CHRB
Corporate Human
Rights Benchmark

# Corporate Human Rights Benchmark

# Progress Report

April 2018

This work is the product of the Corporate Human Rights Benchmark Ltd. This work is licensed under a Creative Commons Attribution - Non-Commercial - No Derivatives 4.0 International License (http://creativecommons.org/licenses/by-nc-nd/4.0/). You are free to copy and redistribute this work in any medium or format provided that you give credit to the Corporate Human Rights Benchmark Ltd and that you do not alter the content in any way. Any commercial use of this material or any parts of it (that relate to the methodology or results) will require a licence. Those wishing to commercialise the use are invited to contact the Corporate Human Rights Benchmark.

© April 2018

CHRB | 2-8 Scrutton St, London, EC2A 4RT
www.corporatebenchmark.org | info@corporatebenchmark.org

# Foreword

In March 2017 I was delighted, as both the Chief Responsible Investment Officer at Aviva Investors and as the Chair of the CHRB, to see the pilot Corporate Human Rights Benchmark launched at our London offices. One year later, this report aims to take stock, asking whether CHRB is meeting its objectives in terms of improving corporate human rights performance and what lessons our Pilot teaches us.

Creating the first publicly available assessment and ranking the human rights performance of 100 of the largest extractives, apparel and agricultural product companies was a hugely ambitious undertaking. It was guided by a unique collaboration of investors and civil society organisations who all wanted to create positive change in the business and human rights space. CHRB is extremely grateful to the huge number of stakeholders from government, civil society and business, who have helped shape the benchmark. We are also indebted to the members, governments and foundations who have provided the financial and in-kind support that has got us this far. The positive impact to date is a shared success that we hope will continue and develop.

Launching the pilot was a success on its own, but it was only the first step on a long journey of change. Towards the end of 2018 CHRB will release the next version of the benchmark which should provide indications of trends in company approaches to human rights management and disclosures. Observing these trends will be the next step in assessing our impact.

We were pleased to see the response of the UK government (a key supporter of the CHRB) to the Joint Committee on Human Rights in December 2017 concerning the revision of the UK National Action Plan. The commitment to observe the progress of the CHRB, to inform the next iteration of the National Action Plan in 2020, is a welcome endorsement and an indication that the CHRB has a responsibility to continue its work for several years. But, one year on from the pilot, the CHRB is pleased to be able to demonstrate that it has already had a meaningful and tangible impact on companies in the agriculture, apparel and extractives industries, as well as in the finance industry:

Firstly, we are increasingly confident of a direct correlation between CHRB's work and efforts within companies on human rights. We have seen responses from a number of benchmarked companies, indicating how they have taken on board the findings of the pilot and where they are working to improve their performance. This has been corroborated by several consultancies and law firms who see a distinct spike in requests for human rights support in the wake of the pilot. This is driven by companies aiming to improve both their absolute human rights performance and their performance relative to their peers. And our impact on the corporate world has not been limited to the companies in the benchmark. Companies such as Mars are using the CHRB methodology as the tool with which to understand their human rights strengths,

weaknesses and relative performance, resulting in the implementation of improvement plans.

Secondly, we have seen considerable interest in the results of the pilot from the investor field. The CHRB data has proven particularly useful for investors (both individually and collectively) who want to better understand the maturity of human rights approaches of invested companies, guide specific engagements and articulate expectations to company boards. We were very pleased to be awarded the 2017 ESG award by the Chartered Financial Analyst Society Sweden 'for raising awareness of the importance of ESG issues in the investment process', further demonstrating investor interest in our work. This report contains detailed cases of how CHRB is enabling the investment community to begin making better decisions relating to human rights, which will lead to a 'rational human rights investment market'. We aim to reach a place where poor performance is not rewarded and where the consequences of continued poor human rights performance are reflected in reduced share price and access to capital.

Ultimately, CHRB wants to see improvements in corporate human rights performance that equates to improved outcomes 'on the ground'. We are not there yet. Investors are being provided with better data, but this is not correlated to investor decisions or the reallocation of capital at scale. Some benchmark companies are making changes, but this is focused at a corporate level and will take time to result in meaningful changes. CHRB has also recognised issues with the pilot methodology. These have been addressed for 2018 and the substantial changes to the assessment will make it harder, but not impossible, to assess progress over time.

Aviva Investors aims to encourage businesses and markets to operate more responsibly. We acknowledge that our clients' future welfare will be determined by the state of the world as well as the state of their finances that we are entrusted to manage. This is why Aviva is such a strong proponent and supporter of initiatives such as CHRB and the World Benchmarking Alliance. We strongly believe in the ability of benchmarks to drive positive competition and a race to the top, and what we have witnessed over the last two years serves to reinforce this belief.

While CHRB is justifiably proud of the impact to date, there is still a huge distance to travel. We've seen that the 'average performer' is a 'poor performer' and there is a lack of board level leadership on human rights within many of the largest and most identifiable companies in the world. Companies are, on average, failing to disclose the information that stakeholders rely on to make informed choices around human rights. The basics of responsible business practice, including the adequate implementation of the UN Guiding Principles on Business and Human Rights, are not yet business as usual. Despite these challenges, we see a positive trajectory for corporate human rights performance, with CHRB playing a distinct but needed role in shifting the needle.

It is far too soon to judge whether the CHRB has helped those whose human rights are infringed by corporate practices. However, these early signs of positive impact are deeply reassuring and confirm our theory of change is working in practice; benchmarking transparency generates accountability for action.

**Steve Waygood**

Chief Responsible Investment Officer,
Aviva Investors & Chair of the CHRB

# Statement Of Support – Dutch Human Rights Ambassador

"The Netherlands is strongly committed to the UN Guiding Principles on Business and Human Rights. In 2013 we adopted a National Action Plan to implement the UNGPs, and the government encourages businesses to enhance respect for human rights throughout their international value chains. The Netherlands supports the development of the Corporate Human Rights Benchmark because we believe in the power of knowing and showing. Benchmarks can stimulate businesses to be more transparent about their performance, and this transparency is useful for many different stakeholders:

First, it can inform consumers' decisions about what to buy and which products to leave on the shelf. Second, it tells employees what sort of company they work for so that, if benchmark scores are low, they can question their managers. Third, civil society organisations can use the benchmark to assess companies' performance. And finally, the benchmark can inform investors' decisions about their portfolio. The Corporate Human Rights Benchmark is particularly interesting in this regard because it was endorsed by a large group of investors, so it potentially has a lot of leverage.

Not only can it encourage responsible businesses conduct, it can contribute to responsible conduct by individuals as well. It can stimulate a 'race to the top' instead of a 'race to the bottom' – the pursuit of higher profits at the cost of human rights. We hope the Corporate Human Rights Benchmark will continue to expand its scope, covering more sectors and creating more transparency, thus stimulating respect for human rights and human dignity worldwide."

**Kees Van Baar**

Dutch Human Rights Ambassador
Ministry of Foreign Affairs
Government of the Netherlands

# Acknowledgments

The members of CHRB would like to acknowledge supporters who have provided grants to the CHRB, including the governments of the United Kingdom, the Netherlands and the Swiss Confederation and the Joseph Rowntree Foundation.

UKaid from the British people

JRF JOSEPH ROWNTREE FOUNDATION

Ministry of Foreign Affairs of the Netherlands

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

In addition, CHRB would like to thank those organisations who have contributed to this report including: ACCR, ERM, Freshfields-Bruckhaus-Deringer, ICCR, Know the Chain, Mars Incorporated, MN, Norton-Rose-Fulbright, Share Action, Twenty Fifty, Union Investment, Verisk Maplecroft, Vigeo-Eiris and the World Benchmarking Alliance.

CHRB warmly acknowledges the hundreds of individuals and organisations, as well as the benchmarked companies themselves, who have engaged in productive discussions to move the CHRB from a concept to a permanent feature on the business and human rights landscape. A detailed list of organisations is included at the annex.

We recognise the crucial support from the Business and Human Rights Resource Centre, the Institute for Human Rights and Business, the EIRIS Foundation, the Investors Association for Sustainable Development in the Netherlands (VBDO) and our independent Advisory Council members (Margaret Wachenfeld, Bennett Freeman and Gerbrand Haverkamp) who provide the time, expertise and networks that make the CHRB possible.

We would like to express our gratitude to the management of the fee-paying members (Aviva Investors, Nordea and APG) who continue to provide the vital financial support that ensures CHRB can continue to operate. In addition, we would like to thank Lauren Compere of Boston Common Asset Management who, along with CHRB fee-paying members, authored and sent the Investor Coalition letter to benchmarked companies after the pilot (see 'Impact after Pilot' section for more details).

AVIVA INVESTORS

Nordea

apg

Finally we would like to recognise Vicky Dodman who was instrumental in taking the CHRB from a concept, through to the launch of the pilot, in her role as the first CHRB Programme Manager.

# Executive Summary

## Background

The CHRB is governed by an Advisory Council whose members are a mix of representatives from civil society organisations (Institute of Human Rights and Business, Business and Human Rights Resource Centre, EIRIS Foundation and the Investors Association for Sustainable Development in the Netherlands - VBDO), investors (APG Asset Management, Aviva Investors, Nordea) and independent members (Bennett Freeman, Gerbrand Haverkamp and Margaret Wachenfeld).

A concept in 2013, the CHRB is now established as a not-for-profit company, with the purpose of delivering open source and freely available human rights performance benchmarks, in relation to listed corporate entities.

