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Global Production, CSR and Human Rights:
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Abstract:

This paper takes at its starting point the responsibility placed upon corporations by the United Nations’ Protect, Respect and Remedy Framework as elaborated upon by the Guiding Principles on Business and Human Rights to respect human rights. The overt pragmatism and knowledge of the complex business relationships that are embedded in global production led John Ruggie, the author of the Framework, to adopt a structure for the relationship between human rights and business that built on the existing practices of Corporate Social Responsibility (CSR). His intention was that these practices should be developed to embrace respect for human rights by exhorting corporations to move from “the era of declaratory CSR”¹ to showing a demonstrable policy commitment to respect for human rights. The prime motivation for corporations to do this was, according to Ruggie, because the responsibility to respect was one that would be guarded and judged by the “courts of public opinion” as part of the social expectations imposed upon corporations or to put it another way as a condition of a corporation’s social license to operate.²

This article sets out the background context to the Framework and examines the structures that it puts forward. In its third and final section the article looks at how the Framework requires a corporation’s social license to be assembled and how and by whom that social license will be judged. The success or failure of the Framework in persuading corporations to respect human rights is tied to whether “the courts of public opinion” can use their “naming and shaming power” effectively.
1. A Contextual Background to Ruggie’s Appointment

Accounts of what appear to be at worst flagrant disregard, and at best disinterest, by corporations of the human rights of individuals reach the mainstream Western media on a regular but atomized basis. Many people in the developed world are aware in very general terms that the production activities of corporations involve power imbalances between the various factors of production and the nation states they are located in. What is much less well known is the complexity of business relationships involved in productive activity. Any attempt to deal with human rights infractions by corporations needs to offer a strategy that addresses this complexity. Examples of recent publicized infractions would be the technology corporation Apple\(^3\) and the mineral extractive corporation Rio Tinto\(^4\) both of which were accused of benefitting from labour practices that abused the human rights of workers in China and Indonesia respectively, with Rio Tinto additionally accused of land grabbing and forced evictions in Madagascar. In both examples neither corporation is in an employee/employee relationship with the workers concerned. In Indonesia Rio Tinto is in an investment role as part of a joint venture at Grasberg mine which is controlled by Freeport (90.6% shareholding) with the remaining shares held by the Indonesian government. In Madagascar the mine in question was part owned by the Madagascan government.

China, Indonesia and Madagascar have very different political and institutional structures from each other and from the US and UK and Australia where these corporations are incorporated and listed. Apple and Rio Tinto fit the classic model of large-scale corporations affecting foreign inward investment into lower cost labour or resource rich economies resulting in export-orientated industrialization in those states.\(^5\) Apple’s production facilities in China are enclosed in a contractual web involving locally based manufacturers who both produce components and obtain them from other manufacturers for further work and onward supply. This illustrates the development of the out sourced production paradigm into global value chains as the inward investment vehicle.\(^6\) For many industries production is becoming increasingly fragmented into trade in value generating intermediate goods and services with activity located in webs of long term co-production relationships, franchises, affiliated business structures and more traditional arms length supply contracts, hence the name global value chains.\(^7\) The presence of these chains make the tracking of responsibility for human rights abuses much more difficult. The collapse of the structurally unsound Bangladeshi clothing factory, Rana Plaza, in April 2013 that killed over 1100 workers revealed the tangled web of supply, sub-contracting and labeling relationships that lie behind some consumer products. It is still not clear exactly which fashion chains were sourcing garments or part garments from this factory and on what legal basis they were doing so but they were
numerous. Some have admitted their involvement while suggesting darkly that others were also involved. This makes locating an appropriate corporation with sufficient funds to satisfy a tort action in the correct jurisdiction very difficult from a victim perspective.

These issues are not simply about business actors based in Northern and Western states exploiting low cost regulatory regimes in the global South. Capital in the form of FDI no longer flows inexorably from the global North to the global South. The contours of globalization have shifted in recent years to cast new or emerging economies as the host country for corporations which then provide inward investment into other such economies across the global South. Nor is it always the case that global value chains are constituted with the largest and so most influential corporation in the chain located in a developed state. Manufacturers in emerging economies are increasingly able to capture more locally driven production and supply more than one customer thus inverting the power base of the chain. Domestic markets in the global South have expanded enormously with India and China both becoming Asian Driver economies. Global business in terms of FDI flows is much more complex and granular than traditional accounts would suggest that it is. This creates a geopolitical dimension to corporate activity that is subtler in terms of a pattern of winners and losers in relation to human rights abuses and protection than can be addressed by focusing solely on the regulatory relationship between a corporation and its host state.

The example of Apple in China is illustrative of the complex relationship that exists between states and corporations in the control of global production activity. The classic observation is that the growth of corporations in number and economic significance signals a decline in the influence of the nation state and its regulatory power. This is usually supported by the observation that the turnover of the world’s largest corporation is greater than the GDP of a large number of states. While technically true this is a rather static description that does not capture the full picture of the interplay between production on a global scale, a global finance system and the desire to industrialize rapidly on the party of many individual states. In fact, the Apple and Rio Tinto examples illustrate the fluidity and complex nature of economic globalization. Industrialization through FDI has changed some parts of some states significantly very quickly and this brings new problems for host nations. The effects of global production produce for some states problems that are not of their making, for example the environmental degradation that results from natural resource extraction. However this activity also allows an economic growth model for that state to be predicated on adding value to natural resources. The proliferation of bilateral investment treaties might restrict the space for host countries to develop their domestic policy in relation to the regulation of corporations but as
these are interstate arrangements in theory they do not directly lead to a leeching of power between state and inward investing corporation.¹⁹

Corporations sometimes act in support of strong governments and sometimes against them. Corporations might, in a weak state, offer a form of stability that the state cannot. On occasions this is done from an altruistic standpoint such as corporate participation in the Global Fund, an international public-private partnership, initiative to fight Aids, TB and Malaria in Somalia.²⁰ In other instances it is done from a more self-interested perspective; for example by providing Aids related health services in parts of S Africa Mercedes Benz is able to secure the supply of a healthier workforce.²¹ States in the neo-liberal era opened up new service markets for corporations by privatizing state monopolies under the blueprint offered by proponents of the new public management school.²² Post the financial crisis of 2008 there has been a further wave of stripping back state functions in favour of private sector provision to serve the interests of austerity. The relationship between state and corporation is one that is constantly evolving with individual citizens more likely to be in direct contact with corporate activity as the role of the state changes in response to a variety of political and economic imperatives that are more nuanced than the naked growth of Western based corporations.

