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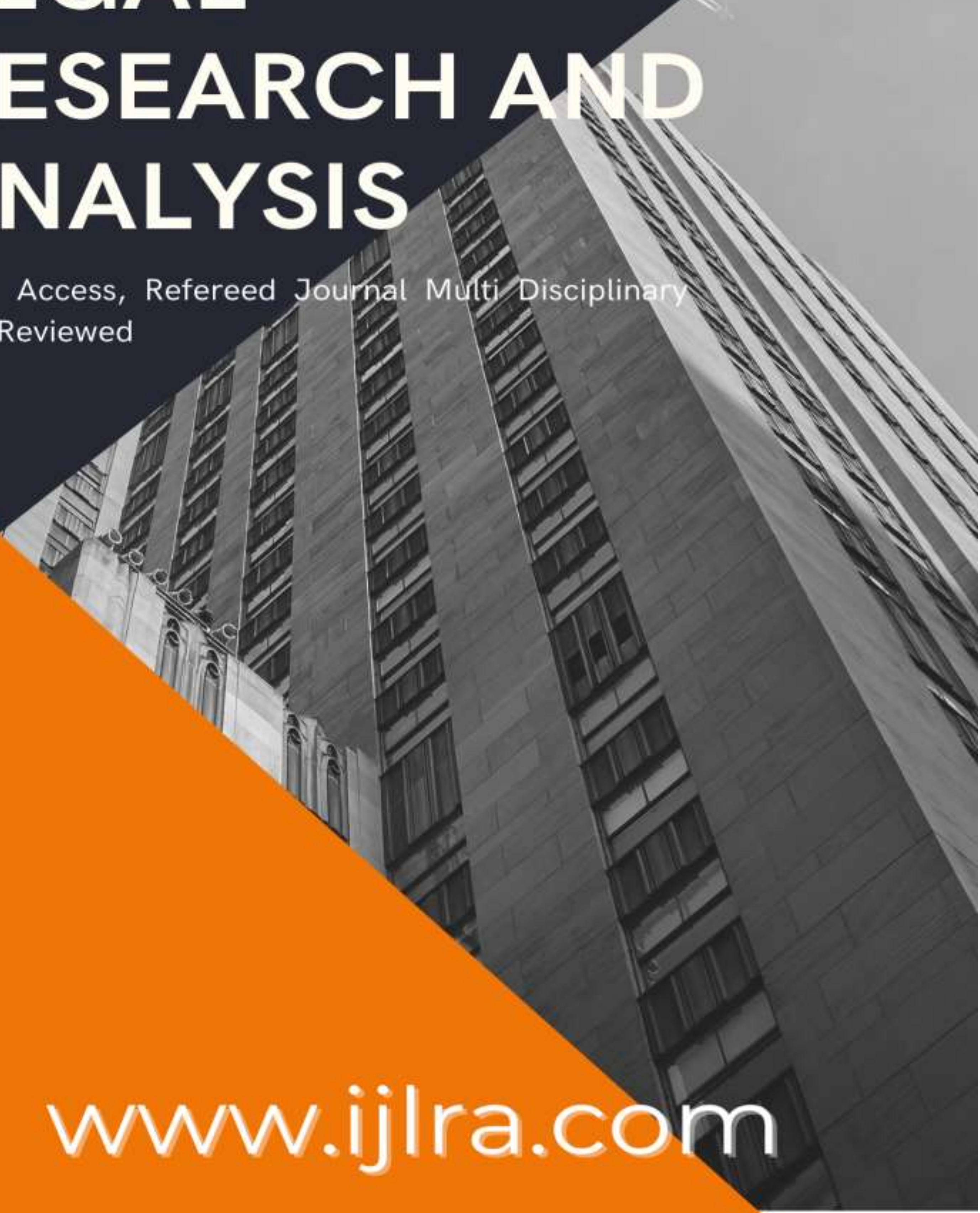

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HUMAN RIGHTS IN CORPORATE STRATEGY: ASSESSING ACCOUNTABILITY AND IMPLEMENTATION CHALLENGES

