



VALUING RESPECT

— BY *Shift* —

# The Current Use of Metrics in Company Human Rights Reporting Poland

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Polish Institute  
for Human Rights  
and Business

## About Valuing Respect

**Valuing Respect** is a global collaborative platform, led by Shift, to research and co-create better ways of evaluating business respect for human rights. Our aim is to develop tools and insights that can help both companies and their stakeholders focus their resources on actions that effectively improve outcomes for people.

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## About Shift

Shift is the leading center of expertise on the UN Guiding Principles on Business and Human Rights. Shift's global team facilitates dialogue, builds capacity and develops new approaches with companies, government, civil society organizations and international institutions to bring about a world in which business gets done with respect for people's fundamental welfare and dignity. Shift is a non-profit, mission-driven organization.

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## About the Polish Institute for Human Rights and Business

The Polish Institute for Human Rights and Business (PIHRB) is an independent, non-profit think-and-do-tank offering advanced expertise on Business and Human Rights, labour law and relations, social unrest, stakeholder engagement and CSR, as well as monitoring and verification services. PIHRB's aim is to advance implementation of the UN Guiding Principles on Business and Human Rights in Poland and broader Central and Eastern European region.

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## A. Executive Summary

This report summarizes findings from research into the current use of metrics by Polish companies in their human rights related reporting. The research is a contribution to the [Valuing Respect](#) research stream to **build empirical evidence for how businesses currently track the progress and effectiveness** of their efforts to respect human rights. The research was conducted from mid 2018 to early 2019, and has informed the direction and focus of the Valuing Respect project.

For this report, the Polish Institute for Human Rights and Business (PIHRB) reviewed the non-financial reports of 107 companies (approximately 25% of all companies listed at the Warsaw Stock Exchange).

The first part of the report provides an overview of the **research aims and methodology**. The next section presents an **overview of company disclosures analyzed**. The final section elaborates on the following findings:

- **One:** Company reporting is **focused on input, activity and output data with 79%** of all information falling into these indicator categories. Detailed information about inputs and activities is rarely provided. This holds true **across all the industries** analyzed, **across issue areas that could be said to be more mature** (such as diversity and health and safety) and company **reporting that one might assume is more mature** (for example, because they follow an international reporting standard). At the same time, it is **important not to discount these types of information** as they might be leading indicators of better business practices and good outcomes.
- **Two:** With regard to **outputs, which are the dominant category of indicators, about 88% of these are reported in numerical form. They are often presented as a snap-shot** for the reporting period, without a narrative of what the company concluded or did as a result of that data. PIHRB considers that this might reflect that data included in monitoring and reporting is driven more by external requirements than by the perceived value of the data for business decision making.
- **Three:** The most **complete disclosures are those that show the connection across the pathway** from inputs and activities all the way through to outcomes for people and business. This is not common but a few positive exceptions were found in the research.
- **Four:** Some **companies share data about outcomes for business that seem to relate to human rights outcomes** for people, but they rarely make this relationship explicit or address the nature and quality of outcomes for people.

## B. Research and Methodology

### *Aims*

Building evidence for how businesses *currently* track the progress and effectiveness of their efforts to respect human rights is an important starting point for the Valuing Respect project. It is part of ensuring that the project's research and future products are grounded in an empirical understanding of existing business practice, challenges and innovations.

Company disclosures regarding human rights, specifically in the format of public sustainability reports, offer some access to the types of indicators and metrics that companies currently use to track their own performance. They do not necessarily reveal the full gamut of data and information that companies track. They do show the subset of metrics that feature in reporting. Nonetheless, public reports are the best available public source of evidence, especially when seeking to draw conclusions at some level of scale.

To this end, in 2018, Shift's regional project partners in the Valuing Respect project conducted analysis of human rights disclosures of nearly five hundred listed companies around the world and across diverse sectors (see box below). The research teams sought to answer the following questions:

- What types of indicator appear **most typically** in companies' human rights related disclosure? Do companies use indicators of inputs, activities, outputs, or outcomes?
- Are efforts to address certain human rights issues **more evolved** than others in terms of the quantitative and qualitative information used to substantiate progress?
- Are there examples of **less typical indicators**, data or metrics in companies' human rights related disclosure that offer interesting or novel insight into companies' human rights performance?

