Reducing Emissions and Respecting Human Rights

A practical guide for Australian SMEs to respect human rights throughout the decarbonisation process

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Global Compact Network Australia

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Acknowledgement of Country

The UN Global Compact Network Australia and Ernst & Young, Australia (EY Australia) acknowledge the Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia. We pay our respects to Elders past, present and emerging and recognise the valuable contributions Aboriginal and Torres Strait Islander peoples make towards all aspects of Australian life. Our vision for reconciliation is a future where all Australians are united by our shared past, present, future and humanity.

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UN Global Compact Network Australia

As a special initiative of the United Nations (UN) Secretary General, the UN Global Compact is a call to companies everywhere to align their operations and strategies with Ten Principles in the areas of human rights, labour, environment and anti-corruption. Our ambition is to accelerate and scale the global collective impact of business by upholding the Ten Principles and delivering the Sustainable Development Goals (SDGs) through accountable companies and ecosystems that enable change. With more than 18,000 companies and 3,800 non-business participants based in over 160 countries and 65 local networks, the UN Global Compact is the world's largest corporate sustainability initiative – one Global Compact uniting business for a better world.

Locally, the UN Global Compact Network Australia (UNGCNA) brings together over 250 Australian participants to the UN Global Compact, including over 50 listed companies, other businesses, non-profits and universities, to advance the private sector's contribution to sustainable development. We connect, enable and lead businesses and stakeholders to create a sustainable future by supporting businesses to act responsibly and helping them find opportunities to drive positive business outcomes.
www.unglobalcompact.org.au

Ernst & Young, Australia (EY Australia)

EY Australia is a member firm of Ernst & Young which is a global leader in assurance, tax, transactions, and advisory services. The Climate Change and Sustainability Services teams (CCaSS) at Ernst & Young are multidisciplinary teams of over 3,000 sustainability professionals across the globe who help companies understand and respond to risks and opportunities arising from climate change and sustainability related issues across their value chain.

Whilst businesses may not have traditionally led the way, they are increasingly expected to play a more active role in addressing sustainability, environmental, health, safety, human rights and climate change risks. The EY Australia CCaSS team understands the evolving pressures and helps companies respond by identifying opportunities, guiding strategy, understanding and evaluating the broader impacts and outcomes and supporting non-financial performance reporting to stakeholders. The CCaSS team has provided human rights advisory services to businesses for the past 15 years and is committed to contributing to the protection and promotion of human rights.
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Introduction

Introduction

The lack of meaningful global climate action has led to an exponential increase in the pressure to decarbonise the global economy. This presents a significant risk of what is known as a "disorderly transition", where fast-moving decarbonisation strategies have the potential to cause significant adverse human rights impacts for individuals and communities. To promote a just transition, businesses of all sizes must take a rights-based approach to decarbonisation, placing the business responsibility to respect human rights at the centre of decarbonisation decisions.

While attention on decarbonisation has focused on larger organisations to date, there are increasing expectations for all companies to measure, reduce and disclose emissions within their broader value chain – of which 80 per cent are estimated to be attributable to their suppliers.[1] As a consequence, these expectations are now being pushed both upstream and downstream, driving the need for suppliers of all sizes to understand their emissions profiles and have a plan to reduce them.

Small and medium-sized entities (SMEs) have an important role to play in the global response to climate change.[2] Individually, SMEs typically have moderate emissions profiles, however collectively, they represent around 90 per cent of all businesses worldwide.[3] As key actors in global, regional and local economies, SMEs also have an important moral and ethical duty to align with the societal imperative to reduce carbon emissions.

Decarbonisation, as a strategy that serves to advance global goals, is also good for business. Today, SMEs that can effectively and equitably decarbonise their operations will enjoy a competitive advantage in dealing with organisations that have strict carbon emissions targets. Over time it will become a business imperative for all organisations to demonstrate a clear, effective and equitable decarbonisation strategy. Those who cannot, will find it increasingly difficult to compete in the emerging low-carbon economy and mitigate the risks of climate change to their business.

About this publication

This publication provides SMEs with practical guidance on how to consider impacts to people as they go through the decarbonisation process. While this publication has been developed for an SME audience, its contents are relevant for organisations of all sizes in respecting human rights as they decarbonise.