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Class: 5 BA LLB 'B'

ABSTRACT

The evolving nature of business and social responsibility, is mainly due to human rights are now a critical component of corporate strategy. Human rights must be respected and upheld by businesses in their supply chains and other operations. The growing attention has been mainly due to the UNGP framework on business and human rights — an initiative which, for the first time, provides guidelines on how corporations are obliged to respect human rights. However, these gains come with challenges related to accountability and implementation. It is often very challenging for several businesses to embed human rights issues as part and parcel of the business because suitable governance frameworks are not in place, enforcement mechanisms need to be proper, and then globalization of most of the supplier chain, etc. Furthermore, it is hard to measure a company's compliance due to not having an adequate monitoring system or recognized standards for reporting systems. What is worse, human rights, if ever considered, are always subordinate to economic advantage as there is centralized conflict. This essay covers the relationship between corporate responsibility and human rights. Instead, it emphasizes some practical challenges in attempting to (voluntarily) position human rights into the heart of corporate strategy and stresses external actors' role in raising a company's understanding of its responsibilities. These stakeholders might sometimes be shareholders, customers, and even governments. Progress is only moderate; however, we are "getting there" for business strategies and human rights values to align; it takes a foundation and stakeholders involved.

Keywords: Human rights, corporate accountability, UNGPs, Governance, Stakeholders

INTRODUCTION

Including human rights in policies has been a significant concern for global business organizations over the past ten years. Companies are under growing scrutiny and face greater social responsibility and compliance demands due to increased public awareness of human rights issues. These ongoing changes present challenges in holding companies accountable and ensuring the establishment of suitable mechanisms to implement comprehensive human rights policies effectively.[1] Industry standards and practices determine the application of policies and procedures. No industry can be free of the issues faced regarding labor rights protection, environmental sustainability, and community inclusion in critical decisions. For instance, monitoring human rights violations in a supply chain that extends to manufacturing and agriculture is challenging because it has many broad networks. The extent of recognition of these challenges and the development of approaches to raise voices for rights in different contexts is paramount. Stakeholder Participation would impact a company's concern of implementing human rights into their strategy, as it had been mentioned previously. The growing demands by consumers, investors, and advocacy groups for greater transparency and responsibility on the part of multinational companies make it possible for stakeholders to have a voice in the operations of corporations through social media campaigns, shareholder proposals, and efforts toward public accountability. [2]Analysis of stakeholder pressure is crucial for understanding compliance with moral standards in diverse dimensions that can act as tools for promoting responsibility.

Organizations that aim to align their operations with human rights benchmarks can use guidelines, such as the United Nations Guiding Principles on Business and Human Rights. There seems to be variation in how organizations create and apply these standards. While some parties view guidelines as an expensive need, others see them as essential to effective risk management and reputation building.[3]

This context requires the current research to explore these frameworks; what implications they hold for corporate actions, and what challenges and opportunities they throw open for organizations committed to human rights. Businesses face a tremendous challenge in assessing and reporting consequences on human rights. A proper procedure and framework are required to represent the subtlety surrounding human rights issues accurately. Embracing best practices in transparency and reporting will help facilitate human rights work and assist organizations in building stakeholder trust while sharpening internal accountability systems. A balanced

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perspective on the importance of human rights is established by identifying these excellent behaviors.[4]

The inclusion of principles of human rights in corporate strategy is thus made possible in a significant manner through the structure of corporate governance. Strong governance structures will ensure that the business objectives are aligned with the values of human rights, and they will streamline the enhancement of the ethical compass of the decision-making processes. Weakly managed organizations will find it hard to address concerns over human rights, and eventually, they will have to pay for it in terms of responsibility and reputation. Consequently, the research topics that this thesis delves into are closely related to the paper's reliance on analyzing the intricate relationship between business strategy and human rights.[5]

Providing a more sophisticated understanding of the strategies by which firms will best incorporate human rights into their operations systems and track organizational responsibility in an increasingly dynamic world will depend on not just an examination of perceived barriers to practice, such as stakeholder pressure, international framework influence, measurement and reporting techniques, and the governance structures themselves, but a serious exploration of practitioners' approaches to the challenges those same factors pose.

