

HUMAN RIGHTS

staying ahead of the game

National Grid knows it may eventually come up against serious human rights challenges as it moves into an increasingly globalized market. So it has started to ‘future proof’ its policies and programmes in an effort to make sure that it is prepared for all eventualities

It’s not immediately apparent what the world of electricity cables and gas pipes has to do with human rights. Yet National Grid, one of the UK’s largest gas and electricity utilities, has invested considerable management time over the past four years in developing its group-wide approach to human rights.

The obvious question is: ‘Why?’. National Grid operates almost exclusively in the UK and the US. It does not use armed security personnel, or have dealings with rogue states or militaristic regimes.

Nevertheless, the company still considers human rights an issue it needs to understand and address. Ian Gearing, group corporate responsibility manager at National Grid, insists time spent on the topic is time well-spent. When most companies first think about human rights, he maintains, they tend to just consider civil and political rights: the right not to be tortured, not to be arbitrarily detained, and so on. ‘But companies don’t tend to realize there’s a second set of rights – people’s economic, social and cultural rights,’ he insists. These he calls the ‘to be’ rights: the right to be educated, to be safe and healthy, to be paid fairly, among others. Looked at this way, human rights is as relevant ‘in Surrey as it is in Somalia’.

Nor is National Grid entirely free from more traditional human rights risks. Its power cables in the US, for example, run across Native American territories. It also has an increasingly global supply chain, which could open it up to human rights risks.

The company’s logic also contains an element of

the company

National Grid, which employs around 20,000 people, owns and operates the high-voltage electricity system in England and Wales and the high pressure gas transmission system in Britain, which serves 11 million homes. It also has electricity transmission systems in the US, distributing to 3.3 million customers. It:

- is industry sector leader in the 2006 Dow Jones Sustainability Index
- showed a 27 per cent reduction in the number of employee lost time injuries in 2005/6 compared with the previous year
- is committed to reducing its greenhouse gas emissions by 60 per cent ahead of the UK government’s 2050 target
- has worked with and trained aboriginal ‘heritage monitors’ during construction of its Basslink

future-proofing. Currently, National Grid only operates in countries where human rights present a very low risk. However, at some point it may begin doing so. As Gearing puts it: ‘We want to be aware of any human rights risks so that we can evaluate them ahead of time and not read about them in the newspapers.’

National Grid first began looking seriously into human rights back in 2001, when it set about revising its guiding principles, the Group-wide Framework for Responsible Business. Around the same time, Amnesty International and the International Business Leaders Forum published their benchmark *Geography of corporate risk* study. The report mapped areas of the world where companies were potentially at risk of being associated with human rights violations. National Grid was then part of a small joint venture in Brazil, one of those countries labelled ‘at risk’.

Working closely with Amnesty International’s UK business team and other human rights groups, therefore, the company drew up a detailed statement on human rights. This incorporated the ‘to be’ rights as well as ‘not to be’ rights, explains Gearing. Much of the task relied on pulling together existing policies into one document. The result was published as a public position statement in May 2003.

While the policy review was being carried out, a number of procedural improvements came to light. When it came to making an acquisition, for example, the company did not explicitly consider the implications for human rights-related risks. The same was true for its business development procedures. This gap it duly filled. Now, for example, the company’s

■ the nature of National Grid’s operations makes a safe and healthy working environment core to its business and the company regards this as one of the ‘to be’ rights



business development team must carry out a formal analysis to evaluate the prevailing human rights risks when identifying market opportunities. In addition, they are expected to assess the risks of corruption and bribery when investing in new countries or regions.

National Grid is also experimenting with new management approaches. Chief among these is its innovative 'Human Rights Matrix' – a simple mapping tool to correlate a company's business activities with potential human rights risks. Focusing on human rights as a risk issue automatically connects with an internal audience, Gearing explains. 'The Matrix gave us a tool to go to our board and say: "Look, these are the human rights issues, here is what we are doing about them ... and here are one or two areas where there may be a risk that we need to understand better."'

One of those areas is supply chain management. The company has recently embarked on a two- to three-year project to identify the main commodities it purchases and the labour issues that may arise. Having ranked each commodity category according to its risk profile, the company intends to engage with its suppliers in the areas of greatest risk. That is no small challenge. National Grid spends more than £2billion per year with almost 10,000 suppliers. With globalization, the supply chain is becoming ever more complex. Resources demand that the initial effort uses a risk-based approach to concentrate on first-tier suppliers.

From the outset, a key strategy in National Grid's approach to human rights has been to work in partnership with others. In 2004, for example, it was a founder of the UK's Basic Services Human Rights Network. The network of UK utility companies works on sector-specific issues, such as vulnerable customers and the human rights impacts of climate change.

National Grid is also a founding member of the Business Leaders' Initiative on Human Rights (BLIHR). Unlike the Basic Services group, BLIHR focuses on cross-sector co-operation. Its membership includes retailers and banking firms as well as companies from the extractive and nuclear power sectors. 'These companies are experiencing human rights issues in their global operations much more than we are, so it's a great opportunity for us to learn,' Gearing explains. 'But we also feel that our thinking on the risk management and due diligence side gives us a chance to contribute.'

In April 2006 BLIHR published a set of management guidelines and tools for implementing human rights into day-to-day business. National Grid is following this up with its own 'issues brief' on human rights. An internal management document, the brief will provide senior managers with a summary of existing best practice in human rights management.

The brief forms part of National Grid's development plans. As well as engaging its key suppliers, the

National Grid is using a risk-based approach that focuses on its key first-tier suppliers



■ the company has begun a three-year project to identify labour issues that could arise in the production of the main commodities it buys, such as cable

company is looking to build internal awareness of its new set of human rights policies and practices.

In addition to the procurement team and business development teams, both of which have received specific human rights training, Gearing's primary focus is on the company's top 300 managers. Beyond that, he plans to use the company newsletter and other internal communications tools to raise awareness among employees.

Developing key performance indicators will certainly help the process of embedding human rights within the company. No such indicators exist at present and National Grid, working in conjunction with its BLIHR partners, hopes to create some over the next few years.

While much may still remain to be done, the company's goal is to create as robust an approach as possible. 'That way if we make a mistake,' says Gearing, 'we can at least show that it didn't happen because we were ignorant of the risks or because we

■ Further information: Ian Gearing, group corporate responsibility manager, ian.gearing@ngrid.com

ibe comment NATIONAL GRID

National Grid sets a good example in planning ahead for issues that may come over the horizon. It also demonstrates lateral thinking in its approach to human rights. It has shown a broad understanding of the 'to be' rights as well as the more easily recognized 'not to be' rights, and has developed a simple mapping tool – the Human Rights Matrix. It has also gone a stage further by beginning to embed these issues within its workforce and by engaging suppliers.

Features of note include:

- including human rights issues in the due diligence processes
- taking a risk approach to supply chain issues
- recognizing human rights as a mainstream topic
- preparing staff through a series of awareness raising and targeted training programmes

PHILIPPA FOSTER BACK OBE, INSTITUTE OF BUSINESS ETHICS