COFFEE Project

Guide on Public Reporting for Private Sector Stakeholders

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Guide on Public Reporting for Private Sector Stakeholders

Introduction

This tool is one of 17 tools comprising the Socially Sustainable Sourcing Toolkit (S3T), which was developed as part of Verité's Cooperation on Fair, Free, Equitable Employment (COFFEE) Project through generous funding from the US Department of Labor's Bureau of International Labor Affairs (USDOL-ILAB). The S3T was developed in alignment with USDOL's *Comply Chain* model, with at least one tool created for each of the eight steps of *Comply Chain* (see graphic below). Many of the tools are derived from tools created for the *Responsible Sourcing Tool*, developed by Verité with funding from the U.S. Department of State's Office to Monitor and Combat Trafficking in Persons (J/TIP). The tools can be used *á la carte*, but it is important that companies have systems and tools in place for each step of *Comply Chain*.

STEPS OF COMPLY CHAIN AND CORRESPONDING TOOLS

U.S. Department of Labor Comply Chain Model

S3T Socially Sustainable Sourcing Toolkit

STEP 1. Engage Stakeholders and Partners
  Guidance on Stakeholder Engagement

STEP 2. Assess Risk and Impacts
  Risk Evaluation for Action in the Coffee Trade (RE-ACT) Dashboard
  Root Cause Analysis of Labor Violations in the Coffee Sector
  Self-Assessment Questionnaire for Coffee Traders
  Self-Assessment Questionnaire for Coffee Producers
  Self-Assessment Questionnaire for Labor Brokers
  Guidance on Screening and Selection of Labor Brokers

STEP 3. Develop a Code of Conduct
  Sample Code of Conduct Provisions
  Sample Social Responsibility Agreements
  Primer on Recruitment-Related Risks in the Latin American Coffee
   Sector

STEP 4. Communicate & Train Across Supply Chain
  Guidance on Communicating Objectives and Standards Across the
   Supply Chain

STEP 5. Monitor Compliance
  Guidelines on Monitoring of Coffee Farms
  Guidance on Monitoring of Labor Brokers
  Worker Interview Guide Focused on Recruitment and Hiring

STEP 6. Remediate Violations
  Management Systems Framework for Preventing and Remediating
   Labor Risks

STEP 7. Independent Review
  Framework for Independent Verification of Ethical Sourcing

STEP 8. Report on Performance
  Guide on Public Reporting for Private Sector Stakeholders

Introduction to the Tool

Companies that export, import, roast, and sell coffee to consumers face increasing imperatives to report publicly on their activities and progress addressing human rights issues within their supply chains. Socially responsible investors focused on Environment, Social, and Governance (ESG) criteria routinely evaluate companies' performance on issues such as child labor and forced labor, with data on human rights and labor performance used to populate the "social" rankings within the overall ESG assessment. In addition, major voluntary frameworks such as the UN Global Compact (UNGC) and the UN Guiding Principles on Business and Human Rights (UNGP) require regular reporting on progress toward specific sustainability and human rights standards. Mandatory due diligence reporting regimes on key issues such as modern day slavery and child labor are also increasingly being instituted by state, national, and international governmental bodies as a condition of operating, importing, and selling goods within specific political boundaries. Developments such as these make it essential for companies to be able to communicate clearly and regularly about their compliance systems and progress.

For sustainability teams within coffee companies, the activity of preparing a public sustainability or human rights report can help institutionalize processes, drive internal commitments, and ensure investment in responsible sourcing programs. When produced in relevant languages and accessible formats, public reports can also be useful for engaging external stakeholders such as communities affected by company operations and supply chains, civil society organizations, journalists, industry groups, investors, and governments in key raw material origin countries (see the tool *Guidance on Stakeholder Engagement*).

