Part two: The response

Faced by the challenges explored in Part one, companies have sometimes chosen to stay away or disinvest. When they do invest, they have three options. They can adapt downwards, by exploiting the advantages that weak regulation and poor governance can offer; they can adapt upwards (and thereby potentially differentiate themselves from their peers) by introducing policies and approaches that deal with the challenges; or they can try a bit of both. The first is risky, the second difficult, the third both risky and difficult.

Lowering or abandoning standards may have short-term attractions but courts long-term harm and is not sustainable. Raising standards and the quality of systems and processes of internal management and external engagement are often time-consuming, expensive and resource intensive, and do not come with any guarantees of success. A more common response therefore has been to try a combination and muddle through. This is essentially a reactive approach, which responds to problems and criticisms as they emerge. It aims to offer the minimum required rather than the maximum possible. It does not work.

3 steps to ‘Respect’

1. Identify internal company systems.
2. Establish external processes.
3. Address human rights impacts.

From a company perspective, reacting to events has proved to be just as time-consuming and resource intensive over the long-term, and has compartmentalised standards and policies, which are added on rather than properly integrated and consolidated. From the perspective of communities and the wider society, a reactive approach conveys the impression that companies are dragging their feet, are not genuinely concerned by their impacts on people, and can only be influenced by protest and criticism. For governments, it sends mixed signals about a company’s intent and the seriousness of its commitment to respecting human rights throughout its operations.

The challenges may be complex but, in broad terms, they are predictable; companies do not need to act blindly and hope for the best. They can put in place the fundamental elements of good practice that will enable them to anticipate and address problems before they become critical. Over time, doing so will save money, strengthen reputation, and support a more stable business environment. Policies should include three main pillars:

• Configure internal company systems, structures and attitudes.
• Design effective processes for understanding risk, building relationships and providing remedy.
• Provide mechanisms and resources for preventing and mitigating negative impacts.

The following sections address each of these in more detail.

70 For example, some oil companies chose not to invest in Sudan, while others have divested in view of the ongoing conflict.