Readers of this report will obtain an understanding of the intersection between climate change and human rights and how their business can demonstrate its responsibility to respect human rights in line with the ***United Nations Guiding Principles on Business and Human Rights (UNGPs)*** throughout the decarbonisation process.[4]

SMEs are uniquely placed to advance societal action towards a number of Sustainable Development Goals (SDGs), including Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8) and Climate Action (SDG 13).[5] This publication forms part of the United Nations Global Compact's SME Engagement Strategy to enhance engagement and action of SMEs through the establishment of targeted and cross-cutting programmes and digital tools.[6]

Key Terms

Decarbonise: To reduce the emissions produced by your business activities.

Emissions: Emissions are substances released into the air. The main greenhouse gas emissions are water vapor, carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.

Human rights: Basic inalienable rights to live with respect and dignity which apply to all people regardless of race, gender, or any other status.

Climate change: The long-term changes in the Earth's climate system, attributed largely to increased greenhouse gases in the atmosphere produced by the use of fossil fuels.

Just transition: The transition away from high-emission activities while avoiding harm to workers, communities, and other rights-holders; countries and regions and maximising climate action benefits.

[1] CDP (2021) *Transparency to transformation: A chain reaction, CDP Global Supply Chain Report 2020*. Available at: **https://cdn.cdp.net/cdp-production/cms/reports/documents/000/005/554/original/CDP_SC_Report_2020.pdf** (Last accessed 8 December 2022)

[2] *World Economic Forum (WEF) (2023) Small businesses are key to a more sustainable and inclusive world. Here's why*. Sanda Ojambo, ASG. Available at: **https://www.weforum.org/agenda/2023/03/small-businesses-sustainable-inclusive-world** (Last accessed 9 March 2023).

[3] World Trade Organization (WTO) (2016) World Trade Report 2016: *Levelling the Trading Field for SMEs*. Available at: **https://www.wto.org/english/res_e/publications_e/wtr16_e.htm** (Last accessed 10 December 2022).

[4] Office of the High Commissioner for Human Rights (OHCHR) (2011) *United Nations Guiding Principles on Business and Human Rights*. Available at: **https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf** (Last accessed 7 December 2022).

[5] United Nations Department of Economic and Social Affairs (2015) *Sustainable Development – The 17 Goals*. Available at: **https://sdgs.un.org/goals** (Last accessed 8 December 2022).

[6] UN Global Compact (2022) *SME Engagement Strategy 2021 – 2023*. Available at: **https://unglobalcompact.org/library/6049** (Last accessed 1 December 2022).

Part One:
How climate change and human rights are connected

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How climate change and human rights are connected

Climate change refers to the long-term changes in the Earth's climate system.[7] It is observed through changing weather patterns, such as increased rainfall, drought, sea-level rise, and ocean acidification. These are being driven by a rise in global average temperatures, due to higher concentrations of greenhouse gases in the atmosphere.

What does the science tell us?

The Intergovernmental Panel on Climate Change (IPCC) - the UN entity responsible for advancing knowledge on human-induced climate change - concluded in its Sixth Assessment Report that the observed increases in greenhouse gas concentrations, and the warming of the atmosphere, ocean, and land, are unequivocally caused by human activities.[8]

Key climate observations[9]

- Average global surface temperature has risen about 1°C since the late 19th century. **2016 and 2020 were the warmest years on record**
- Extreme weather events such as **fires, flooding, heatwaves and droughts** are increasing in frequency
- Global sea levels have **risen about 20cm** in the last century
- The **ocean is warming** and becoming more acidic
- **Ice sheets** are melting

Despite 30 years of climate advocacy, the required progress to reduce global greenhouse gas emissions has not been achieved.[10] Inaction and delayed action worsen the impacts of climate change, presenting a growing need to decarbonise the economy at an increasingly rapid pace. It is expected that warming of the average global surface temperature will continue until at least the mid-century, causing continued changes in the climate system directly related to global warming.[11]

According to the IPCC, global temperatures are increasing at a rate that is unprecedented in at least the last 2000 years, with the resulting impacts already being observed in the form of extreme weather events, such as recent flooding, fires and heatwaves and their devastating impacts on local communities across Australia.[12]

Examples of human activities which generate emissions

- Energy generation through the burning of fossil fuels such as coal, gas and oil used for electricity, transport and manufacturing. This activity has the greatest impact on climate change
- Land clearing for agriculture and industrial uses which disturbs the carbon stored by forests and other ecosystems
- Intense agricultural activities and waste decomposition which produce methane

Today, climate change is considered one of the nine planetary issues (often referred to as "planetary boundaries") presenting an existential threat to universal human rights. The planetary boundary concept seeks to define the environmental limits within which humanity can live and operate safely on Earth, highlighting the urgency to address issues such as climate change and nature loss. Governments have responded to climate change by setting targets for energy and emissions-intensive sectors to decarbonise their business and invest in low-carbon infrastructure and technology.[13,14] However, the severity of future environmental and social impact relies on the ability of both governments and businesses to decarbonise effectively and equitably, at pace.