A great deal of guidance is available to assist companies in public sustainability reporting. International institutions such as the United Nations and the Organization for Economic Cooperation and Development (OECD) have produced comprehensive frameworks, as have a wide range of socially-responsible investment and consulting firms. Within this array, the core touchstones most widely respected in relation to social reporting are the *UNGP Reporting Framework*[1] and the *Reporting Standards*[2] of the Global Reporting Initiative (GRI), which include the *GRI 400 Series* standards on social and labor issues. Another widely-cited resource is the OECD *Guidelines for Multinational Enterprises*. The OECD Food and Agriculture Organization (OECD-FAO) *Guidance for Responsible Agricultural Supply Chains*[3] and the Accountability Framework Initiative (AFI)[4] provide additional useful information for actors in agricultural sectors such as coffee.

In general, it is up to individual companies to decide which reporting approach is most appropriate for conveying their own social risk profiles, commitments, and programming, but there are core elements that should be included in any comprehensive reporting effort. The guidance presented in this tool synthesizes the approaches used in the UNGP Reporting Framework and GRI Reporting Standard, and includes information on what to include in the following report components:

- a statement of your company's commitment to respecting human rights;
- a summary of your company's material impacts on the human rights of workers and communities and your prioritized salient issues and geographies;
- an overview of your company's approach to respecting human rights throughout your operations and supply chain;
- a clear statement of your company's targets and timelines for achieving progress on prioritized salient issues, and your progress on these issues during the reporting period;
- a description of your company's human rights due diligence strategy, including your approach to monitoring, addressing, and preventing salient issues, reducing risks, and verifying progress;
- a discussion of success stories and challenges your company has faced; and
- a summary of your company's forward-looking goals or next steps.

These do not need to be separate sections of a report, and companies should feel free to cluster or reorganize these elements in ways that work for their particular characteristics and programs.

Figure 1: UNGP Reporting Framework

POLICY COMMITMENT

A1 What does the company say publicly about its **commitment to respect** human rights?

EMBEDDING RESPECT FOR HUMAN RIGHTS

A2 How does the company **demonstrate the importance** it attaches to the implementation of its human rights commitment?

C1 Does the company have any **specific policies** that address its salient human rights issues and, if so, what are they?

ASSESSING IMPACTS

B1 Statement of salient issues

B2 Determination of salient issues

B3 Choice of focal geographies

B4 Additional severe impacts

C3 How does the company **identify any changes** in the nature of each salient human rights issue over time?

INTEGRATING FINDINGS AND TAKING ACTION

C4 How does the company **integrate its findings** about each salient human rights issue into its decision-making processes and actions?

TRACKING PERFORMANCE

C5 How does the company know if its efforts to address each salient human rights issue are **effective in practice?**

COMMUNICATING PERFORMANCE

Application of the **UN Guiding Principles Reporting Framework**

C2 What is the company's approach to engagement with stakeholders in relation to each salient human rights issue?

REMEDIATION

C6 How does the company **enable effective remedy** if people are harmed by its actions or decisions in relation to a salient human rights issue?

Governance of Respect for Human Rights

As the UNGPs make clear, while it is the duty of states to protect human rights, it is the duty of companies to respect them. Private sector actors in the coffee industry — including retailers, roasters, importers, and exporters — should publicly, clearly, and unequivocally commit themselves to respecting the full basket of human and labor rights laid out in the United Nations *Universal Declaration of Human Rights* and the International Labor Organization's (ILO's) *Fundamental Conventions* and *Declaration of Fundamental Principles and Rights at Work.* These include the rights of workers to freedom of association and collective bargaining, and the elimination of all forms of forced or compulsory labor, child labor, and workplace discrimination. Policy statements should also speak to the company's commitment to provide access to remedy for rights violations, per the UNGPs.

Policy commitments should be accompanied by straightforward information about the structures and resources companies have put in place to ensure that they are upheld in practice. Ideally, this will include clear statements about accountability, governance structures, and funding for human rights and labor-related programming.

Focus of Company Efforts

Companies should focus both their reporting and social due diligence programming on their most severe negative human rights impacts first. Within the UNGP Reporting Framework, these are referred to as the most "salient" human rights issues within a company's operations and supply chain, while the GRI Standard uses the vocabulary of "material impacts" on human rights. For both, the essential point is that companies should determine which impacts of their business practices are most harmful to people, accept responsibility for managing these impacts, and prioritize their efforts.