Into this world of complex networked global production came John Ruggie, a Harvard based academic who for some years had worked on globalization and markets and had been Kofi Annan’s Assistant Secretary-General for Strategic Planning from 1997-2001. He was appointed as the UN Special Representative for Business and Human Rights in 2005.²³ This was not the first attempt of the UN²⁴ to force an acceptance or even an acknowledgment of responsibility for the effects of business practices into the corporate sector.²⁵ In 2000 the Global Compact²⁶ (of which Ruggie was one of the leading architects) was introduced which encouraged businesses to declare themselves in support of ten core principles around environmental standards, employment practices, human rights and corrupt practices and observe them in their activities.²⁷ Prior to the Compact’s promulgation there was the United Nations Draft Code of Conduct for Transnational Corporations set up in 1980. Nor was the United Nations the only supra-national organization suggesting that there should be interventions into the relationship between the corporate sector and the advancement of human rights. The OECD and the ILO both developed positions expressed through codes in 1976 and 1977 respectively.²⁸

What this demonstrates is that the latter years of the twentieth century saw the supporters of an influential international human rights discourse²⁹ increasingly interrogating free market actors about the human rights impact of their activities.³⁰ The public/private divide in the context of corporations has broken down and for
many this is not a desirable state of affairs. In a neoliberal worldview corporations are purely private accumulators of capital and should be required to take little interest in the provision of public benefits. From a civil society perspective any corporate intervention in the social world is fundamentally anti-democratic; corporations are in terms of structure largely unaccountable in the provision of societal goods unlike a government that has an electoral mandate based on the articulation of particular ideological principles. Furthermore corporate executives are likely to be inexperienced in the design and delivery of social interventions.

However corporations are both political and public actors not least because of the way in which state governments have systematically ceded their functions to the corporate sector. Ruggie’s appointment can be seen as the UN response to the need to manage the convergence of global production regimes and the supporting neo-liberal discourse of both states and corporations with the discourse of human rights recognition and protection. The emergence of CSR as a central feature of corporate behavior at the level of individual firm and at industry sector level is the response offered by capital to ameliorate demands from wider society for greater accountability, transparency and ultimately regulation of the activities that generate corporate profit. The framework eventually produced by Ruggie, echoing views he had expressed prior to his appointment, invites links to be drawn between the discourse of human rights and the discourse and practice of CSR as the next section of the paper explains. Concern for human rights has not to date played a significant role in CSR debates or in corporate policies. Preuss and Brown report that in their study of human rights policies in FTSE 100 listed companies 42.8% of corporations did not address human rights at all despite having at least one CSR tool in place. The desire to behave in a socially responsible manner did not include the observance of human rights, it seems. The commonality between the two discourses that is being advocated, in effect, by the Ruggie Framework forces us to recognize not only that both discourses require proactive action on the part of corporations but also that these discourses have fundamentally different trajectories, as the text below explains. The third and final section of this paper asks whether the norms of behavior adopted by the corporate proponents of CSR can be subjected to the level of scrutiny required for them to be accepted also as the norms of behavior that will deliver respect for human rights.

The Global Compact was followed in 2003 by the announcement by the United Nations Sub-Commission for the Promotion and Protection of Human Rights of the Draft Norms on the Responsibilities of Transnational Corporations and other Business Enterprises with Regard to Human Rights. The Norms pertained to a basket of rights broadly mapped onto the UDHR and subsequent international covenants and customary law, although the inclusion of economic and social rights
as well civil and political rights marked a significant shift away from the anchoring effect of the UDHR in terms of expressing human rights obligations. The Norms advocated imposing on corporations and other enterprises over which they held influence an obligation to observe human rights rather than a negative demand not to infringe them, while still casting states as bearing the primary responsibility for protecting human rights. Criticisms of the norms ranged from the substantive with concerns around the interpretation placed on existing treaty arrangements and the breadth of liability ascribed to corporations and the meaning of previously unused phrases such as “respective spheres of activity and influence” to more, albeit disputed, procedural concerns with perceived lack of consultation of relevant, ultimately opposing, stakeholder groups. These Norms were expressly not adopted by the Commission on Human Rights in 2004 even though the Sub-Commission on the Promotion and Protection of Human Rights had endorsed them in August 2003.

This is not the place for a detailed discussion of the Norms but they are worthy of short mention at this point for two reasons. The first part of Ruggie’s mandate in 2005 involved clarifying some of the contentious concepts used by the norms and second the hostile reception that the Norms received from much but not all of the corporate sector and some states is unlikely not to have had an influence on how Ruggie undertook his task and what he considered was possible in terms of devising a structure that would achieve broad acceptability. In 2006 Ruggie explained that his operating credo was one of “principled pragmatism”; a commitment to “strengthening the promotion and protection of human rights ...coupled with a pragmatic attachment to what works best in creating change”. This view when taken with his ex post facto comments about the desire to avoid his mandate being side tracked into lengthy discussions about the status of legal texts and his position being instead that he wanted to get the “parameters and the perimeters of business and human rights locked down in ...policy terms .... which could be acted upon immediately and on which future progress could be built” would seem to suggest that the Norms and their failure was on his mind throughout his mandate. Ruggie ameliorated two of the most contentious parts of the Norms early in his tenure; he set up multi-stakeholder consultations that canvassed opinion across five continents, a practice that he continued throughout his mandate and he abandoned attempts to base corporate liability on direct obligation, focusing instead on obligations flowing through states for violations of international criminal and humanitarian law. In relation to corporations he sets out responsibilities which while not binding are intended to be a basis for the monitoring and if necessary remediation of corporate conduct.
2 The Ruggie Framework and Guiding Principles