Projected impacts on the way we do business

Climate change is observed through environmental changes such as rising temperatures and shifting weather patterns, which introduce significant risks to the way Australian companies do business. These include negative economic impacts from damage to infrastructure and inventory, supply chain disruptions, reduced productivity and increased input costs resulting from changing weather patterns (e.g. droughts and shifting rain patterns) and extreme weather events (e.g. floods and fire).[15]

[7] United Nations (UN) *"What is climate change?"* Available at: **https://www.un.org/en/climatechange/what-is-climate-change** (Last accessed 8 March 2023).

[8] Intergovernmental Panel on Climate Change (IPCC) (2022) *Summary for Policymakers, IPCC, 2022 in Climate Change 2022: Mitigation of Climate Change, Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*. Available at **https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_SummaryForPolicymakers.pdf** (Last accessed 2 February 2023).

[9] National Aeronautical and Space Administration (NASA) *How do we know climate change is real?* Available at: **https://climate.nasa.gov/evidence/** (Last accessed 1 February 2023).

[10] United Nations Environment Programme (UNEP) (2022) *The closing window: Climate crisis calls for rapid transformation of societies*. Available at: **https://www.unep.org/resources/emissions-gap-report-2022** (Last accessed 1 February 2023).

[11] Intergovernmental Panel on Climate Change (IPCC) (2022), Op Cit.

[12] Ibid.

[13] Australian Government (2022) *Climate Change Act 2022 (Cth)*. Available at: **https://www.legislation.gov.au/Details/C2022A00037** (Last accessed 1 February 2023).

[14] Australian Government (2021) *National Climate Resilience and Adaptation Strategy 2021 – 2025: Positioning Australia to better anticipate, manage and adapt to our changing climate*. Available at: https://**www.dcceew.gov.au/sites/default/files/documents/national-climate-resilience-and-adaptation-strategy.pdf** (Last accessed 1 February 2023).

[15] New South Wales Government *AdaptNSW - Climate change impacts on our economy*. Available at: h**ttps://www.climatechange.environment.nsw.gov.au/economy** (Last accessed 1 February 2023).

The below illustration outlines how the physical impacts of climate change could impact business continuity.

The changes in the Earth's climate system...
- Increasing average temperatures
- Increasing frequency and intensity of high temperature extremes
- Increasing rainfall intensity
- Changes in precipitation patterns
- Sea-level rise
- Increasing frequency and intensity of extreme weather events, such as heatwaves and storms
- Marine heatwaves

Will lead to...
- Agricultural and ecological droughts in some regions
- Flooding
- Reduction of Arctic and Antarctic Sea ice, permafrost and snow cover
- Loss of marine biodiversity
- Coral bleaching
- Coastal erosion
- Bushfires
- Water scarcity

Resulting in...
- Heat stress
- Impacts to production of raw materials
- Delay in supply of goods
- Transport delays
- Production losses
- Physical damage to business locations
- Health and safety impacts to employees
- Increased input costs
- Reduced productivity

The severity of the projected impacts to the climate system and associated risks to businesses are dependent on greenhouse gas concentration in the atmosphere. At this stage, the best way for SMEs to build resilience to risk introduced by climate change is to establish an effective and equitable decarbonisation strategy.

How climate change is threatening universal human rights

In addition to impacting the way business operates, climate change has been identified as one of the greatest threats to the enjoyment of human rights throughout the world.[17] Physical impacts such as extreme weather events and sea-level rise are already having devastating impacts on the enjoyment of basic rights established to support the inherent dignity of human life – including the right to life, self-determination, enjoyment of culture, highest attainable standard of health, food and security and integrity of person.[18,19] These impacts are inherently discriminatory and are already affecting those who are both least responsible for climate change and most at risk.[20]

In 2022, the United Nations General Assembly declared that access to a clean, healthy and sustainable environment is a universal human right.[21] At the time, UN High Commissioner for Human Rights, Michelle Bachelet, noted:[22]

"Every person, everywhere, has a right to eat, breathe and drink without poisoning their bodies in doing so, and to be able to live harmoniously with the natural world, without constantly growing threats of ecosystem collapse and climate catastrophe."

What are human rights?