Major Challenges in incorporating policies of human rights into the business sector

The integration of human rights policies into corporate plans is crucial for the promotion of sustainable business practices, particularly in India, where some industries are typically associated with human rights breaches about environmental degradation, labor exploitation, and community displacement.[6] A number of obstacles prevent the effective integration of human rights policies into corporate strategies, especially while discussing global regulations and legal frameworks. Furthermore, this paper gives a detailed explanation of these challenges by using the following case laws and real-life scenarios:

(a) Lack of Clear Legal Competence

Although certain firms in India are required by Section 135 of the Companies Act of 2013 to have policies for Corporate Social Responsibility, these policies do not specifically address human rights. Because of its vagueness, there is a vacuum in the legal framework's direct participation in human rights issues. In the recent case of **Sesa Sterlite Ltd. v. Orissa Pollution Control Board (2013)**[7], the judiciary considered violations of environmental regulations by a corporate entity, demonstrating that legal provisions placed greater emphasis on following environmental standards than on the inclusion of comprehensive human rights concerns.

Organizations often fail to emphasize human rights because no explicit legal requirements bind the scope of strategies to human rights principles. The problem is further complicated by the fragmented Indian strategy on business and human rights. India has ratified international agreements like the UN Guiding Principles on Business and Human Rights. Still, it has yet to include corresponding domestic legislation, therefore leaving most businesses free from responsibility unless such offenses involve recognized legal requirements like labor practices or environmental protection.[8]

(b) Mechanisms for Enforcement: Inadequate

Although India has a wide range of labor and environmental legislations that protect human rights, bureaucratic inefficiencies, corruption, and lack of resources have impaired their effectiveness. One prominent example is the case of **People's Union for Civil Liberties v. Union of India (PUCL) (2001)**[9]**,** dealing with issues related to hunger and the fundamental right to food. The Supreme Court appealed the need for food security to be met by the state. Still, the case implicated the role that corporate involvement played, specifically in areas such as food distribution, where corporate negligence abetted human misery.

Regulatory oversight of the construction and mining industries is often needed because of their past of mistreating workers and offering poor working conditions. For example, in mining-heavy regions like Odisha, Jharkhand, and Chhattisgarh, corporations have been accused of violating workers' rights in addition to displacing indigenous populations. In most cases, the state is either unable or unwilling to put such legislation into effect in order to hold large corporations responsible for human rights violations.

(c) Corporate Prioritization of Profit over Compliance

Corporate strategies frequently prioritize profit maximization, occasionally compromising human rights. Businesses in India, particularly those in quickly growing sectors like IT, real estate, and textiles, frequently choose cost-cutting measures over adhering to environmental or labor regulations.

The case of **Gopi Aqua Farms v. Union of India (1997)**[10] exemplified the tendency of corporations to prioritize financial profits at the expense of environmental integrity and social accountability. As a result, legal action was required to protect farmers and the local ecology from harmful practices in the aquaculture industry.

In practice, the Indian textile industry, particularly in regions like Tamil Nadu, has been condemned for its involvement in contemporary forms of slavery, like the Sumangali system, which forces young women to work in very exploitative conditions. Despite global campaigning, many companies evade labor laws by subcontracting and employing informal workers, ensuring profit margins while avoiding scrutiny over human rights abuses.[11]
operations.[12]

(d) **Spectacular corporate governance and accountability in corporate sectors:**

