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Summary

In 2007 the Swedish government adopted a set of guidelines mandating all Swedish state-owned companies to conduct a non financial report i.e. a sustainability report that is to be independently verified. The sustainability report is to be in line with the internationally recognized Global Reporting Initiative framework (G3), a framework of guidelines for how to conduct sustainability reports. The framework includes among other aspects the area of human rights. Effective external reporting, the Swedish government argues, is to advance and enforce the companies' work with issues such as human rights.

This thesis specifically investigates to what extent the Swedish state-owned companies' sustainability reports, within the field of human rights (HR), correspond with the HR reporting guidelines in the G3 framework. It is being discussed if the Swedish government should, and if so how, adjust the guidelines for the state-owned companies in order to foster a more qualitative HR reporting by the state-owned companies.

A comparative study between 37 sustainability reports submitted by Swedish state-owned companies in 2009 and the G3 framework has been carried out in order to analyze current trends within human rights reporting. Even though the Swedish government very recently adopted the guidelines clear patterns within the HR reporting can be seen. The HR reporting falls for instance short in comparison with the much more extensive environmental reporting. Worrying is the absence of self-criticism by the companies when reporting the HR challenges the companies might face, i.e. many reports are unbalanced and lack transparency. The HR reporting by the Swedish state-owned companies can therefore, at this point, not be considered being in line with the G3 HR framework. The reasons to such shortcomings are being discussed and suggestions given to how the reporting could become more efficient. It's being argued that it's most certainly not the lack of time to integrate the reporting procedures that have lead to the actual result. Instead I argue that stronger regulations of mandatory character must be integrated with today's voluntary guidelines in order to foster a more qualitative HR reporting, today's "comply or explain" approach should also be looked over. Additionally the lack of demand of knowledge within the field of HR on company managerial level should be overseen.

Sammanfattning

Den svenska staten bedriver affärsverksamhet via ett femtiotal företag av vilka staten äger minst 50% av företaget i 43 av fallen. År 2007 antog den svenska regeringen en rad nya riktlinjer gällande hållbarhetsrapportering för dessa företag. Dessa nya riktlinjer skulle tas i bruk från och med räkenskapsåret 2008. Hållbarhetsrapporteringen, dvs. den icke finansiella rapporteringen av dessa svenska företag ska korrespondera med de riktlinjer som återfinns i Global Reporting Initiatives (GRI) ramverk för hållbarhetsrapportering. GRI:s ramverk syftar till att vägleda företag med deras rapportering inom olika områden, däribland mänskliga rättigheter. Den svenska regeringen menar att en effektiv rapportering av företagets verksamhet i relation till mänskliga rättigheter är av stor vikt för att driva en effektiv och sund hållbarhetsutveckling framåt. Den svenska regeringens beslut, att sätta upp detta ramverk för de statligt ägda företagen, är det första av sitt slag i världen. I uppsatsen granskas initialt och då komparativt i vilken utsträckning som de svenska statliga företagens rapportering inom områden mänskliga rättigheter korrelerar med de riktlinjer som sätts upp av GRI. Sekundärt diskuteras om, och i så fall hur den svenska regeringen skulle kunna justera sina riktlinjer för att effektivisera rapporteringen ytterligare. Ovan frågeställning leder oss fram till mycket intressanta, i vissa fall lätt alarmerande resultat. Ytterst få svenska statliga företag rapporterar på ett självkritiskt och transparent sätt deras inverkan på mänskliga rättigheter. Därutöver tenderar majoriteten av företagen att beskåda eventuella kränkningar av mänskliga rättigheter som en risk främst för företagets ekonomiska expanderings i.e. inte en faktiskt risk för de människor vars rättigheter kränks av företagen. De svenska företagens rapportering kan inte sägas ligga i linje med de krav som sätts upp på rapportering inom området mänskliga rättigheter av GRI. För att en mer effektiv rapportering inom området mänskliga rättigheter ska kunna uppnås diskuteras olika aspekter såsom; effektivare extern verifikation av rapporterna; tvingande regler för rapportering och möjliga sanktioner för utebliven sådan etc.

Preface

I would like to thank my supervisor Radu Mares for his encouraging words and constructive criticism under this journey.

Abbreviations

ESG	Environmental Social Governance
ESRA	European Sustainability Reporting Association
FEE	Fédération des Experts Comptables Européens
FAR SRS	Organisationen för revisions och rådgivningsbranschen
GC	Global Compact
GRI	Global Reporting Initiative
G3	Global Reporting Initiatives latest version of its sustainability reporting framework.
HR	Human Rights
ICCPR	International Covenant on Civil and Political Rights
ICESCR	International Covenant on Economical Social and Cultural Rights
IFAC	International Federation of Accountants
ILO	International Labor Organization
MNC	Multinational Corporations
NRF	Nordiska Revisionsförbundet
TNC	Transnational Companies
UNEP	United Nations Environmental Programme
UNDHR	United Nation Declaration of Human Rights

1 Introduction

1.1 Corporate social responsibility

Globalization is one of the most important issues in contemporary society. The effects of the globalization are numerous and not easily measured. Even though financial benefits spring out from the interconnected world there is increasingly knowledge and evidence that social and environmental priorities often are being left behind, left behind in the shadow of corporate profitability.¹ Due to the impacts of the globalization different corporate codes and guidelines of ethics have emerged.² However it's not until very recently that focus has started to slide, from the State to the corporate sphere regarding who is to bear the responsibility to respect fundamental human rights; the natural environment and in other ways assure that distribution of wealth is in accordance with emerging principles of distributive justice.³ When defining corporate social responsibility (CSR) it does not only concern what companies do in the society, moreover it is a normative and also ideological way defining what companies should be responsible for in the society.⁴ Changing the companies' behavior in the context of corporate responsibility, in order to advance and safeguard a sustainable development, is an increasing and challenging issue. In the World Commission on Environment and Development in 1987 the concept of sustainable development was described in following terms:

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.⁵

In practice however, the way in which “sustainable development” is being understood and worked with is constantly in a process of change. For a long time sustainable development was equal with environmental development. It was first under the 1990s that social aspects became more highlighted in the discourse about business and sustainable development.⁶ However the social aspect of sustainable development was soon about to develop further, entering new areas, focusing upon a wider group of stakeholders.⁷

¹ Andrew Crane and Dirk Matten, *Business Ethics*, (Oxford University Press, Oxford New York 2007) p. 15

² Wesley Cragg, *Ethics Codes, Corporations and the Challenge of Globalization*, (Edward Elgar Publishing Limited, Cheltenham UK 2005) p. 1

³ *Ibid*, p. 2

⁴ *Supra* note 1, p. 6

⁵ Report of the World Commission on Environment and Development, A/RES/42/187, <www.un.org/documents/ga/res/42/ares42-187.htm>

⁶ *Supra* note 1, p. 27

⁷ *Supra* note 1, p. 27

1.2 Human rights and business

Even if there still are persons and companies claiming that governments, not companies, should be the only guardian of human rights, this is a standpoint becoming more and more criticized and out of date. At the same time the acceptance from the corporate sphere that also they have to respect human rights within their sphere of influence is on advance.⁸ Several factors advocate the corporate sectors responsibility within the area of human rights. Examples of these advocating standards can be found within; UNHCR calling for “every organ of society to respect human rights”;⁹ OECD guidelines for Multinational Enterprises¹⁰; ILO Tripartite Declaration¹¹; UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to Human Rights etc.¹² The largest corporate citizenship and sustainability initiative, the UN Global Compact, today includes more than 7700 corporate participants in more than 130 countries. These companies have signed up upon norms such as:

“Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.”¹³

When the United Nations Special Representative of the Secretary General on Business and Human Rights, John Ruggie, in 2008 presented his framework addressing human rights and business, he highlighted three principles upon which the framework is built:

- “the State duty to protect against abuses committed by third parties, including businesses,

⁸ *Supra* note 2, p. 5-8

⁹ The Universal Declaration for Human Rights, <www.udhr.org/UDHR/default.htm> accessed the 7 of June 2010

¹⁰ OECD Guidelines for Multinational Enterprises, <www.oecd.org/dataoecd/56/36/1922428.pdf> accessed the 30 of June 2010

¹¹ Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, ILO Geneva 2006,

<www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_094386.pdf> accessed the 30 of June 2010

¹² Norms on the Responsibilities of Transnational Corporations and other Business Enterprises with regard to Human Rights, E/CN.4/Sub.2/2003/12/26 August 2003,

<www.unhcr.ch/huridocda/huridoca.nsf/%28Symbol%29/E.CN.4.Sub.2.2003.12.Rev.2.En> , accessed the 30 of June 2010

¹³ *The ten UN Global Compact principles*

<www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html> accessed the 23 of February 2010.

- the corporate responsibility to respect all human rights,
- the need for greater access by victims to effective remedy, judicial and non judicial”¹⁴

If a company wants to promote itself as a company taking the social sustainability issues seriously there are few principles so internationally accepted as Ruggie’s international human rights framework.¹⁵

Today the demand of corporate human rights accountability comes from several actors; NGO’s; consumers; investors and employees etc. Today’s generation of young employees increasingly demand that the company they work for demonstrate that they take a human rights responsibility. And not only socially responsible investors, but also main stream investors insist that their money doesn’t support any HR violations. Major NGO’s such as Amnesty International and Human Rights Watch have, in the “aftermath” of the globalization, realized that increased focus needs to be put on business actors sometimes having more influence and controlling more money than entire states, businesses affecting the human rights of millions of persons.¹⁶

1.3 Swedish State-owned companies

The Swedish State conducts businesses via a number of state-owned companies. Since the State has ratified several international human rights (HR) conventions and declarations it is under the State’s responsibility to ensure that its companies are not involved in any human rights violations.¹⁷ One way in which the Swedish State has chosen to take action in order to fulfill this responsibility is by mandating the state-owned companies to each year conduct a non financial report i.e. a sustainability report that is to be independently verified. This governmental decision was taken in late 2007 and the companies were to begin reporting at latest in 2009.¹⁸

¹⁴ *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 enterprise, Johan Ruggie. (A/HRC/8/5, 7th of April 2008) <www.reports-and-materials.org/Ruggie-report-7-Apr-2008.pdf> accessed the 8 of June 2010.

¹⁵ *Why all companies should address human rights*, Business and Human Rights Resource Center, <www.cca-institute.org/pdf/avery_business%26humanrights.pdf> accessed the 4 April 2003. p. 3

¹⁶ *Ibid*, p. 4

¹⁷ *State owned Companies and Risks of Human Rights Violations* p. 3 pp, Amnesty Business Group 2006, <www.amnestybusinessgroup.se/Filer/Sveaskog.pdf> accessed during Mars 2010

¹⁸ *Guidelines for external reporting by state-owned companies*, Ministry of Enterprise Energy and Communication, <www.sweden.gov.se/content/1/c6/09/41/25/56b7ebd4.pdf>

The sustainability report is to be in line with the internationally recognized Global Reporting Initiative framework, a framework of guidelines for how to conduct sustainability reports.¹⁹ The framework includes among other aspects the area of human rights. Effective external reporting is meant to advance and enforce the companies' effort to both safeguard and promote human rights within its sphere of influence. The Swedish government's decision to demand this type of non financial information in accordance with GRI's G3 is the first decision of its kind in the world.²⁰

1.4 Research questions

This thesis specifically investigates HR reporting with reference to the G3 framework (Global Reporting Initiative's latest version of its sustainability reporting guidelines) from the perspective of sustainability reports submitted by Swedish state-owned companies in 2009. The thesis is centered around two main questions:

- To what extent do the Swedish state-owned companies' sustainability reports, within the field of HR, correspond with the HR reporting guidelines in the G3 framework?
- Should the Swedish government, and if so how, adjust the guidelines for the state-owned companies in order to foster a more qualitative HR reporting by the state-owned companies?