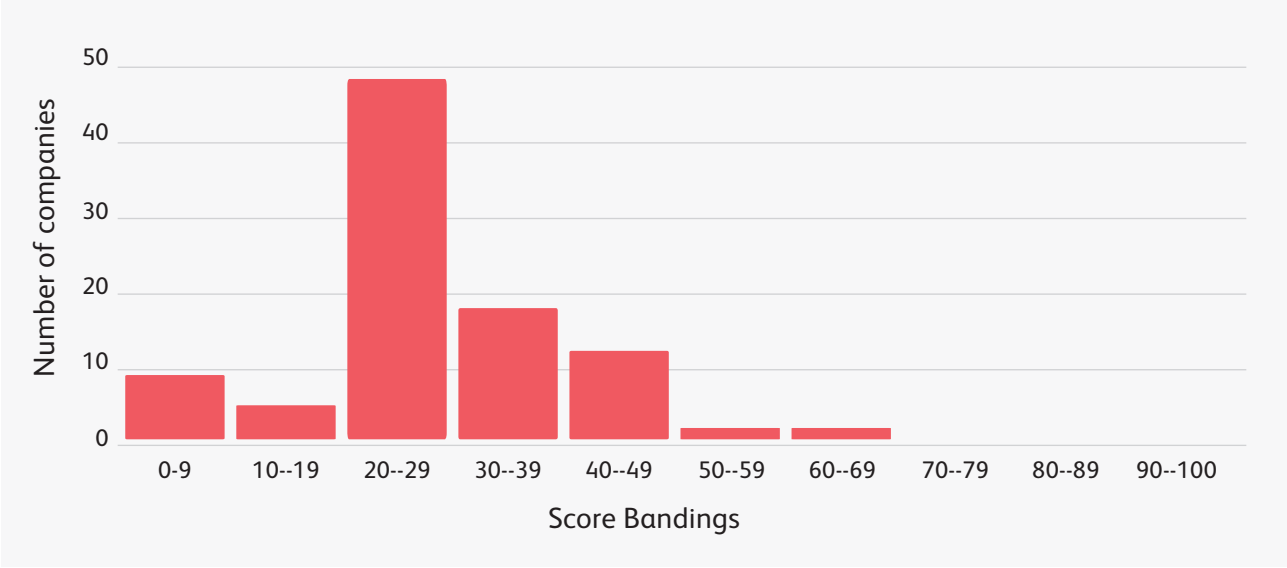
In 2017, CHRB launched the first Corporate Human Rights Benchmark, a landmark assessment of the largest public companies in the agricultural products, apparel and extractives industries. In 2018, CHRB will be releasing the follow up benchmark and working to expand the scope and scale of future benchmarks. This journey would not have been possible without the active support of the UK, Dutch and Swiss governments, the member organisations and the Joseph Rowntree Foundation.

This report focuses on the progress CHRB has made towards achieving its objectives following the launch of the pilot, highlights where improvements can be made and also looks ahead to the next iteration of the benchmark. It serves to demonstrate the validity of the CHRB approach and also acts as a call for action to governments, investors and civil society to continue their support of the CHRB.

## Pilot benchmark

A significant step for CHRB was the launch of the pilot benchmark in March 2017. 100[1] companies from the agricultural products, apparel and extractives industries were assessed against the CHRB Methodology, scored and ranked. A detailed report of the Key Findings can be found on the CHRB website[2]. After a 6 week appeal window, the pilot results were set.

Within the ranking, companies could score a maximum of 100 percentage points, but very few companies managed to reach 50 points. The average score was disappointingly low (under 29), showing a heavy skew towards the lowest bands as shown below:




[1] This number reduced to 98 due to mergers and acquisitions
[2] Key Findings can be downloaded from https://www.corporatebenchmark.org/

While some leaders within sectors were identified, the Pilot demonstrated that large, listed companies are, in general, failing to demonstrate their respect for human rights in their operations. The bullets below represent some key takeaways from the pilot benchmark:

- **The playing field is not yet level** – The research is based on publicly available data and the scores represent a proxy for 'actual' performance in human rights. As such, those companies who have made the effort to make relevant information public are able to score relatively well compared to peers with less appetite for disclosure.

- **The 'average performer' is a 'poor performer'** – A normal distribution around a mean of 50 points would provide an indication that most companies have systems in place that can identify and manage human rights risks and impacts. However, the heavy concentration of companies in the lower bands indicates that many companies are not implementing the UN Guiding Principles on Business and Human Rights (UNGPs), with all the dangers of human rights abuses of workers and communities that this implies.

- **Lack of public commitment** – One third of companies score zero against CHRB requirements which indicate a public commitment to respect human rights.

- **Lack of leadership** – Less than half of companies could demonstrate board level leadership in human rights (via board / CEO sign off of relevant policies and board member / committee oversight of respecting areas of human rights).

- **Commitment >> Processes >> Implementation** – On average, companies are better at demonstrating their commitments via policy than their actual processes. Similarly, processes are better disclosed than evidence of systematic implementation.

- **Access to Remedy is weak** – A key element of respecting human rights, providing access to remedy, was a consistently weak area of company performance. 20 % of companies scored zero points across every Remedy indicator (Theme C). Only 33 % of companies can demonstrate grievance mechanisms for workers and wider stakeholders and 33 % of companies can't demonstrate any grievance mechanism at all.

- **Stakeholder Engagement** – A consistent theme of higher performing companies was their commitment to stakeholder engagement. A focus on rights holders in the design and implementation of human rights management systems was found to be fundamental to performance and a valuable proxy for overall approaches and position on the benchmark.

**In summary**, the Pilot Benchmark highlighted a disappointing level of corporate human rights disclosure and performance and provided a baseline from which to assess change. The main body of this executive summary deals with the subsequent impacts of the pilot in relation to CHRB's objectives and intended impacts.

## Impact of the pilot benchmark

CHRB aims to have several long-term impacts which will be achieved via five core objectives. CHRB's progress regarding these objectives is summarised below:

### **Objective 1** Make corporate human rights performance easier to see and simpler to understand

Human rights and business, particularly corporate performance, is a broad and evolving field. However, by creating a detailed methodology broken down into Themes, and by producing a public ranking of companies in the pilot, CHRB believes it is helping improve the understanding of human rights performance.

Evidence for this has come from a variety of sources: Benchmarked companies have seen the pilot and methodology as a useful tool for providing insights. Outside of these, companies such as Mars Inc have used the methodology to understand their own performance, describing the CHRB as having "the opportunity to translate complex layers of human rights performance into a simple framework that drives behavior and action". Finally, consultancies (such as Twenty-Fifty) have seen interest from companies in non-benchmarked sectors wanting to understand their human rights performance.

> "We have also received interest from ICT, media and extractive companies not included in the 2016 pilot, but who are keen to understand their likely performance against the benchmark demonstrating the impact that the initiative has had on industry more broadly."
>
> *Emily Richards, Twentyfifty*

[3] The Investor Statement and list of lead investors can be found at https://www.ungpreporting.org/wp-content/uploads/2015/02/1_31_2017-UN-GUIDING-PRINCIPLES-REPORTING-FRAMEWORK-INVESTOR-STATEMENT.pdf

## **Objective 2** Introduce a positive competitive environment for companies to race to the top of the annual rankings

This is being partially achieved. CHRB believes that the desire to be scored well in future benchmarks is definitely creating activity in some companies. By speaking to consultancies and law firms, CHRB has had this belief corroborated. For example, Norton Rose Fulbright LLP noted a response from benchmarked companies after the pilot in terms of '…our Board has noticed our place in the rankings and we need to start considering how we improve our performance and ranking during our next reporting period.'

### Comment from ERM Consulting

"Since the launch of the CHRB methodology, our ERM consulting teams have seen increased interest from many leaders in the FTSE and other listed companies looking to improve their performance in respecting human rights…We believe CHRB's approach, particularly the emphasis on transparency, is helping drive progress and a race toward the top for sustainable and ethical business."

One of the strongest levers for change is pressure from the investment community. As such, following the pilot launch, CHRB worked with the UNGP Reporting Framework Investor Coalition. The Investor Coalition is a group of over 85 like-minded investors with over USD 5 trillion under management that endorsed the CHRB in 2016. Lauren Compere (Boston Common Asset Management), on behalf of the lead investors, plus the CHRB investor members, sent a letter to all benchmarked companies, setting out the expectations concerning human rights and requesting responses from companies regarding their follow up to the benchmark.

**Reactions from companies** - As of April 2018, 29 companies out of 98 have formally responded to the investor coalition's letter, with a mixed response in terms of quality of content and seniority of signoff. Of those companies who replied in detail, it is clear that the pilot benchmark has had a positive impact and has been useful for companies in framing their approach to improving human rights performance. A further 29 companies have engaged with CHRB during consultations or in relation to the 2018 benchmark.

Overall, the responses to the investor coalition letter show that some companies are actively working on improving their human rights performance and that there is a link between that activity and the CHRB's work. However, the lack of responses from the majority of companies indicate that the message may not yet be getting through.

### Excerpt of Rio Tinto response

"We are pleased with the CHRB assessment of our current approach to human rights transparency and performance and we are undertaking an in-depth analysis of the Rio Tinto CHRB scores to identify how we might address any gaps in our ongoing human rights risk management. [...] and the Benchmark is helping us to frame our discussions on how we ensure that we further improve transparency."

### Excerpt of Nestlé response

"[...] we know that there is more work to be done. The pilot results have provided an excellent framework to engage internal stakeholders, and shape our ongoing efforts in this space, including enabling us to better understand our potential gaps."

### Excerpt of BHP Billiton response

"[…] we are also conscious that our score leaves significant room to improve our human rights performance. We have therefore carefully reviewed the assessment to identify those areas where we may be able to improve. As part of that work, in FY2017 we established a Human Rights Policy and Practice Working Group. […] This group will propose a number of recommendations across the business from managing human rights risk in the supply chain, to the processes used to identify and manage human rights risk."

Creating a competitive environment is a first step. CHRB sees the focus on improvement coming from some of the companies in the benchmark, but many have yet to respond. A further step will be to increase the pressure on those who have not yet felt the need to improve, by working with investors and civil society to ensure that there are negative consequences for 'not taking part in the race'.

## **Objective 3** Equip civil society, workers, regulators and consumers with information to challenge poor performing companies

CHRB has successfully produced the first freely available ranking of company human rights performance, including the publication of the entire methodology and research findings online. This has provided a wealth of information to third parties wishing to identify and challenge poor performing companies. However, CHRB recognises that the format and accessibility of the data could be improved in the future to make it simpler for stakeholders to export only the data that is relevant to them.

CHRB has been pleased to see where civil society in particular is using the methodology and results in their activities. A brilliant example comes from the Australian Centre for Corporate Responsibility (ACCR), who drew on CHRB's research on Woolworths Ltd to help inform a shareholder resolution demanding human rights due diligence in the supply chain, eventually resulting in an historic agreement to ensure that the rights of workers in the Woolworths supply chain are upheld.