The most important one is that there is a need for strong corporate governance frameworks that look into human rights issues. Most Indian corporations have few independent boards or boards with committees, especially on human rights issues. Large conglomerates with diverse business streams make it particularly difficult to overcome this complexity in effective oversight of their operations. An exemplary example is - **Sterlite Industries Ltd. v. Union of India (2013)**[13]; because of environmental infractions, the Supreme Court ordered Sterlite's copper smelting factory closed. In this case, there was also a breach of corporate governance as the corporation neglected to supervise its adherence to environmental regulations, endangering the health of its personnel and the community it served. Human rights violations in business supply chains are also frequently disregarded. Multinationals working in India have been linked to various labor rights abuses; the local suppliers are usually those under the sharpest legal and social scrutiny and not necessarily the international companies themselves. The catastrophe of Rana Plaza in Bangladesh is an example; however, similar supply chain problems also plague Indian industries, especially the garments and electronics industries, known to be infamous for their shabby working conditions.

(e) Cultural and Social Obstacles

Indian companies often operate in complex socio-cultural environments where caste politics, gender discrimination, and economic inequality are known to have a significant bearing on the affairs of business houses. Human rights violations, particularly labor rights violations, have become customary in specific sectors and hamper the creation of proper human rights policies. For instance, bonded labor and child labor still prevail under agriculture, despite the legal prohibitions established by the **Bonded Labour System (Abolition) Act of 1976**[14] and the **Child Labour (Prohibition and Regulation) Act of 1986**[15]. In reality, these laws are often violated, as in the case of **M.C. Mehta v. State of Tamil Nadu (1996)**[16], wherein the Supreme Court admitted the persistence of child labor under the banners of firework industries despite legislative measures to eliminate it.

Opposition from Corporate Stakeholders

Resistance from critical stakeholders in the organization-whether it's the shareholders or upper management-frequently proves to be a barrier. Human rights efforts are viewed as costly and manpower-intensive, so organizations are reluctant to commit themselves fully. Without significant investment pressure from investors or a legal requirement, corporate boards tend to think more about short-term bottom-line considerations than human rights issues.[17] Corporations in the real estate industry have often faced charges regarding land appropriation and coercive dispositions, primarily in impoverished urban areas. The high court case of **Olga Tellis v. Bombay Municipal Corporation (1985)**[18], Protecting the right of slum-dwellers to life, marked how heavy responsibility rests with business enterprises and institutions that run urban development policies in accelerating the process of mass dis-enfranchisement.

Still, despite this recent trend in India toward human rights compliance in business, several obstructions remain. Some factors inhibiting human rights representation in corporate planning are issues of legal obscurity, weak mechanisms of enforcement or rules and regulations, a focus on profit, flaws in governance, socio-cultural problems, and resistance from the stakeholders. It is only through the establishment of more robust legal frameworks, improved enforcement, and a transformation in corporate culture that Indian enterprises can genuinely integrate human rights into their fundamental strategies.[19]

Stakeholder pressure affects the efficacy of such procedures and corporate accountability for abuses of human rights.

They generally shape business responses to human rights concerns and how they act accountably in the societal contexts in which they operate. These forces can be in the form of regulations, sentiments from governments, consumer sentiment, investor motives, and pressures that shape public perception or a broader sense of 'market' perception -- potential investors and current employees as well as non-governmental organizations (NGOs), local communities, etc[20]. Strategically applied, they can significantly heighten corporate compliance with human rights norms. However, pressures from stakeholders are very much contingent upon accountability mechanisms.

Consumers and Shareholders' Pressure: Consumers are now more vocal, demanding that corporations adopt ethical practices, including respect for human rights. This has primarily been the case in India lately with industries such as textile, agriculture, and mining that have unbridled exploitative labor practices and environmental degradation. What caught the most attention here would be the exploitation of child labor in Tamil Nadu's textile industry, which is growing each day. International buyers and ethical consumers have only made companies lift the working conditions standards and eradicate child labor in the supply chain; among global brands such as H&M and Zara, which source products from India, public outrage and media attention point to the importance of consumer pressure.[21]Similarly, investors, particularly SRI funds, are gaining the power to push companies to adhere to human rights standards. For instance, investment houses worldwide are pulling out of businesses associated with weak labor protection and less environmental responsibility. One can find this phenomenon in the mining industry. Companies like Vedanta Resources have been engaged in controversies with investors over human rights abuses-the company had used force to dislodge a local tribe in Odisha. Such stakeholder divestment pressures made companies re-calibrate their human rights strategies, act more responsibly, and more responsible business practices.

