

Tracking Performance

What do the UN Guiding Principles Expect?

- ▶ Companies need to track their responses to actual and potential human rights impacts to evaluate how effectively they are being addressed.
- ▶ Tracking should be based on appropriate qualitative and quantitative indicators and draw on internal and external feedback, including from affected stakeholders.

Why is this Important?

- Tracking how well the company is managing its human rights risks is the only way the company can really know it is respecting human rights in practice.
- Tracking is a crucial dimension of continuous improvement – it helps the company identify trends and patterns; it highlights recurring problems that may require more systemic changes to policies or processes, as well as good practices that can be shared across the company.
- Tracking is also essential for the company to be able to communicate accurately to all its stakeholders about what it is doing to meet its responsibility to respect human rights.

What are the Steps Involved?

A Building a Systematic Approach to Tracking

Developing Indicators

B

Incorporating Stakeholder Perspectives

C

Tracking through Business Relationships

D

IV A Building a Systematic Approach to Tracking

Key Points for Implementation

- ▶ Processes for tracking can be designed just for human rights, or can be integrated into the company's processes and systems for tracking other issues.
- ▶ Tracking processes should draw on relevant internal and external sources in order to build as accurate a picture as possible; they should include both quantitative and qualitative indicators.

Possible Approaches

- **Benefiting from the company's other tracking systems:** O&G companies may find it helpful either to learn from or build on any existing systems it has for tracking its performance in areas related to human rights. Examples include:
 - Health and safety;
 - Environmental management;
 - Ethics and compliance;
 - Reviews of security providers, including adherence to the [Voluntary Principles on Security and Human Rights](#);
 - Internal control audits;
 - Self-assessments at the business unit level;
 - Reviews by external third parties.

Some of these processes or systems will already track how the company manages certain human rights risks. Similarly, companies may be tracking human rights issues as part of their compliance with home or host state regulations, with the requirements of stock exchanges or project financiers, or with reporting standards they have chosen to follow. The company could map those issues being tracked against the company's leading human rights risks to see whether and where there are gaps they need to fill.

As in other areas of human rights due diligence, it is important to keep in mind the distinct features of human rights. For example, tracking processes should take full account of stakeholder perceptions of the company's human rights performance, and not just of "facts" as determined by the company. This requires particular attention to feedback from affected stakeholders (see [Section IV-C](#) below).

- **Tracking at site and corporate levels:** Much of the information for tracking performance will be at the site level. For larger companies, information may also come through engagement at the corporate/head office level with international NGOs, global or regional trade unions, or socially-responsible investors. Companies will want to ensure that this information is brought together and evaluated.

It will be particularly important for the corporate/head office level to be able to keep track of more severe human rights risks and impacts at different sites. Companies' experience in tracking safety incidents may provide a useful precedent, with scorecards and/or major incidents typically brought to the attention of top management or the Board.

- **Conducting root cause analysis:** Where a severe human rights impact has occurred, or lesser impacts occur repeatedly, O&G companies should consider a deeper analysis of the underlying or "root" causes of the incident. Initial impressions may suggest that the company's own actions or decisions had nothing to do with the impacts; but in some cases a deeper analysis might reveal that it did in fact play a role, and show how it could help prevent the same thing from recurring. Many O&G companies already have experience of applying root cause analysis to major health and safety or environmental incidents. They may be able to adopt and adapt these methodologies for human rights issues as well.

Example: Using Security Indicators to Improve Company Performance

One company has used extensive indicators focused on security and human rights to monitor, evaluate and improve the social performance of a specific high-risk project. These include yes/no, frequency and open-ended indicators to look at: human rights risk and impact assessments; legal, contractual and training measures; monitoring and oversight; equipment transfers; and actions taken in response to human rights incidents.

An assessment against these indicators identified opportunities to improve the company's management of private security contractors. It enabled a thorough understanding of existing community tensions and conflicts and the potential for the project's socioeconomic impacts to exacerbate such conflicts or ignite new ones. This resulted in a strategy to prevent security incidents, rather than just protect company assets.

- **Designing tracking systems to encourage company-wide engagement:** Tracking systems can be a tool that encourages other departments to engage actively in responding to impacts. For example:

- A tracking system may provide data that shows cause and effect between increased demands by procurement and code breaches by suppliers, or between certain activities of construction staff and complaints from communities. This evidence can help engage the relevant departments in addressing problems and avoiding their recurrence;
- A tracking system might require that a function or department be given responsibility for investigating an impact, create automatic deadlines for a response or update, and elevate the issue to senior management if deadlines are missed. This can help stimulate active engagement from those concerned.

Systematising tracking in this way can emphasise the relevance of human rights issues for the whole company. It can encourage staff to think preventatively and not just in terms of responding when issues arise.