Elsewhere the methodology has been referenced or used to inform a wide range of initiatives or linked methodologies (including ShareAction's Workforce Disclosure Initiative, PRI's research indicators for social collaborative engagements, Human Rights Watch's 'Hidden Cost of Jewellery' report and rating, and KnowTheChain' assessment methodology).

## **Objective 4** Enable investors to incorporate 'social costs' into investment decisions

Only a year after the pilot, it is too soon to expect to demonstrate sweeping change in the investor community as a result of the CHRB, particularly regarding capital allocation decisions. But there have been considerable indicators of change and it is clear that the CHRB has provided useful information to investors that is already being used to drive engagements with companies on human rights issues. Beyond the generic engagement via the Investor Coalition letter, companies such as Union Investment, MN, Aviva Investment, Nordea and APG have been using the pilot results to inform specific engagements.

Unfortunately, CHRB is limited in the scale of impact it can have due to the relatively small number of companies and sectors assessed. To cover a significant proportion of an institutional investor's portfolio would require several thousand companies to be assessed and ranked. This will not be feasible in terms of cost if CHRB continues to use desk based researchers and/or the methodology in its current form. As such, CHRB will investigate approaches to extend an assessment or proxy for human rights performance to a much wider group of companies in 2018 and 2019, to support this objective.

### Investors using CHRB results

Union Investment, a leading German asset manager with over EUR 300bn under management, provided an interesting example of where investors can use their leverage to begin incorporating social costs into capital allocation via a company engagement cycle. Using the CHRB data to assess relevant holdings for human rights performance, particularly around company responses to serious allegations, Union Investment aims to shift companies to a 'human rights green area'. When companies don't conduct the necessary changes to reach this point, the stock gets shifted to an internal negative list and will no longer be eligible for sustainability funds.

## **Objective 5** Acknowledge companies putting human rights at the core of their business and point the way to improved performance

Publishing the pilot benchmark ranking clearly demonstrates how CHRB is acknowledging those companies who are leading the field compared to their peers. The Key Findings[4] report, which shows the company rankings, also indicates some emerging best practices that resulted in high scoring in specific areas.

In addition, the methodology itself can be seen as a guide to improving performance and CHRB has seen how companies both inside and outside of the benchmark are using the methodology to support gap analyses and subsequent improvement plans.

**Top 15 companies in the 2017 Pilot**

| Band | Company |
|---|---|
| 60-69 % | BHP Billiton |
| | Marks & Spencer Group |
| | Rio Tinto |
| 50-59 % | Nestle |
| | Adidas |
| | Unilever |
| 40-49 % | Total |
| | Hennes & Mauritz |

[4] Key Findings can be downloaded from https://www.corporatebenchmark.org/

| Top 15 companies in the 2017 Pilot | |
|---|---|
| **Band** | **Company** |
| 40-49 % | Kellogg |
| | Anglo American |
| | Gap |
| | Freeport-McMoRan |
| | BP |
| | Tesco |
| | ConocoPhillips |

**In summary** the pilot benchmark has been a significant success, which has also demonstrated the validity of the general approach to improving corporate human rights performance through benchmarking. The progress towards the CHRB objectives and long-term impacts are incremental and we are still at the early stages of this initiative; the journey will be long but the vital first steps have been taken.

## Looking ahead

**2018 Benchmark** – CHRB conducted an extensive revision of the Pilot Methodology and launched the 2018 version in December 2017[5]. A full explanation of the improvements to the methodology is detailed in an Explanatory Note[6], which was published alongside the revised methodology. In 2018, CHRB will maintain the pilot focus on 100 of the largest public agricultural products, apparel and extractives companies. Research and engagement with companies will take place between April and September 2018 prior to launching the revised rankings.

**New Sectors and Companies** – Following the global consultations, CHRB has decided (funds permitting) to develop the methodology for the Information and Communications Technology (ICT) sector in 2018 for a launch in 2019. CHRB wants to expand the number of companies assessed but this will be conditional on securing additional funding.

**Funding** - CHRB has been funded by a mix of government, foundation and member donations, plus considerable in-kind contributions from the members. The total cost, to progress from a concept to a limited company with a published pilot benchmark was approximately £680,000, of which one half came from governments and foundations, the remainder being supplied by the members of CHRB. This excludes in-kind contributions from supporters.

Funding for the CHRB is independent of companies being benchmarked and CHRB has decided to pursue a strictly not-for-profit model. Despite strong interest from data providers, CHRB has not yet commercialised the data from the pilot benchmark and believes that the data produced by CHRB should remain publicly available, free of charge. The anticipated cost for 2018 is £560,000, with an approximate £200,000 fundraising gap this year. To deliver the benchmark in 2018 and to expand in 2019 will require additional funding.

## Conclusion

CHRB can conclude that the Pilot benchmark has been a success in terms of meeting its objectives and beginning to see tangible impacts:

The responses from benchmarked companies, combined with the feedback from consultancies and law firms, show that some benchmarked **companies are making considerable efforts to improve their human rights performance**. This can, in part, be attributed to companies wishing to improve their rankings or relative performance in the benchmark.

Unfortunately, while two thirds of companies responded formally to the letter or subsequently engaged with CHRB, one third of **companies may not have felt sufficient external pressure to justify a response or to implement improvement plans**. CHRB encourages investors and civil society to focus on those companies who are both non-responsive and low performers in the pilot, **and** to articulate their expectations regarding human rights and the consequences of failing to act.

The use of the CHRB methodology by companies outside of the benchmark list, as well as for the basis of new, regional benchmarks such as ACCR's, has been a welcome validation and we will continue to encourage the use of the benchmark and data by civil society.

While CHRB believes that the actions since the Pilot have provided evidence towards validating the concept (of benchmarking human rights as a way of improving performance) and we are confident in having made a tangible and positive impact, it is too soon to make any larger claims; for this CHRB needs more time and, ultimately, increased funding.

As such, CHRB is appealing to the investment community, plus foundations and governments interested in pushing the business and human rights agenda, to support the CHRB in 2018 and beyond. With continued support, CHRB will contribute to putting implementation of the UNGPs at the heart of business as usual, by supporting an environment that rewards high performers, calls out poor performers and creates a race to the top in business and human rights.

[5] Available at https://www.corporatebenchmark.org/methodology .
[6] Available at https://www.corporatebenchmark.org/methodology , under More information on the 2018 Methodology.

# Contents


Foreword 1
Statement Of Support – Dutch Human Rights Ambassador 3
Acknowledgements 4
Executive Summary 5
Background of the CHRB 12
Pilot Benchmark Highlights 13
Impact after the Pilot: Company Responses to Collaborative Investor Engagement 17

**Benchmarking Features – Commentary** 23
Benchmark Feature 1. Transparency 23
Benchmark Feature 2. Policies, Processes, Practices and Responses 23
Benchmark Feature 3. International and Industry-Specific Standards 23
Benchmark Feature 4. Key Industry Risks 24
Benchmark Feature 5. Comparability 24
Working with Other Initiatives - A World of Benchmarks 25
The World Benchmarking Alliance (WBA) 25
Share Action - Workforce Disclosure Initiative 26
Know the Chain 27

**Meeting CHRB Objectives** 29
Objective 1. Make corporate human rights performance easier to see and simpler to understand for a wide range of audiences – inside and outside companies. 30
Objective 2. Introduce a positive competitive environment for companies to race to the top of the annual ranking 31
Objective 3. Equip civil society, workers, regulators and consumers with information to take an evidence-based approach to challenge poorly performing companies 33
Objective 4. Enable investors to incorporate social 'costs' into capital allocation decisions, to better reflect the true cost of doing business 35
Objective 4 Case Study - Union Investment 36
Objective 4 Case Study - MN 37
Objective 4 Case Study - The Interfaith Center on Corporate Responsibility (ICCR) 38
Objective 5. Acknowledge companies putting human rights at the core of their business, while also pointing the way toward improved performance on key human rights issues 39
Objective 5 Case Study – Mars, Incorporated 40

**Having an Impact** 41
Impact 1. Civil society, workers, communities and consumers will be empowered with better information 41
Case Study - The Australian Centre for Corporate Responsibility (ACCR) Report: The spread of Human Rights Benchmarking 42
Impact 2. Policy makers and regulators will have an objective means helping them to focus on those companies and industries that have significant human rights risks and impacts 45
Impact 2 Discussion - Norton Rose Fulbright LLP 46
Impact 2 Discussion - Freshfields Bruckhaus Deringer LLP 47
Impact 3. Businesses will be incentivised to demonstrate they respect human rights by making information publicly available, and when impacts occur more likely to demonstrate how they were addressed and the lessons learned 48

Impact 4. Investors will be better equipped to direct investments to companies performing in line with international human rights standards and engage with those who are not 50
CHRB Member Story – Nordea 51
CHRM Member Story – APG Asset Management 52
CHRB Member Story – Aviva 53

Conclusions regarding impacts 54

**Corroboration of Impacts – Consultancy Case Studies 55**
Environmental Resources Management (ERM) Consulting 55
Verisk Maplecroft 56
Twentyfifty 57

**Critical Learnings & Way Forward – IHRB Commentary 58**
Proven benefits of collective action 58
Ranking challenge: the difficulty of assessing human rights performance 58
Technological advances 58

**Conclusions from the Pilot** 59

**Methodology 2018** 60

**2018 Benchmarking Cycle** 61

**CHRB Finances** 62

**New Sectors for Benchmarking** 63

**Annexes 64**
Annex 1 - 2017 Pilot Scores by Company and Theme 65
Annex 2 - Organisations Taking Part in the 2017 Consultations 69

# Background of the CHRB

The CHRB has transitioned from a concept in 2013 to a not-for-profit company in 2017, with the purpose of delivering open source, freely available human rights performance benchmarks, in relation to listed corporate entities.