Human rights are rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. Human rights include the right to life and liberty, to equality, to food and to a place to live and work and many more. Everyone is entitled to these rights, without discrimination.[16]

[16] United Nations (UN) *Human Rights*. Available at: **https://www.un.org/en/global-issues/human-rights** (Last accessed 2 February 2023).

[17] Office of the High Commissioner for Human Rights (OHCHR) (2021) *Oral Update on the human rights situation in Sri Lanka*. Available at: **https://www.ohchr.org/en/2021/09/oral-update-human-rights-situation-sri-lanka** (Last accessed 1 February 2023).

[18] OHCHR (1966) *International Covenant on Economic, Social and Cultural Rights*. Available at: **https://www.ohchr.org/en/instruments-mechanisms/instruments/international-covenant-economic-social-and-cultural-rights** (Last accessed 28 November 2022).

[19] OHCHR (1966). *International Covenant Civil and Political Rights*. Available at: **https://www.ohchr.org/en/instruments-mechanisms/instruments/international-covenant-civil-and-political-rights** (Last accessed 28 November 2022).

[20] United Nations General Assembly (2019) *Unprecedented Impacts of Climate Change Disproportionately Burdening Developing Countries, Delegate Stresses, as Second Committee Concludes General Debate*. Available at: **https://press.un.org/en/2019/gaef3516.doc.htm** (Last accessed 1 February 2023).

[21] United Nations Environment Programme (UNEP) (2022) *In historic move, UN declares healthy environment a human right*. Available at: **https://www.unep.org/news-and-stories/story/historic-move-un-declares-healthy-environment-human-right** (Last accessed 1 February 2023).

[22] Ibid.

Climate change will impact virtually all aspects of human life, particularly for those in low lying coastal States and developing countries. The below illustration outlines how certain internationally recognised human rights may be adversely impacted by the physical impacts of climate change.

Climate change and human rights

Effects of climate change on the environment
- Temperature rises
- Extreme weather events
- Changes in water patterns and distribution
- Biodiversity loss
- Drought
- Sea-level rise

Resulting in
- Changes in agriculture and food production causing food insecurity
- Water insecurity
- Disease
- Mortality rate increases
- Poverty increases
- Poor health outcomes
- Resources scarcity
- Natural systems decline
- Unequal distribution of impacts (greater impacts to marginalised groups)
- Displacement of people
- Conflict
- Loss of life

Impacted human right

Each of the human rights listed are linked to the human right to a clean, healthy and sustainable environment

- Right to life
  E.g. Extreme weather events such as flooding, cyclones or fires resulting in loss of life
- Right to self-determination, to enjoyment of culture, and freedom from arbitrary interference with privacy and home
  E.g. Damage, destruction or inaccessibility to sites of cultural or spiritual significance resulting in the inability to practice and enjoy one's culture
- Right to highest attainable standard of health
  E.g. Increase in air pollution or water contamination leading to higher rates of related illnesses or mortality
- Right to adequate standard of living including food and housing
  E.g. Degradation of crop yield quality; rising sea-levels and extreme weather events leading to housing scarcity, lack of access to safe and affordable housing
- Right to clean drinking water and sanitation
  E.g. Rising sea-levels resulting in increased salinisation, extreme weather events such as flooding or cyclones, impacting availability of clean or potable drinking water

Decarbonisation is crucial – but it is not without human rights risks

Under the 2015 Paris Agreement, participating countries committed to limit global temperature rise to below 2°C and to strive for 1.5°C. To achieve this, global greenhouse gas emissions will need to peak before 2025 and then decline by 43 per cent by 2030.[23]

In 2023, pressure to decarbonise the global economy is at an all-time high. At the briefing to the United Nations General Assembly on the priorities of the UN for 2023, UN Secretary General António Guterres urged all State, business and civil society leaders to "focus on two urgent priorities: cutting emissions and achieving climate justice."[24]

Governments and businesses are starting to recognise that the process of decarbonising introduces human rights risks of its own. Understanding these risks and associated impacts is critical to ensuring a just, equitable and orderly transition.

Human rights risks associated with decarbonisation can be present within an SME's operations, their onshore supply chain and offshore suppliers. Potential human rights risks associated with decarbonisation are outlined below.