1.5 Importance of subject

1.5.1 Identifying both risk and progress

Human rights' reporting is in its very initial phase. Several international as national initiatives are being taken in order to advance the human rights reporting within the context of sustainability reporting. If we can better understand the meaning of HR-reporting we can better understand the way in which the companies act. Reporting is meant to be a tool in order for us to analyze the social responsibility of the company, but also a tool for the company to improve its work in relation to sustainability issues.

¹⁹ G3 Guidelines (English version)

<www.globalreporting.org/ReportingFramework/ReportingFrameworkDownloads/>

²⁰ Lars-Olle Larsson and Fredrik Ljungdahl, *Licence to Operate* (Ekerlinds Förlag, Falun 2008) p. 34

1.5.2 Swedish state-owned companies at the leading edge?

One of GRI's current priorities is to advance the HR-reporting within the corporate sustainability reporting. The main objective is to help companies understand the importance of reporting their work with and influence upon human rights.²¹

Maud Olofsson, Sweden's Minister of Enterprise and Energy stated:

“Both state-owned and private companies bear a responsibility for matters concerning social responsibility and sustainable development. We want to be able to follow up the work of the companies. For us, it is self-evident that the state-owned companies should set an example and be at the leading edge in these fields, and we know that accounting and reporting are tools to drive these issues forward”²²

The government's decision, mandating the state-owned companies to report upon non financial information such as human rights by following the GRI guidelines, is the first decision of its kind in the world. Does the reporting by the state-owned companies allow us to “follow up the work of the companies” and can we consider the state-owned companies being at the “leading edge” in the field of HR reporting and development like above minister says is self-evident?

1.5.3 HR reporting by Swedish companies

Sweden and Swedish companies are not hastily associated with HR violations. I therefore consider it very interesting investigating these companies and their relation to human rights when there is a limited external pressure and demand for transparency within this area. Do the companies demonstrate a willingness to criticize themselves, analyze and investigate the human right challenges they face?

²¹ <www.globalreporting.org/CurrentPriorities/HumanRights/>

²² *Clearer requirements for information about sustainability for state-owned companies*, Press release 03 December 2007 Ministry of Enterprise, Energy and Communications <www.sweden.gov.se/sb/d/8194/a/93506>

1.6 Scope and limitation

The Swedish State has owner interests in 54 companies. Out of these companies the State owns at least 50 % in 43 cases. Of these companies 6 have not published any sustainability report/not published a report outspokenly in line with the G3 framework. This leaves us with 37 companies where the State owns at least 50% and where the company has provided a sustainability report in line with the G3 framework that also has been externally verified.²³

I have consequently not studied companies who don't submit their reports in line with GRI neither reports that have not been externally verified. The reasons why a company is not submitting a report in line with GRI might depend on various reasons. This thesis is not meant to analyze the non existence of reports but instead investigate the cases where sustainability reports have been submitted and thereby a certain amount of responsibility being taken. The focus of this thesis is whether this "responsibility" matches the G3 guidelines and the Swedish government's guidelines within the relevant field, human rights reporting. It is therefore out of above 37 companies that I have chosen which reports to study. Even though a clear pattern within the HR reporting could be seen at an early stage all 37 reports have been read. Out of these 37 reports 15 have been picked out aiming at providing an objective picture of the current HR reporting trends.

The target group represents companies from all different sectors of the State owned companies, differentiating themselves on the grounds of: field of business; size of company (measured in annual total net revenue); companies working within field both known as unknown for facing HR challenges. The list of companies which sustainability reports have been studied is to be found in the appendix.

1.7 Methodology

The outcome of this thesis is the result of a comparison between a qualitative study of a number of sustainability reports submitted by state-owned companies in 2009 and existing rules and guidelines in the G3 framework as well as the guidelines adopted by the Swedish government regarding external reporting in 2007. Initially a descriptive part has focused upon understanding the reasons behind the guidelines that the Swedish government adopted. In order to do that the document "Genomlysning av de statligt ägda företagens hållbarhetsredovisning/Investigation of the state-owned companies sustainability reporting" played a key role.

²³ 2009 års redogörelse för företag med statligt ägande, Regeringens skrivelse Skr 2008/09:120, p. 39

The Swedish state-owned companies should provide, the extent depending on various circumstances, information about human rights in relation to the impact the companies cause. This information is being provided in line with different principles, profile disclosures and human rights indicators within the G3 framework. The majority of the G3 principles have been addressed. The choice of profile disclosures was done based upon what I found most relevant in relation to known shortcomings related to human rights reporting. I have screened for information in relation to all G3 HR indicators.

The screening work was done in the following way:

First I searched the reports for key words such as “human rights, GRI, HR indicators” etc. What I found was then, if possible, linked to the G3 HR indicators, profile disclosures and principles. If the HR info I found could not be sorted to one of these groups it was put in an “other HR info” section. Thereby I made sure that all info from the reports having anything to do with human rights should be taken into account and consideration. Secondly the different topics from the G3 human right indicators H1 to H9 was looked for within the reports. For instance: “subcontractors, discrimination, freedom of association, child labor, forced labor, education” etc. Most part of the reports had a GRI index, sometimes helpful, sometimes misleading, in order to find this information. The above method is equivalent with the one used by Roberts Environmental Center on behalf of GRI scrutinizing 60 sustainability reports from the Fortune Global 500 companies.²⁴

²⁴ *Reporting on Human Rights*, A survey conducted by the GRI and the Roberts Environmental Center, available at: <www.globalreporting.org> pp. 6-7

2 New guidelines adopted by the Swedish government

In 2007 the Swedish government adopted a new series of guidelines for external reporting by state-owned companies. The guidelines specifically addresses in which manner the companies should provide reports regarding their sustainability performance. The framework is meant to supplement the already existing legal framework such as; the Companies Act, the Bookkeeping Act and the Annual Accounts Act.²⁵ The new guidelines were to be adopted from the financial year 2008²⁶

2.1 The necessity of a new framework

2.1.1 2007 European Sustainability Reporting Association report for Sweden

In the year of 2007 ESRA provided its yearly report submitting and concluding the level of sustainability reporting within Sweden. The report was published in the end of the year and includes data until the break 2007/2008.²⁷ The report concludes that even if sustainability reporting is increasing by Swedish companies there is still a low number of companies submitting the reports. The same conclusion was drawn regarding companies reporting in line with GRI's recommendations including the external verification. However a trend was seen, in 2007, that Swedish companies' interest in adopting the GRI was increasing, especially the new "G3" version of the rules seemed to be well met.²⁸

2.1.2 SFF:s Recommendation of Corporate Responsibility -08.

In October of 2007 the SFF presented its recommendation on corporate responsibility saying that the Swedish companies should either have a sustainability report included within the annual report or submit a separate sustainability report and publish it on the company's website. SFF has a

²⁵ Guidelines for external reporting by state-owned companies, Swedish Cabinet Office, Ministry of Enterprise, Energy and Communications, available at: <www.regeringen.se>

p 1

²⁶ Ibid

²⁷ *Supra* note 20, p. 28

²⁸ *Ibid*, p. 29

significant influence upon the corporate sector concerning not only financial reporting but also the development of sustainability reporting.²⁹

2.1.3 The Accounting Modernisation Directive 2003/51EC

The EU modernization directive was inserted in the Swedish annual accounts act entering into force in 2006. The directive states that non financial information has to be taken into the administration report when so needed in order to understand the development of the company:

“To the extent necessary for an understanding of the company's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters;”³⁰

The directive aims at all Swedish companies listed on the stock exchange market but surely has an influence upon all Swedish companies.³¹

2.1.4 Review of the the Swedish State-owned companies.

In the beginning of 2007 the Swedish cabinet office presented its review/analysis of state-owned companies' sustainability reporting tradition. The review per se had been outsourced to Öhrlings Pricewaterhouse Coopers and Samhällsnytta AB. As a consequence of this review the Swedish government, in November 2007, adopted the guidelines for external reporting by the state-owned companies.³²

2.2 Content of the review

The purpose of the review was partly to create a platform out from which knowledge of best practice regarding sustainability reporting could be spread. Secondly a constructive discussion on how the company is acting/should act from the public welfare- and citizen perspective was to be held.³³ The authors share their views about how the demands upon

²⁹ *Supra* note 20, p. 331

³⁰ Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings.

<<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:178:0016:0022:EN:PDF>> Accessed the 7 of June 2010. Para 14

³¹ *Supra* note 20, p. 34

³² *Supra* note 20, p. 35

³³ *Genomlysning av de statligt ägda företagens hållbarhetsredovisning*, 2006, Article nr: N7015, available at: <www.regeringen.se> p. 3

company behavior has changed rapidly only within the last ten years. An increasing number of companies have understood the value in communicating the codes of conduct of its business, and there is an increasing understanding of the importance of sustainability reporting.³⁴

However, the review expresses a “traditional” concern over the lack of responsible leadership, a factor hindering the development of efficient sustainability reporting. Even if there is a structure within the company embracing and enabling qualitative sustainability reporting, it all falls short when there is a lack of willingness taking responsibility from the top managerial level. At the same time, if the company’s leaders are to make responsible decisions, embracing a sustainable development, they need qualitative reports.³⁵ There are of course scenarios where company leaders are striving to take a clear corporate responsibility. When doing that they consequently are very much dependent upon different reports. The review then highlights the effect that the basic data has for these decision makers, especially in a field not very known to many of them, sustainability reporting and human rights.³⁶ There is accordingly a catch 22 within this process. Managers need qualitative transparent sustainability reports to make decisions embracing a sustainable environment, at the same time managers not being interested in such process will most probably cause the effect that no such reports will be produced.

A recurring question in the review is to what extent the general public and as well the Swedish parliament, when looking into the companies’ sustainability reports, can understand them and create a balanced opinion about the companies acting. The review however doesn’t specifically try to answer that question.

