

Calculating Corporate Social Risk

Companies avoiding the negatives of political and civil involvement need to positively engage and assess

BY YORK LUNAU AND KLAUS M. LEISINGER



GOVERNMENTS HAVE THE primary—but not sole—responsibility in human rights. This idea is increasingly accepted as fact, but it is just the starting point for immense interpretative exercises by human rights activists, academics, a specially appointed representative of the U.N. Secretary General and many others who are trying to draw practical conclusions regarding the role of the private sector.

Companies, in turn, seem to be caught

unaware. Many still associate human rights solely with the crudest violations of civil and political rights, and take the view that the basic requirement is to refrain from certain practices and to avoid complicity. They don't have economic, social and cultural rights on their radar, as these require positive action and potentially many more resources. However, it is not a good option to watch passively as expectations regarding human rights—centered on governments—simply shift

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toward companies.

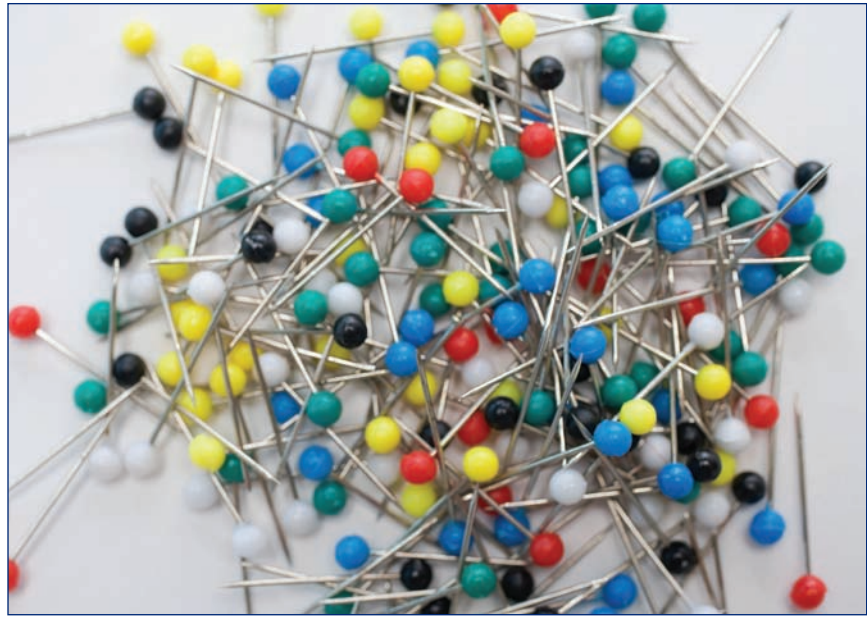
To preserve their license to operate, companies ought to develop a certain routine in dealing with human rights-related issues. They also need to show reasonable efforts to deepen their understanding of human rights and keep their house in order. The more sweeping claims that emerge, the more companies must prove that they are taking reasonable steps to improve the human rights situation in their sphere of influence. This takes differentiated analyses and skilled measures, usually in cooperation with governments or civil society organizations, taking into account the mechanisms of global politics and markets.

The Novartis Foundation for Sustainable Development mainly is concerned with the 2.5 billion poor people who lack the most basic requisites for a life, including medicine and healthcare infrastructure. But, the foundation also serves as a think tank and facilitator regarding practical tools that enable companies to assess and address their human rights challenges.

So far the foundation has facilitated two extensive tests of what currently is the most advanced tool for human rights assessments in companies: the Human Rights Compliance Assessment (HRCA) of the Danish Institute for Human Rights. With the support of Novartis country units in Turkey and Taiwan, it was possible to compare the application of the full set of indicators with the Quick Check (a generic selection) and also to compare a rather audit-like application with one in the clear mode of a (supported) self-assessment.

Regarding the preselection from the 335 criteria of the full HRCA database (each of them supported by four to five explanatory indicators) for a subset manageable in the actual assessment process, the country risk assessments turned out to be crucial. But the pilots also revealed the need for more sector-specific experiences to improve preselection.

Regarding the trade-off between an



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audit and a self-assessment, it turned out that some notion of an audit is not avoidable, as a human rights specialist from a service provider or headquarters will always be needed. However, this notion does not need to be avoided if local ownership of the assessment can still be established. Audits simply cannot replace the willingness to learn when it comes to avoiding human rights risks.

Apart from the methodological lessons learned as a basis for integration into current management systems, both pilot applications brought some interesting results on actual human rights risks. As pharmaceutical companies tend to have highly educated employees and very high production standards, you might not expect any risks in relation to the biggest category of indicators: labor conditions.

But applying the HRCA in Turkey changed attitudes about the absence of a written policy on religious practices,

although presently no problems with praying practices or head scarves are detected. In Taiwan, the self-assessment led to the redesign of an employee committee to make sure that, despite cultural reservations, all work-related issues were handled.

The main strength of the HRCA, although it was developed as a compliance tool that is based on all relevant human rights treaties and covenants, lies in triggering a great deal of learning about human rights by offering a clear framework for an adaptable process. “Until today,” as one participant in Taiwan put it, “I didn’t understand what the essence of corporate responsibility really was!” **CRO** Klaus M. Leisinger is Professor of Sociology at the University of Basel and President and CEO of the Novartis Foundation for Sustainable Development. York Lunau is the foundation’s corporate responsibility specialist, focusing particularly on the business and human rights debate.