

# Shareholders Pressure McDonald's to Report Human Rights Impacts

Margaret Jungk: 05/22/2013

On May 23, McDonald's shareholders will vote on a resolution requesting that the company identify and publicly report its human rights impacts.

The resolution was filed by the American Federation of State, County and Municipal Employees Pension Plan, and resolution requests that McDonald's performs what we NGO types call 'human rights due diligence' in their operations, and then make their findings public.

Shareholder resolutions asking companies to think beyond quarterly returns are nothing new. The tactic began with the movement to divest from Apartheid South Africa in the 1980s, when religious institutional investors like the Interfaith Center on Corporate Responsibility started asking where their money was going.

Since then, shareholder resolutions have proliferated, and have pushed companies to improve their environmental practices, appoint women and minorities to their boards and cap executive pay. In the 2000s, they began to increasingly focus on human rights, and just in the last five years, companies have been pressured by investors to adopt board-level Human Rights Committees (Yahoo, Google), conduct human rights impact assessments (Goldcorp) and report their political spending (Halliburton).

According to **As You Sow's** 2013 Proxy Preview (which is way more interesting than it sounds), this year 21 companies are the targets of human rights-focused shareholder resolutions. Goldman Sachs is being asked to establish a human rights committee. Chevron is asked to make public its criteria for choosing countries. Caterpillar is asked to consider sustainability indicators when determining how much to pay its executives.

So basically this year is no different from all the others: Bleeding-Heart Investor Files Finger-Wagging Resolution. What's so newsworthy about this McDonald's resolution?

Two things: First, this resolution is the first of its kind to ask that a company take action to assess actual human rights impacts. In the past, shareholder resolutions have asked companies to adopt a policy or establish a committee recognizing human rights, but haven't required companies to make sure they're implementing those policies.

Nothing against policy commitments, but they're just a first step. This year's resolution asks McDonald's to go further than producing CEO-signed statements saying it will avoid negative human rights impacts. This resolution asks that the company find out what those impacts are.

Which brings me to the second way this resolution is a step forward. It requires McDonald's to conduct human rights due diligence as defined by the United Nations Guiding Principles on Business and Human Rights.

I know, you stopped reading at 'United Nations', but bear with me.

Everyone knows that in many parts of the world, multinational companies are richer, more present and more powerful than governments. Since 2005, the United Nations has been engaged in a process to, once and for all, define the human rights responsibilities of these companies, and the governments that host them. For eight years now, the UN has systematically asked governments, corporations and victims of human rights abuses: 'What are the human rights responsibilities of companies?'

The Guiding Principles on Business and Human Rights are the first time the UN has ever tried to answer this question. In 2011, the Guiding Principles were unanimously endorsed by the UN Human Rights Council, and since then, they've been taken up by the EU, ASEAN, the African Union, the OECD and the IFC. They're supported by the International Chamber of Commerce, the International Organization of Employers and industry confederations like the International Council of Mining and Metals. They've been discussed at the World Economic Forum and they're referenced on company websites from Coca-Cola to Shell.

(Full disclosure: I'm a member of the UN Working Group on Business and Human Rights, not to mention a hopeless optimist, so take that for what it's worth)

Anyway, you get the idea: The UN Guiding Principles are supported by businesses, governments and civil society. So what do they actually say?

The UN Guiding Principles say to governments: You have to protect everyone within your borders from human rights violations, including violations by companies. And they tell companies that, no matter where you operate, no matter what you do, you have to avoid human rights violations. And finally, they tell ordinary people that if your rights are violated by a company, you have the right to have your complaint heard and addressed.

These sound like simple rules, but for the last 60 years, we haven't had anything like this. Companies and governments argued over who was responsible for things like building roads to mining areas, providing housing for factory workers and cleaning up environmental damage in industrial zones. The Guiding Principles won't solve all of these problems at once, but they draw a line around what companies have to do and what governments have to do, and that's a massive step forward.

For businesses, the rule the UN Guiding Principles impose is simple: Don't violate human rights, wherever you are, whatever you do. This is the sentence supported by corporations in every world region, in every industry sector.

And this is the sentence McDonald's is telling their shareholders to vote against.

Not violating human rights means identifying the ways your company affects them. For McDonald's, this would mean reviewing labor practices, contractual arrangements with governments and criteria for assessing business partners for their possible impacts. It would mean including labor practices in audits of their suppliers, and reporting the results of those audits. It wouldn't mean preventing every single problem, but it would mean knowing about them.

'In light of McDonald's unwavering commitment to human rights and ongoing reporting in this regard, we believe the additional reporting requested by the proposal is unnecessary.' That's the McDonald's Proxy Statement asking shareholders to oppose this resolution.

It continues: 'We further believe that the proposal represents the potential for a diversion of resources with no corresponding benefit to the Company, our customers or our shareholders.'

In other words, respecting human rights costs money and provides no benefits.

I don't mean to pick on McDonald's, as if they're an outlier in making this calculation. They are, after all, a publicly traded company, and their first duty is to their shareholders, to their profits.

This calculus, which sounds so crass when you put it like that, is the founding principle of our economy. Organizing markets around this one value, profit, is why they are so effective at delivering competition, efficiency and growth.

But markets are based on two things: Rules and information. This resolution, and the broader movement it symbolizes, demonstrates that investors, consumers, governments and even businesses are ready for new rules about how companies interact with society, and determining the viability of an investment doesn't just require information about what a company sells but what it does.

This resolution isn't telling McDonald's that it has to be perfect overnight, that it accepts profound new responsibilities for the well-being of everyone who orders a Big Mac. The resolution simply asks that the company follow best practices as defined by the UN and supported by the business community. It asks McDonald's to take its own values, its own policies, seriously.

Make no mistake: This resolution is probably going to lose. Last year, a shareholder resolution asking McDonald's to produce a nutrition report on its products was rejected by 96.5 percent of its shareholders. And last week, Halliburton rejected a nearly identical shareholder resolution.

And that's OK. More resolutions like these will be filed with other companies next year, and the next. These principles, now established, will be taken up by consumers, governments and employees.

This pressure isn't going away. Whenever I talk to businesses, they tell me that identifying and reporting their human rights impacts is hard. It sure is. But so is serving millions of hamburgers every day. I like to think that sometime in the future, companies won't be able to do the latter without the former.