Facing the HR issues the review refers to the “State’s owner policy” where it’s specifically emphasized that it’s most important that companies acting in countries known for HR violations have a very clear HR policy. The review shows that there is a shortage of Swedish state owned companies reporting upon possible HR violations.³⁷ In connection with the review a screening was done where points were given out to the companies successfully demonstrating indicators in different fields within the area of sustainable development. The field measuring in which way the company works with human rights, which risks the companies might be taking, and to what extent the company observes the UN conventions – was the field where lowest number of points were given out.³⁸

The main observations done from the review can be summarized:

³⁴ *Ibid*, p. 11

³⁵ *Ibid*, p. 3

³⁶ *Ibid*, p. 8

³⁷ *Ibid*, p. 8

³⁸ *Ibid*, p. 9

- At the time of the review there was a huge variety regarding the quality of the sustainability reporting done by the Swedish state-owned companies.
- Additionally there is also a great variety of will and knowledge among the leaders making the decisions affecting the development of the sustainability reporting/human rights reporting.
- Concerning Human Rights reporting, there is an overall shortage of companies reporting the HR challenges the company is facing. There is consequently a shortage of companies having a well worked out plan which actions to take in order to execute and improve the work with HR related issues.

The drafters of the review express the very obvious need of forming/adapting to a clear and uniform system for sustainability reporting applicable for all types of state-owned companies. The drafters further recommend that companies, possibly together with a 3rd part, should try to put a price upon the social responsibility missions related to their businesses, doing that it will be easier for them to balance social responsibility missions with the demands for economical returns. That will also develop a competitive momentum, different actors striving for delivering the best and most effective solutions on how the companies can take their social responsibility.³⁹ Global Reporting Initiative, and more specifically the G3 guidelines, takes the central part in the review when the authors are discussing sustainability reporting frameworks. G3 being the third generation of GRI guidelines distinguishes itself by strongly recommending the companies to have their sustainability reports independently verified.⁴⁰ The authors consequently affirm the G3 guidelines being the best established framework for sustainability reporting.

When the Swedish government presented the guidelines, it also addressed the vision it had when embracing the new rules. The Swedish state owned companies should set an example for how a company ought to be run that embraces transparency, good order and active ownership. The reporting itself should become a useful tool for both the State as well as stakeholders in order to address, follow-up and evaluate the companies' sustainability activities.⁴¹ The government wanted to incorporate public trust but also set an example, become a role model, with the intention to advance the sustainability reporting within the private sector.⁴² The bottom line, the guidelines are meant to clearly progress the work with the sustainability reporting, that in its turn driving forward the work with sustainable development.

³⁹ *Ibid*, p. 10

⁴⁰ www.grig3.org

⁴¹ *Supra* note 33, p. 1

⁴² Stefania Lampridini and Naoko Kubo, *The Global Reporting Initiative and Public Agencies*, (Public Money & Management, December 2008) p. 327

2.2.1 Scope, application and conditions

The Swedish State has owner interests in 54 companies, 39 of them are wholly owned and 15 are partly owned.⁴³ In cases where the State is not the only owner the government is to, in consultation with other owners, lobby for the guidelines to be adapted.⁴⁴ The boards of the state-owned companies are responsible to present sustainability reports in line with the GRI's guidelines (G3). The G3 guidelines per se are explained in below chapter. Below selection is taken from the guidelines and encompasses the sustainability report the company should provide, i.e. this is the way in which the Swedish government summarize the essence of the sustainability reporting based upon the G3 guidelines:

“A sustainability report in accordance with the GRI guidelines shall be published on the respective company's website in conjunction with publication of the company's annual report. The sustainability report can either be a separate report or an integrated part of the annual report document. According to the GRI guidelines, a sustainability report shall include, for example:

- A report and brief analysis of the sustainability issues considered as important for the company and the reasons for this.
- A clear report of risks and opportunities taking into consideration sustainability issues, in particular those non-financial risks and opportunities that are needed to understand the company's development, performance and position.
- A clear report of the stakeholder analysis and stakeholder dialogue with a view to identifying and taking a position on significant risks and opportunities taking into consideration sustainability issues for the company's most important stakeholders.
- An account of the company's strategies and adaptation to the requirements for sustainable development and how the strategy and adaptation affects the company's results and position now and in the future.
- A report on the positions adopted by the company in its own policy documents and in the form of international conventions, such as the UN Global Compact.
- An account of how active sustainability work is pursued with objectives, action plans, allocation of responsibility, education and training and control and incentive systems for follow-up.
- A clear report on results and objectives based on selected performance indicators. These shall be complemented by explanations in the body of the text that explain the outcome in relation to the objectives together with a report on new objectives.
- Accounting principles that clarify the company's points of departure for the report and the delimitation of the same.

⁴³ *Supra* note 33, p. II

⁴⁴ *Supra* note 33, p. 2

- The sustainability report shall be quality assured by independent scrutiny and assurance. The date for publication of the report shall be in compliance with the reporting cycle for the annual report.”⁴⁵

The extent to which the companies are obligated to follow the guidelines is regulated with the principle “comply or explain”. This means that a company is allowed to deviate from them, however an explanation and justification is to be given to why the company departs from the rules.⁴⁶ Even if there is a loss in enforceability it is argued there is a gain in applicability. The “comply or explain” model allows all companies to be subjected to the rules, independently size and types of industry.⁴⁷ This issue will be discussed further below. It is accordingly the board of the companies that is responsible for presenting the sustainability reports being “in line” with GRI guidelines. What is noteworthy is that it’s expressly demanded that the Swedish companies, the boards, are to follow all types of changes and updates within the GRI framework. Hence, there are to be no delays from the Swedish companies following any developments of the GRI framework. And if there is, as with other deviations, an explanation should be given why.⁴⁸

⁴⁵ Guidelines for external reporting by state-owned companies, Swedish Cabinet Office, Ministry of Enterprise, Energy and Communications, available at: <www.regeringen.se> pp. 3-4

⁴⁶ *Ibid*, p. 2

⁴⁷ *Ibid*, p. 2

⁴⁸ *Ibid*, p. 2

3 Global Reporting Initiative

The Global Reporting Initiative is a multi-stakeholder non-profit organization developing sustainability reporting framework for companies all over the world. Today the G3 reporting framework is considered the leading and best known template for voluntary sustainability reporting for companies. More than 1000 companies are using the G3 guidelines when submitting their sustainability reports and several more refer to them/use them to a certain amount of extent.⁴⁹ The values within GRI can be traced back as far as the 1970s in the US. At that time the consumer, investor and shareholder activism was emerging, later conceptualizing into notions such as CSR.⁵⁰ Then different movements and developments addressed different actors within the society, different actors all playing their part in the process of forming a sustainable development. When the first version of GRI was conceived in 1997, a clear multi stakeholder approach had been adopted with the main purpose of balancing the interests of the different groups of societal actors.

3.1 Purpose

The Global Reporting Initiative generates an international reporting framework for organizations to report upon their economic, environmental and social performance.⁵¹ Public disclosure and transparency plays the central role in the reporting process. The main purpose with the G3 framework is to stimulate and advance the work with sustainability issues by companies/organizations, the reporting procedure is meant to catalyze such development.⁵²

The G3 guidelines support the companies work to:

- measure its performances
- present its performances
- taking responsibility towards stakeholders⁵³

⁴⁹ www.globalreporting.org

⁵⁰ Halina Szejnwald Brown *et al.* *The Rise of Global Reporting Initiative: a case of institutional entrepreneurship*, (Taylor and Francis 2009) p. 183

⁵¹ Stefania Lampridini and Naoko Kubo, *The Global Reporting Initiative and Public Agencies*, (Public Money & Management, December 2008) p. 326

⁵² *Ibid*

⁵³ G3 Guidelines (English version)

<www.globalreporting.org/ReportingFramework/ReportingFrameworkDownloads/>

p. 2

3.1.1 Multi stakeholder philosophy

In order to create the best prerequisite for the companies to apply the guidelines they are based upon a mutual understanding of what numerous stakeholders consider are key sustainability issues. Main actors among the stakeholders are: companies, investors, employees, NGO:s, accountants, representatives from the academic world etc.⁵⁴ The multi stakeholder philosophy aims at creating a framework which can be used by all types of companies. It shouldn't matter whether the company has a high or low revenue, is based in a developing country or not etc.⁵⁵ The idea is that regardless who is applying the framework the consequences will always turn out positive, whether it is by increased credibility, energy savings or more efficient relations with suppliers etc.⁵⁶

In many situations stakeholders might have very strong and demanding expectations upon how companies are to perform their human rights reporting. If the businesses truly comply with the G3 framework the idea is that these demands should be satisfied since the framework also is based upon this "demanding" group of stakeholders' expectations. Of course tradeoffs have been made in order to bring such a heterogenic group of organizations together but the compromises that have had to be made are mutual i.e. from both companies as NGO:s/other stakeholders, that's at least the objective.⁵⁷

⁵⁴G3 Guidelines (English version)

<www.globalreporting.org/ReportingFramework/ReportingFrameworkDownloads/>

p. 3

⁵⁵ *Ibid*

⁵⁶ Stefania Lampridini and Naoko Kubo, *The Global Reporting Initiative and Public Agencies*, (Public Money & Management, December 2008) p. 326

⁵⁷ *A Resource Guide to Corporate Human Rights Reporting*, p. 8

www.globalreporting.org/humanrights accessed during Jan to May 2010. 8

3.2 The Framework

Different principles, indicators, and profile disclosures have been developed in order to define the content of the companies' reports and to secure the quality of the reported information.

3.2.1 Defining the content of the report

The international HR framework is enormous and if a company would have to provide reporting in relation to all regulations it would be an overwhelming task. Two important reference points that are meant to help the company when defining the content of the reports are:

- the organizations purpose and experience must always be considered
- the expectations and interest of the stakeholders must be considered ⁵⁸

The company is to identify which areas and which indicators and profile disclosures that are relevant and should be accounted for. When conducting such procedure there is further guidance for the company to apply, for instance the "principle of materiality". This principle means that a company should report upon an issue if it's important in order to reflect the company's economical, environmental and social effect, or if it has a relevant impact upon a stakeholder. Both external as well internal factors must be taken into consideration when deciding which info that is considered relevant. This could mean that the company considers to what extent it influences the supply chain and its customers. For instance, if the companies influence/impact upon human right issues in relation to the company's subcontractors is significant the company is to report upon the matter. The reporting is then done by answering up to a certain HR indicator dealing with the issues of subcontractors and human rights. However information about the companies' way dealing with human rights issues in relation to its subcontractors can also be provided via different profile disclosures. There are for instance profile disclosures where the company should report upon which main risks it faces and which opportunities that exist within the human rights field. The company could then/should then report upon the issue with human rights in relation to its subcontractors and demonstrate which measures it plans to take in order to take responsibility.

⁵⁹

⁵⁸ G3 Guidelines (English version)

<www.globalreporting.org/ReportingFramework/ReportingFrameworkDownloads/>

p. 7

⁵⁹ *Ibid*

The reporting company is moreover recommended to demonstrate in which way it has taken its stakeholders into account when deciding the scope of the reports.⁶⁰ The reporting company should explain how it has responded to the “reasonable expectations and interests”⁶¹ of the stakeholders. A serious and well elaborated sustainability report should further give the impression of being a “living” document i.e. in a process of constant improvements, constantly providing up-dated information.

3.2.2 Defining the quality of the report

There are some principles within the G3 framework explicitly developed for one reason – to achieve transparency. Decisions related to the process of preparing the report as well as the presentation per se of the report should be consistent with the principles. Hence, the observance of the principles is fundamental for a qualitative report which then also enables the various stakeholders to make correct assessments and take appropriate actions.⁶² The Swedish state-owned companies are therefore to follow below explained principles when addressing and reporting upon issues concerning human rights.

