

Human rights



is it any of your business?

Human rights – is it any of your business?

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This publication is intended to provide terms of reference to companies seeking to address the human rights context of their operations. The case studies are presented from the perspective of the companies featured and are based primarily on information provided by them. The recommendations reflect an evolutionary process rather than a definitive statement of policy. Nothing in this document is intended to serve as a judgement on or as an endorsement of the human rights record of any of the companies profiled.

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Foreword

“One of the greatest ironies of this period in history is that, just as technology remakes our world, the need to maintain the human dimension of our work, and a company’s sense of its social responsibility, is growing at an equally rapid pace. Harmonising economic growth with the protection of human rights is one of the greatest challenges we face today.”

Mary Robinson
UN High Commissioner for Human Rights
Davos, February 2000

“Big companies need to step into the breach to ensure that globalisation delivers more than a litany of dashed hopes. We must now act as co-guarantors of human rights.”

Göran Lindahl
President and CEO of ABB

Why do human rights matter to business? The globalisation of the world economy in the post-Communist era offers unprecedented opportunities to business. Consumer goods industries source from an ever-increasing number of suppliers in developing countries and transitional economies. The extractive industries now have investment options which were previously denied them by political or ideological barriers.

But with rapidly escalating opportunity come unprecedented levels of threat, as companies find themselves caught up in situations of conflict and human rights violations which are the context for their operations in many countries today. These constitute a threat to the stability of the investment climate, to the physical security of employees and installations, and to corporate reputation if companies lack appropriate policies and practices which today’s informed and critical society expects of them. The pressures on transnational companies to avoid doing harm and to exercise their legitimate influence for good are growing.

Responsible companies have long understood a duty of care towards their employees. More recently, they have accepted that the bounds of their responsibility should be extended to embrace protection of the environment. Today, civil conflict and human rights violations present them with new challenges and dilemmas for which few have shown themselves prepared, but which, ignored or badly handled, have proved hugely damaging to reputation.

The purpose of this publication is to inform companies on the human rights problems they may confront and to assist them in developing policies which will help both to protect themselves and improve the context in which they work. For the first time in modern history, a framework of international values exists which can help shape company policy. So too can the example of a growing number of leading transnational companies on whose experience we have drawn.

Companies cannot and should not be the moral arbiters of the world. They cannot usurp the role of government, nor solve all the social problems they confront. But their influence upon the global political economy is growing and their presence increasingly affects the societies in which they operate. With this reality comes the need to recognise that their ability to continue to provide goods and services and create financial wealth – in which the private sector has proved uniquely successful – will depend on their acceptability to an international society which increasingly regards protection of human rights as a condition of the corporate licence to operate.

Sir Geoffrey Chandler
Chair, Amnesty International UK Business Group
and former Shell senior executive
April 2000

Executive summary



The question of human rights is age-old, as is the practice of business. And yet the two issues are only just beginning to be seen as inextricably linked. Transnational companies which are making genuine attempts to operate responsibly in this field are, to a large extent, entering uncharted territory where codes of conduct proliferate and interpretations vary. This publication does not claim to be a definitive guide to this field, but it does offer a comprehensive and practical introduction to a subject now on the agenda of responsible companies and at the forefront of public attention. It is targeted primarily at those who formulate policy and at operational managers of transnational companies, tackling the question of human rights from Board level through to working with sub-contractors. It addresses the human rights issues and dilemmas that affect companies across most of their functions and throughout their organisational structure. It takes as its point of departure the Universal Declaration of Human Rights which calls upon ‘every individual and organ of society’ to uphold these internationally accepted standards.

What does this primer offer?

- a rationale and a guide for companies to develop and implement human rights policies
- practical recommendations for good corporate practice, drawing on case studies from selected transnational companies
- a survey of the current landscape facing transnationals where a wide range of influences are having an impact on the company’s reputation with regard to its human rights performance
- an overview of useful initiatives, codes and guidelines which may help a company wanting to put into practice a commitment to uphold human rights standards

PART I

1. Overview:

Human rights are now seen as an integral part of responsible business. The internationally accepted framework for human rights is the UN’s Universal Declaration of Human Rights. This framework should form the basis of a company’s human rights policy and strategy for implementation in all its legitimate spheres of influence. Companies operating in countries where serious human rights violations occur are under heightened scrutiny from local communities, non-governmental organisations (NGOs), consumer groups and the media. These companies will find that a human rights policy, underpinned by full support from the Board and appropriate organisational positioning, is an essential element of sound risk management and reputation assurance. Human rights are becoming a bottom-line business issue. A corporate commitment to upholding international standards can bring benefits to companies and society at large.