NGO Activism and Media Exposure:

NGOs and media, of course, are potent constituencies in determining those who commit human rights abuses. In India, for instance, NGOs played a significant role in bringing forth corporate malpractice. For example, in the Sterlite Copper case in Tamil Nadu, continuous protests by local communities with support from environmental and human rights NGOs resulted in the plant's closing. The plant was charged with having caused widespread ecological damage as well as health rights violations in the local communities. Media also magnified the affected communities' voices, imposing immense pressure on the company and the government.[22]

NGOs, like the Centre for Science and Environment (CSE), have been equally crucial in uncovering firms' environmental and labor malpractices, causing legal intervention or regulatory actions in some cases. Any case that becomes a cause célèbre compels companies to react due to reputation and loss of consumer confidence.

Legal Framework and Government Regulation:

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Although consumer and investor pressure is vital, in most cases, the immediate mechanisms by which corporate accountability for such human rights abuses is ensured are in terms of legal structures and government enforcement. In this regard, many pieces of legislation, such as the Companies Act 2013 and National Guidelines on Responsible Business Conduct (NGRBC), provide a framework for the social responsibility of the companies in more than just spiritual notions, including respect for human rights.

For instance, landmark judgments by the Indian judiciary have also played a vital role in this regard. The landmark judgment in **Sanjit Roy v. State of Rajasthan (1983)[23]** involved affirming the rights of workers subjected to exploitative conditions and highlights how mechanisms of law enforce corporate accountability. The NGT has even intervened in cases of environmental damage through corporate negligence, such as its rulings against illegal mining activities in Goa, which have caused great harm to the local communities and environment.

Regulatory enforcement is also challenging in India due to bureaucratic inefficiencies, corruption, and weak enforcement mechanisms. Effective compliance calls for not the strength of the law but strict monitoring and penalties for non-compliance.

Human Rights violations give immense power to the pressures from consumers, investors, NGOs, and governments in corporate accountability. Even though consumer activism and investor pressure may influence corporations to act responsibly, legal and regulatory provisions remain crucial for continued compliance. Public awareness, financial incentives, and mechanisms for enforced legal provision are some of the best ways towards corporate accountability, especially in a country like India, where human rights violations seem to concern business interests more often than not.[24]

The Influence of International Frameworks on Corporate Human Rights Practices: Insights from the UN Guiding Principles

International frameworks, including the UN Guiding Principles on Business and Human Rights (UNGPs), have shaped how the business community views human rights; they have given all business enterprises a holistic approach to understanding their human rights obligations. The three pillars of the UNGPs are the protection of human rights by the state, respect for human rights by the corporation, and access to remedies for victims of business-related human rights abuses. Businesses perceive These frameworks differently, changing their operation, strategy, and how they are perceived at the public level.[25]

Standards and Accountability

The UNGPs define standards for companies clearly. Compelling businesses to evaluate their actual and potential human rights impacts, mitigate risks, and report transparently on findings and actions, the UNGPs oblige firms to be more effective in identifying and reducing human rights issues across operations and their supply chains. For example, it has been incorporated into mainstream CSR policies of Unilever and Nestlé, among others, through policy-making about human rights. They also carry out regular checks on the companies that connect to them.

These actions ensure high adherence to international standards and strengthen stakeholders' confidence.[26]

Stakeholder Engagement

The UNGPs are engagement-oriented and encourage people to engage with concerned stakeholders to interact with communities, workers, and other parties when engaging in an open dialogue. Identifying risks is the same as establishing the right strategies for mitigation.

For instance, the social response of Coca-Cola is enlisting water stewardship efforts where they engage with local communities in the effort, applying the UNGPs. In such cases, Coca-Cola engages local stakeholders in decision-making processes to address related issues on access to water and its sustainability and align its operations with human rights principles.