Companies can identify salient human rights issues and/or material human rights impacts by drawing upon research on human rights risks within the geographic footprint of their operations and supply chains, gathering input from relevant stakeholders at all levels, and taking stock of the most critical effects of their business practices on workers, producers, communities, and consumers. Many companies find formal methodologies such as human rights impact assessments (HRIAs) and materiality assessments helpful to structure this analysis. The UNGP reporting guidance encourages the adoption of saliency analysis as the most precise approach when examining human rights impacts. [5]

In prioritizing which identified negative human rights impacts are most salient, companies should consider criteria such as the severity or scale of the impact, the number of people affected by the negative impact, degree to which the company is associated with or responsible for the impact in question, input from affected stakeholders about the impact's significance to their wellbeing or livelihoods,

regulatory or reputational risk to the company, and other relevant factors. The UNGP guidance proposes that companies evaluate their impacts first and foremost on the basis of the potential severity of the harm caused, including how grave, widespread, and difficult to remedy the impact is; and secondarily, how likely the impact is to occur or recur.[6] Additional factors to consider include the ways impacts vary across the different geographic contexts in which companies operate, making it important to also consider the geographic focus of efforts and company strategies for prioritizing management of salient issues.

Public reports should include a clear statement of this thinking, laying out a company's prioritized salient human rights impacts, the geographic locations in which they are most serious, and a straightforward narrative discussion of the company's rationale for prioritizing some salient issues for particular focus [see the tools *Coffee sector risk map* and *Guidance on stakeholder engagement*].

Discussing Respect for Human Rights Within Your Supply Chain

Human rights reports should also provide a summary explanation of the ways in which companies are embedding respect for human rights throughout their operations and supply chains.

To do this at the level of a company's own operations is relatively simple through a description of relevant human resource policies and approaches to managing identified salient issues and mitigating risk. For example, to combat the risk of discrimination on the basis of gender, a company might feature its participation in a formal program to ensure equitable pay for women employees. To mitigate the risk of forced labor risk due to outsourcing of labor, companies might describe initiatives that promote the ethical recruitment of workers by labor brokers.

The challenges are greater in extended supply chains, where human rights impacts are often most severe, and companies may not have direct control over labor sourcing or other human rights-related practices. Leverage may also be significantly attenuated over suppliers separated from companies by structural distance within complex global commodity supply chains. Visibility into the supply chain may itself be a challenge for companies that lack direct traceability to cooperatives or farms, as is the case for many commercial grade coffee buyers and brands. Even exporters within origin countries often rely on layers of aggregators and other middlemen, which can obscure traceability to the farm level.

In public reports, coffee companies should be forthcoming about the depth of their knowledge into their supply chains, including the extent to which they have visibility below the Tier 1 supplier level. They should describe the systems they have in place to source and trace the chain of custody of coffee beans or cherries to the lower levels of the supply chain, including, if relevant, the points at which visibility is obscured by reliance on mass balance (for certified coffee) or aggregation, and

substitution by traders. It is an increasingly common good practice for companies to disclose their suppliers publicly, at least to the Tier 1 (direct supplier) level, and ideally to Tier 2 (the suppliers of direct suppliers) and below, if feasible. For specialty coffee companies prioritizing responsible sourcing, this may involve the creation of public supply chain maps, or at least disclosure of detailed information on the geographic origins of different types of coffee beans being marketed. For commercial coffee suppliers, buyers, and roasters, this might involve disclosure of key origins and information on volumes associated, along with any knowledge the company has about their specific suppliers and the upstream supply chains upon which they are dependent. If a company relies upon certification systems using a mass balance approach, this should be clearly stated, noting the level of direct traceability certification affords, and where visibility may be lost or obscured.

Companies may wish to frame the limitations of current systems in terms of a process of continuous improvement, noting the steps that they anticipate taking in the future to strengthen supply chain traceability. Companies should also describe any methods they use to verify the accuracy and integrity of traceability data.