#### Nearly 500 company reports analyzed

- Global – **130** companies included in the UNGPs Reporting Database\*\*
- South Africa –The top **100** listed companies on the Johannesburg Stock Exchange.
- ASEAN - The top 50 market capitalized companies in Malaysia, Singapore, and Thailand (**150** companies in total)
- **Poland – The top 100 companies by market cap listed on the Warsaw Stock Exchange (WSE), plus 7 companies which have lower capitalization than the top 100, but are either signatories of the UN Global Compact or are listed on the WSE Respect Index.**

\*\* <https://www.ungpreporting.org/database-analysis/>

## Methodology

In order to answer the research questions, researchers in North America, Poland, Southeast Asia and South Africa applied the following methodology.

**STEP ONE:** For the companies' disclosure that was selected for the research (see box above), researchers identified the primary means through which those companies report on issues relevant to their human rights performance (e.g., through an integrated report or through a sustainability report).

**STEP TWO:** Researchers read the primary sources of disclosure and any relevant written resources that it directly references to identify excerpts that concern how the company assesses the effectiveness of one or more aspects of its human rights performance. In other words, researchers **highlighted instances where the company used qualitative or quantitative information** to signal change over time.

To qualify as relevant, content did not need to be labeled "human rights". For example, information on how the company assesses the success of its health and safety, diversity and inclusion, worker treatment policies or processes were included even if not framed in human rights terms. Other areas such as product stewardship, community engagement and environment were included if the focus of the excerpts was on addressing impacts of the company's business operations and activities on people.

**STEP THREE:** The teams inserted the highlighted content into an XL database and tagged the information based on whether: a) the indicator being used is an input, activity, output, practice/behavior, outcome for people or outcome for business indicator (see table below); and b) the information provided was quantitative or qualitative in nature.

<b>Inputs</b>	The financial, human and material resources used for an activity or set of activities.
<b>Activities</b>	Actions undertaken or work performed through which inputs are mobilized to produce specific outputs or outcomes. These may be, but need not be, part of a formal process or system.
<b>Outputs</b>	The tangible and intangible products that result from the activities.
<b>Practices/ Behaviors</b>	The effect of the activities or outputs on the behaviors of people that are relevant to the achievement of outcomes.
<b>Outcomes for People</b>	The positive or negative effects on affected rights holders that flow from practices and behaviors.

<b>Outcome for Business</b>	The positive or negative effects on the business that flow from: a) the outcomes for people; or b) practices and behaviors.
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**STEP FOUR:** Once the databases had been completed, reviewed and updated, researchers then sought to address the research questions by identifying:

- Those types of information that are most prevalent in the disclosure.
- Any patterns or trends in the types of information disclosed, for example related to the type of issue or industry sector.
- Types of information that are less typical but provide some valuable insight into the company's human rights performance.

### ***Research Series***

The research resulted in a range of industry factsheets from research conducted on global companies by the North America team, and country or regional reports by the other regional partners focused on companies listed in those geographies. This report is the regional report by PIHRB.

<b>Industry Factsheet</b>	<b>Country and Regional Reports</b>
<p>Four factsheets providing an overview of findings from research into the following industries:</p> <ul style="list-style-type: none"> <li>• Food and Beverage</li> <li>• Oil and Gas</li> <li>• ICT</li> </ul>	<p>Three summary reports with findings from research into the following geographies</p> <ul style="list-style-type: none"> <li>• ASEAN (Thailand, Malaysia and Singapore)</li> <li>• <b>Poland</b></li> <li>• South Africa</li> </ul>

### ***Challenges and limitations***

Very few companies reviewed for this research series have standalone human rights reports or information hubs. Rather, human rights related content appears throughout a range of reports and information sources. For example, a single company might have evidence or indicators related to human rights performance in a sustainability report, an annual report, an individual human rights impact assessment, or in online code of conduct materials.

In order to ensure the scope of work was manageable, the research teams therefore focused the study on each company's most recent annual report and sustainability report (or whatever report that company uses as a vehicle for human rights related updates). These boundaries on information sources mean that the resulting findings are not exhaustive.

Furthermore, the research team was dependent on information that was being disclosed by each company under review, hence further limiting the exhaustiveness of the findings. It might be that companies internally track aspects of their progress and performance that they choose not to disclose. However, these limitations do not undermine the purpose of this project which is to attain a general baseline regarding how companies around the world communicate the effectiveness of their efforts to respect human rights.

