



HERBERT
SMITH
FREEHILLS

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS 2017



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Statement

I am delighted to present our first Communication on Progress (CoP) report. We became a signatory to the UN Global Compact (UNGC) in October 2016 and committed to incorporating the UNGC principles on human rights, labour, environment and anti-corruption into the strategy, culture and day-to-day operations of our business.

As one of the world's leading professional services firms, with 26 offices across the globe, we have an embedded commitment to responsible business. This is evidenced in this report through all aspects of our business – from the advice we provide to our clients and our leadership in the market, through to the operations of the business and our pro bono and community work.

The CoP is aligned with our ethos and values. We have enjoyed building on our existing commitments to the sustainability of our firm and the environments in which it operates through the Sustainable Development Goals (SDGs). In collaboration, governments, businesses and non-profits can address the world's most pressing issues and we are very fortunate to be able to play our part.

We commit to continuing to incorporate the UNGC principles and SDGs into our business. Our CoP describes the detailed commitments we have made.

I hope you enjoy finding out more about our work.



James Palmer
Senior Partner
Herbert Smith Freehills LLP



Introduction

Operating from 26 offices across Asia Pacific, Australia, Europe, the Middle East, Africa and North America, Herbert Smith Freehills is at the heart of the new global business landscape. We provide many of the world's most important organisations with market-leading dispute resolution, projects and transactional legal advice.

We combine this advice with expertise in a number of global industry sectors, spanning banking, consumer products, energy, financial buyers, infrastructure and transport, mining, pharmaceuticals and healthcare, real estate and telecoms, media and technology.

Some of the ways we have implemented the UNGC principles into our operations include:

- introducing internal business and human rights training and communications across our firm to ensure that our lawyers understand and demonstrate our commitment to human rights in all client work and our internal operations teams are aware of the issues and associated risks;
- setting a series of challenging environmental goals aimed at reducing our energy and paper consumption and our overall carbon footprint;
- issuing our Procurement Compliance Standards to suppliers to ensure that they uphold the same values as us;
- advising our clients in the area of business and human rights, environment, and corporate crime and investigations; and
- committing our expertise, resources and leadership to delivering social impact through our global pro bono work, providing over 67,000 hours of legal support to pro bono clients in 2017.

Principles

Human Rights

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

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

Labour

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

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

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

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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

Human rights and labour

We recognise that we have a responsibility to respect internationally recognised human rights. We seek to conduct our activities in a manner that respects and supports the protection of human rights.

Our firm

We have begun internal business and human rights training and communications across our offices and divisions to ensure lawyers across our global practice understand and demonstrate our commitment to human rights in all client work. So far, this has taken place in our London, Hong Kong, Shanghai and Beijing offices. In addition, we facilitated a session at our global partners conference in September 2017, and have been working with our operational staff to train them in these issues and associated risks.

Diversity and inclusion is at the core of our culture. We recognise and value the differences that make each of us unique. Upholding a culture of inclusion that fosters diversity is imperative for our business and the diverse clients and communities in which we live and work. We have a range of initiatives encompassing gender, race, age, religion and belief, sexual orientation, gender identity, disability and social mobility.

Aligned to our strategic business objectives for people, performance and leadership, we aim to have a diverse, innovative culture where high performance, client focus and highly engaged people are our differentiators. Celebrating the differences of our staff further embeds a culture of inclusion and respect where all staff can perform at their best, find balance between work and life, and achieve their career objectives.

Our global diversity and inclusion strategy supports the business strategy in the following areas:

- **Talent** – to attract and retain top talent from diverse pools and enable people to perform to their full potential.
- **Clients** – to engage with our clients via our diversity and inclusion programmes and be best placed to meet the needs of a diverse client base.
- **Innovation** – to create innovation for our clients and our business through the contribution of diverse perspectives.
- **Values** – to enable all our people to connect, collaborate, excel and lead to create a global one-firm culture.