CHRB was incorporated in the UK as a not-for-profit company by Aviva Investors, the Business and Human Rights Resource Centre (BHRRC), the Institute for Human Rights and Business (IHRB) and EIRIS Foundation, with six listed directors (for more information see CHRB's Articles of Association[7]). CHRB is governed by an Advisory Council whose members are a mix of representatives from civil society organisations (IHRB, BHRRC, EIRIS Foundation and the Investors Association for Sustainable Development in the Netherlands - VBDO), investors (APG Asset Management, Aviva Investors, Nordea) and independents (Bennett Freeman, Gerbrand Haverkamp and Margaret Wachenfeld). The Advisory Council meets every two weeks. On a day-to-day basis, CHRB is managed by a Programme Director and Programme Manager.

## Key moments in the CHRB timeline include:

- 2013 – First steering committee came together to consult on the concept.
- 2014 – Initial funding from the Joseph Rowntree Charitable Trust, UK and Netherlands governments, Aviva Investors, Calvert, IHRB, BHRRC and EIRIS Foundation. Launch of concept/entity.
- 2015 – Methodology drafted (and published in early 2016).
- 2016 – Started research for the pilot benchmark. Funding received from member organisations (now including Nordea and APG) and governments of the Netherlands and Switzerland.
- 2017 – Incorporated as CHRB Ltd (a not-for-profit company).
- 2017 (March) – Launched and published the first Corporate Human Rights Benchmark, assessing 98 of the largest companies in the agricultural products, apparel and extractives industries on the human rights performance.
- 2017 – Global consultations on the CHRB's approach, methodology and future. Additional funding from members and the UK government.
- 2018 – Published the revised methodology
- 2018 (Feb) – Kicked off research for 2018 benchmark

[7] See Companies House - https://beta.companieshouse.gov.uk/company/10654558/filing-history

# Pilot Benchmark Highlights

A significant step for CHRB was the launch of the pilot benchmark in March 2017. 100[8] companies from the agricultural products, apparel and extractives industries were assessed against the CHRB Methodology, scored and ranked, with all the results and research being made publicly available on the CHRB website. A detailed report of the Key Findings is located here[9] and the rankings and scores by Theme are included at the end of this Report.

As the first benchmark of its kind, the Pilot gained attention from a global audience and the results subsequently being a key reference for stories that touch on a company's human rights and ESG approaches. Within the ranking, companies could score a maximum of 100 percentage points, but very few companies managed to reach 50 points. The average score was disappointingly low (under 29), showing a heavy skew towards the lowest bands as shown below:

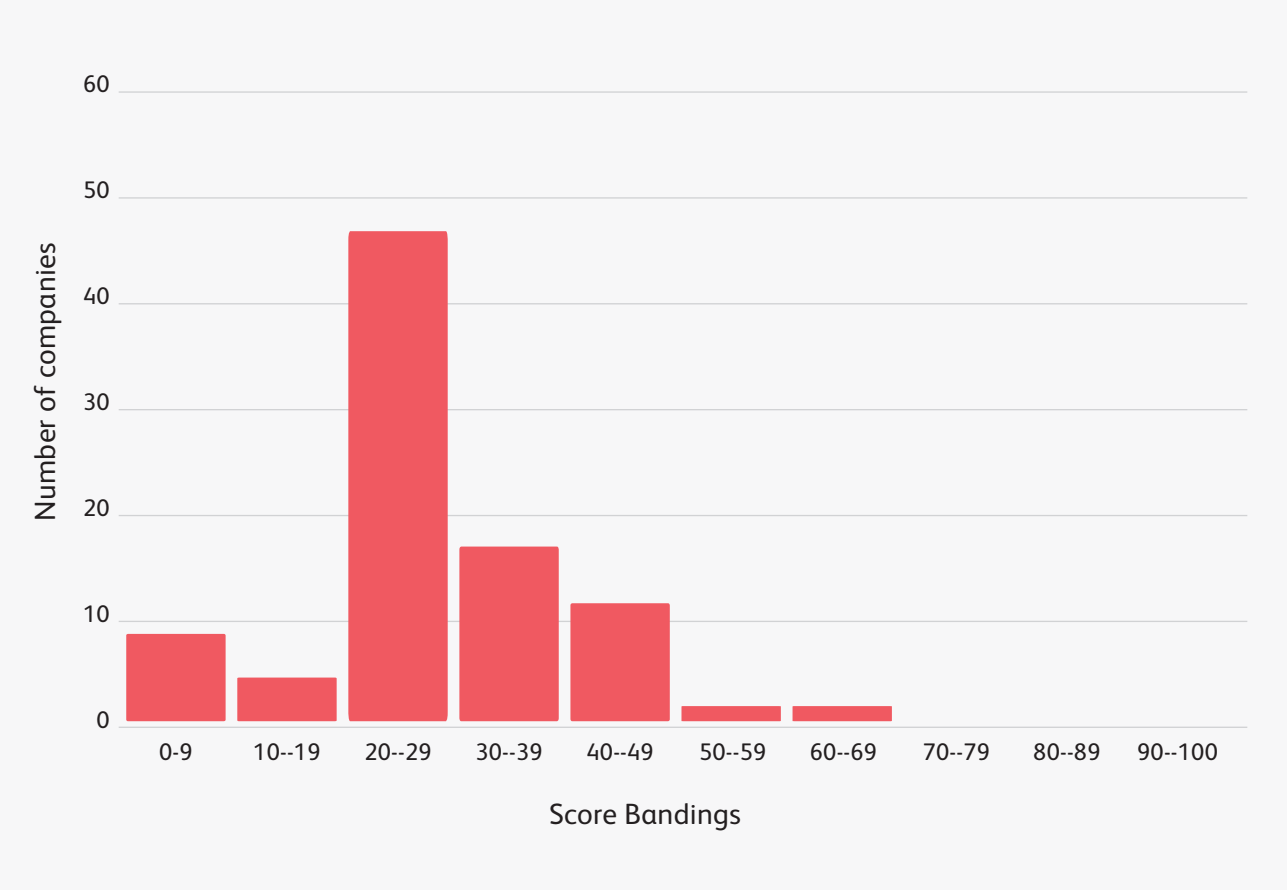



*Figure 1 - 2017 Pilot scores distribution*

While some leaders within sectors were identified, the Pilot demonstrated that large, listed companies are, in general, failing to demonstrate their respect for human rights in their operations. Subsequent engagements with benchmarked companies revealed some surprise at individual scores, however no companies raised a formal appeal against the scores in the Appeals Process. Unfortunately, less than half of the benchmarked companies agreed to engage with CHRB in the research process and CHRB is working to improve that number in 2018.

The average scores per CHRB Methodology Theme are indicated in the diagram on the next page.

[8] This number reduced to 98 due to mergers and acquisitions
[9] Key Findings at https://www.corporatebenchmark.org/sites/default/files/styles/thumbnail/public/2017-03/Key%20Findings%20Report/CHRB%20Key%20Findings%20report%20-%20May%202017.pdf

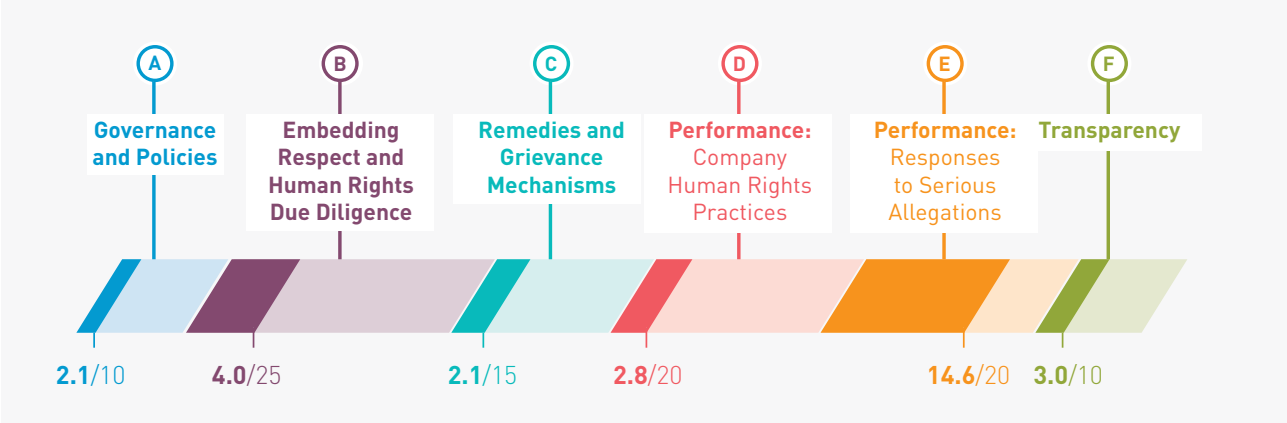



*Figure 2 - Average 2017 scores per CHRB Methodology Measurement Theme*

Beyond the simple scores and rankings, the data provided a wealth of information on the state of corporate human rights performance. The bullets below represent some key take-aways from the pilot benchmark:

- **The playing field is not yet level** – The research is based on publicly available data and the scores represent a proxy for 'actual' performance in human rights. As such, those companies who have made the effort to make relevant information public are able to score relatively well compared to peers with less appetite for disclosure (see 'Benchmarking Features' for details).

- **The 'average performer' is a 'poor performer'** – A normal distribution around a mean of 50 points would provide an indication that most companies have systems in place that can identify and manage human rights risks and impacts. However, the heavy concentration of companies in the **lower bands** indicates that many companies, representing well-known brands and with huge market capitalisation, are not implementing the UN Guiding Principles on Business and Human Rights (UNGPs), with all the dangers of human rights abuses of workers and communities that this implies.

- **Lack of public commitment** - One third of companies score zero against CHRB requirements which indicate a public commitment to respect human rights.

- **Lack of leadership** – Less than half of companies could demonstrate board level leadership in human rights (via board / CEO sign off of relevant policies and board member / committee oversight of respecting areas of human rights).

- **Commitment >> Processes >> Implementation** – On average, companies are better at demonstrating their commitments via policy than their actual processes. Similarly, processes are better disclosed than evidence of systematic implementation.

- **Access to Remedy is weak** – A key element of respecting human rights, providing access to remedy, was a consistently weak area of company performance. 20% of companies scored zero points across every Remedy indicator (Theme C). Only 33% of companies can demonstrate grievance mechanisms for workers and wider stakeholders and 33% of companies can't demonstrate any grievance mechanism at all.