By April 2008 Ruggie had produced a report, supported by extensive consultation, that created a Framework resting on the three pillars of “protect”, “respect” and “remedy”. In the three years that followed until 2011 he worked on producing implementation guidance for corporations and states and some of this guidance is discussed below. Protection of human rights is the role of the state expressed as a duty; respect for human rights is the second pillar and is the role given to corporations. The difference in liability for states and corporations expressed as “duty” and “respect” reflects the established view that no legal liability attaches to non-state actors in international law. Remedying the infringement of human rights is something that corporations should do or should co-operate in legitimate processes that are advanced by the state to effect a remedy. One part of the Norms that Ruggie did retain was contained in this third pillar; corporations should have in place mechanisms for those whose rights have been adversely affected to bring grievances to the corporation’s attention and for their swift resolution. The rights which Ruggie wishes corporations to respect are “all internationally recognised rights” which are defined in the Guiding Principles of 2011 as, at a minimum, the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work. Whether this covers all international human rights or not is a matter of debate. Ruggie’s position would appear to be that it does. The Principles that Ruggie set out have been endorsed by the UN Human Rights Council, adopted by the OECD, encouraged by the EU, influenced the current design of ISO 26000 and included in the 2012 IFC Environmental and Social Performance Standards. They are the most recent and most authoritative statement on the relationship between corporations and human rights.

Both Ruggie’s pragmatism and his recognition of the complexity of global production are evidenced in the way that he deals with the issue of a wider responsibility upon corporations beyond clear identifiable acts of theirs that affect particular individuals or groups; this wider responsibility could be expressed as the responsibility to exercise leverage or influence over business associates, states or other actors in respect of adverse impacts on human rights they commit. Relationships such as business networks, brand based supply chains in areas like apparel production and direct sourcing relationships such as those found in agricultural production would be obvious examples where the idea of a wider responsibility beyond direct impact would have considerable utility. Given his role in constructing the Global Compact which advocated corporations applying its principles “within their sphere of influence”, Ruggie’s attachment to leverage is unsurprising. However “sphere of influence” was a very contested concept when it was included in the UN Norms.
and it is unlikely that inclusion of leverage expressed in those terms would have endeared the Framework of Guiding Principles to the business community.\textsuperscript{71} If we track the idea of “influence” through the various stages of evolution of the idea of “responsibility to protect” what we find is a rather malleable, almost slippery approach to the ambit of corporate responsibility.\textsuperscript{72} Responsibility for influence fades in and out of the documentary structure.

At various stages of promulgation of the Framework and Guiding Principles there appear to be clear statements to the effect that the responsibility of respect is confined to impact-based liability only. Corporations presumably drew comfort from the bold assertion early on in the journey to the Guiding Principles that “companies cannot be held responsible for the human rights impacts of every entity over which they may have some influence”.\textsuperscript{73} This sentiment is buttressed by the commentary to Guiding Principle 17 which refers to the corporation’s “human rights risks” as its “potential adverse rights impacts”. Complex value chains might make it “unreasonably difficult” to conduct due diligence in all areas so a concentration on general areas where significant risk is likely to occur is suggested with the added bonus that acting in this way might assist in ameliorating any potential subsequent reputational damage. Again in Guiding Principle 18 impact based liability is stressed in terms of the need for the corporation “to understand the specific impacts on specific people, given a specific context of operations.” The responsibility to protect then occurs in relation to adverse micro-level impacts on defined individuals or groups of individuals.\textsuperscript{74}

Guiding Principle 19 seems, however, to entrench the idea of a wider influence-based responsibility to the extent that after a corporate actor has ended its own conduct that gave rise to the adverse impact, its responsibility is to use its leverage to end the conduct of others. If it cannot do this due to insufficient influence then it should improve the situation by providing capacity building interventions or even ending the business relationship. HSBC, a bank listed in London and Hong Kong, with global interests, has recently found itself accused of providing loan finance and other banking services to at least seven logging companies operating in Sarawak, Malaysia.\textsuperscript{75} These companies are said to be infringing the rights of indigenous groups through harassment and forced evictions, engaging in the bribery of public officials\textsuperscript{76} and breaking environmental regulations on deforestation. Irrespective of whether these companies are breaking HSBC’s own CSR policies and the external validations that it has signed up to, Guiding Principle 19 suggests HSBC should put pressure on\textsuperscript{77} these logging companies to change their practices even if Guiding Principles 17 and 18 would appear to point in the opposite direction. The confusion in the Guiding Principles around whether respect extends to influence-based responsibility or is confined to impact-based activities only perhaps indicates the
complexity of global production and how difficult it is to draft to deal with activities that do not centre on a single nodal point but rather exist across a swathe of networks and chains of relationships.

The focus of this paper is on the second pillar of the Framework accepting that the pillars stand together; the state’s duty to protect and the need for both actors to find victims of adverse human rights impacts access to remedies may place increased legal obligations upon corporations as a matter of national law. The responsibility of respect placed upon corporations is housed within a methodology of due diligence. Corporations should have in place a mechanism of due diligence that will allow them to become aware of the impact of their activities on human rights and then act to prevent and/or address adverse impacts. Due diligence within the Framework has four elements. Corporations first need to put in place a human rights policy. The remaining three elements coalesce around the ideas of transparency, external participation and independent verification. The second stage is to learn the effect that business activity has upon human rights by conducting assessments of the impact of corporate activities on human rights. Ruggie’s concern was that if respect for human rights was not integrated into business practice but instead grafted on as an additional but separate activity it would be cosmetic at best in approach and coverage. Consequently he advocated the idea that a corporation’s human right policy should be “owned” by the whole firm and integrated throughout its activities. Corporate leaders should ensure that respect for human rights is allowed to trickle down through business structure. Employees should be trained, if necessary, to avoid infringing human rights while carrying out their job. The use of monitoring and auditing processes to track corporate progress is advocated.