Our suppliers

As a professional services business, we are office-based. Our supply chain predominantly consists of goods and services purchased to enable our people to deliver our services.

The key categories we procure are property, facilities management, HR, professional services and information technology. Our global procurement team based in London and Melbourne supports the sourcing and purchasing of goods and services across the firm.

We continue to consider that the risk of human rights violations being in our supply chain is low. Our evaluation of risk is based on the following:

- We emphasise value rather than price alone in our procurement decisions.
- We do not typically have a policy of outsourcing. Where we buy outsourced services, the delivery locations are rated as low-risk, examples being London, Sydney, Melbourne and New York.
- Most of our offices are in low-risk locations.
- We have communicated our expectations to key suppliers through our Procurement Compliance Standards.
- Our global procurement team is trained in human rights and has excellent knowledge of the global supply markets for each category of spend.

During the last 12 months, we have updated the analysis of our annual spend with global suppliers so that we can:

- understand the full extent of our global supply chain;
- enrich our risk assessment approach with updated, accurate information; and
- identify potential risks outside our “core” offices and engage further with our suppliers outside the UK regarding modern slavery and human trafficking risks.

We issue our Procurement Compliance Standards, which set out our expectations of suppliers, directly to many of our key suppliers. We send them to the balance of suppliers by working with our colleagues across our global network. Should we discover a case of modern slavery within our supply chain, we will work with the supplier to implement corrective action.

Our clients

Our cross-disciplinary and global Business and Human Rights team has several years of experience advising clients in this field. It includes both lawyers exclusively specialised in business and human rights and lawyers specialised in disputes, energy and infrastructure, mergers and acquisitions, crisis management, land rights and native title. We advise and encourage our clients to:



For example, we have helped our clients:

- establish human rights policies and codes of conduct to ensure respect for human rights and labour rights in their activities and supply chains;
- structure transactions and documentation to minimise human rights and labour rights risks and enable compliance with recognised standards (eg the International Finance Corporation's Performance Standards, the Equator Principles);
- perform due diligence on projects and target companies regarding potential human rights and labour rights impacts and their implications;
- understand and comply with best practices in supply chain management in relation to human rights and labour rights, as well as comply with related reporting obligations (eg UK Modern Slavery Act, French Vigilance Law, California Transparency in Supply Chains Act and EU non-financial reporting);
- resolve disputes over alleged human rights and labour rights impacts through arbitration, litigation and non-judicial proceedings, including complaints before OECD National Contact Points; and
- build knowledge among their executives, in-house lawyers and other employees.

The team also engages in internal training, knowledge sharing, communication and support across our practice areas and regions to help all of our lawyers encourage clients to respect human rights and labour rights in their activities and supply chains and identify, prevent and mitigate potential risks and impacts with which our work may be associated.

We have developed significant expertise in the field of business and human rights and operate at the forefront of ongoing dialogue in developing best practice. We actively supported the development of the UN Guiding Principles on Business and Human Rights and regularly contribute to working groups and industry-led initiatives, including:

- participating in the International Bar Association (IBA) Business and Human Rights Working Group (contributors to the IBA Practical Guide on Business and Human Rights for Business Lawyers and the IBA Business and Human Rights Guidance for Bar Associations);
- participating at an international and institutional level in debates and developments shaping the future direction of the field (through our involvement in OECD working groups and sectorial working groups, especially on banks and human rights, and mega-sporting events and human rights);
- raising the awareness of lawyers on business and human rights through active collaboration and conferences with local bar associations; and
- teaching on the theory and practice of business and human rights in universities in several jurisdictions.

We also recognise the necessity to reach the SDGs and will play our role in this when it falls within the scope of our assistance.

**"Internationally
recognised force in the
developing business and
human rights field"**

CHAMBERS GLOBAL 2017

Pro bono

We are committed to using our expertise, resources and leadership to deliver social impact through our global pro bono practice. We focus on key areas such as access to justice, protecting human rights and international development. In the financial year 2017,

we provided over 67,000 hours of legal support to our pro bono clients globally. All pro bono legal work is undertaken with the same degree of competency, expertise and professionalism as any other legal work.