### C. Overview of company reports analyzed

The sample of companies selected for the analysis comprises:

- The Top 100 companies by market cap listed on the Warsaw Stock Exchange (WSE) on December 31, 2017.
- The companies listed on the WSE that have lower capitalization than the top 100, but are either signatories of the UN Global Compact<sup>1</sup> or are listed on the Respect Index<sup>2</sup>
- The companies listed on the WSE that have lower capitalization than the top 100, but in which either over 5% of votes at the Annual General Meeting are controlled directly by the State Treasury or in which over 30% of votes are controlled indirectly by the State Treasury.

Extending the scope of the examined companies beyond the largest 100 companies by market cap was determined by the assumption that companies that stress their social responsibility are likely to be more advanced as far as non-financial reporting is concerned and thus might offer more data and insights concerning indicators specifically related to respect for human rights.

Approximately 25% of the 107 examined companies listed on the WSE were directly or indirectly controlled by the State Treasury (i.e. the State Treasury directly controlled over 5% of votes or indirectly controlled over 30% of votes).

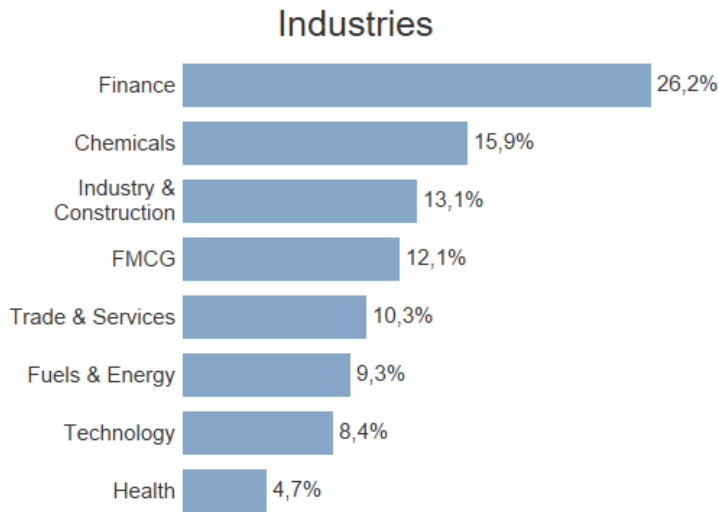
The number of companies controlled directly or indirectly by the State Treasury differs by industry in the examined sample, with 91% of companies researched in the Fuel & Energy industry being state controlled enterprises. By contrast, the State has no stake in the Healthcare, Technology and Fast Moving Consumer Goods industries.

In terms of industries covered by the research, the finance industry was the most represented, comprising 26% of all companies examined, followed by Chemicals (16%) and Industry & Construction (13%).

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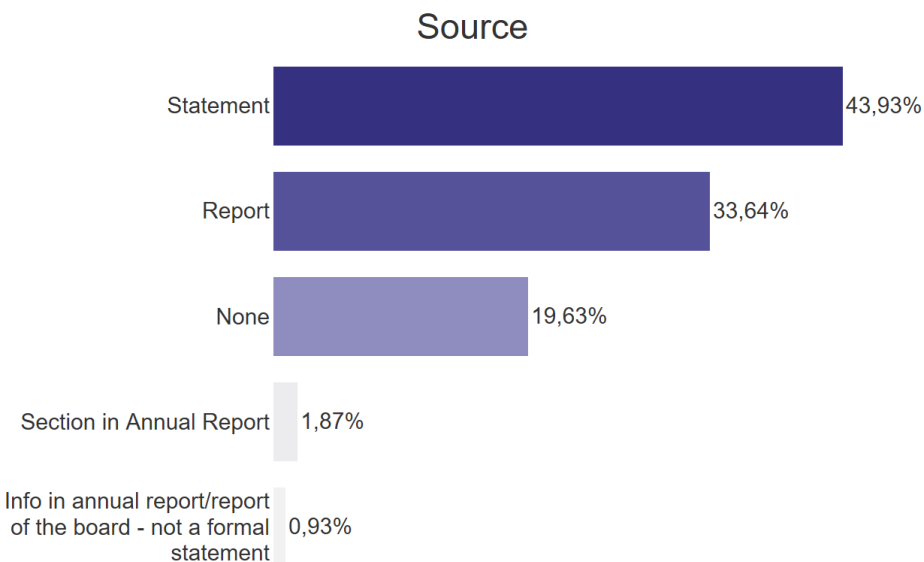
<sup>1</sup> Companies that decide to become signatories of the UNGC are expected to report annually (through a Communication on Progress) on their efforts aimed at implementation and promotion of the UNGC. As of October 2018, the UN Global Compact database included 82 signatories and participants from Poland, where 59 are business enterprises (30 large companies and 29 SMEs), out of which only 42 are communicating on progress. 15 of the signatories are publicly listed companies.