Due diligence is performing two functions within the Framework. It develops what Ruggie terms “a connectivity” between respect for human rights and the corporate sector on two levels; linguistic and practical. At the linguistic level Ruggie is presumably trying to create a common language of understanding between the two discourses. Due diligence has a particular meaning within the human rights obligations of states; for example the UN Declaration on Elimination of Violence Against Women requires states to use due diligence to prevent, investigate and punish, in accordance with their own national legal systems, acts of violence against women perpetrated by the state or third parties. This includes creating, if necessary, the appropriate structures of sanction. By using this concept Ruggie is conveying to corporations the idea that despite the non-obligatory nature of “respect” under the Framework the level of attention in terms of resource intensive fact-finding, policy making and training that is expected of them is akin to what states are legally obliged to do under the human rights obligations they have accepted. The difference between duty and respect at the level of obligation is what makes this a linguistic
communality only. Due diligence also has traction within the corporate sector as a practical concept. It is used in corporate management and corporate governance to identify and measure risk in relation to a wide range of business transactions from merger and acquisition to supply chain management. This is tantamount to suggesting that respect for human rights is a business risk rather than a good in its own right.

There are diverse views about the merits of this approach in philosophical terms, and while that is an interesting debate, of more significance for this paper is the link that this idea of human rights as a business risk makes to CSR as a practice. In 2005, before his tenure at the UN began, Ruggie set out the idea that CSR was a risk management strategy for business and offered some suggestions on how CSR might be used in this way. The elements of due diligence bear considerable resemblance to these suggestions which include stakeholder consultation, a system for identifying risks and dealing with them and reporting protocols. When this is added to the grounding of the responsibility in a socio-ethical structure, namely unexplained “social expectations” and “prevailing social norms” which are said to underpin the corporate “social license to operate” what appears to have happened is that the responsibility to respect has been fused into the rationale for CSR - a management tool for the avoidance of damage to business reputation.

The adoption of particular CSR policies is a choice made by corporate management to present a corporation to the external world in a particular way. CSR policies are not designed by corporations to be assessed by third parties as a reflection of corporate operations even in part, let alone in their entirety. There is insufficient information available in the public domain for accurate independent evaluation to take place. Corporations may encourage, through the giving out of information and financial support, validation of their policies by external bodies they have selected or, more likely, they take part in. There are a variety of different institutional environments for this type of CSR certification from NGO and corporate co-governance of organisations (for example the Forest Stewardship Council) to NGOs themselves and to industry coalitions (for example Responsible Care) and literally hundreds of different kinds of certification for products and whole industries. The rational for corporations participating in these validation exercises is that these exercises trigger a reaction in public opinion and the financial markets that is at least equivocal and at best positive about the societal impacts that particular policies have achieved. CSR discourse identifies its goal as business orientated social investment with vulnerable groups, (defined as those outside the supplier-employee paradigm) seen as stakeholders in the business not as independent bearers of human rights.

Respect for human rights by the corporate sector is about observing at least
minimum standards for human existence through recognizing liberty rights, political rights, and economic and social rights. This is a very different requirement and policy focus from voluntarily adopting CSR policies for strategic reasons. Corporate managers use CSR as a form of chiaroscuro; certain activities are pushed forward for scrutiny, awards even, while others remain firmly in the shade. This might be seen within the corporate sector as efficient and effective management of risk. Zadek has identified a three-stage development model for CSR which he maps against the changing landscape of societal expectations of corporations. His linear three generations move from CSR as corporate philanthropy that is unconnected with business operations, to CSR that is integrated into a longer term business strategy recognizing that promotion of ideas like cause related marketing and socially responsible investment will lead to “win-win” scenarios and finally to a form of CSR that tries to interrogate the largest global challenges around environmental degradation, poverty and social and economic exclusion. Other commentators employ similar developmental models for CSR and at heart all these models are describing how corporations make strategic business decisions to achieve particular market reputations in the context of changing social pressures. Ruggie is pushing the CSR model much further than this by suggesting that what will hold the balance between respect for human rights and corporate indifference is a social license granted or revoked by the courts of public opinion in line with social expectations and norms. The final section of the paper looks at the concept of a social license to operate in more detail, at what these courts of public opinion might be and how they will be able to obtain the evidence for their judgment on the maintenance or not of a social license.

3: The Social License

3.1 Defining the Social License

Social license as the term suggests is about business practice and regulation outside the realm of the legal. It draws on CSR principles and is central to Zadek’s third stage of CSR development. Its appearance in the Framework is no surprise because it is what is left in the absence of a structure of legal enforcement. It enjoys no particular recognized definition but the most influential analysis of it by Gunningham and his colleagues describes it as “the demands on and expectations for a business enterprise that emerge from neighbourhoods, environmental groups, community members and other elements of the surrounding civil society”. The focus of Gunningham’s work was on environmental standards in the pulp and paper manufacturing industry and this explains the prominence of environmental interests in the description given. As he acknowledges, within the corporate sector generally there is no agreement about the demands made by those to whom the social license
is presented or how and when their demands should be responded to. This acknowledgment comes against the background of environmental regulation which, while it has its own problems of rigour and enforcement, is more tightly legally defined than the protection required for human rights by the corporate sector. In Gunnigham’s work the idea of a social license was evidenced in a corporate actor choosing to embark upon a course of behavior that went beyond what was required for legal compliance. In Ruggie’s Framework the social license stands on its own without a close supporting network of legal regulation addressing the immediate problem. The level at which the license kicks in is the level of protection supplied by existing but diffuse national and international regulation. This puts the importance of the debate referred to in the preceding section about which rights are included in the Framework and which are not in context.