- **Stakeholder Engagement** – A consistent theme of higher performing companies was their commitment to stakeholder engagement. A focus on rights holders in the design and implementation of human rights management systems was found to be fundamental to performance and a valuable proxy for overall approaches and position on the benchmark.

- **Unintended Scoring in Theme E** – The pilot methodology allowed companies with no significant allegations of negative human rights impacts to be awarded full marks in Theme E (20 points). As a consequence, some companies gained the majority of their points (e.g. 20 out of 22) by not having a serious enough allegation raised against them. This contributed to the heavy weighting in the 20-29% banding. The graph below shows how company scores would have been distributed if Measurement Theme E (Serious Allegations) was excluded from the scoring process[10].

[10] And the total scores are scaled up to maintain 100 as the max score (i.e. max score without Theme E of 80 is scaled up to 100, so a score of 40 is then scaled to 50 etc.)

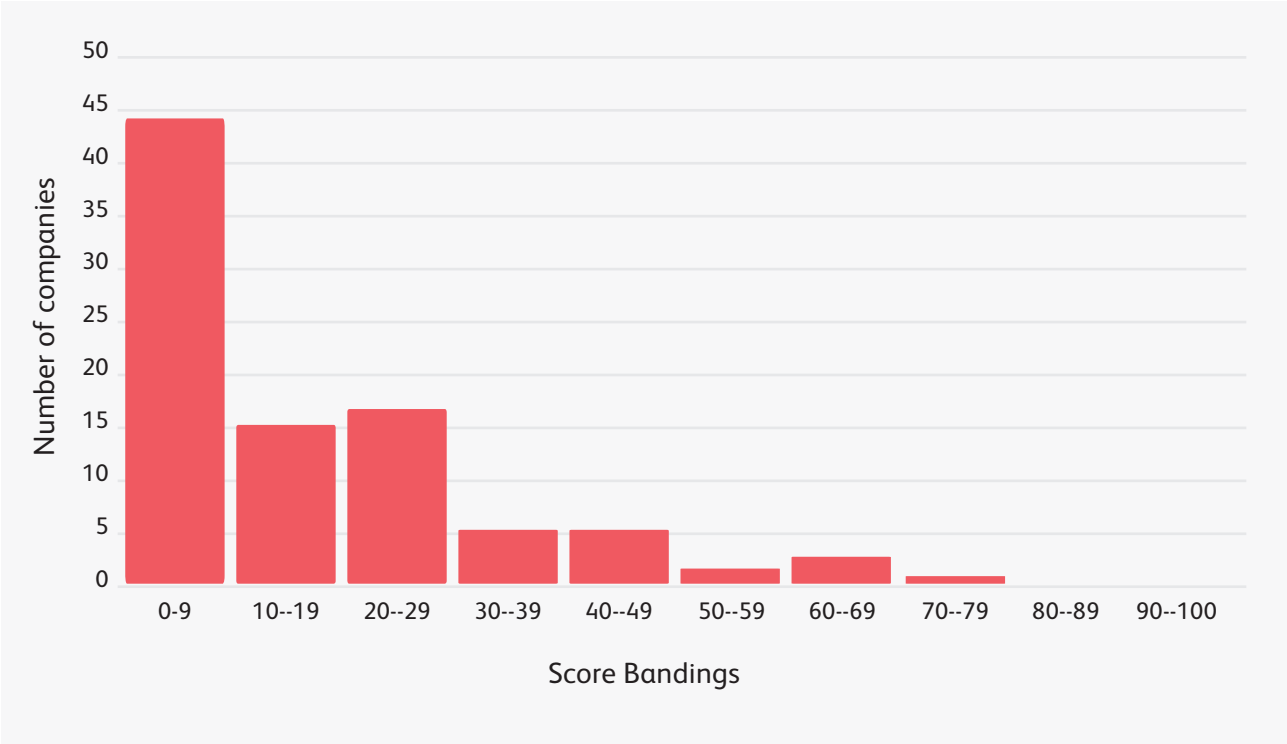



*Figure 3 - 2017 Results (excluding Theme E and scaled up)*

The shift in the banding tables (highlighted below) show that when excluding for Theme E, companies are, on average, scoring **much worse** than was indicated by the pilot. Shifts between bands were generally seen for the 'lower performers' who had no allegations, while the bandings for the 'higher performers' remained largely the same. This scoring issue has been addressed in the revised 2018 Methodology (see page 60 for details), to remove automatic point allocation.

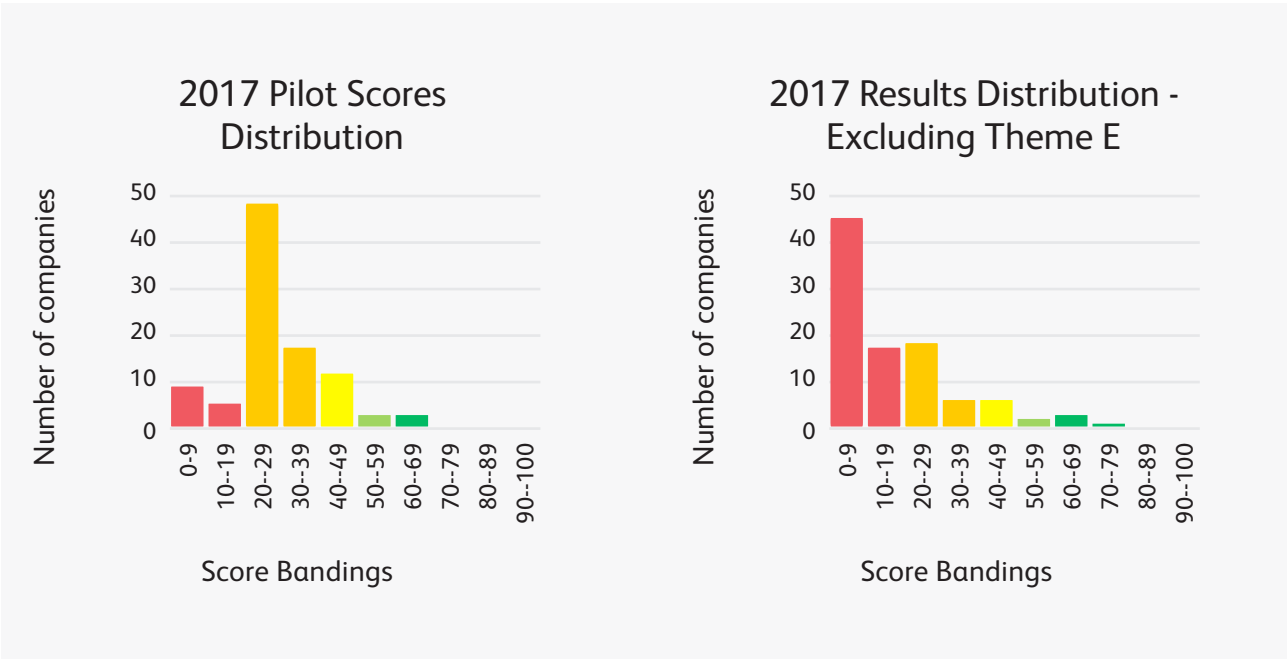



*Figure 4 - Comparing scores without Theme E*

**Pilot Benchmark Appeals Process** - No companies raised a formal appeal to the Appeals Panel concerning their results. Several companies engaged with CHRB to discuss research points and clarify how CHRB scored particular indicators, or to request CHRB change the scores for their company, but as these points were raised outside of the Appeals Panel (6-week) window, the rankings and data sheets on the CHRB website were not adjusted.

**Limits of an Assessment based on Public Data** - Subsequent engagements with civil society has endorsed the generally low scoring as in line with their understanding of levels of implementation of the UNGPs. There was also some surprise expressed at names in the very top and bottom rankings, compared to perceptions of their 'on the ground' or past performance regarding human rights. As mentioned elsewhere, the playing field is not level and the general lack of disclosure on human rights, plus the dependence on public data in the methodology, means that companies not communicating will be ranked much lower than companies who are happy to discuss their approaches to human rights.

**In summary**, the Pilot Benchmark highlighted a disappointing level of corporate human rights disclosure and performance, it indicated where the CHRB Methodology should be improved and provided a baseline from which to assess change. It also enabled a wide range of activities which are discussed in the following chapters.

## External Recognition – CHRB wins the CFA Sweden ESG Award for 2017

In March 2018, one year after the launch, the ESG Committee of the Chartered Financial Analyst (CFA) Society Sweden awarded CHRB with the ESG award 'for raising awareness of the importance of ESG issues in the investment process' saying:

*"Human Rights is a challenging and sometimes complex topic for business, investors and governments. With the UN Guiding Principles on Business and Human Rights setting a de-facto standard on the responsibilities for business, investors and governments the need for transparent tools to both clarify expectations but also to quantify to the extent it is possible the efforts of companies in this area is much needed. […] the Corporate Human Rights Benchmark (CHRB), a consortium of Aviva, APG, Business & Human Rights, EIRIS, IHRB, VBDO and Nordea, are addressing this issue in a very ambitious manner and taking the topic to the financial markets through transparency, accessibility and a form of standardization previously missed."*

CHRB would like to thank the CFA Society Sweden and the ESG-jury (Henrik Malmsten (CEO, Durable Vision Invest) Jenny Askfelt Ruud, (CEO, Enwise) and John Howchin (Secretary-General, Council on Ethics of the Swedish National Pension Funds)) for their recognition and support.

*Figure 5 - Magdalena Kettis, Nordea's CHRB representative, accepting the award on behalf of the CHRB*

# Impact after the Pilot: Company Responses to Collaborative Investor Engagement

...

Company X

Cc: Investor relations

Dear ...

We, the undersigned group of investors are writing to encourage you to carefully consider the outcomes of the Corporate Human Rights Benchmark (CHRB) and to follow up on The Corporate Human Rights Benchmark Investor Expectations on Human Rights as set out in this letter.

Company X was one of 98 companies assessed in the Corporate Human Rights Benchmark (CHRB), the first-ever public ranking of corporate human rights performance. The results of the 2017 Pilot reveal just a handful of companies at the top tier, scoring between 55%-69%, with a small number of companies in the middle bands of the Benchmark. A clear majority, 63 out of 98 companies, score below 30%.