Human rights

- We advised on a discrimination matter involving a private school's refusal to relax its uniform code to accommodate religious practices.
- We have had a rolling programme of UK secondments with the human rights charity Liberty for more than 12 years.

Access to justice

- We have supported the Asylum Seekers Appeals Project from the UK since 2011 by providing legal representation to asylum seekers appealing decisions to refuse or withdraw their entitlement to food or shelter.
- For over 24 years, The Shopfront Youth Legal Centre – a joint project of Herbert Smith Freehills, Mission Australia and the Salvation Army – has provided free legal services to homeless and disadvantaged young people aged 25 and under.

Anti-trafficking anti-slavery

- We advised Anti-Slavery International regarding the potential impacts of Brexit on the UK's ability to fight modern slavery.
- We advised the European Banks Alliance on the development of a practical toolkit to help European banks fight human trafficking using financial data.

Labour rights

- We helped pro bono client Justice Without Borders to prepare practical guides, training and research papers to support advocates for migrant workers.
- For 17 years, our London office has provided end-to-end case work through our Whitechapel Legal Advice Clinic project for individuals with employment law problems, including representation at employment tribunal hearings.

Our communities

We support our communities locally to where we operate. An example of which is our Reconciliation Action Plan (RAP). In May 2015 we became the first and only law firm to date to receive "Elevate" status for its RAP, the highest possible level of endorsement from peak body Reconciliation Australia. It documents a range of significant commitments on supplier diversity, access to educational and employment opportunities for Indigenous people, and the provision of up to AU\$5 million of pro bono legal support for Indigenous clients and businesses over a three-year period.

Commitment:

We will continue to:

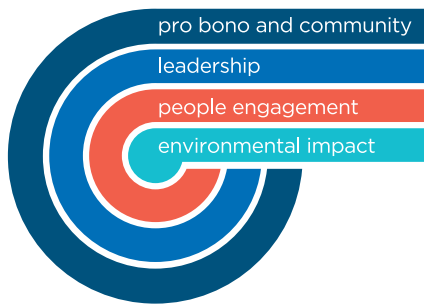
- roll out internal business and human rights training and communications across our offices;
- exercise care to avoid adverse impacts on human rights and, where appropriate, encourage our business partners to observe similar standards to our own;
- if we identify that we have caused or contributed to adverse impacts on the human rights of others, take responsibility for or cooperate in the remediation of such impacts through legitimate and proportionate processes; and
- continue to engage further with our suppliers outside the UK with respect to human rights and labour standards.

Environment

At Herbert Smith Freehills, we recognise that we all have a part to play in balancing our growth as a business with reducing our impact on the environment. As a leading global law firm, we have a responsibility to align our approach to sustainability across all of our offices. We aspire to engage all offices across our network and respond to the SDGs on a global scale, amplifying our positive impact. We wish to create a business community that operates in an environmentally sustainable, economically feasible and socially responsible way.

Our firm

Along with our Environment Policy, we have put in place a Global Environmental Sustainability strategy, which comprises four main areas of focus.



We operate in a consistent and uniform way across our network through two Sustainability Action Groups, one covering North America, Europe, the Middle East and Africa and the other covering Asia Pacific and Australia. Members of the groups are partners, senior management and office managers.

To ensure that our interactions with the environment are carefully managed and that we minimise and mitigate any negative impacts from our activities, we have developed an action plan and established some challenging global goals for 2020.

We are committed to:

- reducing our carbon footprint by 15%;
- reducing energy usage by 10%;
- reducing paper consumption by 30%; and
- increasing our pro bono advice with an environmental focus.

We understand that there is always some business travel with a substantial impact on our carbon footprint. In this case, we offset the carbon emissions associated with specific activities, supporting projects not only with environmental but also with socioeconomic impacts on local communities.