The research carried out by Gunnigham et al identified four related reasons for positive corporate responses to social license pressure; damage to corporate reputation, fear of increased regulatory enforcement, fear of the imposition of new regulations and fear of the damage of market based boycotts. At worst this relegates social license to the realms of “a calculation of what is required to minimize business risk [and] win ....community support to avoid ....disruption to ..operations”. At best a positive response that supports human rights might result from some of these triggers through pressure from the “courts of public opinion.” The potential for this is examined below. However it is important before looking at that potential to consider some of the inherent, rather than context specific, limits to social license enforcement and how the concept of social license sits internally within the corporation. Not all corporate actors will react in the same way to pressure on their social license. Reaction depends on how much pressure and by whom the pressure is exerted against any one of the factors identified by Gunnigham’s research. It is also the case that the internal dynamics of a corporation play a part. Issues such as managerial incentives, the operating culture of a particular corporation, the internal perception of organizational identity and image and the personal attitudes of executives and managers to different issues are all important factors in how the social license is viewed within the corporation. Corporate reputation is a good example of this. Reputation has a different value to different corporations. What decides its value is not the presence of external pressure factors necessarily but how the corporation’s internal operational culture values reputation.

In Schön’s idea of “problem setting” individuals operating in a particular context select the boundaries of a situation and impose upon it a sense of order and coherence by determining what needs attention and in what direction events or policies need to be driven. This is what corporate managers and executives do when they make policy and operational decisions. The idea of mainstreaming human
rights respect into corporate conscience through the operation of the due diligence structure that Ruggie advocates plays into the paradigm of problem setting. If the due diligence structure is adopted by corporations it sets the problem of how respect for human rights is upheld within corporate activities and pushes respect for human rights into the consciousness of decision makers within the corporation. These decision makers should then ask questions of themselves about how they need to change their operations and possibly their business relationships with other corporations to give effect to respect. The internal factors specified above would determine exactly what action is taken. However the problem is also circular in nature because in the absence of any external pressure it is unlikely that an issue will be translated into a problem that is addressed internally by corporate executives. To return to the example of corporate reputation in the previous paragraph something has to alert corporation executives to the idea that corporate reputation is under attack before a corporation can take a decision to respond in a particular way.

Adoption of the social license as a description of practice has achieved most popularity in the extractive sector. There it is used by the International Council on Mining Minerals\textsuperscript{109} other industry representative groups such as the Australian Coal Association,\textsuperscript{110} the Minerals Council of Australia\textsuperscript{111} and many of their corporate members\textsuperscript{112} in their publically available policy statements on sustainability and operational standards.\textsuperscript{113} It has come to be used to indicate that a particular extraction project has the consent of the local community in which it is situated.\textsuperscript{114} Thus it signifies a negotiation process, often through intermediaries, in which local communities receive and accept assurances that the social, economic and environmental benefits of what is proposed outweigh the potential impact.\textsuperscript{115} As an equation this reveals some of the inherent limitations in the idea of a social license for corporate operations.\textsuperscript{116} It assumes that information is a neutral factor as between the parties. In a situation where there is likely to be a significant power imbalance between corporate actor and community it means that the local community have received accurate information not tainted by deceit, corruption or lack of corporate technical knowledge about the long term effects of a project in a form and timescale which allows them to give free, prior and informed consent.\textsuperscript{117} There may be issues here about who is entitled to speak for different groups\textsuperscript{118} and whether those who might oppose a social license have the organizational capacity to prevent consent being simply assumed by a more powerful actor.\textsuperscript{119} Extractive projects have an immediate geographical impact and the position of wider society and the local community on the desirability of extraction development may not be the same. This is particularly true in instances where host states do not recognize indigenous land rights or land claims and prefer the possibilities for development offered by inward investment.\textsuperscript{120} The traction that the concept of social license has in the extraction industry is perhaps unfortunate for the future prospects of human
rights respect given that this industry was the one that Ruggie described in 2006 as “dominaire[ing] this sample of reported abuses” and as “account[ing] for most allegations of the worst abuses”.

3.2 Constructing the Social License Within the Ruggie Framework

The social license that pertains to the Ruggie Framework will presumably be shaped through the adoption of the due diligence mechanism, outlined in section 2 above. The  *Guiding Principles* set out a screening process to be undertaken to identify the areas where human rights are at greatest risk, evidence is to be gathered, possibly with the assistance of actors external to the corporation, the evidence is to be examined against the applicable human rights standards and actions to deal with infringements or potential infringements of rights are to be taken. Following this the effectiveness of these actions are to be evaluated and then reported to interested external parties. This process will form the internal part of the license. This internal stage suggests, although the Framework does not describe it in this way, an approach to respect for human rights that looks like a Human Rights Impact Assessment more frequently seen in the policy design activities of governments and public sector bodies. It is an evidenced approach to building human rights awareness into business operations. Of course, as noted above, when a Human Rights Impact Assessment is carried out by these public bodies it is, in most cases, being used to look at the effect of proposed actions on their rights based legal obligations. In the context of corporations these assessments, as a social license, will have eventual traction only through public opinion. Corporations are used to considering the impact upon their business of extraneous risk factors. Most corporate actors are unused to calculating the impact of their entire business operation on categories of rights holders outside perhaps investors, consumers and directly salaried employees. For other corporations whose activities required them to engage in Social Impact Assessments the methodology of assessing the impact on human rights is very different. Social impact assessments encourage selected stakeholders to take part in a process that nominate key issues for attention. The assessment of human rights, using the lens of human rights, unsurprisingly starts from the point of all recognized rights (hence the importance of knowing exactly which rights are included within the Framework) and then moves to a position of dialogue participation.

