. Education and robust engagement has the potential to empower communities and other stakeholders to become positive contributors to the project operations which may be impacting upon their community, and promote sustainable development and security for the region.

Engagement with Indigenous Peoples

The first presentation examined the importance of robust engagement with local indigenous communities. In a contemporary era where corporate social responsibility is expected by investors, society and governments, companies are increasingly aware of the need to obtain a ‘social license’ to

Synopsis

Information may be power, but it should also be seen as empowering. Many conflicts occur due to a lack of information and understanding. This Roundtable will examine how informing and educating stakeholders can improve understanding, and even empower stakeholders such as artisanal miners, not only reducing conflict but fostering economic development.

This roundtable examined the importance of informed and educated communities through the diverse lenses of indigenous peoples, a case study of artisanal miners, and international legal aid.

operate. This is particularly salient as projects expand into new previously untouched areas of land worldwide, especially as the world looks to future energy repositories.

As these new frontiers are explored, there remain implications for traditional land owners and their legal rights. Without robust engagement at the outset with traditional owners or custodians and indigenous peoples, projects can face significant challenges and opposition during implementation. In an age of global technology for example, indigenous voices and networks are mobilizing in new ways through social media platforms.

To mitigate the risk of possible conflict with communities, relationship building at the project’s inception is more likely to support a more sustainable security environment throughout the life of the project. In many cases revenue and development is often welcomed by local stakeholders, however

without robust engagement during the decision making stages of the project this can lead to poor outcomes both for the company and project investors, as well as the indigenous peoples. Sustainable development can be achieved through not only the company educating local stakeholders, but also bi-paradigm information sharing, whereby companies become equally informed about communities in which they are working.

Educating Artisanal and Small-scale Miners

The second presentation focused on a case study of Artisanal and Small-scale Mining (ASM) and a common challenge extractives operations can face if ASMs are not informed or regulated. ASM policy approaches by different governments are often inconsistent in terms of whether to criminalize, formalize, or other solutions to shift communities into alternate industries.

One key issue missing from these policy approaches is encouraging information sharing between ASMs and downstream mining industries. Through training and education directly with the miners, particularly focused on standards and marketing, there is the potential to promote sustainable development and more safe practices that benefit both upstream and downstream actors.

An example of this is the program in East Africa being launched by the Gemological Institute of America. The program will provide ASMs with a basic information guide on what they are working with — in this case gems — with the aim of educating them about value addition and supply chain. This approach differs from education based on broader social policy issues, but more of a pragmatic tool which can foster better overall quality, which in turn improves returns.

It was noted during roundtable discussions that this unconventional approach may raise concerns about the potential to exacerbate ASM operations in and around

mining concessions, which remains a frequent security challenge for many large scale operators. While the outcome of the pilot program is not yet known, approaches which promote education and sustainable security and shared industry benefits may provide new policy alternatives for companies and governments to explore.

Providing Local Communities with a Legal Voice

Informing communities through the lens of a different sector, the third presentation focused on the role of legal education and empowerment for local communities. With communities in developing and fragile environments often disadvantaged in disputes against government or corporations, there is a push to bring international legal aid expertise to the ground. While international legal aid is by no means a new phenomenon, the approach to how these volunteer practitioners build trust with the communities and seek to focus on prevention rather than litigation can have an important impact.

In working with the community and local CSOs, international legal aid can not only level the playing field between the corporation and the community without the same level of knowledge and resources, but also influence a path to sustainable security and development. Through emphasizing prevention rather than litigation as an after-fact to harms already committed, communities can seek a path to negotiation and remedy rather than drawn into long and costly proceedings. This more proactive and agile approach to supporting and sharing knowledge with local communities can provide a more peaceable solution, and help to reinsert the human element into business decisions by companies.

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Renewable Energy Sector: Lessons from Extractives

Roundtable 3: June 22, 2015



Synopsis

The renewable energy sector faces many of the same operational challenges and can affect communities in many of the same ways as the oil, gas, and mining industries. This Roundtable will seek to understand those challenges and what lessons can be learned from the experiences of other industries.