- **Linking human rights performance data to staff performance assessments:** Good human rights performance data can help drive continuous improvement within an O&G company. This may be most effective where that data is factored into performance assessments for functions/departments as well as individual staff, across all those parts of the business that influence human rights risks. For example:

- The company might require a country-level manager to sign-off on an annual review that includes a site's human rights performance;
- If an investigation shows that the actions of certain staff contributed to a severe human rights impact, this could lead to an appropriate sanction, whether financial or non-financial;
- Where actions by staff help prevent a severe human rights impact, this could be the subject of a financial or non-financial reward, showing that the company values attention to human rights issues.

IV B

Developing Indicators

Key Points for Implementation

- ▶ Quantitative indicators offer precision and can often fit more easily with existing systems for tracking company performance.
- ▶ However, because respect for human rights is about impacts on people, qualitative indicators will also be important. This includes feedback from potentially affected stakeholders wherever possible.

Possible Approaches

- **Sources of inspiration for indicators:** Indicators need to make sense in the local contexts where O&G companies are operating. Useful sources can include:
 - Identifiable trends or patterns, such as repeat types of incidents. These might be at one site, suggesting local lessons, or across a number of sites, offering lessons for the company as a whole;
 - Feedback from local staff, who have “boots on the ground” or live in local communities and may see and hear things that management cannot;
 - Behavioural indicators that help predict future impacts. For example, if staff are disrespectful of local communities, this is often a leading indicator that human rights risks may not be identified or managed;
 - Feedback from affected stakeholders, including vulnerable or marginalised groups that can help the company understand how it is perceived;
 - The identification of differential impacts on women and men, or on people from different minorities, religions or castes.
- **Balancing quantitative and qualitative indicators:** Good quantitative indicators can be useful in conveying concisely how well a company is managing human rights risks. They may be particularly helpful in O&G companies, where so many staff have scientific/engineering backgrounds and may be most comfortable with numerical data. Just as O&G companies report safety incidents involving on-site employees and contractors and track the number of days since the last incident occurred, they could do the same for incidents affecting local communities.

However, qualitative indicators will often be essential in helping an O&G company interpret quantitative data on human rights performance. For example, a relatively low number of complaints raised through a company grievance mechanism may reflect a reduction in incidents, or a lack of trust in the mechanism. Feedback from potential users of the mechanism will be essential to understand which interpretation is correct.

- **Balancing outcome-focused and process-focused indicators:** Many indicators will look at incidents or impacts that have already occurred. These will certainly be relevant to tracking performance. However, process indicators are also important in interpreting data. For example, an indicator that shows community agreement to resettlement plans is better understood when reviewed against an indicator for stakeholder consultation processes. A community’s “agreement” will be understood differently – on the one hand where processes allow staff to sign agreements with self-identified leaders who claim to speak for communities; and on the other hand where processes require open, informed and inclusive discussions with communities, together with their leaders.
- **Indicators for training:** Many O&G companies place an emphasis on training staff in human rights compliance. It may therefore be valuable to develop measures that test the effectiveness of training, beyond simply tracking the number of staff trained. This might focus on assessing how well participants understand what they learned and how far they put the learning into practice in their work. This could be assessed, for example, using baseline surveys pre and post-training, and at a follow-up point some months later.

Resources: Developing indicators

To date there are no publicly-available indicators that fully reflect the UN Guiding Principles. However, recent sector-specific initiatives by the Global Reporting Initiative (“GRI”), and by IPIECA, the American Petroleum Institute (“API”) and the International Oil and Gas Producers Association (“OGP”), may help identify indicators that can be tested against the Guiding Principles and further expanded.

- ▶ Global Reporting Initiative, [G4 Sustainability Reporting Guidelines and Oil and Gas Sector Supplement, v3.1](#)
- ▶ IPIECA, API and OGP, [Oil and Gas Industry Guidance on Voluntary Sustainability Reporting](#).

Example: Empowering Communities to Evaluate Company Performance

One extractive company is using a “Community Scorecard” to achieve a more effective means of listening to and engaging with affected communities. At regular community forums, the company provides updates on its activities, followed by questions and answers with communities. The company then provides performance metrics, based on verifiable data, across five areas the community has rated as a priority: environmental performance, local hiring, safety, transparency and leaving a positive legacy for the community. During the sessions, communities rate the company’s performance across the five priority areas: ‘exceed expectations’, ‘meet expectations’, ‘below expectations’, or ‘need more information’. The Scorecard uses wireless remote push button technology that allows the company to capture feedback in real time and display it for attendees. They then discuss the feedback they are seeing, and the communities offer ideas on how the company can improve. The results are aggregated and shared publicly, including every six months in local newspapers. The company holds enough forums to ensure a sample size that reflects the ideas and opinions of the broader communities. Community feedback indicates that members see the voting system as giving them ‘voice’, particularly for people who are normally quiet in public settings on public issues. The company sees these efforts as helping it become the project developer of choice, and adding value to its options for growth.