As you have been previously informed Company X scored ...%. The average score in the Agricultural Products/ Apparel/Extractives sector is ...%.

We would like to learn from you how the CHRB results have been shared internally and at what level, and to what extent these findings have been helpful in framing any revisions in your policy commitments or due diligence processes.

In addition we encourage Company X to participate in the upcoming CHRB consultations about the methodology and share your constructive feedback to further strengthen the CHRB methodology. We are interested to learn from your experience and refine the CHRB to increase its utility to companies, investors and civil society. The ultimate goal of our collaboration is to support companies as they continue to improve how they incorporate the UN Guiding Principles and prevent adverse impact on workers, communities and consumers.

**International standards**

The UN Guiding Principles expects companies to both "know and show" that they are respecting human rights in their own operations, as well as in supply chains and other business relationships. As institutional investors we share this expectation. Companies that do not pro-actively assess and manage human rights risks and impacts face potential legal, operational, and reputational, risks which can have financial implications.

Example of the letter, sent to all Chairpersons of the companies on the pilot benchmark, by the Investor Coalition for the UNGP Reporting Framework and the CHRB Investor Members.

Request for information following the pilot

Investors have recognized the CHRB through the investor coalition supporting the UN Guiding Principles Reporting Framework.[1] The UN Guiding Principles Reporting Framework provides essential guidance for companies to report on human rights issues. These two initiatives are complementary and mutually-reinforcing frameworks that enable investors to assess the human rights commitments and performance of companies across sectors and geographies.

**The Corporate Human Rights Benchmark Investor Expectations**

This letter sets forth our expectations with respect to corporate human rights performance, as outlined in The Corporate Human Rights Benchmark Investor Expectations on Human Rights below. These expectations and the findings of the CHRB benchmark will be integrated in the engagement by investors and complement the on-going PRI-coordinated collaborative engagements[2] on human rights in the extractives and labour practices in agriculture sectors, and the engagement on the apparel sector led by APG Asset Management and asset manager MN. We will measure progress on the expectations in the next CHRB benchmark assessment planned for 2018.

Companies are expected to:

- Publicly acknowledge their responsibility to respect human rights and formally incorporate this into publicly available statements of policy.
- Use the UN Guiding Principles Reporting Framework as guidance for their reporting on human rights issues.
- Include oversight of human rights-related risk as part of the Board's responsibility
- Embed human rights policy commitments in management systems, business operations and stakeholder engagements
- Implement due diligence processes to assess and address human rights risks
- Provide remedy in addressing actual adverse impacts on human rights
- Ensure that appropriate processes are in place so that grievances may be addressed early and remediated directly where appropriate
- Maintain management systems to respond to severe and substantiated allegations

If you have any questions about the CHRB, please contact CHRB Project Manager, Camille Lepors at camille.lepors@corporatebenchmark.org

[1] The investor statement has been signed by 87 investors with more than $5.3 trillion AUM - . http://www.unpcreporting.org/early-adopters/investor-statement/

[2] https://www.unpri.org/group/pri-coordinated-engagement-on-human-rights-in-the-extractive-sector-2352 https://www.unpri.org/download-attachment/31261

CHRB Investor Expectations (see next page for details)

Following the pilot launch, CHRB wanted to ensure that the message and rankings reached the companies on the benchmark and working with the UNGP Reporting Framework Investor Coalition, communicated to the benchmarked companies. The Investor Coalition is a group of over 85 likeminded investors with over USD 5 trillion under management[11] that endorsed the CHRB in 2016. The CHRB investor members (APG, Aviva and Nordea), with Boston Common Asset Management (on behalf of the coalition's lead investors), sent a letter to all benchmarked company Chairpersons and investor relations team.

In the letter, investors from the coalition invited each benchmark company to carefully consider the CHRB assessment, to respond and inform the coalition on how the results had been used internally and at what level, and the extent to which these findings had been helpful in framing any revisions to the company's policy commitments or due diligence processes.

The investor coalition also used the letter to clearly inform companies of their expectations concerning human rights, namely that companies should:

- Publicly acknowledge their responsibility to respect human rights and formally incorporate this into publicly available statements of policy
- Use the UN Guiding Principles Reporting Framework as guidance for their reporting on human rights issues.
- Include oversight of human rights-related risk as part of the Board's responsibility
- Embed human rights policy commitments in management systems, business operations and stakeholder engagements
- Implement due diligence processes to assess and address human rights risks
- Provide remedy in addressing actual adverse impacts on human rights
- Ensure that appropriate processes are in place so that grievances may be addressed early and remediated directly where appropriate
- Maintain management systems to respond to severe and substantiated allegations

**Reactions from companies** - As of April 2018, 29 companies out of 98 have formally responded to the investor coalition's letter, with a mixed response in terms of quality of content and seniority of signoff. Those companies who formally responded are:

| Companies that Responded to the Investor Letter | | |
|---|---|---|
| Adidas* | Inditex* | Starbucks |
| Anglo American* | Kellogg* | Suncor Energy* |
| BHP Billiton* | Kering | Target* |
| Carrefour | Mondelez International* | Tesco |
| Chevron Corporation* | Nestlé* | The Hershey Company |
| ConocoPhillips* | Next* | TJX Companies* |
| ENI* | Pernod-Ricard | Total* |
| Exxon Mobil* | Petrobras* | Unilever* |
| Freeport-McMoRan* | Phillips 66 | Woolworths* |
| Gap* | Rio Tinto* | * implies they also engaged during the 2017 consultation or 2018 disclosure phase |

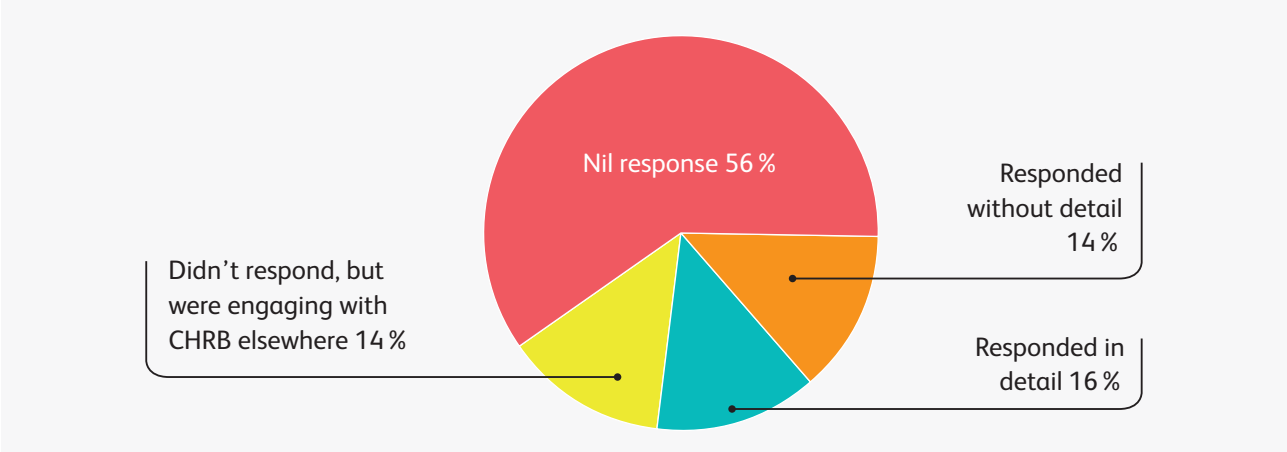



*Figure 5 - Breakdown of company responses*

[11] The Investor Statement and list of lead investors can be found at https://www.ungpreporting.org/wp-content/uploads/2015/02/1_31_2017-UN-GUIDING-PRINCIPLES-REPORTING-FRAMEWORK-INVESTOR-STATEMENT.pdf

As the investor letter said it 'would like to learn from you...' but did not request a formal response, it is possible that a number of companies may have reacted to the letter internally in preparation for the next CHRB assessment. This may in part explain a lack of formal response to the investor letter. Additionally, the CHRB is aware of the constructive dialogue between investors and these companies that took place following the investor letter.

It should also be noted that the following companies engaged with CHRB following the letter, either during our consultation process in 2017 or by providing information during the disclosure process for the 2018 Benchmark:

| Companies that meaningfully engaged with CHRB since the pilot (but did not submit a formal response to the investor letter) | | |
|---|---|---|
| Aeon Company* | Glencore | Rosneft Oil* |
| Ahold Delhaize (new) | Goldcorp Inc. | Royal Dutch Shell |
| Anadarko Petroleum* | Grupo Mexico | Sasol |
| Anheuser-Busch InBev* | Hanesbrands | Statoil |
| Archer-Daniels-Midland* | Hennes & Mauritz | The Coca-Cola Company |
| Associated British Foods | Kroger* | Vale |
| BP | Lukoil* | VF |
| Canadian Natural Resources | Marathon Petroleum* | Wal-Mart Stores* |
| Compass Group | Marks & Spencer Group | Yum! Brands |
| Danone | McDonald's* | Wesfarmers (new) |
| Diageo | Occidental Petroleum | |
| Ecopetrol | PepsiCo | * indicates a company that didn't engage in the pilot benchmark process but has since engaged with CHRB |
| Fast Retailing* | PTT* | |
| General Mills | Repsol | |

The companies that **have not meaningfully engaged with CHRB since the pilot** (either in response to the letter, the consultations or during the 2018 disclosure phase) are listed below:

| Companies that have not responded to the letter or engaged with CHRB since the Pilot | | |
|---|---|---|
| Alimentation Couche-Tard | Heilan Home | Norilsk Nickel |
| BRF | Heineken NV* | Oil & Natural Gas Corporation |
| China Petroleum & Chemical | Hermes International | PetroChina |
| China Shenhua Energy | Kohl's | Prada |
| CNOOC | Kraft Heinz Company | Ross Stores |
| Coal India | Kweichow Moutai | Shoprite |
| Costco Wholesale | L Brands | Surgutneftegas |
| Devon Energy | LVMH (in Pilot was Dior) | Sysco* |
| EOG Resources | Macy's | Under Armour |
| Falabella | Nike* | Valero Energy |
| Gazprom | Nordstrom* | * means the company engaged with CHRB during the Pilot |

## BHP Billiton

"The results of the CHRB have been shared widely within BHP, including with the Board and the CEO. While the result is welcome, we are also conscious that our score leaves significant room to improve our human rights performance. We have therefore carefully reviewed the assessment to identify those areas where we may be able to improve. As part of that work, in FY2017 we established a Human Rights Policy and Practice Working Group. The working group is reviewing the way BHP implements its human rights commitments across the business and determining any adjustments or enhancement opportunities to improve our human rights performance. This group will propose a number of recommendations across the business from managing human rights risk in the supply chain, to the processes used to identify and manage human rights risk."