With the wide impact of initiatives such as the Voluntary Principles or the UN Guiding Principles over the past two decades, the conversation on business and human rights has affected real change in the way organizations operate in fragile environments.

The spotlight for the conversation has remained firmly centered on the oil, gas, and mining industries — or collectively, the extractives industries — addressing many of the important conflict issues which can arise in complex environments. However, less attention has been paid to how other industries address similar issues when operating in fragile regions, whether it be agribusiness, renewable energy or other major infrastructure programs.

The displacement of local communities, influx of a foreign workforce, new revenue flows, the presence of public and private security forces, and impacts on natural resources are just a few of the challenges

that are faced by major projects beyond just the extractives sector. One of the most notable developments in recent years is the growth of renewable energy projects in developing countries ranging from wind and solar to hydroelectric power. This roundtable examined how these industries differ in the challenges, and also share common ground from which they can both learn.

The first presentation concentrated on renewable energy in Costa Rica, where over 90 per cent of Costa Rican electricity is hydroelectric. A case study was provided of a major hydroelectric dam project, where a host of local issues emerged surrounding the altered river flow, including displaced indigenous communities, flooding in cultural heritage sites, changes in the river's flow, changes in the habitat, and dam safety concerns. These issues, coupled with a lack of common dialogue between the government, community and company meant the project was stalled indefinitely.

The second presentation drew attention to rapid economic growth of solar energy in Africa. Solar energy follows technological advances: as availability and popularity increases, price decreases. This makes solar energy projects popular investments, compared with other renewable energy forms which become more costly as the project expands. Given the rapid expansion in areas that still have the potential to displace communities, there is a need to emphasize the importance of solidifying human rights and security standards amongst investors development finance institutions.

The third presentation highlighted the variations between the implementation of projects that focus on different renewable energies. For example, water-based renewable energy projects are complicated because rivers and the environments they impact are intricate; wind projects typically are drawn to international places with international contractors because of these

projects' complexities; and solar projects tend to be more locally based and labored because of the relative technical simplicity of these projects. The presentation also noted the growing importance of renewable energies to companies as the world becomes more open to the idea of renewable energy.

Although the presenters all spoke about diverse geographical locations and renewable energy projects, each agreed that for a project to be successful, certain steps must be in place:

- Local communities and stakeholders must be informed and consulted , especially when addressing legacy issues where companies inherent poor relations and expectation management with communities
- A focus on local employment plan provides sustainable development, knowledge and skills for communities
- Regular dialogue is crucial between companies, communities and government.

Discussions highlighted diverse perspectives on what the most important aspect of a project is; the planning or the implementation.

As one participant suggested, a company may have the best ideas, have robust engagement with the community, hire the best people for the project, and still fail to implement the project because of its difficulty or unforeseen consequences. The effective implementation of a project is thus the most important aspect that companies need to focus on. The alternative argument was raised that to have a sustainable project over the long term, a well-planned foundation is the most crucial aspect.

One of the takeaways of this discussion was that the lifecycle of the project must be proportionate to the ground work laid, and therefore often a extremely different approach to extractives and renewables. For example, a mine which had a 30-year life span needs to ensure there are long term and carefully assessed risks and impacts on the community. Miscalculations about environmental, security or social factors

may cause long term issues that disrupt the project throughout its lifecycle. By comparison, the much more inexpensive, transportable industry of solar can be more adaptable to community issues and concerns. Community engagement, security and environmental factors, and long term investment mean the stakes are much higher for traditional extractive sector projects, though renewable energy projects are definitely not immune to these considerations. Cross sector learning and collaboration on methods for public security force engagement , community consultation and sustainable development should be encouraged as new industries emerge in developing markets alongside extractives.

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Managing the Relationship With Host Governments

Roundtable 4: September 24, 2015



Synopsis

This roundtable focused on the challenges faced by extractive sector companies in engagement with host governments on a variety of topics. Whether it be transparency issues, revenue disputes, implementation of international initiatives, or finding shared values; the long-term success of a large-scale development project can hinge on the relationship the company has with the host government. Participants shared their experiences and lessons learned in establishing productive and durable relationships as well as suggestions for implementing the Voluntary Principles, identifying Shared Value, and building trust with the community.