Example: Independent Advisory Groups

Independent advisory groups can play a useful role either in providing independent advice on human rights (and related social/ environmental) issues across a company's operations, or on a more targeted basis in regard to certain high-risk projects.

One company established a high-level external panel in connection with the construction of a pipeline that had been the subject of stakeholder concern. The panel was appointed by the CEO to provide objective advice to the company on the economic, social and environmental impacts of the project and of its other activities in the relevant region. Its tasks included: reviewing the company's plans to manage the project's impacts both along the pipeline and at the regional level; examining the application of the company's policies regarding the project; critically appraising the project's impacts; and making recommendations for improvement. The panel was supported by technical experts who reported directly to it. It conducted annual visits to the affected countries and consulted directly with a wide range of stakeholders. It issued annual public reports with recommendations, to which the company responded publicly.

IV C

Incorporating Stakeholder Perspectives

Key Points for Implementation

- ▶ External perspectives on the company's performance can provide important verification of its own evaluation, and may identify indicators it would otherwise miss.
- ▶ The perspectives of potentially affected stakeholders are particularly important for understanding how well the company is managing the risks of impacting their rights.

Possible Approaches

- **Involving stakeholders:** There will always be subjective elements to evaluating how well a company is meeting its responsibility to respect human rights in practice. Involving stakeholders directly in tracking processes can test the company's assumptions on how well it is doing, and lend credibility to the conclusions reached.

O&G companies could consider a number of possible approaches, including:

- Working with trade unions locally or at the global level (potentially through a Global Framework Agreement), and with other civil society actors, to monitor workers' human rights and assess the effectiveness of existing auditing approaches;
 - Setting up structured joint fact-finding or monitoring programs with independent experts, civil society representatives, or panels of local community members (with training and support where needed);
 - For particularly large or complex projects, forming national or international advisory panels consisting of experts, trade union and civil society representatives to provide periodic, formal reviews of performance. These can also incorporate feedback from affected stakeholders;
 - Where there is a history of company-community or management-worker distrust, identifying an individual or organisation that all parties will trust to provide accurate assessments of the company's efforts to address its impacts.
- **The role of operational-level grievance mechanisms:** Local-level grievance mechanisms can provide an important channel for affected communities to express any concerns about impacts and how they are being addressed. Equivalent mechanisms for workers can play a similar role. Workers at the site level can be important sources of feedback regarding both impacts on their own human rights, and impacts on communities. As always, such mechanisms must not undermine the role of legitimate trade unions. (For more on grievance mechanisms, see [Section VI](#)).

The company's tracking processes or systems will benefit from integrating this information, while respecting confidentiality and taking steps to prevent retaliation.

Key Points for Implementation

- ▶ When a company's business partners see that it follows up on their human rights performance, this makes clear that the terms of their contracts or codes are not just "lip service" but an important part of how the company intends to do business.

Possible Approaches

- **The role of contracts:** Including monitoring requirements in contracts can be an effective way of tracking how business partners are managing the risks of human rights impacts. Joint venture JV agreements can incorporate provisions on monitoring and reporting to JV partners on certain topics, including human rights. Contracts with suppliers and contractors, including private security providers, can provide for auditing or assessments of their compliance with internationally-recognised human rights. Once the company has the monitoring information, it can use it to seek any necessary improvements with business partners.
- **Securing meaningful audit data about suppliers and contractors:** Systems for monitoring and auditing suppliers are common in many industries. They can provide useful and necessary "snap-shot" data about suppliers' performance. However they are also seen to have a number of limitations:
 - They often miss issues due to their brief nature;
 - They may fail to grasp the bigger picture or root cause of repeated human rights impacts;
 - Suppliers who wish to manipulate records often do so successfully;
 - Workers may exercise self-censorship in audit interviews, due to intimidation or fear;
 - These processes have a poor record in generating sustainable improvements across a range of human rights over time.