Our Gold Standard-certified carbon-offset project is installing 1 million biogas digesters and smoke-free cook stoves in low-income households in rural Sichuan, China, providing households with clean, convenient and free biogas for cooking, heating and lighting.

As energy usage gives rise to most of our global carbon emissions, in 2015 we announced an Energy Policy which applies to our UK offices. We are determined to develop energy-saving behaviours, implement energy-saving projects and identify energy-efficient products across the network. Following the example of the Belfast and Brussels offices, one of our offices in London is supplied completely with electricity from renewable sources.

In the UK, electricity usage is responsible for more than 40% of our carbon footprint. In November 2015, we received the Energy Management Accreditation, ISO 50001, for our energy management system.

Raising awareness, engaging with our people and changing behaviours is a necessary three-step process that can help us improve our environmental performance. We celebrate Earth Hour, UK Cycle to Work Day and the UN World Environment Day, also holding a series of events and campaigns during Environment Week.

The legal sector has changed significantly in the past few years and technological advancements allow us to conduct many aspects of our operations far more efficiently, which translates to a smaller environmental impact.

For example, a centralised online global travel management tool helps us monitor our travel and identify areas where we can achieve reductions. New videoconferencing technologies enable a more personal approach with our clients and reduce emissions associated with travel for client meetings when possible.

For internal meetings, we have implemented Skype for Business, which reduces non-essential inter-office business travel. We also encourage collaboration between different departments. For instance, our document production team works very closely with the IT department to identify ways to digitalise paper-based processes and reduce paper and ink consumption.

Reducing our paper consumption is a key goal and we rely heavily on new technologies to meet it. We have implemented a "Follow-me" printing regime to control copying and printing and minimise unnecessary printing and waste.

Leadership

As a founding member of the Legal Sustainability Alliance, we report and publish our carbon emissions annually for the London and Belfast offices and through AUS Legal Sustainability Alliance for our offices in Australia.

In the UK, since 2014 we have reduced our carbon footprint by 10% and 24% per capita, which takes into consideration our growth as a business.

We are regular contributors to thought leadership in the area. Our lawyers speak and write on topics such as air quality, corporate governance responsibilities regarding environmental impacts and environmental class actions. We bring together our clients and contacts for influential seminars, including recently on the subject of low-carbon vehicles. We are also members of the UK Environmental Lawyers Association and relevant committees of the City of London Law Society in the UK. Some of our senior lawyers are also visiting university lecturers on matters such as energy regulation and climate change.

Our suppliers

At Herbert Smith Freehills, we also take into consideration the environmental impact of our supply chain and work with suppliers to ensure that we do everything feasible to minimise it. Our global Responsible Procurement Policy addresses potential environmental risks in the purchasing process and encourages pro-environmental behaviour. We engage with our suppliers to appraise the sustainability of goods and services received. We have developed strong relationships with our suppliers and work with them to minimise our environmental footprint.

Our clients

We respond to climate change in various ways and one of these is through our legal advice to clients.

Environmental law practice

Our global environmental team acts in the environmental aspects of corporate transactions in all sectors, in environmental litigation and in high-profile, high-risk projects and schemes spanning energy, infrastructure, mining, urban development and urban regeneration, as well as in remediation of contamination as part of the redevelopment of brownfield land. We also advise clients generally on their obligations to comply with environmental law, requirements for transparency and permits, and the potential for liability as a result of non-compliance.

Renewables

Many of the projects in which we are involved have intrinsic positive environmental benefits, such as biomass, sustainable feedstock, tidal energy power generation, and solar and wind projects.

We have a leading financing practice in the energy sector, particularly in renewable energy, where we have advised on a number of ground-breaking project financings across the globe, including hydropower generation projects in Nepal. We also advise on nuclear power projects with the potential to generate large amounts of low-carbon electricity and offset the need for fossil fuel generation.