Balance

The sustainability report should describe both positive and negative aspects of the company’s work with and impact upon sustainability. This means that the company should strive for a neutral report not trying to influence the reader in one way or the other.

The G3 framework sets up a “balance test”:

- “The report discloses both favorable and unfavorable results and topics.
- The information in the report is presented in a format that allows users to see positive and negative trends in performance on a year-to-year basis.
- The emphasis on the various topics in the report is proportionate to their relative materiality.”⁶³

⁶⁰ G3 Guidelines (English version)

[<www.globalreporting.org/ReportingFramework/ReportingFrameworkDownloads/>](http://www.globalreporting.org/ReportingFramework/ReportingFrameworkDownloads/)

p. 7

⁶¹ *Ibid*, p. 8

⁶² *Ibid*, p. 13

⁶³ *Ibid*, p. 13

Accuracy

The reported information is to be both correct and detailed. The purpose is that the different stakeholders should be able to measure and value the information.

The G3 framework sets up an “accuracy test”:

- The report indicates data that has been collected
- The techniques that were used to collect the data are described
- “The margin of error for quantitative data is not sufficient to substantially influence the ability of stakeholders to reach appropriate and informed conclusions on performance.”
- The qualitative statements are based upon reliable grounds ⁶⁴

Clarity

The reported material should both be easy to access as well as easy to understand for the different type of stakeholders it addresses. One should be able to find the info you look for without having to make an unnecessary effort. It should not be required to have more than “reasonable” knowledge about the company in order to understand the report.

The G3 framework sets up a “clarity test”:

- The information is relevant to what the stakeholders require i.e. not including unessential info and details.
- The info you look for is easy to find, for instance via a well developed list of contents, links etc.
- There is no unnecessary use of technical/academically language and if so there are given explanations to these words
- The information is accessible for person with certain demands of accessibility, for instance in other languages, other techniques etc. ⁶⁵

⁶⁴ G3 Guidelines (English version)

[<www.globalreporting.org/ReportingFramework/ReportingFrameworkDownloads/>](http://www.globalreporting.org/ReportingFramework/ReportingFrameworkDownloads/)

p. 15

⁶⁵ *Ibid*, p. 16

Reliability

The information that has been gathered in the report, as well as the methods used, should be done in such way that they can be verified by a third party. The purpose is that the stakeholders should feel confident in that a third party verification actually was done based upon material that could be verified by a third party.

The G3 framework sets up a “reliability test”:

- The scope and extent of the external verification is described.
- The company know/explain the original sources of the info in the report
- The company can describe and prove, if that is the case, how they have made more advance presumptions

3.2.3 Profile disclosures

The reporting company is to provide information in accordance with different profile disclosures setting the overall context for understanding the company’s performance. To which extent the company is to provide such information depends upon the level of reporting however some of the profile disclosures are mandatory for all reporting companies. Below presented profile disclosures are chosen with the purpose to best understand the level of human rights reporting. The numbers: 1.1, 1.2, 3.13, and 4.7 correspond with the G3 framework.⁶⁶

1 Strategy and analysis

1.1 A leading decision maker within the company is to make a statement regarding the relevance of sustainability to the company and its strategy.

The companies’ vision and strategy regarding its most crucial challenges within the economical, environmental and social context should be described. Strategically prioritizations should be made in line with internationally accepted norms.⁶⁷ Profile disclosure 1.1 is to be addressed by all reporting companies.

⁶⁶ G3 Guidelines (English version)

<www.globalreporting.org/ReportingFramework/ReportingFrameworkDownloads/>

pp. 20-23

⁶⁷ *Ibid*, p. 20

1.2 Description of main impact, risks and opportunities.

This criterion comes on B reporting level however potential risks should be addressed by all companies due to the G3 principles.⁶⁸ Regarding human rights it's relevant knowing to what extent the company describes that it causes an impact upon human rights within its sphere of influence. Has the company highlighted any special HR risks and challenges? Is the company describing what possibilities it has working with HR issues etc.? When describing the impacts, risks and opportunities "reasonable expectations and interests" of the companies stakeholders should be accounted for.⁶⁹

3.13 Verification of report

On B level the company should describe its policy regarding external verification of the sustainability report. This includes an explanation of the relation the company has with the verifier/accountant. The scope and basis of the external verification should also be explained.⁷⁰

4.7 Expertise of board members

On B level the company should describe which routines it has in order to set the standard of qualifications/expertise that its board members should have within the, for instance, social field/human rights.⁷¹ The relevance of lifting this profile disclosure is high with regard to the outcome of the review that led to the Swedish government's guidelines. In the review the importance of having knowledge of environmental and social issues on managerial level, in order to produce qualitative sustainability reports, was considered crucial.

3.2.4 Disclosure on HR management approach.

In order to fully understand how a company addresses a specific issue, such as human rights, the company is provided with a tool in order demonstrate its performance.⁷²

The human rights section in the G3 framework requires companies to indicate:

⁶⁸ G3 Guidelines (English version)

<www.globalreporting.org/ReportingFramework/ReportingFrameworkDownloads/>

p. 20

⁶⁹ *Ibid*

⁷⁰ *Ibid*, p. 22

⁷¹ *Ibid*, p. 23

⁷² *Ibid*, p. 19

- to what extent has human rights been considered when the company is doing investments and choosing contractors/subcontractors.

- to what extent human rights education is giving to the personal within the company

Progress/status of the companies HR work should be reported upon regarding:

- discrimination
- freedom of association
- child labor
- minority rights
- forced labor

For companies reporting on B and A level there are additional requirements:

- define human rights goal for its activities in relation to below declarations/conventions.
- set up a human rights policy defining the HR commitments of the company
- specify the head of charge regarding human rights in the company.
- describe how actions are taken in order to increase HR education
- describe how HR projects are being monitored and followed up.
- explaining earlier success and failures in relation to human rights
- explaining essential HR risks and possibilities ⁷³

Within the G3 Human Rights section below conventions and declarations are recognized and referred to within the framework:

- UNDHR with additional protocols
- ICCPR
- ICESCR
- ILO:s core conventions

74

⁷³ G3 Guidelines (English version)

<www.globalreporting.org/ReportingFramework/ReportingFrameworkDownloads/>

p. 32

⁷⁴ *Ibid*

3.2.5 G3 HR indicators

The aim with the HR indicators is to disclose the impact that the company has upon the human rights of its stakeholders. International standards such as UDHR form the base of the indicators. The indicators are meant to create comparable HR data upon core human rights standards.⁷⁵ It is only on B level that company is required to report upon a human rights indicator specifically, and it does not have to be more than one HR indicator. At C level the company is required to report on at least one indicator in the social context meaning that it could be a HR indicator, however it's no requirement. On A level all HR indicators should be reported upon, if that is not done there should at least be given an explanation to why there is no such reporting. The human rights indicators examines HR issues within the field of: investment and procurement practices, non-discrimination, freedom of association and collective bargaining, child labor, forced and compulsory labor, security practices and indigenous rights.

The HR indicators are to be found in the appendix.

3.2.6 Reporting levels

When a company is to apply the G3 framework it has to decide which level it will report in accordance with. Companies new to the guidelines commonly start on a lower level with the possibility to later advance its reporting. Hence, a company clearly needs to explain the extent of its reporting but there are no mandatory norms forcing it to report on a certain level. The different levels are: C, B and A where A means a higher level of reporting standard. Additionally a "+" can be added to each level with the significance that the report is verified by a third party.⁷⁶ Hence, the company itself estimates which level of reporting it's applying. Thereafter it can choose one or both of the following alternatives in order to verify that it has chosen the adequate level;

- consult a third party giving its opinion about the companies' choice of level.

- have GRI to control the level the company has chosen.⁷⁷

⁷⁵ Human Rights performance indicators, available at:
<www.globalreporting.org/NR/rdonlyres/841674AC-6CDE-43B9-BD2C-EA34AF253FE6/0/G3IndicatorProtocolHumanRightsFSSSFinall.pdf>

⁷⁶G3 Guidelines (English version)
<www.globalreporting.org/ReportingFramework/ReportingFrameworkDownloads/>

p. 5

⁷⁷ *Ibid*, p. 6

When it comes to HR reporting, as mentioned above, the C level reporting company is not specifically required to report upon any HR indicators. The C level company is however required to report upon profile disclosures like “strategy and analyze” and here relevant HR information should be disclosed. On B and A level the requirements increase, the companies are required to report upon HR indicators, management approach disclosures for the HR category should be provided and more profile disclosures are applied where relevant HR info should be disclosed.

A scheme demonstrating the different reporting levels with corresponding requirements is to be found in the appendix.

The Swedish state-owned companies’ responsibility to report upon HR related issues must be considered extensive. The above explained “principle of materiality” means that if a company causes any impact upon human rights to the extent that it reflects the companies social effect it should be reported. The same goes if the company causes a relevant impact upon the human rights of a stakeholder. The principles created to strengthen the quality of the reporting should result in that the human rights info presented by the company is transparent and self critical. The selected profile disclosures should provide us with relevant info regarding to what extent human rights is being taken into account on the managerial level, which human rights risks the company considers most challenging and which strategies the company has developed to advance its HR work. Moreover the HR indicators should provide info about specific HR issues and how the companies work with them. If the companies don’t comply with providing the relevant HR info an explanation should be given why.

4 Current human rights reporting

Even if sustainability reporting in general is on advance many companies still struggle trying to understand how their business should define, embrace and report upon the issue of human rights. Viewed from a historical point of view human rights as an established concept is rather new, emerging after the Second World War.⁷⁸ Sustainability reporting started its journey for only around 25-35 years ago initially mostly focusing upon environmental issues.⁷⁹ Looking specifically at human rights reporting, being a limited part of the sustainability reporting concept, one understands that its development is just in its very beginning. The development however looks interesting and several initiatives are taken in order to catalyze that process.

One of these initiatives, and maybe the most prominent one, is the effort called: “ Human Rights: A Call to Action”. In 2008, the UDHR turned 60 years and as a consequence the effort was initiated in order to further advance the promotion of human rights. It was formed by GRI, UN Global Compact and Realizing Rights.⁸⁰ The main objective is to:

-improve the quality of companies’ human rights reporting.⁸¹

Generally within today’s sustainability reporting there is a shortage of companies presenting strong overall HR reporting coverage. However many companies are reporting upon specific HR issues, issues most obviously related to the business of that specific company. That is one of the conclusions drawn from an independent review undertaken by the initiative of the GRI, UN Global Compact and Realizing Rights.⁸²

There is a clear pattern in which areas within the HR reporting where companies tend to fall short on their reporting as well as areas often complied with. Commonly companies don’t provide balanced or complete reports, the first usually meaning that there is a shortage of negative aspects the latter that there often can be a gap between the performance data the company is providing and the data describing the impacts of such performances. Another and most relevant concern is the manner in which the companies’ reports are being verified/accounted for by a third party.