The Framework suggests, but does not require, that, what it describes as “meaningful” consultation, take place with those likely to be affected by business operations. In that this consultation should also be prior to the business operations in question taking place, the model resembles the free, prior and informed consent model that the extractive industries use referred to above. It is
also likely to be beset by the same difficulties in that there is no right of consultation; whether it occurs and how it occurs is a matter for an individual corporation. There is also an issue of cultural norms and expectations in the context of rights. In the absence of a stronger steer from the Framework there is every incentive for a corporation to shelter behind a consultation with the local community, the result of which is further entrenchment of the norm of gender discrimination, which is embedded in the community. On the one hand a corporation that takes the results of consultation seriously might feel obliged to accept this not least on the grounds that it should not be imposing different cultural values on a community. On the other hand a rights impact assessment creates an opportunity to examine the rights of the entire effected community and consistent with respect is the requirement not to worsen the position of any one group. A corporation is not really in a position to assert that societal re-engineering of this sort belongs solely to the province of the state when it is charged with respecting the same rights that states are legally obliged to uphold. Failure to respect all rights equally irrespective of consultation results leads to those rights and their repeated infringement being hidden until such time as those particular human rights values become part of the community’s consciousness.\textsuperscript{128}

The due diligence framework is advocating that corporations do what many of them already do; release information about their corporate operations to an external audience. This occurs in the context of complying with the requirements of the plethora of certification mechanisms that already exist within CSR. The different institutional settings for these mechanisms, referred to above, see them fall into six distinct groups ranging from internationally promulgated and independent codes to codes created by individual corporations. There are model business codes of general application supported by inter-governmental bodies such as the UN backed Global Compact that corporations can sign up to; there are general codes of business operation agreed between governments such as the OECD Guidelines for Multinational Enterprise; multi-stakeholder codes drafted as a result of agreements between corporations, NGOs and governments such as the Ethical Trading Initiative; industry wide codes such as the Sustainable Development Framework of the International Council on Mining and Metals; individual company codes which contain operating principles in relation to everything from bribery to environmental management to supply chain assurance;\textsuperscript{129} and independent reporting standards such as the ISO 14001 standard for environmental management.\textsuperscript{130} These reporting initiatives all have the same outcome; they facilitate corporations benchmarking their performance against common standards and against each other. The choice of policy area and business segment that is certified belongs to the corporation. That choice might be made for a variety of strategic reasons; to focus audience awareness on positive actions in a particular arena or to distract attention from a particular
event for example.\textsuperscript{131} The potentially misleading nature of selective certification by corporations is something that has consistently undermined the credibility of CSR.\textsuperscript{132}

What is very different in the context of the Ruggie Framework is the absence of a reporting structure or template and hence the absence of any lower (or upper) limit to policy ambition. There is no minimum floor requirement that must be passed. For CSR certification the emphasis for a corporation is on achieving a limit to policy while still attracting certification, in the context of human rights the goal should be limitless and for some corporations, given the nature of their business, recognized as unachievable.\textsuperscript{133} Choice for the corporation is not part of the due diligence framework. Both the corporation’s human rights policy and its calculation of the impact of its business upon human rights should be all encompassing of its business operations. However as Harrison points out the danger of corporations conducting their own assessments of their own risks albeit with some external consultation and participation is that what occurs is a validation of their assessment and policy response rather than an enhancement of respect for human rights.\textsuperscript{134} A corporation’s credibility may be lost in the eyes of an expert\textsuperscript{135} if it proceeds in this way but, as the text that follows explains, judgment on the adequacy of the impact assessment is unlikely to be solely in the hands of an expert audience.

Notwithstanding Ruggie’s stated preference\textsuperscript{136} for corporations to publicize the methodology they have used to undertake due diligence the absence of any template or indicative methodology in the Framework for constructing the social license makes cross-corporation comparison very difficult for an outsider.\textsuperscript{137} However such comparison is an essential tool, surely, if the courts of public opinion are to decide whether a corporation’s social license is acceptable and will be maintained. Any opportunity for corporations to learn and share best practice with each other is lost in the absence of a published methodology. The element of competition between corporations is then also lost. While the idea of corporations competing around respect for human rights might be unpalatable it is more likely to drive up the quality of assessment processes and outcomes than the probable absence of inter-firm competition.\textsuperscript{138}

3.3 Assessing the Social License

The assessment of a corporation’s social license depends upon the view taken of it by the “courts of public opinion” which will exercise “naming and shaming” prowess over any license that does not confirm to social expectations. The Framework is silent on whose social expectations will be used as the measure but it does indicate particular sites of judgment – investors, employees, communities, consumers, civil society.\textsuperscript{139} Whether these actors come to the issue of assessment with the same
goals in mind is a moot point. Institutional investors, for example, break into two groups in broad terms; investors who pursue socially responsible investing, sometimes as part of business coalitions to mitigate risk to their business model and ethical investors and then the much larger group of conventional investors. Nevertheless whatever the rationale for assessment is, assessors will have access to the same information.

Assessment by any of these groups, even before the issue of how they might conduct assessment, requires transparency of reporting and this takes us back to the point made by Harrison, the nature and extent of the internal process that creates the social license feeds into the evaluation that can be made of it. Possible impacts and actual infringements that are not reported upon cannot be judged. Rio Tinto once again provides a useful illustrative example. Rio Tinto tells the world that it spends US$ 331m on socio-economic projects spread across the 40 countries in which it operates. It provides information on 12 case studies that illustrates its commitment to human rights. However these case studies nearly all feature corporate business activities that commenced before 2007. There is no indication of whether any assessment was done of the possible impact on human rights when commercial activity began or since and if an assessment was carried out what it revealed. What is presented is a story of Rio Tinto’s social engagement activities not a story of what might have needed to be done or should have been done to protect human rights.

For Ruggie’s suggested group of assessors to be able to evaluate a corporation’s social license then they need to access it and understand what it means. This means taking not only corporate reports that directly reference impacts upon human rights but looking at the entire social license that a corporation constructs for itself using the third party certification mechanisms and its own internal codes that are referred to above. There is a problem of asymmetrical information for assessors. Their judgment can be made in one of two ways. One is by relying on certification and corporate reports and the other is by relying on the translation services of an NGO which, while enjoying the status of assessor itself, breaks down information into an comprehensible format and offers a commentary, additional information and comparisons where possible in the format of report cards, alternative certification and narrative accounts. The reality might be a combination of reliance on both.

