

# How Can Commodity Traders Ensure Effectiveness in Reporting?

Guidance

Helping companies implement the UNGPs



The **Commodity Trading Sector Guidance on Implementing the UN Guiding Principles on Business and Human Rights (Commodity Trading Guidance)** aims to help representatives of commodity trading firms to implement the **UNGPs** in company systems and cultures.

This explainer delves deeper into one element of the Guidance - the responsibility of companies to report on their human rights performance, which of course includes commodity traders.

## Why should the commodity trading sector report on human rights performance?

There is a demand for transparency with respect to the actions that businesses are taking to address their human rights impacts. This is also being mandated in disclosure or due diligence laws across the [United Kingdom](#), [France](#), [California](#) and the [EU](#). Companies that have better systems in place to track and report their performance in this respect will be better equipped to meet the proliferating mandatory reporting requirements as they come into force. Additionally:

- Exchanges such as the London Metal Exchange [are requiring](#) greater disclosure on the human rights impacts of minerals;
- National export credit agencies and development finance institutions are seeking to incorporate human rights in their existing environmental due diligence processes;
- Socially responsible investors are backing more [benchmarking efforts](#) to assess companies against the UNGPs;
- Investors more broadly are [focused on](#) long-term value creation, which means asking companies about their performance on ESG risks, with a focus on the 'S';
- Human rights issues, such as conflicts with local communities, have [cost businesses](#) significant actual and opportunity costs in the extractives and mining sector.

### Positive feedback loop

Greater reporting and transparency can create a positive feedback loop to strengthen the company's own human rights due diligence processes:

- Companies can build greater trust when they disclose clear and complete information about their human rights due diligence efforts.
- By being transparent about challenges and showing good faith interest in improving due diligence systems, a company is more likely to build better relationships with stakeholders and develop a constructive dialogue.



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## Best practice in reporting

The UN Guiding Principles (UNGPs) [state](#) that in all instances communications should:

- (a) *be of a form and frequency that reflect an enterprise's human rights impacts and that are accessible to its intended audiences;*
- (b) *provide information that is sufficient to evaluate the adequacy of an enterprise's response to the particular human rights impact involved;*
- (c) *in turn not pose risks to affected stakeholders, personnel or to legitimate requirements of commercial confidentiality.*

Accessibility should include, where relevant, publishing information in the local language or in different languages. It should be published in an easily viewable part of the company's website, and should be proactively shared with all relevant stakeholders. The reporting should also be regular and up-to-date.

Information that may reveal the identity of a complainant or individuals might place them at risk of becoming targets of retaliation. Similarly, the disclosure of some types of information pertaining to ongoing criminal investigations or national security forces may jeopardise that process. However, blanket assumptions about such risks should not become an easy justification to avoid sharing information that can legitimately be public. Where it is harmful to disclose information, an alternative might be conducting meetings with stakeholders where findings are confidentially shared. Another option is to publish aggregate or anonymised data rather than site-specific findings.


The UNGPs take a broad approach on how a company should communicate its human rights performance. Communication [can include](#) "in-person meetings, online dialogues, consultation with affected stakeholders and formal public reports."

### Elements of a report

A good starting point is to have a company-level report which provides an overview of the various policies and systems, and examples of how the system works, with respect to human rights. A commodities company has released a human rights report which sets out, amongst others:

- Detailed examples of how it implemented human rights due diligence for certain projects.
- The outcome of any review or independent audits of its human rights due diligence systems.
- A list of the company's identified areas of salient risks.
- How human rights due diligence fits within the broader governance and risk management systems in the company, including the responsible officers who oversee the system.

For more information on implementing the UNGPs in the commodity trading sector, visit the [Commodity Trading Guidance website](#).



## Implementing the UN Guiding Principles on Business and Human Rights

Guidance for the Commodity Trading Sector