⁷⁸ <www.ohchr.org/EN/Issues/Pages/WhatareHumanRights.aspx>

⁷⁹ <www.sustreport.org/background/history.html>

⁸⁰ *Ibid*

⁸¹ *A Resource Guide to Corporate Human Rights Reporting*, p. 5 available at: <www.globalreporting.org/humanrights> last time accessed 15th of May 2010.

⁸² Elisabeth Umlas, *Corporate Human Rights Reporting: An Analysis of Current Trends*, 2009, available at: <www.globalreporting.org/humanrights> pp. 1-3

Accounting firms performing this task usually have both little experience and knowledge within the field of human rights.⁸³

Earlier screenings done of companies sustainability report, specifically looking into the HR reporting, shows that often various stakeholders are included within the reports. On the other hand these stakeholders' voices usually become difficult to hear if getting to critical.⁸⁴ Other analysis done studying the sustainability reporting tradition of European companies demonstrate that reporting upon social and human rights aspects tend to fall short in relation too environmental reporting. Among the least reported indicators are; respect and management of working hours; respect for freedom of association and the right to collective bargain as well as the promotion of social dialogue.⁸⁵ There is also a significant drop, as mentioned above, when going from reporting indicators that identifies social responsibility targets to indicators that relate to the implementation of these targets.⁸⁶

⁸³ *Supra* note 82, p. 9

⁸⁴ *Supra* note 82, p. 6

⁸⁵ *CSR – What do companies report on?*, Analysis of European companies reporting on social responsibility, Corporate Social Responsibility Ratings, <http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/reporting-disclosure/swedish-presidency/files/surveys_and_reports/vigeo-csr_what_do_companies_report_on_en.pdf> accessed the 9 of June 2010, p. 8

⁸⁶ *Ibid*

5 Status of Swedens state owned companies hr reporting.

The Swedish government proclaims that in 2008/2009 81% of its companies submitted sustainability reports in line with GRI framework. This is, according to the government, an increase with 67% from the year 2007/2008.⁸⁷ The state-owned companies that have deviated from the guidelines have, with no further reference, “essentially” given an explanation to their behavior according to the government.⁸⁸ As a comparison 25% of the 100 largest companies listed on the Swedish stock market submitted sustainability reports in line with GRI 2008/2009, the year before the figure was 15%.⁸⁹ The majority of the State owned companies using G3 guidelines reports on level C. The majority of the companies, not all, have also had their reports independently verified. The government proudly states how the new guidelines have contributed to a more effective work with sustainability issues among its companies.⁹⁰

5.1 Result of the screening

As described above a certain reporting responsibility comes with a certain reporting level. Please note that these requirements are minimal recommendations what to report upon. All human rights related info has therefore been relevant when doing the screening of the companies’ reports.

The different background info related to each screening question has been presented above. When reading the results of the screening below I therefore recommend to parallel look at the background info related to the screening questions.

Screening the sustainability reports has been done looking at profile disclosures, HR indicators, GRI principles and possible additional HR related info. For more info regarding the scope and execution of the screening please see the methodology chapter above.

⁸⁷ 2009 års redogörelse för företag med statligt ägande, Skr 2008/09:120, p. 7

⁸⁸ *Ibid*, p. 29

⁸⁹ *Ibid*, p. 28

⁹⁰ *Ibid*, p. 38

5.1.1 To what extent do the companies provide HR information in relation to below profile disclosures?

1.1 Strategy and analysis

When the CEO/head of board makes the initial remarks in the sustainability report one realizes quickly that it is the environmental issues that stand in focus. Social aspects and HR issues are usually not mentioned, and if being mentioned there is no outspoken and clear strategy on how to work with HR issues.

In many reports the initial words from the CEO/head of board describe sustainability reporting as new and welcomes it. What is remarkable is that the impact and work of the company that the GRI is to highlight also seems very new and unknown for many companies. This is not told explicitly but indirectly when the company talks about how it will, with the help of GRI, develop its work with sustainability related issues in relation to, for instance, its suppliers and subcontractors. Even though being constructive that the reporting initiates such processes it is remarkable that these processes seem so new for most part of the companies.

One example demonstrating the “discovery” of sustainable development is the words from the CEO of Almi:

“The significance of sustainable development becomes more important. ALMI has set a goal to fully integrate the sustainability concept within its strategies and goals. Under 2009 the work was initiated with forming a strategy for sustainable development...”⁹¹

The same goes with the company of Systembolaget, the CEO states:

“Together with the other Nordic retail monopolies we are a central purchaser of alcohol. It allows us to be a catalyzer to develop the global beverage industries work with sustainability. During the past year, we have therefore embarked on a Nordic CSR cooperation with the goal of creating a beverage delivery chain that is sustainable. Out from the UN Global Compact initiative we have a dialogue with our beverage suppliers and train ourselves, and them, in areas of human rights, working conditions,

⁹¹ Almi annual report 2009. <<http://viewer.zmags.com/publication/c900c239#/c900c239/2>> Accessed 9 of June 2010, p. 5

corruption and the environment.”⁹² The CEO of Systembolaget at least mentions the aspect of human rights but once again it’s just until very recently that the company has taken a more serious, at least outspokenly, initiative regarding CSR and human rights.

Another example is the managing director of Swedfund. Swedfund working with risk investments in Africa, Latin-America and Easter Europe, areas known facing huge HR challenges. The director states:

“During the past year, Swedfund adopted an updated Policy for Sustainable Development, which replaces our former Environmental Guidelines and Code of Best Practice. The new policy, which will be implemented in 2010, presents an updated internal process describing how we operate with respect to the sustainability of our investments. It also entails clearer demands on our partners to this end.”⁹³

Swedfund invest millions in underdeveloped and post war counties and has done that for several years. First in 2010 the company will start looking into the questions of how their partners in these countries respect issues concerning human rights.

The state-owned mining company of LKAB not only performs its work within the Swedish borders but also supports, interacts with and owns mining companies within other countries. In China LKAB commit its work via the fully owned company Minelco which is involved in processing, an industry in China widely known facing great human rights challenges, for instance regarding; forced labor; dangerous working conditions and denial of freedom of assembly and association.⁹⁴ There is no solid proof that LKAB via Minelco has violated human rights but when the risks for such violations are so high one could expect that at least a risk analysis would have been done, presented and a well elaborated HR strategy developed, however that is not the case.⁹⁵ LKAB does not report upon any specifically HR risks in its 2009 sustainability report at all. Interesting is however that in the initial statement by the CEO there is explicitly a section devoted to “social perspective”. In order to provide the understanding of the reasoning

⁹² Systembolaget annual report 2009, <www.systembolaget.se/NR/rdonlyres/853C923D-347A-4A7D-B425-F38D735AADF7/0/ansvarsredovisning_2009.pdf> accessed 5 of June 2010, p. 3

⁹³ Swedfunds sustainability report 2009, <www.swedfund.se/media/55328/swedfund%20sustainability%20report%202009%20final.pdf> accessed 9 of June 2010 p. 3

⁹⁴ *State Owned Companies and Risks of Human Rights Violations*, Amnesty Business Group of Sweden (March of 2006) <www.amnestybusinessgroup.se/Filer/LKAB_10295.pdf> accessed the 11 of June 2010, p. 4

⁹⁵ *State Owned Companies and Risks of Human Rights Violations*, Amnesty Business Group of Sweden (March of 2006) <www.amnestybusinessgroup.se/Filer/LKAB_10295.pdf> accessed the 11 of June 2010, p. 5

regarding social aspects on the highest managerial level of the company parts of this social section is cited below:

"Social perspectives

LKAB experienced last year one of the worst demand reductions for a long time. The low supplies meant large losses and a hard strain on liquidity. Despite this we continued the work with our key future investment and none of our employees had to leave the job because of the large production constraints made during the year (...) LKAB has a long-term goal of zero accidents. We recognize that the work takes time and have set an interim target of halving the accidents by 2012. In 2009 it occurred 58 (65) accidents with absence. (...) A major challenge for the next LKAB years is to increase people's knowledge about the effects of our mining. Together with municipalities, citizens and other players we are looking for solutions that are perceived as affordable and sustainable for all stakeholders."⁹⁶

This is the so called "social perspective" of the company. There could of course be a lot interpreted into sentences like "...we are looking for solutions that are perceived as affordable and sustainable for all stakeholders..." However it's very vague and above all, nothing is mentioned about the severe social and human rights challenges that the company face, nothing is said about the importance of having a well worked out human rights strategy.

Even if the Swedish state-owned companies just recently have adopted the GRI framework some of them are already advancing from C to B level. The CEOs are very proud having this "possibility/capability". But looking at the many shortcomings of the reports I believe that a too early advancement within the framework might undermine its purpose.

There is consequently very little focus upon social and HR related issues by the CEOs in the initial strategy statements of the reports. This lack of HR attention tends to go like a red line through the reports.

1.2 Description of main impacts, risks and opportunities.

In general there is very little risk/impact related info about human rights within the reports.

⁹⁶ My own translation from the Swedish version of the LKAB 2009 sustainability report, [www.lkab.com/C12570A1002EAAAE.nsf/%28\\$all%29/0341AA2487FB6E9AC12576FD005081BB/\\$file/LKAB_%C5R_Slutlig.pdf](http://www.lkab.com/C12570A1002EAAAE.nsf/%28$all%29/0341AA2487FB6E9AC12576FD005081BB/$file/LKAB_%C5R_Slutlig.pdf)
p. 6.

In a few cases, like with Bilprovningen, the company explains the HR risks when buying components from countries where HR violations might occur. It's especially difficult and risky, the company explains, since it always has to look for the most cost effective products.⁹⁷ This perspective also goes like a red line true many of the reports i.e. the companies don't provide the feeling they are willing to apply HR strategies at the expense of the economical profitability.

In some reports the company demonstrates rather well elaborated risk analyzes. What strike me as controversial is that often the company describes what risks that might strike them due to for instance political decisions, with consequences that will challenge the profitability of the company. The companies seldom, as far as I find not at one single occasion, describe HR risks that might follow with the development of the company. One example is the company of Green Cargo:

“Society

As an actor in a society *we are exposed for risks*⁹⁸ from the world around us. Risks being consequences of the development of the macro economy, changed prerequisites for the railroad and logistic branch or changed consumer behavior are three examples that we have to pay attention to.”⁹⁹

In the cases where companies talks about HR risks it's often related to the risk that the brand/reputation of the company might be affected in a negative way. I have not found, not in one single report, that it is considered the main risk that human beings, individuals, actually might have their rights violated due to the work/impact of the company. This is probably the most noteworthy finding of this study. One concrete example is Sveaskog's report, reporting upon risks of labor rights violations related to the companies timber projects in Russia. The main risk, the company explains, is that Sveaskog's reputation can be damaged, not that actual violation of individuals can occur:

“Social risks

Purchase of timber in Russia and the Baltic states means a risks connected to illegal felling, corruption and labor right. Negative opinion is a risk for Sveaskog's trademark and business relations.”¹⁰⁰

⁹⁷ Annual report of Bilprovningen 2009, <[www.bilprovningen.se/Extern/bpwebabout.nsf/4C36D042F748E96BC12574DB002CAB9E/\\$file/SV_BP_100329.pdf](http://www.bilprovningen.se/Extern/bpwebabout.nsf/4C36D042F748E96BC12574DB002CAB9E/$file/SV_BP_100329.pdf)> p. 46

⁹⁸ Italics added

⁹⁹ Annual report of Green Cargo 2009, (own translation), <<http://ar2009sv.greencargo.com/Menu/Forvaltningsberattelse/Risker+och+riskhantering/Samhalle>>

¹⁰⁰ Annual report of Sveaskog 2009 (own translation), <www.sveaskog.se/Documents/Om%20Sveaskog/Best%C3%A4ll%20informationsmaterial/%C3%85rs-%20och%20h%C3%A5llbarhetsredovisning%202009.pdf> p. 73

3.13 Verification of the report

I have not been able to find that the companies have a certain policy regarding how their reports should be verified. Nor have I found any explanations about the relation between the company and the verifier/accounting firm.