<sup>2</sup> The RESPECT Index - the first Social Responsibility Index (SRI) in Central and Eastern Europe – was launched by the Warsaw Stock Exchange in 2009 and has since then been managed by the Warsaw Stock Exchange in collaboration with external partners. The Respect Index is comprised exclusively of listed companies in compliance with the index's corporate governance, investor relations and environmental, social and personnel criteria. In 2018, the Respect Index included 28 companies. Further information is available at: <http://respectindex.pl/>



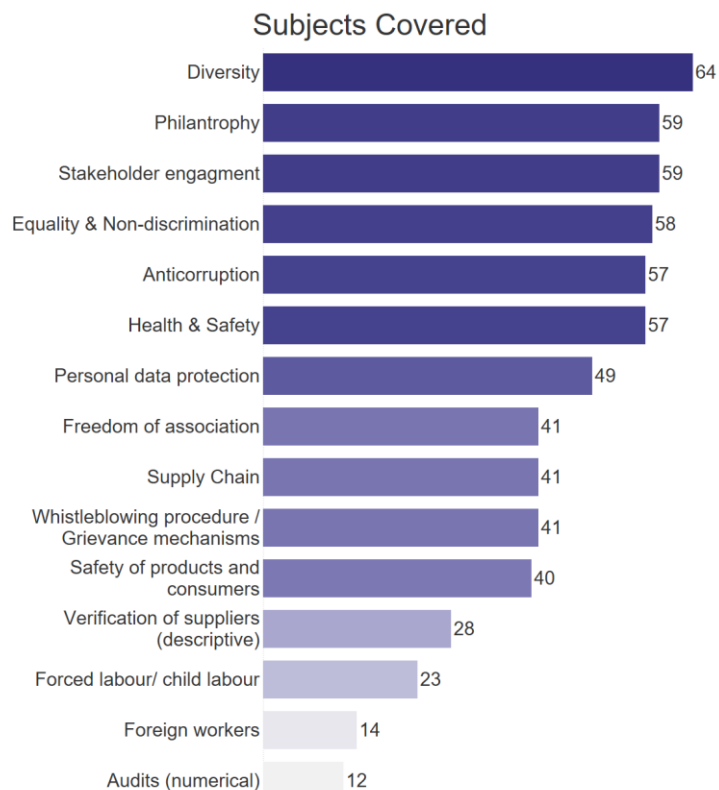
Out of the 107 examined companies, 85 (79% of the examined sample) published non-financial information either in the form of a) a formal board statement as part of the annual report for the year 2017; b) dedicated sections in non-financial information in the annual report; or c) a stand-alone responsible business / sustainability report. In a couple of cases companies published both a statement and a separate report.

A large portion of the disclosures analyzed (44%) took the form of a statement, which is the minimum format required by law. Of this group, made up largely of companies reporting non-financial data for the first time, 26% used the Global Reporting Initiative (GRI) standard as the only standard to guide their reporting. In the case of companies that developed standalone reports, this figure goes up to 72%. 35% of all examined companies relied solely on the GRI standard to guide their reporting (a total of 30 out of 86 reporting companies). That figure rises to 65.1% (a total of 56 of 86 of the reporting companies) when companies are added that used GRI as one of several standards.



The human rights related issues that companies report most frequently fall into two categories: first, issues traditionally linked to corporate social responsibility (such as philanthropy and stakeholder engagement); and second, areas that are regulated by Polish law (for example, health & safety, anti-corruption and equal treatment/prohibition of discrimination) whereby companies have monitoring systems in place to meet the requirement to report specific data.