2. Risks and dilemmas:

Transnational companies face innumerable dilemmas in many countries where they have a presence: investing in areas of conflict which pose security threats to property and personnel; taking investment decisions under an incumbent democratic government which is later overthrown by a dictatorship; operating in countries where freedom of information and expression are denied to citizens; paying taxes to corrupt and undemocratic administrations which may allocate more state revenue to the military than to basic health and education services. These situations carry with them serious human rights risks for companies. The primer recommends a series of steps companies can take to minimise the negative impact of their presence in such situations and to maximise the positive impact. It draws lessons from the experiences

of a number of transnational companies. (See Part II for case studies.)

- Revenue allocation and corruption
- Operating in conflict zones
- Use of security forces
- Land rights/indigenous peoples' rights
- Labour rights:
 - freedom of association
 - child labour
 - working conditions
 - bonded and forced labour

3. Principles to practice:

A commitment to uphold international human rights standards in companies' business principles or codes of conduct is a good starting point, but companies need to go further. To win credibility from society at large, they must demonstrate top-level support, allocation of responsibility and resources to integrate human rights into mainstream business activities, ongoing stakeholder¹ consultation, independent verification and reporting against benchmarks. Human rights criteria must be included in contractual agreements with business partners. The primer recommends steps to be taken, drawing lessons from companies at varying stages along this path. (See Part II for case studies.)

4. Drivers of change:

Companies are facing pressure from many directions to demonstrate responsible business in their daily operations around the world. The primer summarises important drivers of change pertaining to human rights of which companies should be aware.

● Shareholder pressure:

Ethical and socially responsible investment is gaining momentum through increasing shareholder awareness of human rights issues and through changing legislation.

● Transparency and disclosure:

The technological revolution of the Internet and satellite communications means that companies have little, if any, hiding place. Individual citizens, community groups, local and international NGOs now have the potential to monitor more easily a company's practices in any given location and to communicate concerns or protests instantly where they perceive irresponsible corporate behaviour. Companies can use the Internet as part of their wider consultation process and to elicit feedback from interested parties.

● Social reporting and auditing:

Just as companies report on their environmental performance, so they should on their social performance, of which a respect for human rights is a cornerstone. A sound human rights policy should commit a company to both internal monitoring and independent auditing and reporting against stated objectives. This is important in assessing progress and identifying areas for improvement. It is essential that a company demonstrate transparency and accountability in this area in order to build trust and credibility with employees and stakeholders alike. The primer looks at frameworks for social auditing and reporting which may be of value to companies.

● Regulatory pressure:

Government regulation to ensure corporate responsibility is on the increase in Europe and the US. Companies need to be aware of their own legal obligations as well as aspects of international law which relate to corporate activity. There is a growing framework of compliance, reinforced by, *inter alia*, ILO conventions, European Union regulations, selective purchasing laws in the US, London Stock Exchange requirements.

1. 'Stakeholders' are defined in this publication as those contributing to the success of the business, which includes shareholders and employees, and those affected by its operations – which would include local communities and customers.

● Normative pressure:

There is a growing number of codes of conduct, guidelines and principles to which companies are being called upon by the UN, OECD, NGOs and others to adhere. While not legally binding, they are raising expectations within society at large about norms of responsible business worldwide. A number of NGOs and companies have embarked upon sector-wide or cross-sector initiatives to confront some of the challenges of implementation collectively to the mutual benefit of all parties.

PART II: Case studies

The case studies illustrate that there are no easy answers to human rights challenges. Companies in all sectors face risks and dilemmas, some more overt than others. The companies profiled have all recognised that human rights are a core business issue. Approaches vary and progress is mixed, but there are valuable lessons to be learned for other companies facing similar challenges.

Risks and dilemmas

These case studies explore how a number of companies are tackling major human rights challenges in their business:

- Use of security forces: the case of Shell in Nigeria
- Land rights/indigenous peoples' rights: the case of WMC Resources in the Philippines
- Labour rights:
 - freedom of association: the case of Reebok in Indonesia
 - child labour: the case of Pentland Group in Pakistan
 - working conditions: the case of B&Q in India
 - bonded and forced labour

Principles to practice

These case studies consider various processes by which companies are trying to put their human rights principles into practice:

- BP Amoco – exerting positive influence?
- Rio Tinto – facing the challenge of implementation
- Levi Strauss – forming multi-stakeholder partnerships

Part III: Resources

The primer concludes with a checklist for good corporate practice in human rights. It provides a list of resources – organisations, websites and publications – which may be of value to companies as they seek to integrate human rights into mainstream business planning and operations, into relations with business partners and host communities, and into dialogue with government representatives.