4.7 Expertise of board members

Some reports explain that the company continuously works with educating its managers/chiefs in fields related to sustainable development. Other reports say that the board members always should have access to information crucial for making important decisions. However there is no specific information about what such education includes or how it's executed.

5.1.2 To what extent do the companies report upon the G3 human right indicators?

On C reporting level there is no demand to report upon any HR indicators specifically, however many C level reporting companies do report on one or even several of these indicators. On the other hand the reporting upon the HR indicators is usually very general and does seldom provide any specific and qualitative data in line with the G3 framework. In some cases the company report "partly" upon an HR indicator and for the reader being unfamiliar with the G3 framework this might look good at first glance. However, if finding any "relevant" info to this "partly" compliance one realizes that there is usually not so much substance in it. For instance, a company might report "partly" upon HR1 concerning the percentage of investment agreements that include human right clauses. But in fact, working with these clauses might be under development and not really part of existing procedures. Occasionally a company reports "fully" upon, for instance, HR 4 concerning discrimination and says that no discrimination at all has taken place period. When there is no reference to some sort of research done in order to prove that no discrimination has taken part this type of reporting, according to me, loses credibility.

In some cases, when reporting upon an HR indicator the company tends to misunderstand, or at least look upon the reporting from another perspective than what is stated by GRI. For instance: Bilprovning reports on HR indicator number 4 regarding total number of incidents of discrimination and actions taken. The company reports that incidents of discrimination and other harassments occurs however what it highlights are the cases when

customers have harassed the personnel at the company i.e. not when the company itself is responsible for the actions of discrimination.¹⁰¹

But there are exceptions where the company gives a more serious impression of being more self-critical. Sveaskog, for instance, describes the percentage of persons being victims of mobbing/discrimination and even says there has been an increase from earlier year. The company describes an existing grievance mechanism, a web forum, where persons can file complaints. Explaining these figures openly, that the problem has increased incorporates a feeling of trust. Unfortunate is that the company doesn't further explain how it takes action when complaints have been filed.¹⁰²

There is one case I find most relevant lifting up as an example in order to demonstrate a behavior I find common among several of the companies. The company of Systembolaget, when importing products from South-America, describes that it faces risks regarding bad working conditions, child labor and different types of discrimination.¹⁰³ The company has imported beverages from these areas for many years¹⁰⁴ so these risks can not by any means be considered as new for the company. One would presume to find, in relation to above risks, compliance in reporting with corresponding HR indicators, HR indicators such as; HR5 concerning freedom of association and collective bargaining; HR6 concerning child labor and HR7 concerning forced and compulsory labor. However the company does not provide this information. The company explains:

“The aspects of freedom of association and collective bargaining, prohibition of child labor, the prevention of forced and compulsory labor, and indigenous rights are included in the aspect of investment and procurement practices. They are taken care of in the Nordic Code of Conduct and in the internal education of our buyers and category managers, at the external training of our providers and at the work on the dry supply chain.”¹⁰⁵

The way above information is presented ought to be questioned. First you read about the companies awareness of these risks and then you can't find any specific info about it. Instead the company refers to, for instance, the “Nordic Code of Conduct” and “internal education”, however no further info or reference to this Code or education is provided. Hence, plausible risks might be presented by the companies but when it really comes down to

¹⁰¹ Annual report of Bilprovningen 2009, <[www.bilprovningen.se/Extern/bpwebabout.nsf/4C36D042F748E96BC12574DB002CAB9E/\\$file/SV_BP_100329.pdf](http://www.bilprovningen.se/Extern/bpwebabout.nsf/4C36D042F748E96BC12574DB002CAB9E/$file/SV_BP_100329.pdf)> p. 42

¹⁰² Annual report of Sveaskog 2009 (own translation), <www.sveaskog.se/Documents/Om%20Sveaskog/Best%C3%A4ll%20informationsmaterial/%C3%85rs-%20och%20h%C3%A5llbarhetsredovisning%202009.pdf> p. 45

¹⁰³ Systembolagets GRI appendix 2009, <www.systembolaget.se/NR/rdonlyres/2879EC95-564E-48DE-9A24-053547B86815/0/gri_bilaga_2009.pdf> p. 8

¹⁰⁴ <www.systembolaget.se/Uppslagsbok/Kartbok/Sydamerika/ArgentinaChile/ArgentinaChile.htm>

¹⁰⁵ Systembolagets GRI appendix 2009, <www.systembolaget.se/NR/rdonlyres/2879EC95-564E-48DE-9A24-053547B86815/0/gri_bilaga_2009.pdf> p. 15

showing transparency about specific plausible violations and concrete actions taken to hinder these violations shortcomings tend to be common. The incompleteness in complying with the set indicators seems to be a general problem when it comes to sustainability reporting. Among European companies there is only 30% of the social responsibility commitments set forth by the companies that actually answer to national and international standards in terms of social responsibility including human rights.¹⁰⁶

Another interesting question rising when studying the reports and the indicators is to what extent it really lays any managerial support and executive power behind the presented results. Earlier studies of sustainability reports shows that usually indicators, when being presented by the companies, seem to be understood as fully complied with when meeting the basic strict legal/guiding requirements.¹⁰⁷ Most probably more focus needs to be put into finding a better way connecting the managerial and executive powers within the company with the specific indicators. Hence, more precise and qualitative information should be given, in line with the indicators, how managerial strategies and concrete decisions are to be made in order to advance the social/human rights performance of the company.

5.1.3 Is there any additional HR reporting material that can't be put in above sections?

In some reports there is very general info about the importance of working with human rights, however it's rare to find any specific information about how the company works with specific rights. A few companies proudly announce how they embrace the HR principles of Global Compact, but same as above, one cannot find which specific principles the company work with and how they do it.

¹⁰⁶ CSR – *What do companies report on?*, Analysis of European companies reporting on social responsibility, Corporate Social Responsibility Ratings, <http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/reporting-disclosure/swedish-presidency/files/surveys_and_reports/vigeo-csr_what_do_companies_report_on_en.pdf> accessed the 9 of June 2010, p. 15

¹⁰⁷ *Ibid*

5.1.4 Do the companies provide a disclosure on HR management approach, if so to what extent?

I have not found one complete disclosure on HR management approach within the reports.

5.1.5 To what extent do the companies HR reporting follow the G3 principles?

Balance:

The Balance principle is described on p. 22

1, Are there both good and bad results in the report?

I have not found any specifically reported HR violations by the companies. Human rights challenges are described in some reports but bad HR results remain unreported. When the companies mention human rights it's often related to progress made or describing new initiatives and projects that are to be implemented in order to become an even more responsible company.

Researches show that many companies report almost exclusively upon the positive HR impacts that their business have. There might be an economical risk reporting that HR atrocities are taking place within the sphere of influence of the company, however that doesn't mean there is a less risk not showing transparency and demonstrating HR challenges. The audience of the HR reports and its knowledge is constantly growing, furthermore the efficiency of today's media can instantly spread news about plausible HR violations. A company trying to cover up HR violations/not openly showing which HR challenges it faces might therefore face an ever greater risk.¹⁰⁸

My opinion is that an open disclosure demonstrating the HR challenges the company faces together with a demonstrated will to make improvements might consequently put the company in a rather good spot. The Swedish state owned companies must in the future provide more balanced reports in order to gain credibility.

¹⁰⁸ *Supra* note 82, p. 8

2, Is it possible to follow the development, both good and bad, from year to year?

Due to the very limited extent of HR reporting, as well as recently adoption of the G3 framework there is only within a few reports I have seen the comparison from one year to another. However I have, except one case (Sveaskog) only found this comparison when measuring improvements.

3, Are the reported parts in proportion to its significance?

This question has been difficult to answer since I lack the knowledge about the extent of the performance of the companies within its different sectors. Therefore I decide not to give an answer that would be to speculative. However it is considered a general common problem that there is a shortage in providing overall credibility with HR reporting. Many companies can provide very transparent and reliable reporting upon one specific HR issue within a specific area of the company. Meanwhile another urgent HR issue within another sector of the company is not receiving any focus what so ever.¹⁰⁹

Accuracy

The Accuracy principle is described on p. 23.

1, Is there any information about the data that has been evaluated?

It is often not possible to know where the collected data come from.

2, Is the technique that was used to collect the data described?

I have not been able to find any description about techniques used when collecting HR data.

3, Due to methods used when collecting data, is it a risk for a margin of error to the extent that readers will/might make wrong conclusions?

If it is considered being a method not having a specific method collecting HR data but instead talking about general challenges and mostly mentioning the progress the companies are doing – yes, one can easy make wrong conclusions.

¹⁰⁹ *Supra* note 82, p. 7

4, Are the qualitative statements based upon any reliable grounds?

No. Companies can say they have made different types of progress within the field of HR however the reader usually has no idea upon which info such statement is based.

Clarity

The Clarity principle is described on p. 23

1, Is the information relevant to what the stakeholders require i.e. not including unessential info and details?

I have not found any specific info about what HR info that affected stakeholders require reporting upon. Many of the state-owned companies interact with people from all over the world via suppliers and subcontractors. There must be numerous ways and possibilities to find and present HR related info from the perspective of these stakeholders. It would further foster credibility if information would be provided about what impact the human rights performance of the company has upon the relevant stakeholders. I feel there is a clear tendency among the companies that they believe that once providing info about how they perform a certain sustainability work, their work is done. Earlier researches also show that there is often a gap between the performance data the company provides and the impacts it causes. This is a question, its being argued, that probably has to be addressed not only by the company, but also by various stakeholders and third parties in order to create a better understanding of the relation between performance and impact.¹¹⁰

2, Can you easy find the info you look for via, for instance, a well developed list of contents, links etc?

In most reports, or linked to the reports, is a GRI index where it usually is easy to understand where to find the info you are looking for. What is misleading though is when one knows more specifically which info that should be found for instance in relation to a HR indicator. In these cases the reader is often guided to very general info not really providing a sufficient answer related to that indicator.

3, Is there an unnecessary use of technical/academically language and if so are there any explanations to these words?

Usually the language is comprehensible nevertheless it has struck me that if the company is providing info about some shortcomings/challenges it tends

¹¹⁰ *Supra* note 82, p. 7

to chose a set of words and figures less comprehensible than when providing info about sustainability progress that the company has done.