Engagement with host governments presents an opportunity to build mutually beneficial relationships between stakeholders. Identifying strategies and best practices for companies to productively engage with host and home governments, communities, and civil society organizations (CSOs) is integral to finding shared value and creating positive long-term outcomes.

Engagement with Governments Through International Initiatives

During the first presentation, the core focus was on how international initiatives can provide a constructive platform for engagement between host and home governments. One such initiative was the Voluntary Principles on Security and Human Rights (VPs), a set of guidelines that outline how companies can ensure the safety and security of their operations while protecting human rights of affected communities. The

VPs are an essential part of international norms for interaction between extractive sector companies, host governments, communities, as well as public and private security forces. National implementation of the VPs promotes stability, security for communities, and incentivizes foreign investment to spur growth.

Extractive sector companies often encounter a common set of challenges when engaging host governments with regards to the implementation of the VPs. These include challenges in engagement with siloed government ministries, politically unstable states, and countries with difficult financial regulatory systems. During the ensuing discussion, participants proposed strategies for addressing these common challenges, ranging from searching for new champions to advocate for the cause, to approaches for convincing host governments of the economic benefits of implementation.

One of the most effective strategies in engagement with host governments is identifying champions. Stakeholders in government and civil society who are aligned with companies and the VPs can be allies in overcoming the challenges involved with host government engagement and implementation of international initiatives.

Establishing Shared Value Among All Stakeholders

Historically, some companies have held a narrow view about how they contribute towards sustainable development within the communities directly affected by their operations. The shared value paradigm represents a fundamental change in how extractive sector companies interact with their host countries, transforming the relationship from altruism to incorporation into the company's operations.

Companies are encouraged to engage in opportunities that link their success with the economic well-being of the host country and the local community. By incorporating local producers into extractive operations, companies become catalysts for economic development in emerging markets. During the presentation, roundtable participants discussed suggestions for identifying and creating shared value between communities, governments, and companies.

An effective method for finding opportunities for shared value is to identify promising markets outside of the company's direct supply chain by using local data analysis. Once promising markets are identified, companies can incorporate these products into their supply chain, creating market access and financial capital for local individuals and firms.

Identifying shared value should not, and cannot be a one-way process. Companies must involve communities and governments to determine the sectors and markets which should be targeted for development. The importance of community engagement and creating and maintaining an ongoing dialogue with stakeholders and civil society is paramount to fostering productive relationships with host countries and mitigating conflict.

Relationship Building and Managing Expectations Between Stakeholders

Building relationships and clarifying expectations with host governments and communities is critical to creating successful programs. Difficulties in communicating expectations to governments and stakeholders can be disruptive to partnerships and can create turbulent or inequitable relationships. It is vital to clearly articulate objectives and expectations with all relevant parties. When establishing partnerships between companies, host governments and communities, there are common topics that are often misconstrued. These include the low success rates inherent to the extractives industry, predicted revenue timelines, the global allocation of capital in response to fluctuating commodity markets, and the effects of operations on local economic and environmental conditions.

A range of strategies were shared during the roundtable for building productive and durable relationships with stakeholders. One major suggestion highlighted the benefits of transparency, including making contractual information public. By making more information publically accessible to a wide range of stakeholders, companies can build trust with the host country and host

community while addressing any confusion or misunderstanding about expectations and outcomes.

The relationships between companies and host countries are evolving, and companies must adapt their practices and programs to align with new more socially conscious paradigms expected by their shareholders. By creating shared values and connecting the company's success with the economic success of the host community and country, companies can multiply their economic impact and catalyze local businesses and production. By implementing international initiatives such as the VPs, companies and countries create productive partnerships and sustainable environments for future investment and cooperation.

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Human Rights in Certification Frameworks

Roundtable 5: October 29, 2015



Well-constructed, incentivized human rights certification framework can have a transformative effect on how an industry operates. Whether it is extractives or textile production, the right scope and mandate to address the specific human rights issues affecting that industry, and a certification process that generates buy-in from companies, has the ability to change long term business practices.