Summary of recommendations and key considerations

Transnational companies operating in or sourcing from countries with, repressive governments, ethnic conflict, a weak rule of law or poor labour standards, face serious risks to their reputation if they are seen to be complicit in human rights violations. The dilemmas posed by seeking to conduct responsible business in such environments gives rise to many challenges.

The areas for consideration highlighted below do not represent a comprehensive survey of the human rights field. Nor do they prescribe ‘quick fix’ solutions to deep-rooted problems. They do, however, offer companies some pointers and practical advice as to how to begin tackling systematically some of the most problematic risks and dilemmas associated with human rights. Human rights protection is the business of business, just as it is of every individual and organ of society. It is a matter of upholding international standards, maintaining corporate reputation and licence to operate, managing risk, and contributing to a stable investment climate based on equitable, sustainable development.

Integrating human rights into company operations	
A corporate human rights strategy:	
<ul style="list-style-type: none"> • Incorporate an explicit commitment to support the Universal Declaration of Human Rights and core ILO standards in the company’s business principles and operations. This commitment must be explicitly endorsed by the Board. 	<ul style="list-style-type: none"> • could proactively seek to have a positive impact on human rights, for example through an annual letter of assurance to the Board.
<ul style="list-style-type: none"> • Assign responsibility to a senior manager for developing and mainstreaming the human rights strategy and for addressing complementary or potentially conflicting internal company policies. 	<ul style="list-style-type: none"> • Establish procedures for country managers in the event of staff being arbitrarily arrested, detained or subjected to other miscarriages of justice according to international standards.
<ul style="list-style-type: none"> • Conduct wide-ranging internal and external consultation with management and employees, local and international NGOs and community groups in developing the human rights policy. This would include consultation on practical guidelines for staff on implementation and performance indicators. 	<ul style="list-style-type: none"> • Establish on-going dialogue with relevant NGOs or local authorities where possible on the question of improving human rights protection. Cross-sector partnerships offer potentially powerful mechanisms for developing and implementing human rights strategies. The potential for such partnerships with NGOs or community groups should be explored at various levels, from investment decision-making through to local monitoring of human rights conditions or peace-building initiatives.
<ul style="list-style-type: none"> • Communicate the strategy and implementation plan to all parts of the business and to all business partners. Ensure the strategy is available in local languages. 	<ul style="list-style-type: none"> • Establish mechanisms of internal and independent monitoring and reporting on the company’s compliance with its human rights commitments in all part of its operations.
<ul style="list-style-type: none"> • Conduct training for HQ and country staff to raise awareness of human rights. Include business partners in the training wherever possible. Engage independent NGOs, human rights experts to provide input to the training. 	<ul style="list-style-type: none"> • Raise human rights concerns with government authorities either unilaterally or collectively with other companies. Senior managers should be prepared to speak out where abuses persist and quiet diplomacy has failed. In developing policies and practices with regard to human rights, companies need to delineate clearly the boundaries of their responsibilities, their willingness to become involved in advocacy and exert influence. This clarifies the extent of assumed responsibilities and makes it possible to monitor progress against objectives and targets.
<ul style="list-style-type: none"> • Incorporate human rights criteria into the social impact assessment process. This should be an integral part of the pre-investment risk analysis in new areas of potential operation. 	
<ul style="list-style-type: none"> • Require country managers to demonstrate that they have appraised themselves of the human rights situation in their country, and of the means by which the company 	

Conflict zones

Transnational companies in conflict zones may exacerbate hostilities by their presence and the economic impact of their operations. On the other hand, they may ameliorate the situation through contributing to economic development and reconciliation. In either case, their operations, employees, reputation are all likely to be at risk. Human rights are at the core of the risks and challenges facing companies operating in conflict-prone areas.



Companies operating in conflict zones:

Building on the recommendations for a corporate human rights strategy indicated above, the following considerations are important in relation to conflict situations;

- Preparation – in-house training, develop guidelines for staff operating in conflict zones.
- Dialogue and consultation – with a range of stakeholders on a systematic and on-going basis.
- Conduct screening of security forces where possible – follow guidelines issued by Human Rights Watch and Amnesty International UK.
- Partnerships – working collectively with other companies, NGOs, community groups and government bodies on specific development/reconciliation projects, such as small enterprise promotion. Collective action is often a more realistic option for a company operating in a politically sensitive environment than risking the exposure of unilateral approaches to the government.