In addition to describing the knowledge a company has of its supply chain, public reporting should discuss efforts being made to understand the nature, types, and levels of human rights risk experienced at different levels of the supply chain, given the risk profiles associated with different geographies and supply chain practices. Companies may also wish to discuss any efforts being taken to consolidate or otherwise optimize the supply chain to minimize negative human rights impacts, for example by reducing the number of suppliers involved, or by reallocating volumes to lower risk origins.

Reports should describe the company's approach to responsible sourcing, including a characterization of (and link to) its supplier code of conduct, and any special policies or internal frameworks used to cascade responsibility for respect for human rights along their supply chain. If the company engages in or sponsors supplier capacity building to strengthen human rights-related management systems, these efforts may also be described in the report (see the tool *Guidance On Communicating Objectives and Standards Across The Supply Chain*). Companies may also wish to mention efforts they are undertaking to incorporate smallholders, outgrowers, sharecroppers, or other hard-to-reach producer populations into their responsible sourcing programs.[7]

Setting Targets and Timelines and Reporting on Progress

While companies have a legal and moral obligation to respect human rights at all times and in all circumstances, the systemic nature of some persistent human rights challenges such as child labor will necessitate sustained effort over a period of time before this obligation can be met in practice. When this is the case, companies should work towards continuous improvement, report transparently about the existence of unresolved human rights impacts in their supply chains, and set clear

targets and timelines to clarify the pathways by which they intend to achieve full social compliance. Targets should be "SMART" — reflecting the following helpful criteria for effectiveness:

- **S**pecific (simple and precise)
- **M**easurable (able to be measured using data already or easily accessible)
- **A**chievable (reasonable and realistic)
- **R**elevant (reflecting changes critical to the issue being addressed)
- **T**ime bound (tied to firm milestones for achievement)

It is best to steer away from high level, abstract statements about ambitions to "responsibly source" a certain percentage of coffee unless "responsibly sourced" is clearly defined in the report. Examples of stronger targets might be "child labor monitoring and remediation systems in place in 100 percent of our coffee supply chain by 2025," or "all labor within our supply chain ethically recruited by 2022." Even then, definitions of key terms like "child labor monitoring and remediation systems" and "ethically recruited" should be spelled out transparently in the accompanying text, and targets should be set in accordance with the SMART criteria above.

If necessary, different timelines for implementation may be established for different business segments or functions; these should be as precise as possible. Examples are "twenty percent of Brazilian coffee volumes sourced via direct contracting with farmers by 2025," or "average household incomes in our farm footprint in Mexico increased by 10 percent by 2022."

The baselines, denominators, and contexts in which reporting against targets takes place is critical to include so both internal and external readers have a way to evaluate the scale and pace of progress being reported and the likelihood of objectives being attained within the proposed time period. Reporting on progress should be done regularly (at least annually) via methods that may be independently verified. Metrics used should give readers a clear sense of both current compliance levels and year-on-year trends over time.

All targets and timelines should be periodically reviewed and revised as necessary to ensure they remain meaningful to relevant stakeholders.

Describing Your Approach to Managing Human Rights Impacts

As specified in the *GRI Reporting Standards*, companies are expected to include in their sustainability reporting a narrative explanation of how they manage each material human rights impact associated with their operations or supply chains. Companies must describe their management approach for each impact in order to claim that their report has been prepared in accordance with the GRI Standards. For example, under GRI Standard 409 on forced labor, companies are expected to

enumerate not only their operations and suppliers with significant risk for incidents of forced labor, but also the specific measures the company has taken during the reporting period to minimize or eliminate that risk. If no direct management measures have been taken, the company should explain why not. If impacts or risks occur in areas where the company does not have sufficient leverage or control to manage risk directly, then it should still report on the efforts it is undertaking — for example through multi-stakeholder initiatives — to address the issues in question.[8]

In addition to attending to the governance, human rights impacts, and responsible sourcing considerations discussed above, the core elements of an effective approach to managing negative human rights impacts are:

- monitoring for risk and compliance;
- remediating violations;
- preventing risk; and
- verifying progress.[9]

The approach to monitoring that is appropriate for a given coffee sector actor will vary depending upon its position within the value chain. For producers, cooperatives, and other farmer organizations, self-monitoring and reporting against a standard created by a roaster, cooperative/farmer organization, or certification scheme can be used to generate data on human rights issues such as the use of underage workers, as well as data on risk factors such as the presence of migrant workers on farms. Third-party audits by certifying bodies or due diligence auditors sent in by buyers can also generate insight into conditions on farms, as can data generated through worker grievance mechanisms or other means of accessing worker perspectives. Although less frequently incorporated into due diligence frameworks, mills, and warehousing facilities downstream from farms in the coffee supply chain should also be covered by comprehensive labor and human rights monitoring approaches.

In reporting on monitoring, while it is good practice to be as transparent as possible, companies are generally not expected to publicly disclose raw monitoring data related to human rights violations within their supply chains. Accurate monitoring data forms a crucial basis for tracking the compliance of producers and suppliers; however, aggregated and anonymized metrics are often used by companies to report on performance and progress against targets. Public reports should describe the systems and processes through which monitoring is carried out, and candidly describe any challenges encountered that might undermine accuracy, along with efforts at improvement.

When violations are identified, relevant supply chain actors are obligated to take immediate action to reduce harms caused by the human rights impacts and implement measures to remedy those harms. For individual victims, relevant steps to resolve these issues might include removal of the victim from the harmful situation; establishment of case management support; referral of the individual or (in the case of children, the individual's family) to appropriate social or legal services or

interventions to address the root causes underlying the harm in question. Where the harm can be traced to actions or inactions on the part of a supplier, a process of supplier engagement and capacity building may need to be implemented or, if warranted, consequence management may need to be undertaken through the reduction of volumes, cancelation of contracts, or other similar measures.

Companies are encouraged to be as transparent as possible about their efforts to remediate violations found within their supply chains, as well as about the effectiveness of those efforts over time. For challenging issues such as child labor, experience has shown that children removed from child labor often subsequently fall back into it, so reporting should include long-term tracking and updated disclosure of aggregated case outcomes. The effectiveness of root cause interventions for individual victims should be tracked and reported on (in an aggregated and anonymized fashion), and data on individual outcomes should be triangulated with other relevant indicators, such as income and workers' sense of wellbeing, to determine whether their working conditions and terms of employment have actually improved.

In addition to monitoring for and remediating compliance violations, companies should proactively implement programming and systems to prevent and reduce the risk of human rights violations and associated issues. Prevention begins with the minimization of risks in the supply chain through the analysis of the human rights risk profiles of different geographic origins and suppliers; this includes the establishment of protocols for conducting due diligence, and communicating expectations to suppliers on respect for human rights prior to contracting. Additional prevention measures can be embedded in company management systems and strategic decisions; for example, by embracing practices such as ethical labor recruiting and the sourcing of certified coffee beans. Systemic root causes of persistent or widespread human rights risks identified in a company's supply chain should be addressed through coffee sector-focused preventative programming at the community, regional, and national levels. This may involve the provision of direct assistance to workers, communities, or other stakeholder groups, as exemplified by initiatives to address farmer poverty through productivity assistance or credit schemes, or engagement at the broader sector or country level, for example via engagement with governments, industry groups, or multistakeholder initiatives.

Companies are typically eager to report on the social and industry-level programming they have in place, but to keep this section of sustainability reports from becoming merely a public relations exercise, it is important to draw connections between the programming and other efforts being described and the root causes for risks identified through the processes of risk assessment and monitoring shared earlier in the report. Similarly, discussions of preventative activities should be framed by verifiable metrics to track and evaluate progress and effectiveness.

The credibility of a company's human rights efforts hinges on having systems in place to ensure the independent verification of programs and progress. At a minimum, companies need to:

- establish systems and approaches for verifying the integrity and accuracy of monitoring data;
- ensure the validity of remediation activities and outcomes; and
- track the impact of programming on root causes underlying human rights issues.