Human rights and decarbonisation

Decarbonisation activity

- > Divestment from fossil fuel intensive energy generation
- > Increase in mining of critical minerals such as cobalt, copper, lithium, manganese, nickel and zinc, which are required to produce renewable energy technologies (also known as "transition minerals")
- > Land clearance to allow for renewable energy generation

Potential adverse human rights impact

- > Local communities negatively impacted by the closure of emissions-intensive energy production, such as job losses
- > Displacement of vulnerable groups and communities caused by the repurposing of land for renewable energy generation
- > Impacts to the enjoyment of the right of Indigenous peoples to maintain their distinctive relationship with traditionally owned lands, territories, waters and coastal seas, caused by repurposing of land or coastal areas for renewable energy generation
- > Exacerbation of labour exploitation, including forced labour and child labour driven by a rise in demand for transition minerals and renewable energy components.

The difference between carbon neutral, net zero and carbon negative

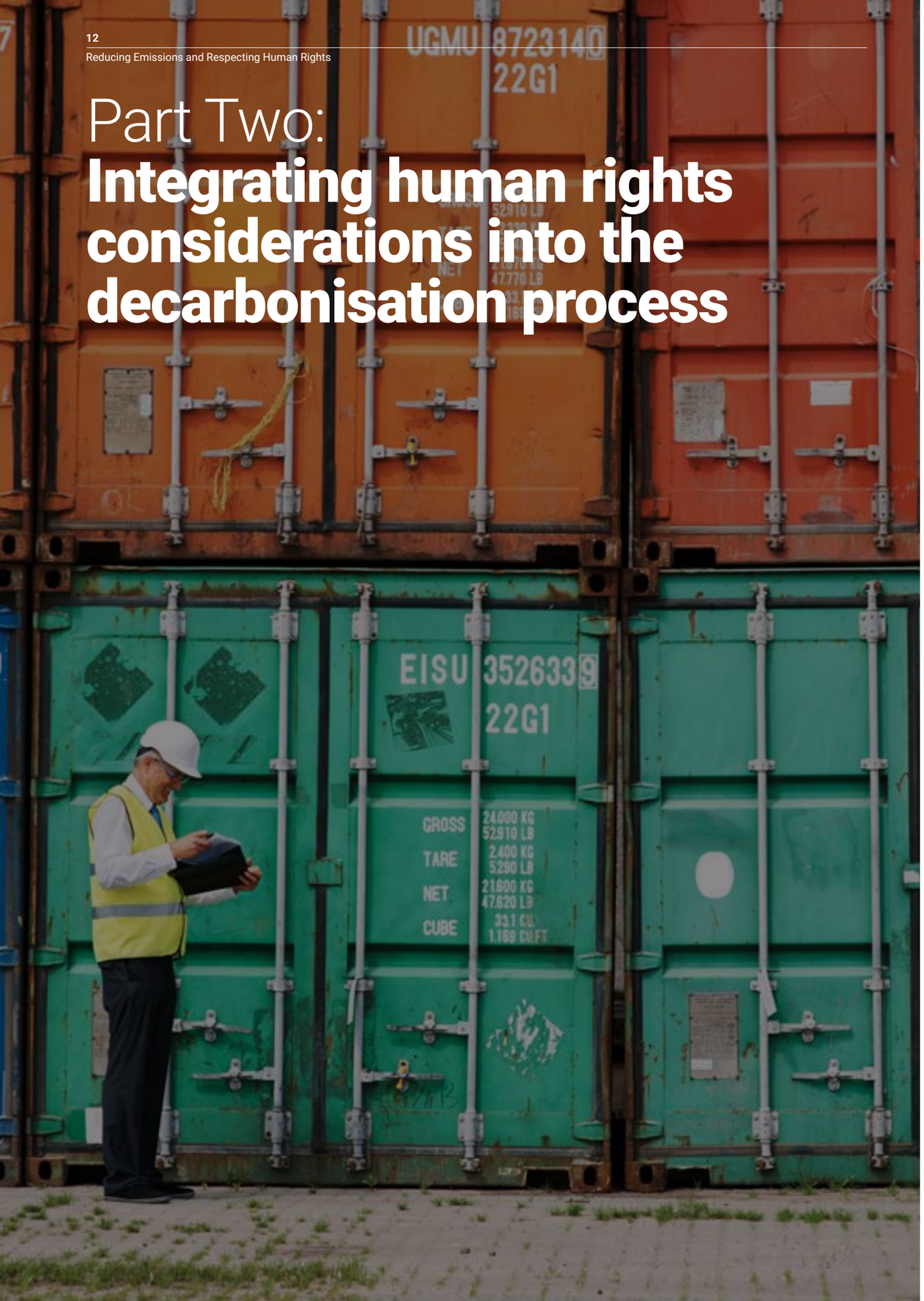
CARBON NEUTRAL: Carbon neutrality means balancing greenhouse gas (GHG) emissions by offsetting (or removing from the atmosphere) an equivalent amount of carbon for the amount produced.