There has therefore been a move among consumer goods industries towards more "partnership-based" and collaborative approaches to their suppliers. These complement, and may in some instances even replace, audits. They often include:

- Supporting or analysing the root cause(s) of significant impacts. This can test the conclusions drawn from audits and find any underlying problems;
- Assessing not only suppliers' compliance with internationally-recognised human rights in terms of "outcomes" achieved, but also the quality of their forward-looking management systems to identify and address their own human rights risks;
- Sharing the buying company's own experience in managing human rights risks, including lessons for effective indicators and tracking systems;

Resources: Tracking Supplier/Contractor Performance

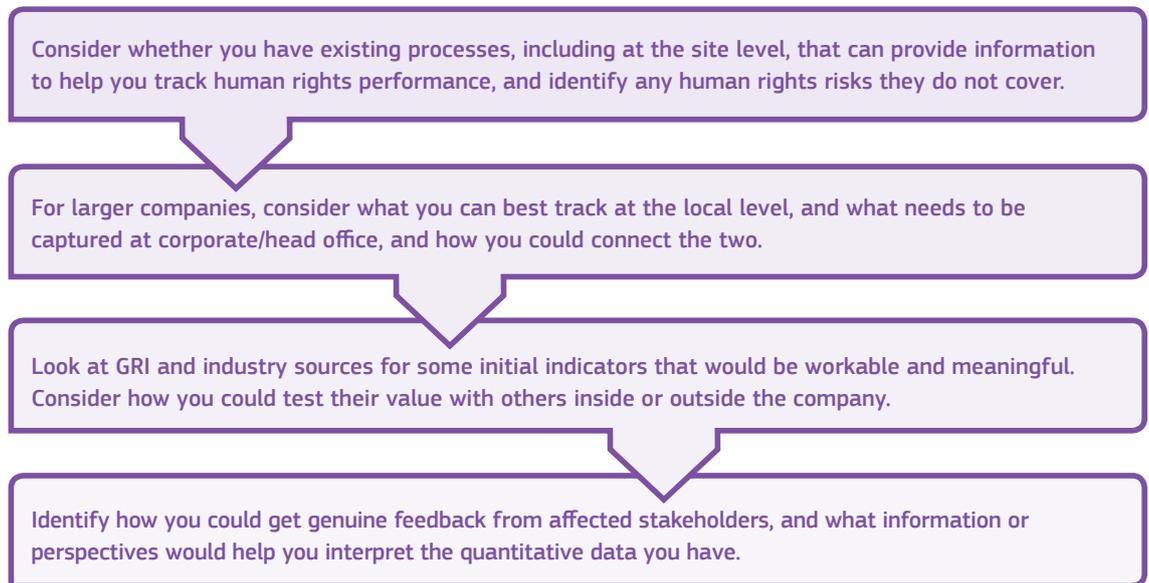
- ▶ The Fair Labor Association [Workplace Code of Conduct and Compliance Benchmarks](#), and the Ethical Trading Initiative [Base Code](#) have compliance benchmarks that may be helpful to O&G companies looking for indicators against which to assess their suppliers or contractors in relation to labour and environmental standards.
- ▶ The [Implementation Guidance Tools](#) on the Voluntary Principles provide suggestions for monitoring the performance of private and public security providers.

- Sharing data that helps suppliers see the business case for addressing human rights risks in their own operations.

O&G companies may benefit from these experiences as they develop or refine their own approaches to supply chain audits. Given the sheer number of suppliers that a large company may have, it may be most realistic and productive to focus these efforts on suppliers that have the greatest human rights risks, whether due to the nature of their products, services or operating context. Some O&G companies already adopt similar approaches in their monitoring of private security providers; these may also be applicable to relationships with public security.

Where to Start

For companies that are just starting to focus on tracking their human rights performance, the following are some preliminary steps to consider:



Questions to Ask

The following questions correspond to sub-sections A, B, C and D above. They should help test the extent to which the company's tracking processes are consistent with the Guiding Principles:

IV-A

Building a Systematic Approach to Tracking

- ▶ How do we ensure that our indicators of performance are adequate and complete and that we have a true picture of our performance on human rights over time?
- ▶ When and how do we use root cause analysis to understand more about severe impacts and how to prevent their recurrence?
- ▶ How do we integrate lessons we learn through tracking our performance into our policies and processes, as part of continuous improvement?

IV-B

Developing Indicators

- ▶ What sources do we look to for indicators that will help build a true picture of our performance?
- ▶ How do we relate process-focused indicators to outcome-focused indicators, and qualitative indicators to quantitative indicators, to ensure we are interpreting data accurately?
- ▶ Do our indicators capture our responses to impacts on potentially vulnerable or marginalised groups and, where possible, differential impacts on men and women?

IV-C

Incorporating Stakeholder Perspectives

- ▶ How do we draw external perspectives, such as those of directly affected stakeholders or civil society groups, into our evaluation and understanding of our human rights performance?
- ▶ Where we have operational-level grievance mechanisms, how do we draw on the learning they offer as part of our wider efforts to track performance?

IV-D

Tracking through Business Relationships

- ▶ To what extent are we able to build provisions for tracking into contracts with business partners, including security providers, other contractors or suppliers, as well as joint venture partners?
- ▶ How might we supplement our audits of those contractors or suppliers that pose greatest risks to human rights with initiatives to support improvements over time?