To do this, companies should establish a clear overall approach to monitoring and evaluating their human rights efforts, including the development of key performance indicators (KPIs) to track progress toward targets for their prioritized salient issues. Expectations about impact tracking and verification processes should be communicated to suppliers and other relevant supply chain actors alongside other processes to cascade requirements, and suppliers and other implementing partners should be asked to develop internal monitoring and evaluation frameworks of their own, including key indicators, for use in their public reporting.

In addition, the company should establish a comprehensive assurance framework for verifying the accuracy of the data being reported by suppliers and program implementers related to monitoring, remediation, and prevention of salient issues within their supply chains, as well as other relevant dimensions of their human rights programs, such as improvements in the capacity of suppliers or other implementing partners to manage and address salient issues effectively. Such assurance frameworks will typically include spot checking of a sensibly-designed sample of suppliers and worksites via independently conducted audits, but may also rely upon other strategies for gaining insight into realities for workers, communities, and other affected stakeholders. For example, such spot auditing can be combined with third-party certification, worker communication channels (such as grievance mechanisms, surveys, outreach campaigns, suggestion boxes, etc.), or research collaborations with civil society organizations or research institutions to provide additional insights into on-the-ground realities in workplaces and communities.

Companies are urged to be as transparent as possible about the accuracy of their internal monitoring, remediation, and prevention data, including through disclosure of assessment reports generated by third-party auditors. Additional program integrity can be assured by providing opportunities for public comment on their reports and on all components of company operations. It is also important to ensure that company monitoring and reporting respects data protection and confidentiality standards to ensure that workers and other actors do not suffer from any adverse effects as a result of public reporting.

Success Stories, Case Studies

Many companies choose to include descriptions of signature programs or significant impacts achieved within the reporting period in their public reports. Success studies and case studies offer opportunities for industry actors to bring their efforts to life for the stakeholders who read the reports, and are also an important means for

deepening public understanding of the issues and challenges associated with remedying human rights issues.

Challenges and Lessons Learned

As the work of extending respect for human rights is inherently challenging in complex agricultural supply chains like those of the coffee sector, setbacks, and barriers to progress are inevitable, even within well-designed sustainability and human rights programs. Companies should be transparent about the challenges they have encountered during the reporting period, including those associated with the implementation or effectiveness of their own programs to manage negative human rights impacts.

Challenges or setbacks should always be treated as occasions for learning and improving, and companies should acknowledge any course corrections they anticipate making going forward. If targets or milestones that were previously established publicly have not been met as planned, the company should acknowledge this, explain what factors accounted for or contributed to this failure, and describe plans for renewed and improved efforts to meet the stated objectives within a revised timeframe.

Reports often close with a nod to any forward-looking commitments or new directions anticipated for the program.

Next Steps

As a follow-up to this tool, we recommend your company use the following tools: *Guidance on stakeholder engagement, Coffee sector risk map, Root cause analysis of labor violations in the coffee sector, Sample code of conduct provisions, Guidance on communicating objectives and standards across the supply chain, and Framework for independent verification of ethical sourcing.*

Endnotes

[1] https://www.ungpreporting.org/framework-guidance/

[2] https://www.globalreporting.org/how-to-use-the-gri-standards/resource-center/

[3] http://mneguidelines.oecd.org/oecd-fao-guidance-responsible-agricultural-supply-chains.htm

[4] https://s30882.pcdn.co/wp-content/uploads/2020/09/OG_Reporting_Disclosure_Claims-2020-5.pdf

[5] https://www.ungpreporting.org/resources/salient-human-rights-issues/

[6] https://www.ungpreporting.org/resources/salient-human-rights-issues/

[7] See AFi guidance on reporting on efforts with smallholder farmers (https://s30882.pcdn.co/wp-content/uploads/2020/08/Core_Principles-2020-5.pdf, Box 2)

[8] https://www.globalreporting.org/how-to-use-the-gri-standards/resource-center/

[9] See https://www.dol.gov/ilab/complychain/.