NET ZERO: Reducing emissions to zero or as close to zero as possible with residual levels being balanced by removal out of the atmosphere consistent with reaching net-zero emissions at the global or sector level.

CARBON NEGATIVE: Carbon negative means removing or sequestering (storing) more carbon dioxide from the atmosphere than what is being emitted.

[23] United Nations (UN) (2022) *The Sustainable Development Goals Report 2022*. Available at: **https://unstats.un.org/sdgs/report/2022/SDG2022_Flipbook_final.pdf** (Last accessed 1 February 2023).

[24] United Nations (UN) (2023) *António Guterres, United Nations Secretary-General on Priorities for 2023*. Available at: **https://media.un.org/en/asset/k19/k19is0m54r** (Last accessed 28 February 2023).



Part Two:
Integrating human rights considerations into the decarbonisation process

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Integrating human rights considerations into the decarbonisation process

The purpose of this section is to outline key steps that SMEs should take to decarbonise their business and how to consider human rights at each step.

The SME pathway to net zero

Meeting the ethical responsibility to reduce impact on the environment while building climate resilience into the business requires SMEs to decarbonise their value chains. This is achieved primarily by reducing the amount of energy procured that is generated by fossil fuels and moving to renewable sources such as solar energy. The standard approach to decarbonisation is outlined below.

1. Measure your emissions footprint	2. Assess your climate risk	3. Set your emissions reduction targets	4. Evaluate emissions reduction options	5. Embed and communicate selected emissions reduction initiatives	6. Report on progress

Further information on each of these steps is detailed in Appendix 2.

There are globally accepted standards and frameworks available for identifying and quantifying an organisation's carbon emissions. The Science Based Targets initiative (SBTi), and the Greenhouse Gas (GHG) Protocol are widely used frameworks for businesses to use to measure GHG footprints and set decarbonisation targets. In addition to these, the Taskforce for Climate-related Financial Disclosures (TCFD) is a framework of recommendations providing guidance on how organisations are best assessing and managing climate-related risks.

As a founding partner of the SBTi, the UN Global Compact encourages all businesses, including SMEs, to set science-based targets aligned with limiting global temperature rise to 1.5°C above pre-industrial levels.[25]

Science Based Targets initiative (SBTi)	
What is it?	**How can SMEs use it?**
The SBTi enables businesses to set emissions reduction targets consistent with the goals of the Paris Agreement and the latest climate science. The SBTi is a partnership between the Carbon Disclosure Project, UN Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).	SBTi has introduced a streamlined target-setting route for SMEs. This will enable you to demonstrate your commitment to reducing emissions and help you to set robust, credible targets in line with climate science. More information can be found on the **SBTi FAQ webpage.**[26]

[25] Science Based Targets initiative (SBTi) *Resources for companies*. Available at: **https://sciencebasedtargets.org/resources/** (Last accessed 10 February 2023).
[26] Science Based Targets initiative (SBTi) *FAQs*. Available at: **https://sciencebasedtargets.org/faqs** (Last accessed, 10 February 2023).

The Greenhouse Gas (GHG) Protocol	
What is it?	**How can SMEs use it?**
The GHG Protocol establishes global standards, guidance, tools, and training that are used by the private and public sector to measure and manage greenhouse gas emissions. It is the world's most widely used carbon accounting standard.	The GHG Protocol provides calculation tools and guidance that can be used to develop a carbon inventory to analyse a business's carbon footprint. The GHG Protocol's **Corporate Accounting and Reporting Standard** lists the steps required for the entire inventory development process.[27]

The Taskforce for Climate-Related Financial Disclosures (TCFD)	
What is it?	**How can SMEs use it?**
The TCFD helps public companies and other organisations effectively disclose climate related risks and opportunities, including financial implications of climate change. It is a mandatory framework for listed companies in several economies.	Although designed for large, listed organisations, the TCFD framework provides a series of recommendations to assess and manage climate-related risks, which are relevant for other companies. More information can be found on the **TCFD Hub** which has resources to help you get started.[28]

Identifying and mitigating human rights risks and impacts

The *United Nations Guiding Principles on Business and Human Rights* (UNGPs) is the internationally recognised framework for integrating respect for human rights into business. It provides companies with a framework to identify, prevent, mitigate and account for their own human rights impacts, and guidance on how to address such impacts when they occur based on their level of involvement in the harm.[29]