## Freeport-McMoRan

"While we are pleased with our relative performance in the initial CHRB, we are continuing our journey of United Nations Guiding Principles on Business and Human Rights (UNGP) implementation throughout our business. This includes reviewing areas for improvement as identified in the CHRB feedback. […] Specific areas of focus include updating our Human Rights policy in 2017 to commit to the UNGP framework in a more holistic manner. We also continue to conduct operational-level human rights impact assessments (HRIAs) using a risk-based approach. […] We are transitioning toward organizing our human rights reporting in accordance with the UNGP Reporting Framework. We also are enhancing our reporting with respect to our longstanding grievance mechanisms and have launched a global review of these mechanisms against the UNGP effectiveness criteria to ensure they are fit for purpose. We will continue to enhance our human rights reporting over time as we advance site-level HRIAs and continue to embed human rights considerations across our business."

*Chris Chambers, Director, Sustainability Programs*

## Tesco

"The benchmark clearly shows that there is more we can do both in terms of our work and our reporting, and we will reflect on the benchmark, insight from the Ethical Trading Initiative, other stakeholders and our own experts as we continue to evolve our efforts. [...] One of the key areas for improvement identified is implementing meaningful grievance mechanisms further down supply chains. This is not something that policy alone can tackle. We have learnt that leverage decreases the further away from our business we look in the supply chain so we will focus efforts on collaborative mechanisms. [...] Another learning we have taken from the first benchmark is concerning transparency and disclosures. We are currently in the process of reviewing all our sustainability disclosures and will use the UN Guiding Principles Reporting Framework as part of this process."

*Giles Bolton, Responsible Sourcing Director*

## Pernod-Ricard

"Although Pernod Ricard is above the agricultural products sector average (28.8 %) with an overall score of 38 %, the group is well aware of the progress that still needs to be made in the future... We have a plan to improve our process and their publications in the public domain."

*Adam Ramjean, Investor Relations Manager*

## Mondelēz International

"The results of CHRB have been circulated in the business and in particular to my direct reports who are responsible for how we manage our efforts in this area including Gerd Pleuhs, Executive Vice President and General Counsel who heads up our Corporate and Legal Affairs Function and Chris McGrath, Chief Well-being, Sustainability, Public & Government Affairs Officer. The company continues to study the CHRB findings (and those from 'KnowTheChain') and these are proving helpful as we continue to look for ways to strengthen our approach to social sustainability."

*Irene B. Rosenfeld (ex) Chair and CEO*

* Dirk Van de Put, is now Mondelez Chairman and CEO (he joined the board in November 2017, and formally took over as Chairman on 1 April).

## Rio Tinto

"We are pleased with the CHRB assessment of our current approach to human rights transparency and performance and we are undertaking an in-depth analysis of the Rio Tinto CHRB scores to identify how we might address any gaps in our ongoing human rights risk management. We have been committed for many years to ensuring that our stakeholders, including investors, have greater insight into the approach we take with regards to respecting human rights across our business and the Benchmark is helping us to frame our discussions on how we ensure that we further improve transparency."

*Vanessa Zimmerman, Group Advisor Human Rights*

## Comment from Chevron Corporation

"We anticipate continuing our engagements with the CHRB to explore opportunities to strengthen the benchmark. We look forward to continuing to engage with various stakeholders…and the larger goal of contributing to progress in the business and human rights space."

*Mary A. Francis, Corporate Secretary and Chief Governance Officer, on behalf of Michael K. Wirth, Chairman and CEO.*

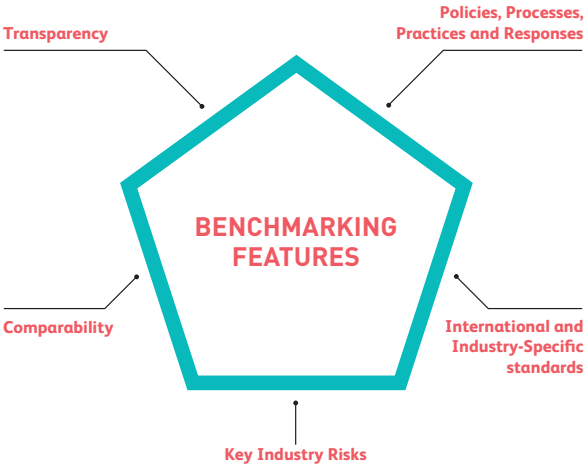
## Extractives Company Response

"Corporate Human Right Benchmark (CHRB) is an important input for advancing our Human Rights performance. Since our assessment by CHRB in December 2016, we can report some improvements in our human rights and social responsibility commitments and practices. Our Corporate Risk Management Policy was unfolded considering social risk and potential human rights issues in our operations and supply chain, our Board of Directors approved our new Social Responsibility Policy that expresses our commitment to Human Rights in alignment with the UN Guiding Principles on Business and Human Rights and we approved our Corporate Standard "Managing Community Relations" establishing guidelines, requirements and procedures for managing communities relations including specific criteria for indigenous peoples and traditional communities"

*Investor Relations*

Overall, the responses to the investor coalition letter show that some companies are actively working on improving their human rights performance and that there is a link between that activity and the CHRB's work. However, the lack of formal responses from many companies, combined with a lack of engagement with CHRB since the pilot, indicate that the message may not be getting through. CHRB attempted to get permission from companies to publish direct quotes, but did not always achieve this. This explains the anonymous quotes above. CHRB is aware of the constructive engagement with the apparel companies in the CHRB following up the investor letter. CHRB will continue to encourage investors to conduct engagements that target non-responding companies, particularly those who are low performers, in 2018.

# Benchmarking Features – Commentary




CHRB's benchmarking approach has five stated key features: Comparability; Transparency; Policies, Processes, Practices and Responses; Key Industry Risks; and International and Industry-Specific standards. This section aims to discuss how the features of the benchmark have worked out, particularly where CHRB has received constructive criticisms from external stakeholders.

## Benchmark Feature 1.
## Transparency

'The Benchmark uses information in the public domain to assess companies. This aims to encourage greater disclosure of information by companies and supports greater transparency.'

**Commentary –** During consultations and particularly following the launch of the pilot, CHRB received feedback from companies who were concerned about the limitations that using only public data placed on the methodology, with an encouragement to engage in more confidential discussions to support the research.

CHRB maintains that Transparency should be a core feature of the Benchmark and (barring a minority of sensitive serious allegation cases) will continue to base the research on what is available in the public domain. It is true that companies with the largest amount of high-quality disclosures will generally do better than those companies who chose not to disclose information, even where there is similar performance 'on the ground'. But, in line with the 'know and show' aspects of the UNGPs, CHRB sees transparency as a measure of performance in and of itself.

## Benchmark Feature 2.
## Policies, Processes, Practices and Responses

'The Benchmark assesses corporate human rights performance by focusing on companies' policies, processes, practices and responses to manage their human rights risks and impacts.'

**Commentary** – CHRB has been questioned by businesses/business groups on the depth of the research and the expectation that companies should disclose information on all of these elements. CHRB's position is that looking at policies, processes, practices and responses in the current methodology is the **minimum** level of detail required to reach a legitimate proxy score for performance across a company; these are the basics of any risk management system. As the pilot showed, companies are better at showing simple policies and commitments, but are less able to demonstrate the management systems and even less able to demonstrate their implementation. Furthermore, civil society consultations have criticised the research for not going into more detail 'on the ground' and across more elements of the companies' business. As such, 'dumbing down' the benchmark assessment, by focussing on policies and commitments, would reduce the research burden but would also damage the credibility of the benchmark. Conversely, expanding the benchmark to cover more 'on the ground' performance would prove to be overly burdensome from a research perspective. As such, the 2018 Methodology maintains this focus on policy, process, practice and responses.

## Benchmark Feature 3.
## International and Industry-Specific Standards

'The Benchmark is grounded in the UNGPs, as well as additional standards and guidance focused on specific industries and specific issues.'

**Commentary –** The UNGPs are guiding principles, which indicate the minimum standards expected of business. The CHRB Methodology, in contrast, aims to differentiate between different companies, even where they both have a basic human rights due diligence system in place, in order to rank their relative performance. There is justifiable interest in assessing the implementation levels of corporate human rights due diligence, with the German National Action Plan's efforts to check what percentage of companies are compliant by 2020 being a good example. CHRB believes that a 'human rights due diligence (HRDD)' assessment, based on a portion of the full CHRB methodology will provide an excellent basis for understanding HRDD implementation. However, it will not provide the level of

detail needed to inform investors, civil society, communities and consumers of companies' performance.

CHRB received feedback that elements of the methodology went beyond the intent of the UNGPs and that it was asking for more than the basic human rights due diligence requirements set out in the UNGPs. In some instances, CHRB has amended the methodology to bring it more in line with the UNGPs. However, CHRB's position is that the benchmark is not a score on compliance with the UNGPs, but a tool to measure and compare the extent to which spirit and intent of the UNGPs is being delivered by companies.

It would be a huge success if 100% of companies were implementing the UNGPs (i.e. on a Yes/No scale). But, as has been shown with other risk management approaches, having a system in place, even when certified, doesn't ensure good performance, nor does it allow you to be accurately compared to your peers. For example, achieving an ISO14001 certificate for environmental management systems can be a binary Yes/No event. But the quality of environmental management systems and what impacts those systems have can vary dramatically between companies.

In summary, CHRB will continue to be inspired by and fully grounded in, but not limited to, the UNGPs in order to provide an understanding of performance that goes beyond minimum compliance.

## **Benchmark Feature 4.** Key Industry Risks

'The Benchmark focuses on key industry risks as the main means to assess industry-specific challenges and approaches to managing human rights risks and impacts.'