Pro bono

Our flagship project in environmental pro bono work is the award-winning Legal Response Initiative (LRI). The LRI provides free legal advice on a rapid-response basis to delegations from less developed countries and NGOs on negotiations under the United Nations Framework Convention on Climate Change (UNFCCC).

In the renewable energy area, we have provided pro bono advice to the Government of Sierra Leone regarding a number of solar power projects and the Bumbuna Hydroelectric Plant, designed to raise access to electricity on a national scale.

Environmental peacebuilding is a new area for us. This approach integrates natural resource management within conflict prevention, mitigation, resolution and recovery to build resilience in communities affected by conflict. In particular, we are working with EcoPeace Middle East, a unique organisation that brings together Jordanian, Palestinian and Israeli environmentalists with these aims.

Commitment:



By 2020, we will reduce
our global carbon footprint by 15%



10% in energy use by 2020

By 2020, we will reduce our
paper consumption by



Anti-corruption

Our firm

We are a firm of lawyers and legal advisers, and our partners and employees are regulated as such. Each of our offices is subject to regulations relevant to lawyers operating in that jurisdiction. Each lawyer will also be subject to individual regulation by the relevant Bar or Court for their qualifications, which may be in a different jurisdiction. Although professional regulations vary between jurisdictions, our lawyers have in common various duties to the public or to the court, and a duty to act honestly.

Policies

All partners and employees of Herbert Smith Freehills globally are required to comply with the firm's International Standards of Conduct. These set out the standards required of all individuals and include fundamental tenets on anti-bribery and corruption. These tenets are elaborated in the firm's Anti-Bribery and Corruption Policy and supplemented by the Gifts and Hospitality Policy.

The Anti-Bribery and Corruption Policy sets out, among other things, our policy obligations on all persons, including specific guidelines on high-risk recipients, facilitation payments and compliance by suppliers. It also lists "red flag" situations of which we are to be aware.

Our Gifts and Hospitality Policy requires all partners and employees to comply with any applicable client or supplier policies when offering or accepting gifts and hospitality. It also requires them to comply with our own policy, which prohibits gifts and hospitality offered or accepted to induce someone to act improperly, or which may be perceived as related to same. The policy provides helpful guidelines to determine what is (or may seem) inappropriate.

Prevention

Partners and employees are educated on and reminded about anti-bribery and corruption issues during the induction process and with follow-up training seminars and firm-wide bulletins. Lawyers in our offices must annually declare that they comply with a variety of legal and professional obligations, including anti-bribery legislation.

We employ a number of controls to monitor and restrict risks regarding bribery and corruption. These include restrictions on external payments and requirements to register certain gifts and hospitality given or received to certain higher-risk persons (for example, public officials).

New business Intake

When on-boarding a new client, the New Business Intake team will undertake due diligence in line with the regulatory requirements of that specific office. In doing so, the team seeks to obtain a comprehensive overview of the client's main business activities, ownership structure and sources of wealth, which enables the team to identify whether the client poses any reputational risk to the firm and mitigate any bribery or corruption risks.

We then use Client Due Diligence to formulate a risk assessment for each new client, which is presented to the firm's senior management to decide if the client can be on-boarded. The risk assessment and collation of Client Due Diligence material help us comply with regulatory requirements to implement effective anti-money laundering systems. This is also a key risk management control of our firm. It is only upon completion of these checks that we are permitted to receive funds from the client.

Our associations

We have associations and affiliations with law firms in certain countries. These associated and affiliated firms have similar stances on anti-bribery and corruption to Herbert Smith Freehills and we work closely with them in this regard.

Our suppliers

We provide key suppliers with our Procurement Compliance Standards, which set out, among other things, our expectations regarding anti-bribery and corruption commitments for our suppliers. Further, our standard terms for engaging suppliers include a requirement that suppliers comply with applicable anti-bribery laws, including the extra-territorial UK Bribery Act 2010.