The UNGPs are also designed for easy integration with existing business processes, policies, and procedures, and are 'down-scalable' for integration with smaller organisations, such as SMEs.[30] To meet the business responsibility to respect human rights, the UNGPs expect businesses to take the following three steps:[31]

1. Make a policy commitment to meet their responsibility to respect internationally recognised human rights	**2. Undertake human rights due diligence to identify, prevent, mitigate and account for how they address their human rights impacts**	**3. Set up a process to enable effective remediation for any adverse human rights impacts which the business causes or contributes to**

The interconnected relationship between climate change and human rights introduces a number of key considerations for businesses looking to implement the UNGPs. In the context of decarbonisation, SMEs should consider whether any of their decisions made throughout the process could result in them causing, contributing to, or being directly linked to an adverse human rights impact for any stakeholders throughout their value chain.

To assist with the first step expected under the UNGPs, the following appendices have been prepared to assist SMEs as they adopt the UNGPs and develop their decarbonisation strategy. Appendix I contains sample principles for integration within the SME policy suite. Appendix II highlights practical human rights considerations for SMEs throughout each of the six decarbonisation steps.

[27] Greenhouse Gas Protocol (2001) A Corporate Accounting and Reporting Standard. Available at: **https://ghgprotocol.org/corporate-standard** (Last accessed, 1 February 2023).

[28] Carbon Disclosure Project (CDP) Task Force on Climate-related Financial Disclosures: Metrics and Targets. Available at: **https://www.tcfdhub.org/metrics-and-targets/** (Last accessed, 13 February 2023).

[29] OHCHR (2011) Op Cit, Principle 13.

[30] Ibid, Principle 14.

[31] Ibid, Principle 15.

Appendix

Appendix I:
Policy principles for SMEs

The first step to minimising the potential risk of human rights impacts through the decarbonisation process is for businesses to establish a baseline policy commitment.

At the outset, SMEs should consider incorporating the following overarching principles in their public policy commitment, such as through a Human Rights Policy or Statement, which should also be considered throughout their decarbonisation strategy development.

Responsibility to respect	Throughout our decarbonisation process, **[Company X]** is committed to respecting the internationally recognised human rights of all persons throughout its value chain.
Participation and empowerment	**[Company X]** recognises that all people have the right to meaningfully participate in decision making which may affect them. **[Company X]** is committed to ensuring that potentially impacted people are supported and engaged, and that their views are incorporated into any business decision-making which may affect them.
Non-discrimination and equality	**[Company X]** recognises that the process of considering human rights within business decision-making, including throughout the decarbonisation process, should not be discriminatory. **[Company X]** is committed to taking the necessary steps to understand and elevate the perspectives of marginalised voices to promote equal enjoyment of human rights.
Access to effective remedy	**[Company X]** is committed to actively promoting and providing access to an effective remedy through accessible and culturally appropriate grievance mechanism processes.
Transparency	**[Company X]** is committed to transparently communicating how human rights considerations have been implemented into business decisions, including decarbonisation decisions, both internally and externally.

Appendix II:
Practical considerations throughout decarbonisation

The table below sets out key steps SMEs can take in decarbonising their business and the associated human rights considerations to mitigate the risk of adverse human rights impacts throughout the decarbonisation process.

Note: These recommendations do not replace the need for a comprehensive general approach to human rights and fully integrating the UNGPs into the business' processes. It also does not include other human rights potentially impacted by other business decisions and activities.

	Decarbonisation steps	Human rights considerations

1. Measure emissions footprint	> Define the business' ambition for climate action by choosing a relevant standard to align to, preferably a Science-Based Target in line with the SBTi.
	> Establish a baseline year: decide on a specific year against which a company's emissions are tracked over time, ideally this year represents a typical year of business (e.g. exclude those impacted by COVID-19 or other business disruptions).
	> In accordance with the definitions provided by the GHG Protocol and SBTi, set an organisational boundary for measurement of emissions under one of three different approaches: operational control, financial control or equity control. Refer to the GHG Protocol for further guidance on each of the approaches.
	> Identify emissions sources and determine whether each sits within your scope 1, 2 or 3 emissions as determined by the GHG protocol. Then use the protocol to determine a calculation approach for each.
	> Collect emissions data
	> Select emissions factors
	> Calculate emissions
	> Determine whether any emissions need to be estimated in the absence of data
	> Finalise a baseline emissions footprint.
		> Document the stakeholders or rights-holders potentially impacted within the organisational boundary, e.g.:
		  > company workforce
		  > customers.
		> Identify whether any broader stakeholders or rights-holders could be impacted outside the defined organisational boundary, e.g.:
		  > affected communities
		  > suppliers' workforce.