4, Is the information accessible for person with certain demands of accessibility, for instance in other languages, other techniques etc.?

I have not found any reports accessible in other languages except one that was in English (and that report, Swedfunds, could not be found in Swedish). I think this is rare since all companies to some extent have international links and stakeholders in other countries. The cost of providing the reports in other languages must be considered very reasonable.

Reliability

The Reliability principle is described on p. 24

1, Is the extent of the external verification described?

The external verification that the majority of the companies' uses are in line with guidelines adopted by FAR SRS. FAR SRS is a Swedish organization for accountants.¹¹¹

FAR SRS:s guidelines for how to perform the verification of the sustainability reports differ very much from the more extensive, and by law regulated, rules concerning verification of financial reports. When reading the verification reports done by the accountant one notices that they all look the same. The extent of the verification of the report is very brief and limited. There is no specific information about what the accountant has discovered when studying the sustainability report submitted by the company. The accountant briefly describes what she/he has done, which questions he has looked into, at several times she/he also states that this is a very "limited" and "brief" verification and cannot by any means be compared with the verification of the financial report. The verification is "based" upon the GRI guidelines but doesn't specifically state to what extent. It is described that questions have been asked to people in charge, CEO's as board members, internal and external documents have been scrutinized and the company's reporting level has been overseen etc.^{112 113} But which questions have been asked, which documents were scrutinized and which answers were given? Such info is not provided.

¹¹¹ For more info visit:

www.far.se/portal/page?_pageid=114,1&_dad=portal&_schema=PORTAL

¹¹² Systembolagets sustainability report 2009, available at:

www.systembolaget.se/NR/rdonlyres/853C923D-347A-4A7D-B425-F38D735AADF7/0/ansvarsredovisning_2009.pdf > p. 116

¹¹³ Akademiska hus sustainability report 2009, available at:

www.akademiskahus.se/fileadmin/ekonomi_finans/AH_HaR_2009_web_150ppi_sec.pdf
> p. 44

To my understanding no company has extended the mandate of the accounting firm going further than using the minimal required guidelines for the verification. Neither have I found one single accounting firm criticizing the sustainability reports of the company but instead in very general terms confirming that it seems like the company's report is constituted in line with current criteria.

5.2 B level reporting

To my understanding there is very little difference between the C and B level reporting companies. B level reporting companies might report on some more indicators however I cannot draw any conclusions that they follow better the GRI principles and report more extensively within the field of HR. Hence, the shortcomings of the reports, within the field of human rights, are not less represented by B than C level reporting companies.

6 Discussion regarding the results of the screening

The guidelines for external reporting by the Swedish state-owned companies were adopted in 2007. Various reasons existed to why a more effective sustainability reporting structure was needed. Some of these reasons were: at the time there was a huge variety regarding the quality of the sustainability reports; great variety of will and knowledge among the decision making leaders concerning the field of sustainable development; regarding HR reporting there was at the time an overall shortage of companies reporting upon the area at all.

Today, just over two years later we can get a first idea if, and if so, to what extent the adopted guidelines have been/will be able to face above challenges and improve the work with human rights issues among Sweden's state-owned companies. When I started to read the sustainability reports submitted by the state-owned companies I initially noticed many shortcomings, especially when looking at the HR reporting. Social issues were in general much less prioritized than environmental issues and many reports hardly mentioned that they worked with questions related to human rights. There seems to be a lack of not only willingness working with human rights issues but also a lack of having a system powerful enough that stimulates/obligates the company to deal with them. I could see that great effort had been put into communicating a message maybe not, when looking deeper into the reports, were in correlation with the assumed performance of the company. The absence of self-criticism by the companies was very obvious. The screening of the reports supports such assumption. This unbalance, lack of transparency and willingness/knowledge in the field of HR can as I understand the matter have two explanations. Either it is a natural step on a road earlier not travelled by the companies i.e. with the time the quality of the reporting will increase due to more routine and experience. The other explanation would be that the guidelines themselves, in conjunction with other for the state owned companies controlling/guiding documents do not stimulate/obligate the companies to produce qualitative and effective HR reports. In order to substantiate one, both, or even dismiss above explanations there are four specific aspects I find relevant to discuss further:

6.1 Work in progress

It would be easy to explain the shortcomings with the HR reporting with the argument that it's a new procedure that needs time to establish. To some extent I believe one has to accept that it will take some time to create qualitative reporting. However, and this is crucial, the purpose of the reporting is not to initiate a wide range of new projects within the company. On the contrary these sustainability projects should hopefully already exist to a large extent, and the reporting procedures are meant to help the company to communicate its work, externally as internally. This thesis is looking into the area of HR reporting and in many cases, as described above in the screening, it seems like the new reporting tool has woken the companies up. The companies do not have, or at least not many of them, a well working HR machinery established at all. To some extent we can therefore understand the shortcomings of the HR reporting as a result of that the companies have not lifted the HR related issues high enough on their agenda i.e. these questions have not earlier been considered relevant. If the new guidelines will highlight such questions resulting in advancing the work with HR questions that might be constructive, but that is not the main focus of this study.

The reporting guidelines also aim very clearly at supporting the companies to provide info about the shortcomings of its HR work, to demonstrate transparency. Unfortunately I have not been able to see such willingness by the companies at all. I have not seen any company clearly and convincingly demonstrating that it can view its work, the risks and impacts from the perspective of a stakeholder, a stakeholder who might be put in harms way due to the companies work. When the company talks about risks it's usually related to the company having its reputation harmed, not the risk that a human being might be abused or harmed. But the question is if this is something that will change with time? Will the companies show more transparency and become more self-critical within some years, after that they have had some time working with, due to the guidelines recently initiated HR projects?

I cannot provide a certain answer however I'm rather pessimistic. I'm pessimistic since I doubt that the guidelines, how they look today, will be able to increase the level of transparency and self criticism by the company. What makes me say that is partly due to that the Swedish state owned companies, most of them very profitable, already could have done so much better with their reporting. First of all it's alarming that so few of them have any well established HR projects. Furthermore the financial resources to provide a qualitative sustainability report must be considered very reasonable. The tradition of providing reports of financial character, much more extensive than the sustainability reports, is also very strong among the state owned companies. I believe that there might be some advancement of HR projects and HR reporting within the state-owned companies within the following years. But most of all I see a risk of further establishing a reporting structure that is not providing material that is transparent enough

and that doesn't challenge the true behavior of the company within the field of human rights.

6.2 Lack of compulsory rules?

We have described the rules regulating to what extent the Swedish state-owned companies have to follow the G3 guidelines. The company, if not complying with the relevant guidelines should explain why it departs from them. The Swedish government proclaims that the companies that don't comply with the rules have "essentially" given an explanation to its behavior.¹¹⁴ First of all it is not easy to overview which rules that a specific company should comply with. The company should provide info upon a certain amount of profile disclosures, indicators, principles should be followed etc. and the responsibility also varies depending upon which level the company reports on. Once understanding the extent of the desirable compliance one can question how "essential" the companies explanations are regarding their departure from the rules.

Since many companies report on C level there is no specifically requirement reporting upon any HR indicators, however there are other HR aspects imbedded within the principles and profile disclosures that one has to reflect over in order to understand if the no-compliance explanations can be taken seriously. Since this thesis isn't looking at the range of HR performance among the companies, I cannot criticize a company for not giving an explanation to something that might not be relevant. What I have done is looking at some of the explanations given by companies "explaining" why they don't report on a specific indicator. The most common explanation is in line with the one done by the company of "Akademiska hus", mentioning some HR indicator and then saying that they are "not relevant with regard to the activity of the company"¹¹⁵ Another example of "explanation" is the company of Bilprovingen "reporting" upon HR2 indicator and saying the reason to why there is no information to be found is that the work will start next year.¹¹⁶ A third example is the company of Sveaskog "reporting" on HR5 and explains very briefly that no such risks exist period.¹¹⁷

Above so called "explanations" do not provide me with any satisfactory answers. I would have liked to see a full explanation to why the company says there is no risk at all for a violation of a specific right, I would have liked to know why the company has not taken action earlier and how it

¹¹⁴ 2009 års redogörelse för företag med statligt ägande, Skr 2008/09:120, p. 29

¹¹⁵ Akademiska hus sustainability report 2009, available at:

www.akademiskahus.se/fileadmin/ekonomi_finans/AH_HaR_2009_web_150ppi_sec.pdf

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p 37

¹¹⁶ Bilprovningens sustainability report 2009, available at:

[www.bilprovningen.se/Extern/bpwebabout.nsf/4C36D042F748E96BC12574DB002CAB9E/\\$file/SV_BP_100329.pdf](http://www.bilprovningen.se/Extern/bpwebabout.nsf/4C36D042F748E96BC12574DB002CAB9E/$file/SV_BP_100329.pdf) > p 52

¹¹⁷ Sveaskogs sustainability report 2009, available at:

www.sveaskog.se/Documents/Om%20Sveaskog/Best%C3%A4ll%20informationsmaterial/C3%85rs-%20och%20h%C3%A5llbarhetsredovisning%202009.pdf > p 54

plans to improve its behavior in a specific way. With such substandard explanations I can therefore not agree with the government's statement that the companies "essentially" have given an explanation to its noncompliance. My belief in the effectiveness in the so called "comply or explain" doctrine was consequently challenged after reading the reports. The question is if the reporting would be more qualitative if the companies would be subjected to more compulsory rules?

KPMG:s Global Sustainability Services and United Nations Environment Programme (UNEP) have recently provided an report discussing pros and cons about mandatory and self regulative/voluntary rules concerning sustainability reporting. The report says that it's usually the NGO's who advocates the mandatory rules meanwhile the corporate sphere advocates the voluntary ones.¹¹⁸ But to say that one type of rules produces more qualitative sustainability reports than the others is however not simple to do. The report highlights that even if the most suitable rules, mandatory or not, could be applied this is no guarantee that the reports will provide objective qualitative and quantitative information.¹¹⁹ This is due to that within each company there will be numerous parameters such as policies, cultural aspects, different perceptions etc. that always will "color" the reports.¹²⁰

The Swedish state-owned companies are faced with the rules of more voluntary nature. UNEP's report lifts following advantages with the voluntary rules:

- self regulatory companies can be more flexible in their reporting when not having to be controlled, regulated and questioned.
- the companies are closer to changes within the business/sector and then able to report upon issues that the government can't catch up with.
- compliance with the rules might be higher when the companies themselves have been involved in setting the rules.¹²¹

The report lifts following disadvantages with the voluntary rules:

¹¹⁸ *Current trends and approaches in Voluntary and Mandatory Standards for Sustainability Reporting*, UNEP, available at: http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/reporting-disclosure/swedish-presidency/files/surveys_and_reports/carrots_and_sticks_-_kpmg_and_unep_en.pdf
P 8.