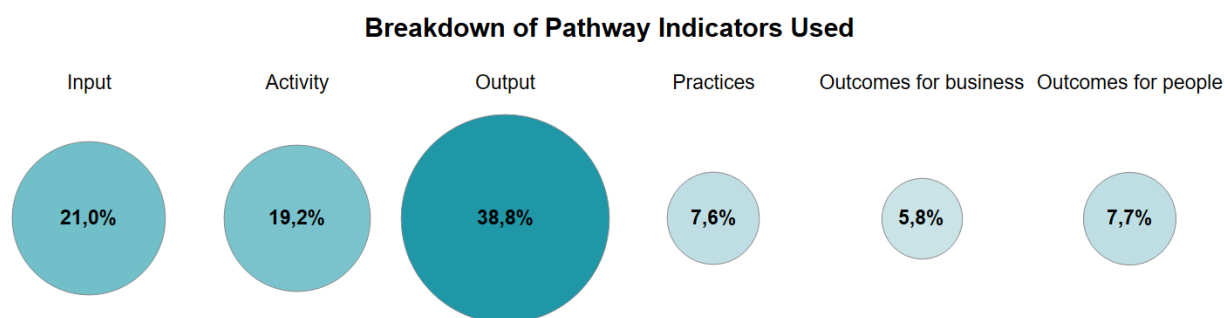
*While “philanthropy” is listed above as a topic covered in reporting, the information and data in this area was not included in the research. This is because corporate philanthropy is rarely – if ever – part of a company’s effort to prevent and mitigate human rights risks connected with their own business.*



## D. Findings

**One: Company reporting is focused on input, activity and output data with 79% of all information falling into these indicator categories. Detailed information about inputs and activities is rarely provided.** This holds true across all the industries analyzed, across areas that could be said to be more mature (such as diversity and health and safety), and company reporting that one might assume is more mature (for example, because they follow an international reporting standard).

As shown in the diagram below, Polish companies are reporting about inputs in the form of resource allocation (such as money and staff time) plus company activities (such as trainings, assessments, surveys, supplier audits, research) and the outputs of those activities (for example, new knowledge about risks, or increased awareness among staff). Very often companies state that an input was assigned to a task or that an activity took place, but provide limited qualitative or quantitative supporting data that would provide stronger evidence of the scale and nature of the actions undertaken. For example, companies often write about anti-discrimination trainings being carried out. But in the majority of cases, basic information such as the number of those trainings or the number of trained staff is lacking.



As reflected in the chart below the same pattern is found across all of the industries represented in the research.

### Analysis by industry – 5 industries with the largest number of companies among the examined 107 companies (with total for each industry being 100%)

	Input	Activity	Output	Practices	Outcomes for people	Outcomes for business
Finance	20%	17%	39%	10%	7%	7%
Chemicals	22%	22%	37%	6%	6%	7%
Industry & Construction	19%	17%	51%	8%	3%	2%
FMCG	19%	21%	38%	7%	10%	7%
Trade & Services	26%	21%	30%	8%	11%	4%

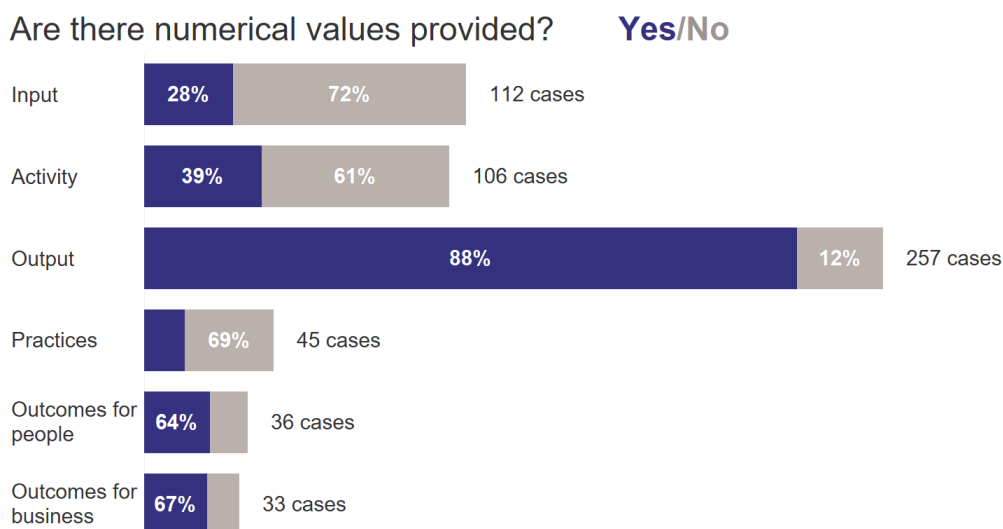
Furthermore, the proportions between different types of indicators remain quite similar, independent of whether the disclosure takes the form of a statement or a stand-alone report (a format more frequently used by companies that have a history of non-financial reporting, often based on the GRI methodology). This may suggest that the length of a company's reporting experience, and the types of reporting standards followed by companies, are not necessarily leading them to track and report information about actual practices/behaviors, outcomes for people and outcomes for business.