Risk Mitigation and Compliance with the Law

Businesses ' compliance with the UNGPs will reduce the risk of lawsuits, regulatory examination, and reputational harm that could result from violation of human rights. Corporations with robust procedures to ensure human rights due diligence will likely avoid lawsuits, regulatory scrutiny, and reputational damage.

For instance, human rights due diligence frameworks by H&M and Adidas have entered the fashion apparel industry to prevent risks from rights abuses in labor within their supply chains. The fact that these firms, out of their initiative, have undertaken to audit themselves and seek third-party auditing organizations' assessment indicates their commitment to upholding

International standards.[27]

Corporate Culture and Strategy Impact

Impact on corporate culture Incorporation of international frameworks such as the UNGPs within corporate culture will bring human rights considerations right into its core values and operation. At the bottom line for companies and business organizations, the realization is that the infusion of human rights into their business strategy is no longer a question of compliance but rather a way toward long-term sustainability and resilience. For instance, in the case of technology firms like Google and Microsoft, the latter has been really open to human rights concerns since it develops its policies that come clearly to the data protections, free speech, and the accountabilities of the algorithms. This process increases the positive perception toward a brand and fosters consumer loyalty.[28]

Perceptions and Challenges

While many businesses see the UNGPs as a route to responsible practice, others see them as too prescriptive or too vague to be of any enforceable utility. This can sometimes present particular difficulties for the smaller enterprise because, needing more resources and expertise, it ca ensure consistency of conformity to the requirements of the UNGPs. Therefore, there is a risk of 'inconsistent observance' across the sectors involved, so larger companies are better placed to respond to international expectations than smaller corporations. In addition, where the human rights framework is seen as conflicting with business operations- or at least those where business interests have become associated with negative connotations, like the textile or mining industries may also resist such frameworks.[29] Companies may fear that increased scrutiny over their practices will expose existing violations of human rights and thus pose a reputational and financial risk. These UN Guiding Principles on Business and Human Rights would make an impact on practices in corporate activity and mitigate and disclose risks to human rights. These rules are very widely adopted by companies to enhance stakeholder engagement, reputation, and responsibility. However, adoption is still a problem for smaller organizations after all. Only through continued conversation, cooperation, and private sector commitment to practice in transformative alignment with human rights standards can international frameworks be sustained with their success.

The Role of Corporate Governance in Integrating Human Rights into Business Strategy: Promotion or Hindrance?

The governance structures of corporate life significantly influence whether to push for or prevent human rights concerns in business strategy. Governance arrangements involving boards of directors, executive leadership, and policies determine how well human rights are enshrined into the corporate culture, operation, and decision-making procedures. Some of the ways through which corporate governance affects human rights integration include the following:

A governance structure that encourages human rights:

a. Board-Level Commitment to Human Rights

Boards of directors can engage in human rights by making such issues formally part of strategic and decision-making activities. This is usually achieved through:

Governance -Independent Human Rights Committee or Subcommittee: At the governance level, several businesses form independent human rights committees or subcommittees. Such committees are usually tasked with the responsibility of overseeing risks related to human rights, ensuring the company adheres to international laws., and directing the incorporation of human rights into essential business procedures.[30]

b. *Embedding Human Rights in Corporate Values:* There is a basis for integrating human rights into the mission and values of a company; hence, it should guide all its business activities. Board members are critical in ensuring that incorporating considerations about human rights permeates long-term strategic objectives. For example, companies like Unilever have made human rights a mainstream feature of governance by linking sustainability and human rights to the overall business strategies. This is anchored in board-level commitment, thus setting the tone from the top.[31]

c. *Executive Leadership*

The bookkeeping mechanisms on human rights accountability also ensure that the executive leadership is accountable for performance on human rights. Mechanisms include:

Policy responsibility on human rights issues: Good governance assigns human rights responsibilities at the top most senior management levels. This can be done through appointments such as a human rights officer reporting to the CEO or the board.