However, in a world increasingly saturated with standards, and expectations from communities, consumers and shareholders, the question becomes, how do companies choose what frameworks or initiatives to invest in, and how effective they are in addressing the human rights issues on the ground? This roundtable examined what goes into making a good multi-stakeholder initiative which certifies human rights, how different initiatives are reported, monitored and verified, and some approaches to minimizing the duplication of standards.

Synopsis

As certification frameworks become more commonly accepted by industry in addressing various aspects of business operations, some issues present challenges in how to quantify, let alone certify. This Roundtable will address the issue of human rights in certification systems, and how such a broad and important topic can be quantified and assessed.

Multi-stakeholder Initiatives: Reforming Industry-wide Practices

The first presentation outlined the positive role multi-stakeholder initiatives can play in addressing human rights issues, if done the right way. The key to this is building an effective certification process that can act as an incentive to improve human rights outcomes for an entire industry. Certification should act as a reward for doing the right thing, such as respecting human rights, rather than for the sake of just 'checking the box'. This provides the best platform for impact on the ground, as well as demonstrating value to the end user or consumer.

Based on the research by MSI Integrity and the Human Rights Clinic at Harvard Law School that was used to develop their MSI Evaluation Tool, standards focused on human rights can maximize their effectiveness in four key areas:

1. Process

Ensuring that the standard is developed in a clear and transparent way, which involves affected stakeholders such as the local community and CSOs. Without understanding the granular issues and complexities involved, implementing a high-level standard may not change the reality on the ground, or may have unintended consequences. One example is the Dodd-Frank legislation to promote conflict-free minerals in the Democratic Republic of the Congo (DRC), which has been scrutinized for the impact of international investment withdrawal, deepening poverty in Eastern DRC, and limited effect on curbing armed conflict.

2. Content

Content needs to be clear and verifiable, with an emphasis on straight forward language which the end user or consumer can understand. It should align with international norms or existing laws, such as the UN Guiding Principles for Business

and Human Rights. It should also be obligatory for members of the initiative.

3. Implementation

Instigating a monitoring mechanism for compliance with the standard, and ensuring accountability to de-incentivize non-compliance such as a grievance mechanisms and sanctions.

4. Review and Development

Building in flexibility to review the standard at regular intervals, to make sure the standard remains open to lessons learned and changes in circumstances overtime. With a focus on transparency and inclusive consultation, it enables the initiative to benefit from current research, other initiatives, and updated international legal norms or standards.

Case study: Applying Key Performance Indicators to a Non-Regulatory Initiative

The second presentation explored the example of establishing Key Performance Indicators (KPIs) within the Voluntary Principles for Security and Human Rights (VPs) initiative. The nature of the VPs is focused on engagement between government, companies and CSOs to promote responsible and proportional conduct by public and private security forces operating

around project sites. Unlike a formal standard accreditation, the VPs are a set of guidelines originally conceived for extractives members, but are today often implemented by non-members such as SMEs and other industries.

Within the international initiative itself, there is no required verification model required for company members, raising some questions from NGO and Government pillar members. Out of plenary discussions came a mandate to develop a set of KPIs based on the initiative's reporting guidelines. Rather than focusing on external compliance, there was instead a push from member companies to examine internal management systems to test operational effectiveness.

Still an ongoing process, the present verification framework contemplates creating and reporting on company developed indicators, with an option to report outside the plenary.

Reducing Duplication in a Sea of Standards

The third presentation focused on the example of a new standard developed by Equitable Origin which seeks to meet requirements for a range of standards in

the oil and gas sector. Focusing on not only reducing duplication, the standard was developed with the input of local communities and Indigenous Peoples in and around oil and gas operations. It also represents an example which combines a range of international human rights standards and norms which include the VPs, standards established by the United Nations, International Finance Corporation, and International Labor Organization, and key occupational health and safety standards.

Using a third-party certification body, it is one example of an initiative that helps companies who are required to meet high benchmark standards in complex operating environments, to internalize best practices with respect to human rights and security.

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