Our clients

Our Corporate Crime and Investigations (CC&I) team provides clients with dedicated advice on international law enforcement and corporate crime issues and conducts investigations around the world. Highlights include representing a global financial institution in a large, high-profile investigation, providing advice across eight jurisdictions and involving multiple regulators, and advising Standard Bank in its ground-breaking entry into the UK's first deferred prosecution agreement.

The team also hosts annual CC&I conferences across our network offices. Speakers include representatives from regulators, law makers, enforcement agencies and our international partners, providing insight into topics including global developments in anti-bribery and corruption.

We have also produced and maintain the Overseas Corruption Project, a database of anti-corruption laws in approximately 125 jurisdictions, particularly with respect to gifts and entertainment for public officials. The CC&I team regularly inputs to government consultations on new offences, and team members advise trade associations and industry bodies on the implications of legal developments.

Commitment:

- Over the last year, we have reworked our anti-corruption policies to ensure greater global application. We intend to work to ensure these are adopted by our associated firms.
- We have recently rolled out a targeted awareness programme, which highlights to lawyers and business services the different risks most applicable to them and provides tips for identifying improper behaviour or benefits (including gifts and hospitality).



"The Anti-Bribery and Corruption Policy sets out, among other things, our policy obligations on all persons, including specific guidelines on high-risk recipients, facilitation payments and compliance by suppliers"

Further information

[Diversity and Inclusion](#)

[Business and Human Rights Practice Group](#)

[Pro Bono and Citizenship \(including sustainability & responsible procurement\)](#)

[Modern Slavery Act Statement](#)

UNGC key contact:



Emma Cooke
Head of Citizenship
emma.cooke@hsf.com

Herbert Smith Freehills

No part of this publication may be used for any purpose, in any format, without the specific permission of Herbert Smith Freehills LLP.

The contents of this publication, current at the date of publication set out in this document, are for reference purposes only. They do not constitute legal advice and should not be relied upon as such. Specific legal advice about your specific circumstances should always be sought separately before taking any action based on this publication.

Herbert Smith Freehills LLP and its affiliated and subsidiary businesses and firms and Herbert Smith Freehills, an Australian Partnership, are separate member firms of the international legal practice known as Herbert Smith Freehills.

© Herbert Smith Freehills LLP 2017

HERBERTSMITHFREEHILLS.COM

BANGKOK

Herbert Smith Freehills (Thailand) Ltd

BEIJING

Herbert Smith Freehills LLP
Beijing Representative Office (UK)

BELFAST

Herbert Smith Freehills LLP

BERLIN

Herbert Smith Freehills Germany LLP

BRISBANE

Herbert Smith Freehills

BRUSSELS

Herbert Smith Freehills LLP

DUBAI

Herbert Smith Freehills LLP

DÜSSELDORF

Herbert Smith Freehills Germany LLP

FRANKFURT

Herbert Smith Freehills Germany LLP

HONG KONG

Herbert Smith Freehills

JAKARTA

Hiswara Bunjamin and Tandjung
Herbert Smith Freehills LLP associated firm

JOHANNESBURG

Herbert Smith Freehills South Africa LLP

KUALA LUMPUR

Herbert Smith Freehills LLP
LLP0010119-FGN

LONDON

Herbert Smith Freehills LLP

MADRID

Herbert Smith Freehills Spain LLP

MELBOURNE

Herbert Smith Freehills

MOSCOW

Herbert Smith Freehills CIS LLP

NEW YORK

Herbert Smith Freehills New York LLP

PARIS

Herbert Smith Freehills Paris LLP

PERTH

Herbert Smith Freehills

RIYADH

The Law Office of Nasser Al-Hamdan
Herbert Smith Freehills LLP associated firm

SEOUL

Herbert Smith Freehills LLP
Foreign Legal Consultant Office

SHANGHAI

Herbert Smith Freehills LLP
Shanghai Representative Office (UK)

SINGAPORE

Herbert Smith Freehills LLP

SYDNEY

Herbert Smith Freehills

TOKYO

Herbert Smith Freehills