Performance Metrics Related to Human Rights: Some companies disclose human rights metrics in performance reviews and executive bonus compensation. Pay-for-performance plans linked to sustainable and human rights performance measures ensure the highest leadership is rewarded for advancing those issues.

Poor Governance Obstructs Human Rights Inputs

a. Lack of Accountability Mechanisms

Poor corporate governance mechanisms allow human rights to be put on the back burner, even sometimes ignored. This can lead to both when:

- No Oversight and Reporting: Companies would only identify and address human rights risks with an insistence on oversight or reporting on human rights. Without boardroom oversight, officers could regard making more money as more important than considering human rights.
- Limited Stakeholder Engagement: Weak governance structures rarely engage their stakeholders, such as workers, communities, or civil society, in the decision-making processes. The unincluded stakeholders may present blind spots on breached human rights, and therefore, they remain unmitigated. The mining and textile sectors have also been known to take advantage of labor and degrade the environment; in general, these sectors have worse governance, which leads to even greater violations of human rights.

b. *Priority to a short-term profit:*

- Structures of corporate governance primarily designed to maximize short-term profits must necessarily take on a human rights dimension. What ultimately predominates in boardroom discussions in those structures- whether it is the concern about shareholder interests or quarterly profit remittances- is unlikely to have human rights concerns come to center stage. This may lead to:
- Cutting Corners on Labor and Environmental Standards: Companies in specific industries, fast fashion, perhaps, or construction, always cut costs by ignoring labor rights, subcontracting to suppliers with exploitative practices, or circumventing environmental regulation. Investors and shareholders will encourage these measures if they result in short-term profits.
- Tokenistic Approaches to Human Rights: Companies are adopting tokenistic approaches towards human rights in other instances. Companies may adopt mere policies on human rights without enforcement or monitoring. This might be part of the "greenwashing" and "social-washing": A company pretends to uphold human rights as an exercise for public relations purposes but has no substantive systems of governance in place to support the claims.

Best Practices for Governance Enhancing Human Rights Integration

The implementing firm can take the following governance best practices concerning the integration of human rights into strategies:

- Human Rights Must be Explicitly Included in the Corporate Governance Codes: Human rights considerations should be explicitly included within corporate governance codes to fall under risk management and ethical business conduct.[32]
- Diverse and Independent Boards. More aggressive scrutiny can also be pushed by an eclectic, independent board with human rights and sustainability expertise. It reduces the risks associated with groupthink and gives broader stakeholder interests precedence over stockholder interests alone. Regular reporting on human rights performance: Companies should provide regular, transparent reports about their performance in the human rights area. Reporting frameworks, such as the UN Guiding Principles Reporting Framework[33] or the Global Reporting Initiative, can be used to ensure the consistent public reporting of human rights metrics.
- Stakeholder Engagement at Governance Levels: Establish formal systems to solicit and receive stakeholder feedback so that the board and executive leadership get input from the affected communities, workers, and other concerned stakeholders. It can identify risks even before they ensue and enable the corporation to take proactive actions.[34]

Conclusion

In a nutshell, enforcing human rights in business strategy is indeed a challenging issue that requires powerful governance, accountability structures, and effective stakeholder participation. The United Nations Guiding Principles on Business and Human Rights has been popular over time, but most organizations have still to implement the policies on human rights. The main cause of the issue is poor enforcement of the laws and unclear laws with profit-driven policies. More businesses are today situating human rights right at the center of their operations it through the myriad benefits business ethics reap after some time or coercion from investors and customers. Hence, an exhaustive response to this plea is needed, one that covers enhanced corporate governance, defined legal structures, and transparent reporting. Only via these structural reforms will it be possible to integrate strategy with the best human rights practices and establish an accountability culture within enterprises. Therefore, regulatory changes, persistent stakeholder pressure, and moral governance that seeks to benefit both people and corporations are the only factors that will determine the future direction of corporate human rights accountability.

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