	Decarbonisation steps	Human rights considerations

2. Assess your climate risk	> Map out your business' value chain to determine your geographic and sector emissions footprint.
	> Consider the risks and opportunities posed by climate change across your value chain.
	> Consider engaging with larger customers to determine whether they have set emissions reduction targets and established a climate resilience plan to gain a clearer understanding of the transition risks to the business.
		> Map out where each of the stakeholders or rights-holders identified sits within your value chain. Areas to consider may include:
		  > suppliers
		  > own operations
		  > customers.
		> Engage with key stakeholders, such as larger customers, to understand their human rights commitments, including their commitment to a just transition.
		> Consider areas where your business may be able to support any of these stakeholder groups either with the impact of climate change, or with changes driven by decarbonisation.
		Note: The best way to understand the views of different stakeholders is to engage with them.

3. Set emissions reduction target year	> Choose a target year: companies should set a near-term target for the emissions under its direct control (scope 1 and 2) between five and ten years. Companies should then also set a long-term target for the wider value chain (scope 3) aligned to a net-zero commitment between 2040 – 2050. The long-term target should be revisited on a five yearly basis. Note: To ensure ongoing credibility of climate targets, exclude the use of offsets and avoided emissions.	> Establish or refresh your company's human rights policy or mission statement to include specific reference to climate-related risks and impacts, including those introduced by the process of decarbonisation.

	Decarbonisation steps	Human rights considerations

4. Evaluate emissions reduction options	> Identify and evaluate options to reduce the business' emissions footprint across each of its scopes and emissions sources:
	  > Prioritise reduction of scope 1 and 2 as part of a near-term target by transferring to renewable energy or decarbonising your vehicle fleet.
	  > Next, focus on decarbonising your value chain through each of your scope 3 categories. Focussing on highest reduction opportunities with lowest effort required.
		> Assess whether any of the emissions reduction options pose human rights risks to any of your identified stakeholders or rights-holders.
		> Good questions to ask include:
		  > Does our energy provider have a plan in place for local workers at its fossil-fuel energy plant?
		  > How has our provider of renewable energy products (e.g. solar or wind infrastructure) considered human rights risks related to their manufacture?
		  > Does our new provider of renewable energy have a human rights policy or statement? Have they demonstrated that their operations are rights-respecting, particularly in relation to First Nations' human rights and the protection of cultural heritage?
		Note: To mitigate the risk of contributing to or being directly linked to adverse impacts driven by renewable energy generation, integrate human rights due diligence expectations into the tender process when sourcing renewable energy.

5. Embed and communicate selected emissions reduction initiatives	> Communicate your targets to stakeholders through appropriate channels. > Assign emissions source owners and upskill personnel on how to reduce the relevant emissions sources through chosen emissions reductions options. > Establish a governance structure, including internal monitoring and reporting of progress. > Continue to develop your emissions inventory through better data quality and coverage, reducing the use of estimation.	> Allocate responsibility for climate and decabonisation-related human rights impacts within the company. Ensure those responsible for human rights within the business have the necessary knowledge and experience in both areas. > Consider whether your complaints or grievance processes have been designed in an accessible and culturally appropriate way. > Ensure that you have a process in place for engaging with complaints or grievances related to decarbonisation decisions. Decide how you will escalate, assess, and remediate.
6. Report on progress	> Establish and implement a communication approach to disclose the business' decarbonisation strategy and performance to relevant stakeholders. > Periodically review your emissions target against progress, business growth and the latest science available.	> Consider the different rights-holders, and their needs for receiving and understanding the information about your decarbonisation approach e.g.: accessibility and format of your reporting.

The Ten Principles of the United Nations Global Compact

The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

Human Rights

1: Businesses should support and respect the protection of internationally proclaimed human rights; and

2: Make sure that they are not complicit in human rights abuses.

Labour

3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

4: The elimination of all forms of forced and compulsory labour;

5: The effective abolition of child labour; and

6: The elimination of discrimination in respect of employment and occupation.

Environment

7: Businesses should support a precautionary approach to environmental challenges;

8: Undertake initiatives to promote greater environmental responsibility; and

9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10: Businesses should work against corruption in all its forms, including extortion and bribery.

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