It is **important not to discount reporting on these indicator categories**, however, as they could be seen as leading indicators of better business practices and good outcomes, in particular where relevant context or other qualitative information is provided. Examples from the research include companies:

- Citing the number and frequency of meetings hosted with trade unions and the issues discussed in these meetings.
- Outlining the detail of training and other efforts to embed safety behaviors, and the number and type of employees who participated in training.
- Providing data about the number of suppliers or customers screened for ESG risks, alongside a description of actions the company usually takes based on these assessments.

Such examples are positive signs, even if they tell us very little about actual behavior change and improvements to the lives of workers, communities and consumers.

**Two: Indicators about outputs are the most prevalent category in company disclosure, amounting to almost 40% of all the data reported. 88% of these indicators are reported in numerical form, without a narrative of what the company concluded or did as a result of that data.** PIHRB considers that this might reflect that data included in monitoring and reporting are driven largely by external requirements rather than any perceived value of tracking the data to inform business decisions.



Output data is generally presented in the form of a 'status quo snapshot' – presenting the situation as it is at that point in time, without any indication of trends, or at least a comparison to the year before, and without indicating whether the company is planning to undertake any measures to change it or by when. This risks

giving the impression that a company is satisfied with the current situation. For example, one of the companies provided information that the gender pay gap is 40%, but did not provide any information as to how it intends to change this situation.

The areas on which companies report output data overlap to a large extent with the areas that are heavily regulated by Polish law (e.g., Health and Safety) or where companies are required to report specific data to the Statistical Office (e.g., diversity). By way of illustration, the most frequent examples of output data are: diversity of the workforce; diversity of the board; occupational health and diseases data, and the number and type of accidents at work.

PIHRB considers that data may be provided for various reasons outside of the need for better company decision-making. Reasons might include that it is what the law requires, it is required by the reporting standard used, or stakeholders have indicated that they want this specific data.

### **Reflection: Output indicators can sound like outcomes for people**

The Valuing Respect project is concerned with outcomes for people *that flow from company action*. Information about diversity or health and safety (for employees or in the supply chain) do intimate the degree to which certain outcomes for people are in place. For this research however, where such data is presented in a vacuum with no explanation of the connection to the company's efforts, we categorized the information as evidence of an "output".

One example would be a company that simply states that they have found a number of people in situations of child labor or forced labor from an assessment of impacts at a mine deep in their supply chain, but does not include a claim of any change in that number due to the company's own initiatives on child labor. If it now undertakes an initiative to improve things, and then goes back and finds a change in numbers of incidents, then that would reflect an outcome for people. But without that causation (or implied causation) it is just a finding from an assessment.

In contrast, the following excerpt is a good demonstration of a causal relationship being reported. *"In connection with the preventive actions undertaken by the health and safety service [Activities], the number of accidents in 2017 decreased by 50% in relation to the previous year. [Outcome for people and Business](...) The total number of all accidents amounted to only 34 in 2017, of which 29 took place at [Company], the remaining 5 at [Supplier Factory]."*

**Three: The most complete disclosures are those that show the connection across the pathway from inputs and activities all the way through to outcomes for people and business. This is not common, but a few positive exceptions were found in the research.**

It is not frequent that a company will use the narrative along the causal pathway to present non-financial information. However, it is not uncommon for the earlier steps in the pathway to be reported in the form of a coherent narrative. These two excerpts are good examples of this:

- “Since 2013 we allocated PLN 16 million for activities in this area” [Input].... 1 118 number of factories inspected by LPP for safety at work, working conditions, observance of human rights in 2017 [Activity]...85 - number of audits carried out in Bangladesh by the SGS auditing company” [Activity] “
- “The effectiveness of activities related to the promotion of diversity (Activities) is measured annually as part of the employee survey. The following issues are examined: respect for differences between people, acceptance for differences in the context of age, gender, ethnicity, nationality and disability, as well as the promotion of diversity. In 2017, all of the above ratios have increased by 6 or more percent as compared to 2016 [Practices and Behaviors]”

Where examples that go further along the pathway exist, they tend to be in the form of case studies where it is somewhat easier to be specific about the desired outcomes of a certain company effort. These excerpts from a company report about fair and equal treatment of employees that are deaf or hearing impaired provide a good example:

*“In March 2015, all foremen participated in the training on cooperation with people with disabilities [Activity], during which they had the opportunity to learn about different types of disability and overcome barriers and limitations of people with disabilities [Output]. The training was carried out thanks to the cooperation with the local Polkowice EUDAJMONIA Foundation. [Input]...[T]hanks to the support of the EUDAJMONIA Foundation in the preparation of processes, from 2016 the factory began to employ deaf people, who became one of the best employees. [Outcome for People and Outcome for Business].”*

*“In December 2017, in [Company] stores a pilot program was launched...[that] provided the deaf and hard of hearing staff with the support of a mobile sign language interpreter [Practice], making deaf workers able to perform their duties equally with hearing associates [Outcome for People].”*

Another good example is presented here, regarding dismissal and fair compensation:

*“On 22 March 2017, an agreement was reached with trade unions regarding the scope and principles of restructuring employment in all functional areas. The plan assumed that jointly at (Company 1) and (Company 2), the termination of employment contracts would not affect more than 956 people [Output of prior Activity of dialogue with trade unions].*

*For all employees leaving the company due to restructuring, special departure packages were prepared, significantly exceeding the standards provided for in the labour law and met on the market [Practice]. An outplacement program was also launched [Practice]. A number of initiatives have been undertaken to limit the number of terminated employment contracts - for example, the liquidation of many vacancies, priority participation in internal recruitment for candidates from areas affected by reductions - which turned out to be extremely effective [Practice].*

*Eventually, the number of employees who, as part of the restructuring, received no new employment contracts or agreements dropped by as much as 40% (570 people) [Outcome for People].”*

**Four: Some companies share data about “outcomes for business” that seem to relate to human rights outcomes for people. However, the reporting rarely makes this relationship explicit or addresses the nature and quality of outcomes for people.** This suggests that companies may more readily monitor events that impact people when there is a clear business cost/reward associated with them.

Examples include:

*“Collective disputes did not take place either in 2017 or in previous years.”*

*“In 2017, [Company] Group customers sent 4 complaints to GIODO [Chief Inspector for Personal Data Protection] regarding the correctness of personal data processing. As part of the proceedings, GIODO did not find any significant irregularities in the processing of personal data and no penalties have been imposed on the Group.”*

*“The number of reported accidents in the [Company] Group decreased in 2017 relative to 2016.*

*“The amount of paid contributions to PFRON [state disability agency] in the Group in 2017 amounted to PLN 1,915,000, including PLN 1,784,272 in [Group Company].”*

*“Using the services of entities violating human rights would have negative reputation effects for the Company and could also affect the morale of its employees.”*

In certain instances, the focus on outcomes for the business appears to disregard or downplay potential outcomes for people. For example:

*“The [Company] Group did not experience any major work stoppages or strikes in 2017. [Company] sees its relations with employees and trade unions as satisfactory.”*

*“In 2017, 5 notifications of failure to adhere to the provisions of the Code of Ethics and/or the Compliance Policy within the [Company] Group were received, of which three turned out to be confirmed. However, none of these events resulted in financial losses within the [Company] Group.”*

**Valuing Respect** is a global collaborative platform, led by Shift, to research and co-create better ways of evaluating business respect for human rights. Our aim is to develop tools and insights that can help both companies and their stakeholders focus their resources on actions that effectively improve outcomes for people.

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