Both these assessment avenues raise questions of credibility, product and industrial practice coverage and market place traction. In terms of third party certification not only are there the doubts about the absolute reliability of these mechanisms that are set out above but it is also the case that we know very little about the extent to which they are trusted by, or have traction with, consumers. It might be that those
that are associated with an NGO are considered more reliable or alternatively these NGO might be viewed as captured by corporations so giving their shared certificate less value. Product labels might be more influential on consumers than text. In this case interest in human rights is reduced to the aesthetics of presentation. Starobin and Weinthal, using the example of kosher food certification, produce a model for assessing consumer traction of third party certification that centres on the display by certifiers of demonstrable and transparent expertise that taps into a group of consumers with strong social capital bonds. This will be a difficult model to replicate in relation to more complex products and practices and in situations where consumers do not share a particular organizing identity.

NGOs can engage other assessors of corporate social licenses and encourage them to pass negative judgment by targeting the practices of particular corporations or particular products or both. NGOs are not neutral actors; they have values and agendas. They can be in competition with each other to attract and retain significant donors and skilled staff, to affect high profile results and thus to garner respect and influence in the field. This has an impact on their choice of social license to challenge. Some NGOs are seen as more credible than by wider society and thus their campaigns against social licenses will be more successful irrespective of the relative merits of the claims made. High credibility is achieved by NGOs that can demonstrate that their claims are supported by a high degree of costly and observable effort that is externally verifiable and that they will suffer significant reputational damage from making false claims.

Even for NGOs with high credibility, target choice and campaign methodology is key to gaining traction for social license opposition. Awareness of human rights non-observance is dependent on NGOs achieving populist support. Campaign methods might range from raising funds for litigation or share purchase, organizing consumer boycotts to direct lobbying for regulatory change or regulatory enforcement. There are a variety of factors that make some firms and some products more attractive as targets than other. Significant factors are the nature of the product. Anti-social products such as weapons and cigarettes are typical targets as are brands that have a high awareness value within the consumer market place; niche clothing and food brands are two obvious examples. Products or practices with clear externalities like oil drilling or chemical production have high traction. Firms that are representative of particular cultures or lifestyles like McDonalds or firms which are perceived as securing large amounts of surplus value from the supply chain like Apple would be considered to have traction. Global production is a complex activity spanning many business relationships and jurisdiction. A particular type of consumer is required to respond to many of these campaigns. Expanding consumer markets in new and developing economies may produce consumers with different cultural
integrates human rights into its operations see be noted that Rio Tinto has complied a publically available and very extensive guide to how it
human 2014. See also http://londonminingnetwork.org/2010/04/rio-tinto-a-shameful-history-of-
human-and-labour-rights-abuses-and-environmental-degradation-around-the-globe/ It should be noted that Rio Tinto has compiled a publically available and very extensive guide to how it integrates human rights into its operations see

4. Conclusion

Through the adoption of pragmatism and the pursuit of compromise John Ruggie has produced a Framework that recognizes the complex reality of global business production. It acknowledges the importance but also the difficulty of achieving influenced based corporate responsibility and of persuading corporations to use their leverage over others as a way of bringing about change. However in suggesting that the Framework will force corporations to move from declaratory CSR to demonstrable CSR a yawning gap is opened up. Drawing on CSR concepts might offer comfort to corporations but it will also ensure that CSR methods are used to respond to the Framework. These methods are likely to be of limited utility limited in relation to effective protection of human rights. Ruggie is placing a reliance on a broad swathe of different and largely unconnected groups to act as a chain of interrogators and judges. This requires a large degree of happenstance to be even moderately successful. In the absence of a methodology for the production of accurate, relevant and verifiable information and with no clear idea of how it will get to the social and political market place much is left to a combination of chance, the offices of NGOs and the sentiments of consumers. Human rights observance by business it seems is being returned to the market place of consumption for adjudication by a range of actors with very different agendas.

2 Promotion and protection of all human rights, civil, political, economic, social and cultural rights, including the right to development – protect, respect and remedy: A framework for business and human rights report of the special representative of the secretary-general on the issue of human rights and transnational corporations and other business enterprises. UN Doc. A/HRC/8/5 at para 54
bil%20Wuxi%20EN.pdf
4 R Neate "Rio Tinto blamed by protesters over 41 mine worker deaths" The Guardian April 5th 2014. See also http://londonminingnetwork.org/2010/04/rio-tinto-a-shameful-history-of-
human-and-labour-rights-abuses-and-environmental-degradation-around-the-globe/ It should be noted that Rio Tinto has compiled a publically available and very extensive guide to how it integrates human rights into its operations see


7 The *World Investment Report 2013* (pp122-140) suggests that more than 60% of global trade by value takes place within global value chains,


8 Some accounts assert that the number of clothing brands sourcing products from Rana Plaza was as high as 27. For a discussion of this and other factory disasters see


15 For a discussion of alternative methodologies that are comprehensible to non-economists see D Kinley Civilising Globalisation (2009) CUP Cambridge at p 163-165.


17 The extent to which this growth model becomes a reality depends on a number of variables including the terms of investment treaties, the strength of governance in the host country and the quality of infrastructure available to distribute the benefits, see S Lauwo and O Otusanya “Corporate Accountability and Human Rights Disclosures: A Study of Barrick Gold Mine in Tanzania“ (2013) *Accounting Forum* (in Press, available in online early view).

18 See note 2 at para 12.


25 Seppala, while concentrating on the continuance of state centrality to the human rights and business activity debate, presents some very interesting commentary about the cumulative processes around these interventions, see N Seppala “Business and the International Human Rights Regime: A Comparison of UN Initiatives“ (2009) 87 J of Bus Eth 401-417.

26 http://www.unglobalcompact.org/
London: Capital Third World Nations: Multinational Corporations, Foreign Aid and Repression


Compare the positions taken by D Weissbrodt and M Kruger "Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights"


Some corporations members volunteered to trial the monitoring of activities suggested by the Norms, see http://www.realizingrights.org/pdf/BLIHR3Report.pdf.

States such as Pakistan and Malaysia with economic models predicated on supply chain participation took the view that they might make them an uncompetitive location for inward corporate business and/or stifle their own domestic economic development, see S Jerbi “Business and Human Rights at the UN: What Might Happen Next?” (2009) 31 Human Rights Quarterly 299. For similar concerns around the GRI and ISO 14000 see K Dingwerth “Private Transnational Governance and the Developing World: A Comparative Perspective” (2008) 52 International Studies Quarterly 607 at p 617.