- Evaluation and accountability – internal and independent monitoring, reporting and verification of compliance with human rights commitments, encompassing all those affected by the company's operations.
- Policy/advocacy with the government – possibly with other companies and stakeholders on issues related to conflict prevention or resolution.
- Creating enabling frameworks – working with other companies, government bodies, civil society, academia to build frameworks to address the causes of conflict. These can include advocacy for good governance and anti-corruption measures, participation in infrastructure projects, training for local civil society organisations.

Security forces

Companies using state or private security forces:



- Companies should insert a clause into any security agreement signed with the government or any state entity that requires, as a condition of contract, that state security forces operating in the area of company installations conform to the human rights obligations the government has assumed under the International Covenant on Civil and Political Rights, and other international human rights norms.
- Companies' security agreements with state entities should be made public with the sole exception of operational details that could jeopardise individuals' lives.
- Companies should screen the military and police who are assigned for their protection. They should seek to ensure that no soldier or police agent credibly implicated in human rights abuse be engaged in their protection.
- Careful background checks should be undertaken to ensure that former police or military officers who work as private contractors or as part of company security staff have no history of human rights abuses or paramilitary involvement.
- Companies must make absolutely clear to the police and military defending them – as well as to company staff and sub-contracted personnel – that human rights violations will not be tolerated, and that companies will be the first to press for investigation and prosecution if any abuses occur.
- Whenever credible allegations of human rights abuses surface, companies should insist that any soldiers and officers implicated be immediately suspended and the appropriate internal and criminal investigations launched.
- Companies should actively monitor the status of the investigations and press for resolution of the cases. If the investigations or prosecutions are stalled, companies should publicly condemn the failure to conduct or complete the investigations.
- Any material assistance given by companies to security forces must be non-lethal, and subject to external auditing.

Land rights and indigenous peoples' rights

Companies operating in areas where indigenous peoples have particular land rights:



- Base company principles on ILO Convention No. 169 on Indigenous and Tribal Peoples.
- Develop an understanding of indigenous peoples' perspectives and way of life. This is the starting point for respecting human rights in areas where indigenous peoples have a close attachment to ancestral territories, unique languages and dependency on subsistence agriculture.
- Develop an understanding about land tenure in the vicinity of operations, and of the threats to ancestral lands. In many situations, indigenous peoples do not enjoy security of tenure. In such situations, the potential for infringement of the rights of indigenous peoples is high. This should be factored into decision-making.
- Strive to achieve free and informed consent of indigenous peoples to proceed with developments on their ancestral lands, irrespective of whether companies are legally obliged to do so. While this may involve a high degree of consultation and community participation, the longer-term benefits to projects are worthwhile. This also applies to other situations (such as remote areas) where communities may be particularly vulnerable to the adverse consequences of large-scale developments.
- Be aware of the wealth of traditional knowledge that indigenous communities may have that is relevant to project decision-making and operations. The basis for helping to protect indigenous peoples' rights is mutual understanding and participatory decision-making.

Labour rights

The following labour rights issues are not an exhaustive list. They are those which, to date, have proved most problematic for companies operating in or sourcing from developing countries.

Building the right to freedom of association into a company's labour practices:



- Base company principles on ILO Convention No. 87 on the Freedom of Association and Protection of the Right to Organise, and No. 89 on the Right to Organise and Collective Bargaining.
- Incorporate company principles into all contracts with joint venture partners and sub-contractors, and build these principles into monitoring of business partners' practices.
- Ensure workers are aware of their rights through making company principles available in local languages. Arrange for oral briefings where illiteracy is a problem.
- Improve levels of worker communication and empowerment through adopting an explicit Worker Communication system which allows for safe reporting of grievances.
- Protect the safety of the worker and union representatives by providing confidential reporting mechanisms and monitoring.
- Demonstrate active follow-up of reported grievances and cases of harassment or discrimination.
- Be prepared to raise concerns of employee persecution by state authorities with relevant government officials through quiet diplomacy or speaking out when the need demands.
- In countries where union activity is illegal, explore means of alternative worker representation systems within the factory or installation. Consult with international and local NGOs and labour organisations as to appropriate frameworks. Establish partnerships where useful.