¹¹⁹ *Ibid*, p. 4

¹²⁰ *Ibid*

¹²¹ *Ibid*, p. 11

- there can be a conflict of interest meaning that the company for various reasons don't have the incentive to report upon sensitive information i.e. business interests way higher than for instance social interests.
- if there is too much flexibility there is a risk that different types of sanctions might lose its functions/will not be used.
- self regulation as regulatory framework per se might undermine the competitiveness for companies with foreign markets less regulated, that might have the effect that little regulatory work will be done benefitting the society.
- self regulatory framework might receive disproportionately little economical funding when competing with other interests within the company.¹²²

It is therefore considered very likely that a company's non-compliance with a HR reporting standard will be justified if being compensated with strong financial performance.¹²³ Therefore, it appears as a high risk that if the company can't find a clear linkage between the effort of providing a human right report and having a economical profitable outcome, the HR reporting will fall short.¹²⁴

The result of the screening of the Swedish companies' reports shows several similarities with the outcome of UNEP's report. The so called "conflict of interests" is one, companies focusing upon minimizing the attention around possible human rights violations in order to safeguard its reputation. We can furthermore with certainty say that the sustainability reports/HR reporting is not subjected to any greater economical resources. The extent of the HR reporting is minimal and the little info provided is not based upon any qualitative researches. The flexibility with the "comply or explain" approach is another issue. At this point, with reference to the Swedish reports, I'm of the understanding that within the field of human rights the companies feel very free and report upon whatever area in which they claim HR progress have been made. The underlying principles of G3 that should frame essential human rights risk are not always easy to conceptualize, they are therefore complicated to scrutinize, and the companies get away without even having to provide an explanation to its departure.

Looking at the explanations provided by the companies they are, as discussed above, insufficient. And what are the incentives for the companies to try to explain why they underperform its reporting? There are no legal sanctions applicable, and the communicative skills by the companies, highlighting its progress within chosen areas, probably save

¹²² *Ibid*, pp. 10-11

¹²³ Ruth V Aguilera and Alvaro Cuervo-Cazarro, *Codes of Good Governance*, (Corporate Governance: An International Review, 2009, 17(3)) p. 384

¹²⁴ *Ibid*, p. 384

them from public criticisms in most cases. The “comply or explain” system, I believe, stop many potential critics as soon as an explanation is being given, even if the explanation doesn’t really provide any substantial answers.

I can neither see a tendency that the Swedish companies demonstrate an increasing willingness to comply with the reporting because they themselves have been part (GRI a multi stakeholder concept) in setting the rules. What I can see, once again, is that the companies pick and choose what suits them to report upon. And if being required to take a certain responsibility there is always a possibility for them to provide a blur explanation for why not doing that. I therefore believe that it’s of most importance for the Swedish government to revise the “comply or explain” approach. Not dismiss it but consider, to some extent, a coexistence between both voluntary and mandatory rules. Mandatory elements striving to create more credible reports, where companies have to report upon more sensitive areas, be more self critic, and where noncompliance leads to effective sanctions in order to uphold the reporting system.

6.3 Lack of relevant management requirements?

We have earlier highlighted the importance and prerequisite of willingness and competence in the field of sustainable development on managerial level in order to produce qualitative sustainability reports. However when screening the reports there is not much said about, specifically, the competence level of the managers/board members nor how they are being educated. The question is if that is too much to ask?

When reading the Swedish States “Owner policy” it’s explicitly mentioned that within areas such as human rights the State owned companies bear responsibility. The state owned companies are expected to be a “role model” and lead the work within the field of human rights.¹²⁵ The individual responsibility for a board member encompasses that nobody is allowed to act like a board member that doesn’t aim at being part of/attending questions that by law regulates the work of the board.¹²⁶ The guidelines are not per definition considered as law but strong recommendations. However the states “owner policy” demands that all board members must have good knowledge within all relevant field of the company.¹²⁷

If the government is serious about, via its state owned companies, being a “role model” in fields such as human rights I believe that regulations have to be tightened up regarding managerial requirements. A more transparent

¹²⁵ *Styrelseansvaret i företag med statligt ägande, 2009*, Article number N8020, available at: <www.regeringen.se> p. 4

¹²⁶ *Ibid*, p. 5

¹²⁷ *Ibid*

picture about which persons that possesses the relevant competence and which competence that is, should be possible to access. If a stakeholder cannot get the feeling that the managerial top level of the company is aware of the company's impact upon human rights, nor have the relevant competence, it will be difficult to view the human rights reporting/projects as serious. I believe that the importance of this issue is of such relevance that mandatory norms, regulating the relevant leaders' competence within the field of sustainable development/human rights must be addressed and discussed. If not it is my strongest belief that it will not be able to anchor the HR reporting platform to the forces executing the actual HR performance.

6.4 External verification

I believe that the limited extent of the external verification and the lack of transparency, not allowing us to know how the companies have answered the accountants question/not providing us with info from the screening of the companies documents etc. - strongly undermines both the readers/stakeholders possibility to take the reports seriously and also the companies incentive to create a serious report. If an accountant, when it's needed, don't criticize the report she/he is scrutinizing, challenging the companies behavior and provides the company a tool in order to make improvements, the whole meaning with the external verification falls according to me.

Criticisms cannot be put on the accountant himself since she/he has not been provided with a strong regulatory framework by which she/he can criticize and challenge the company. The substandard verification is unfortunately a natural consequence of a substandard regulatory framework. I do believe in a strong linkage between efficient reporting and effective 3rd party verification. Thereby I argue that, in order to advance the HR reporting, the verification procedure must be reexamined, updated and advanced. Verifications must furthermore be performed by person's being experts in the field of sustainable development and human rights, not persons who have a tradition working exclusionary with financial accountancy.

7 Conclusion

The majority of Sweden's state owned companies have recently just started their journey within the area of sustainability reporting, within the area of human rights reporting few companies have crossed the starting line.

The measuring rod for the companies' human rights reporting has been the G3 human rights framework. When initially studying these guidelines it became clear that specific requirements for human rights reporting was not excessively demanded for, at least not in relation to the reporting level of the state owned companies. However, when digging deeper into the meaning of the principles and profile disclosures upholding the G3 framework this point of view was slightly changed. Human rights as any other aspect within the area of sustainable development must be taken into consideration by the company when it's either important in order to reflect the companies social effect or if it has a relevant impact upon a stakeholder.

The range of human rights issues being effected by a company are numerous and it's not possible for any company to consider all aspects in its reporting. What is alarming though is that so few companies, actually not one single company, transparently and self critically lifts up at least the major HR risks specifically related to its business. It's disappointing to discover, in company after company, that if HR challenges are being discussed it's almost exclusionary seen from the companies' perspective and not the individual's whose rights might be violated by the company. For the company the worst that can happen is that its reputation is being damaged. In the cases where companies report upon human rights related issues in the profile disclosure and HR indicators, the information is usually unbalanced and disproportional i.e. not fulfilling the G3 requirements. In the cases where explanations are given to the departure from the rules they are more to be seen as excuses i.e. not self-critical, transparent and exhaustive explanations. Noteworthy is that the Swedish government has expressively demanded the state-owned companies to follow all types of changes and new developments regarding the GRI framework. Viewed from the perspective that HR reporting is being one of the most prioritized issues of GRI one could have assumed that the Swedish companies would have lifted HR higher on the agenda, that is however not the case.

I therefore conclude that the Swedish state-owned companies' HR reporting to a very limited extent correspond with the G3 human rights guidelines. The result of the screening of the Swedish companies sustainability reports allowed me to discuss whether the Swedish government should and if so how, adjust its guidelines in order to foster an more effective HR reporting. There were some specific areas I found relevant trying to answer such question.

First I came to the understanding that if not changing/improving the guidelines there is a potential risk that today's Swedish companies HR reporting/lack of HR reporting will become "legitimized". I believe that risk is greater than the possibility that with time, without any interference, the HR reporting will advance. These presumptions I base upon the lack of demonstrated will at managerial level working with social issues and the almost non-existence of well established HR projects within the companies today.

Secondly and consequently the expertise of the decision makers within the companies must be questioned and transparently demonstrated within the field of human rights. Relevant human rights education should be a mandatory requirement. An interface where this expertise clearly meets the demands by the stakeholders should also be publicly disclosed. If not I believe that many of the human rights projects, reporting as actual performance, initiated by the companies will be fruitless and focus more upon communicating a message rather than showing actual results.

Thirdly I have found that many of the already known shortcomings related to the "comply or explain" approach also are to be found within the Swedish companies reports. If we want to see more credible and transparent reports I believe that the government in conjunction with the voluntary norms has to discuss a possible implementation of mandatory regulations. If not human rights reporting will fall short and be sidestepped due to for the company more economical lucrative reasons. If the guidelines that addresses the Swedish companies reporting will be tightened up this will also provide the accountants with another tool when verifying the reports. Today the external verification of the reports is toothless and vague.

There is no doubt that there is huge potential for human rights reporting being a tool for advancing the development of human rights. We can see that the guidelines have inspired companies and in some cases new HR projects have been initiated. That I believe is very constructive. However I consider that even if the human rights reporting is working well it can only be considered being one part of several important aspects in order to advance the development with human rights issues within the companies. This issue needs to be constantly addressed from various perspectives; legal, political as economical. HR reporting, and the scrutiny of HR reporting, can however provide the material, the prerequisites in order to address the existing HR challenges within the corporate sphere, that I'm certain of. I want to close this thesis reflecting over the fact that the Swedish government's guidelines for external reporting are the first of its kind in the world. The initiative taken by the government is promising, the future development of the reporting challenging. If a state like Sweden, known for its gender equality and respect for human rights, can manage to question its companies behavior in fields where limited scrutiny has been taken place before, fields such as human rights, I believe a lot of progress can be made. If we can widen our conception of the understanding of human rights we can more easily see, understand, and take action when atrocities takes place

and challenges rise. The Swedish government therefore has a great opportunity to take action, further improve the human rights reporting structure for its companies, and become the role model it strives to be.

Appendix A:

Sustainability reports:

Akademiska hus

Almi

Bilprovningen

Green Cargo

LKAB

Posten

SJ

Sveaskog

Svedab*

Swedfund

SweRoad

Systembolaget

Voksenåsen

Lernia

Appendix B:

G3 Human Rights indicators;

Aspect: Investment and Procurement Practices

HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.

HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.

HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

Aspect: Non-discrimination

HR4 Total number of incidents of discrimination and actions taken.

Aspect: Freedom of Association and Collective Bargaining

HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.

Aspect: Child Labor

HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.

Aspect: Forced and Compulsory Labor

HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.

Aspect: Security Practices

HR8 Percentage of security personnel trained

in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.

Aspect: Indigenous Rights

HR9 Total number of incidents of violations involving rights of indigenous people and actions taken.

Appendix C:

Reporting level	C	B	A
G3 profile disclosures	Report on: <u>1.1</u> 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report on all criteria listed for level C plus: <u>1.2</u> 3.9, <u>3.13</u> <u>4.5-4.13</u> , 4.16-4.17	Same as level B
G3 Management Approach Disclosures	Not Required	<u>Management Approach Disclosures for each Indicator Category</u>	<u>Same as level B</u>
G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance indicators, including at least one of from each of: <u>social</u> , economic and environment.	Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, <u>human rights</u> , labor, society, product responsibility.	Respond on <u>each core G3 and Sector Supplement indicator</u> with due regard to the materiality Principle by either: a, reporting on the indicator or b, explaining the reason for its omission.

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