Ruggie’s own analysis of the issues that had to be addressed in a post-Norms era can be found at J Ruggie “Business and Human Rights: The Evolving International Agenda” (2007) 101 Am J Int L 819.


See note 2 above.


See note 2 above at para 52.


See GP 12.

Muchlinski asserts that several important human rights instruments in the context of business operations, eg CEDAW, are not caught by the Framework, P Muchlinski “Implementing the New UN Corporate Human Rights Framework: Implications for Corporate Law, Governance and Regulation” (2012) 22 Business Ethics Quart 145 at p148.

See Ruggie n53 above at pp 20-23, 96.

http://www.oecd.org/newsroom/newoecdguidelinestoprotecthumanrightssocialdevel.html


70 Macdonald recasts sphere of influence into "sphere of responsibility" built around an idea of agent centered responsibility for harm mediated through others. This has the potential to encourage the changing of harmful business practices and the adoption of improved business practices as distinct actions in their own right where the corporation was not the primary actor, see K Macdonald "Re-thinking "Spheres of Responsibility": Business Responsibility for Indirect Harm" (2011) 99 JBE 549.


72 The possibilities for a leveraged based responsibility is offered in S Wood "The Case for Leverage-Based Corporate Human Rights Responsibility" (2012) 22 Business Ethics Quarterly 63.

73 See note 2 above at paras 68-69.

74 A real commitment to leverage would see the Ruggie architecture suggest that the largest or most financially powerful corporate actors should have a wider purview of human rights responsibility that causes them to think in a global sense what the effect of particular business activities might be, see M Dowell-Jones and D Kinley "Minding the Gap: Global Finance and Human Rights" (2011) 25 Ethics and Int Affairs 183.

75 See http://www.globalwitnes.org/hsbc


78 See note 2 above at para 56.


80 See note 2 above at para 60.

81 See note 2 above at para 61.


83 See note 2 above at para 62.

84 See note 2 above at para 63.


90 See note 2 at paras 54-61.
There is an extensive debate as to whether a positive CSR profile improves corporate financial performance. There are numerous studies on this topic looking at particular CSR activities such as corporate charitable giving and others looking at a corporation's total CSR portfolio. It seems that CSR does not have a negative impact on financial performance and in some cases can be shown to have a positive one, see P van Buurden and T Gossling “The Worth of Values – A Literature Review on the Relation between Corporate Social and Financial Performance” (2008) 82 JBE 407 and A Carroll and K Shabana “The Business Case for Corporate Social Responsibility: a Review of Concepts, Research and Practice” (2010) 12 Int J of Man Reviews 85. More worrying is the finding contained in S Scaret and T Kelly “CSR Rating Agencies: What is their Global Impact” (2010) 94 JBE 69 that being omitted from a particular rating index or certificate programme because of poor corporate performance does not lead to an improved corporate performance in the future but to a greater emphasis on other more positive CSR stories.

R Mayes, B Pini and P McDonald “Corporate Social Responsibility and the parameters of dialogue with vulnerable others” (2013) 20 Organization 840


Supra n104 at p332-336.

O Ololade and H Annegarn “Contrasting Community and Corporate Perceptions of Sustainability: A case study within the platinum mining region of South Africa” (2013) 38 *Resources Policy* 568.


The UN Declaration on the Rights of Indigenous Peoples, article 32 of which enshrines free, prior and informed consent as the standard to be applied to protect the land rights of indigenous communities, is endorsed by 148 states but without host state recognition of actual land rights and claims competing claims to preservation and wider development are likely to conflict, see B Haalboom “The intersection of corporate social responsibility guidelines and indigenous rights: Examining neoliberal governance of a proposed mining project in Suriname” (2012) 43 Geoforum 969.

In 2006 early in his mandate Ruggie presented an interim report which focused on 65 cases of corporate abuses of human rights drawn from 27 countries, see *Promotion and Protection of Human Rights* Interim Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, 22 February 2006, E/CN.4/2006/97

See n61, GPs 17-21.


See n61, the supporting commentary to GP 18.

Supra n86 (Cragg) at p14.

S Barrientos and S Smith “Do Workers Benefit from Ethical Trade? Assessing codes of labour practice in global production systems” (2007) 28 *Third World Quarterly* 713

O Borial “Corporate Greening Through ISO 14001: A Rational Myth?” 18 *Organization Science* 127

N Andrew, M Wickham, W O’Donohue and F Danzinger “Presenting a Core-Periphery Model of Voluntary CSR Disclosure in Australian Annual Report” (2012) 9 *Corporate Ownership and Control* 438

135 For concerns see about the accuracy and quality of what is released in existing governance environments see A Fonesca “How Credible are Mining Corporations’ Sustainability Reports? A Critical Analysis of External Assurance under the Requirements of the International Council on Mining and Metals” (2010) 17 Corporate Social Responsibility and Environmental Management 355
136 Supra n53 at p68-77.
139 Supra n2
140 See for example http://www.unpri.org, www.ceres.org, www.incr.com, www.iigcc.org. While this is not a point to be taken here there is a distinction drawn in investment practice between responsible ownership and socially responsible investment, now rather better known as ethical investing.
141 S Viviers, “Is Responsible Investing Ethical?” (2008) 39 South Africa J of Business Management 15. Co-operative Financial Service figures for 2009 (constructed using information from the Investment Management Association and the British Bankers Association) place the amount of money held in ethical financial instruments at £19.2 billion up from £5.2 billion in 1999. Although showing strong growth, this figure represents only 1.8% of amounts held in UK based financial instruments.
142 Supra n137 at p113
144 Supra n4.
149 P Gourevitch and D Lake “Beyond virtue: evaluating and enhancing the credibility of non-governmental organizations” in P Gourevitch, D Lake and J Gross Stein (eds) supra n146 at p3f.