Dealing with the problem of child labour:

- Take, as a starting point, the UN Convention on the Rights of the Child, ILO Convention No. 182 and ILO Recommendation No. 190, both on The Worst Forms of Child Labour.
- As part of pre-investment risk assessment, consult widely with international and local NGOs and other community organisations on approaches to reducing and eventually eliminating the problem of child labour in the particular localities where the company is operating.
- Incorporate company principles into all contracts with joint venture partners and sub-contractors, and build these principles into monitoring of business partners' practices.
- Establish cross-sector partnerships with NGOs, private sector and government where possible to address the problems collaboratively. Local ownership of such initiatives is likely to make them more sustainable and successful. These initiatives may include flexible education provision for working children, childcare provision for working mothers, vocational training schemes for family members to boost employment opportunities of those of working age.
- Seek company commitment at the highest level to advocate responsible business in the area of child labour. If the CEO is not willing to speak out about the company's position on this issue, NGOs and the media are likely to question the company's real commitment to tackling the problem.
- Set up systems for regular internal and independent monitoring, verification and reporting.
- Provide training for staff internally to be aware of how to tackle the challenges of child labour in a variety of situations, such as dealing with joint-venture partners, opposition from local authorities, criticism from local NGOs or pressure groups. Consider bringing in relevant NGOs and others to provide elements of the training or briefing.



Companies addressing working conditions:

A company's influence over working conditions obviously lessens as it moves away from its direct operations to joint venture partners and sub-contractors down the supply chain. Nevertheless, society at large will hold a company responsible for violations occurring in plants from which it sources products or services, and therefore over which it has a degree of influence.

- Labour rights under the umbrella of 'working conditions' range from health and safety to fair wage provision. When drawing up company principles and guidelines, take into account ILO Convention No. 155 on Occupational Health and Safety, No. 131 on Minimum Wage Fixing, and be aware of the debate among unions, NGOs and governments on what constitutes a 'living wage'. Other ILO conventions cover issues such as discrimination, treatment of women, right to leisure time. They provide a good basis on which to build a company human rights policy.
- Incorporate company principles into all contracts with joint venture partners and sub-contractors, and build these principles into monitoring of business partners' practices.
- Ensure workers are aware of their rights through making company principles available in local languages. Arrange for oral briefings where illiteracy is a problem.
- Improve levels of worker communication and empowerment through adopting an explicit Worker Communication system which allows for safe reporting of grievances.
- Consult with international and local NGOs and labour organisations to explore possibilities of partnership initiatives to finding solutions to problems, such as micro-credit schemes for financially insecure homeworkers far down the supply chain.
- Consider working collaboratively with other companies and relevant government ministries in the sector to raise labour standards.
- Consult regularly from the outset with local management as to how to achieve continuous improvement and, therefore, competitiveness. Encourage a sense of local ownership by the factory or site manager to avoid being perceived as imposing solutions from the outside.
- Use external verification and monitoring to ensure continuous improvement within core operations and down the supply chain. Relevant NGOs can provide useful skills and independence in this work.

Bonded and forced labour:

There is no simple guide to identifying the use of bonded or forced labour, but companies need to be aware of the risks when monitoring suppliers for acceptable labour standards. The following pointers may be of help:

- ILO Convention No. 29 on Forced Labour provides an important starting point for companies operating in countries where forced or bonded labour is known to be a problem.
- Companies must develop checking procedures that involve good consultation and co-operation with local trade unions and NGOs working in the neighbourhood of their suppliers. Only in this way can companies obtain a detailed understanding of employment practices covering the localities, factories and suppliers in question. Indications that wages and/or working hours are linked to the repayment of loans or advances on wages should be seen as a danger signal, requiring detailed investigation. Wide-ranging consultation is an essential element of the pre-investment risk assessment and on-going monitoring of the situation.
- Companies should be aware that bonded labour can also be involved when suppliers claim that all workers are self-employed. Consultation with community organisations and NGOs is essential in investigating this risk.
- Companies operating in countries where bonded or forced labour is known to be a problem should undertake extensive stakeholder consultation and independent monitoring of the company's operations. Where possible, this should be undertaken with joint venture partners and sub-contractors as well.
- Country managers should also be prepared to raise concerns regarding bonded labour directly with the host government at an appropriate level. Acting collectively with other companies to raise concerns with the government lessens the risk to the individual company.
- Training for buyers and suppliers on this issue is important in order to raise awareness of the risks to the company, as well as to identify solutions to the problem. Relevant NGOs have a useful role to play in this training process.

The sections which follow set out the rationale and context for a company to address human rights at various stages in its operations, drawing on the experience of a number of transnational companies operating in or sourcing from developing countries.