**Commentary** – CHRB has selected a (non-exclusive) list of risks which are likely to be relevant for each of the three industries being assessed. There has been feedback suggesting that by creating a list we are unintentionally creating a 'minimum compliance' list and encouraging companies to ignore other material / salient risks. This is not the intention of the CHRB.

CHRB recognises and explicitly states that the listed risks are unlikely to be the most salient for all companies. Further, CHRB maintains that the listed risks are unlikely to ever be a 'non-issue' in the industries involved and as such, demonstrating how these risks have been understood and managed acts as a valid proxy for a human rights risk management approach overall.

During the consultation process in 2017 we asked what additional risks should be included and received several suggestions but no overwhelming consensus. Given the implications of adding new indicators to the Methodology, for both companies and for the research process, the Methodology Committee considers that further consultations are required before this can be done. The Methodology Committee will therefore select the most crucial additions from the list of suggestions and propose some drafting for new indicators at the next Methodology review consultations.

## **Benchmark Feature 5.** Comparability

'The Benchmark will focus on core aspects integral to respecting human rights and to sector specific issues where applicable. The Benchmark will ensure that companies from different sectors can be benchmarked against each other, as well as benchmarking companies within a sector.'

**Commentary –** CHRB observed some general scepticism that different industries could be compared to each other, as well as some hesitancy from companies to be compared to 'non-peers'. Following feedback in consultation on the different expectations on supply chain due diligence between agricultural products and apparel companies, the 2018 Methodology has been updated to bring both industries more in line. One of the biggest challenges for the Methodology Committee has been to ensure equivalence between industries and this will continue to be a difficult balancing act and one that will be reviewed as the number of companies in the benchmark grows.

Since the pilot launch, CHRB has observed companies communicating about their position in the benchmark, normally within their own sector and in relation to their relative position, as opposed to their absolute scores. Other media stories have often also given the absolute position (top, bottom etc). There is obviously utility in both cross-and-within sector rankings. CHRB believes that creating a cross-industry benchmark provides the best snapshot for a wide audience and allows for policy makers, investors and civil society to take a view on the maturity of sectors as a whole. By splitting the results down by sector, CHRB also enables companies to easily compare themselves to 'their' peers. Finally, CHRB is confident that the methodology allows for a valid comparison between sectors and that this approach should be maintained for the time being.

[12] For more information see the Explanatory Note on the 2018 Methodology, available at https://www.corporatebenchmark.org/methodology, under More information on the 2018 Methodology.

## Working with Other Initiatives - A World of Benchmarks

The following case studies demonstrate the growth of benchmarking and provide examples of cooperation and alignment between different organisations and assessment frameworks to ensure a coherent approach.

## The World Benchmarking Alliance (WBA)

***Gerbrand Haverkamp***
Executive Director, Index Initiative
WBA Secretariat

"The idea behind the World Benchmarking Alliance (WBA) is to develop, fund, house and safeguard free, publicly available corporate sustainability benchmarks aligned with the Sustainable Development Goals (SDGs). Aviva, the UN Foundation, BSDC, and Index Initiative are currently in the consultation phase of the WBA, engaging with stakeholders around the globe to gather inputs and insights on the WBA's; organisation, institutional and governance design, initial priorities in terms of SDGs and industries and the design principles for new corporate SDG-benchmarks.

Index Initiative was started three years ago as an incubator that would develop four, or perhaps five, new sustainability benchmarks. This was an exciting challenge, but a challenge nonetheless. We knew it was going to be difficult to get those benchmarks right and to make them happen.

But it is not impossible, and I believe that the Corporate Human Rights Benchmark (CHRB) has demonstrated that achieving both is, indeed, achievable. It has shown that when you get things right, you can obtain funding to enable you to make it happen. It has shown that when you make it happen, people do listen to what you say, and act upon it. It has shown that transparency makes a difference, and that when certain information is moved from behind pay walls and into the public domain, it leads to a positive competitive environment that can benefit everyone. This is a great source of inspiration for us at the WBA.

The CHRB did not get everything right the first time around. But they have always been aware and open about the fact that benchmarking is a learning process, for the companies as well as the benchmarking organisation. CHRB has been open to constructive criticism and relied on a consultative and inclusive approach, allowing them to make continuous improvements to their processes and Methodology. It is great to be able to follow their evolution, as we reflect on the shape we want the WBA to take.

Perhaps one of the most important lessons from these past 3 years has been that we cannot do it alone – this is why we decided to be an Alliance. As an inherently multi-stakeholder initiative, the CHRB benefits not only from the variety of expertise that different organisations can bring, but also from the energy and ambition that stem from working together. We believe this is one of the CHRB's core strengths.

Last year the CHRB became an official ally of the WBA, and we look forward to continuing working together and with others towards achieving a more sustainable future."

World Benchmarking Alliance

## ShareAction - Workforce Disclosure Initiative

*Vaidehee Sachdev*
Senior Research Officer
ShareAction WDI

"ShareAction is a charity that promotes responsible investment and aims to improve corporate performance on environmental, social and governance issues. The CHRB was one of the major frameworks in ShareAction's landscape mapping exercise ahead of the 2017 launch of the Workforce Disclosure Initiative (WDI). The WDI aims to generate new comparable datasets through companies' own responses to the survey. It has the ambition of expanding beyond the information that is otherwise publicly available and enabling investors to have more informed dialogues with companies on the issues that matter – delivering on both sustainable business and decent work. Together with the CHRB, the WDI signals that investors are increasingly concerned with the 'social' aspect of ESG.

For us, the CHRB provides a really useful standard to understand what good performance looks like when it comes to companies' varying approaches to protecting human rights in their supply chains. The WDI team incorporated CHRB questions and indicators into our pilot-year survey, and we specifically reference the CHRB as being something companies should refer to. The CHRB's core metrics helped to inform the sections that we recognise as being integral to the WDI. We cross-reference certain of the WDI's questions to the CHRB as being, along with the UN Guiding Principles, the gospel on human rights compliance.

In the WDI's pilot year the survey was sent to 75 globally listed companies across 10 ICB sectors. We received disclosures from 33 companies that cover more than 3.3 million direct employees and upwards of 873,000 Tier 1 suppliers. Responses to the WDI pilot survey indicate that there is still much more progress to be made in the areas covered by the survey, most notably on the topic of human rights. Companies may have policies in place but too often there is little demonstrable oversight of their delivery, with data collection seemingly uncoordinated and companies providing responses that are jargon filled. This is despite the significant business risks involved and increased investor appetite for transparency on the workforce.

In 2018 ShareAction looks forward to further collaboration with the CHRB and other allies as the WDI works towards standardizing workforce disclosure and deepening our alignment with the Benchmark. No one initiative can enact the level of change that is required to improve working conditions on the scale that is required. We hope that by reinforcing each other's impact and learning we can continue to provide the level of scrutiny and engagement that is required to improve outcomes for workers around the world."

ShareAction
the movement for responsible investment

## KnowTheChain

*Felicitas Weber*
Project Lead, KnowTheChain

"The KnowTheChain benchmark and the Corporate Human Rights Benchmark rank companies from the apparel and food sectors on their human rights policies, processes, and practices. While the Corporate Human Rights Benchmark focuses on all human rights (with a focus on key sector risks, such as forced labour), KnowTheChain focuses exclusively on forced labour in supply chains, including below the first tier.

When KnowTheChain engaged with benchmarked companies, a number of companies pointed out the increasing reporting burden, which leaves less time available to work on addressing human rights issues.

On the other hand, companies told us they are using the KnowTheChain and Corporate Human Rights Benchmark (CHRB) methodologies to understand what actions they should be taking. Indeed, companies which are not covered by the benchmarks also reported mapping their practices against the two benchmark methodologies. And last but not least, investors use the methodologies to define engagement asks and understand corporate actions on issues such as exploitation of migrant workers through recruitment fees.

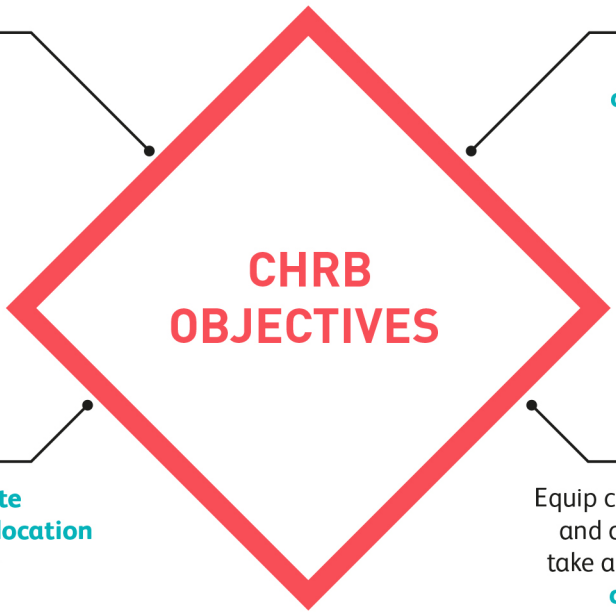
This feedback demonstrates a need for the two benchmarks not only to reduce reporting burden for companies, but to also work on aligning the two benchmark methodologies. Both benchmarks continue to work closely together to drive this forward:

- While challenges in aligning methodologies persist, the 2017/18 methodologies are more closely aligned than the previous methodologies. For example, KnowTheChain integrated indicator elements commonly used by CHRB into its structure, such as 'providing examples', and 'providing details on working with suppliers'. More specifically, indicator elements related to purchasing practices, grievance mechanisms, as well as response to allegations have been aligned.
- Both benchmarks provided tables cross-referencing the indicators to benchmarked companies.
- As in 2016, in 2018 both benchmarks will consider information disclosed to the other benchmark.
- Further, the two benchmarks aim to undertake cross-quality checks on the research, to ensure consistency in terms of what data is considered and how it is evaluated.

Both benchmarks intend to further drive this alignment going forward, not least by having the Business & Human Rights Resource Centre as a partner on both benchmarks. We believe this alignment will reduce reporting burden for companies and provide clear guidance to companies on how to address forced labour."

KNOWTHECHAIN

Make corporate human rights performance **easier to see and simpler to understand** for a wide range of audiences - inside and outside companies.

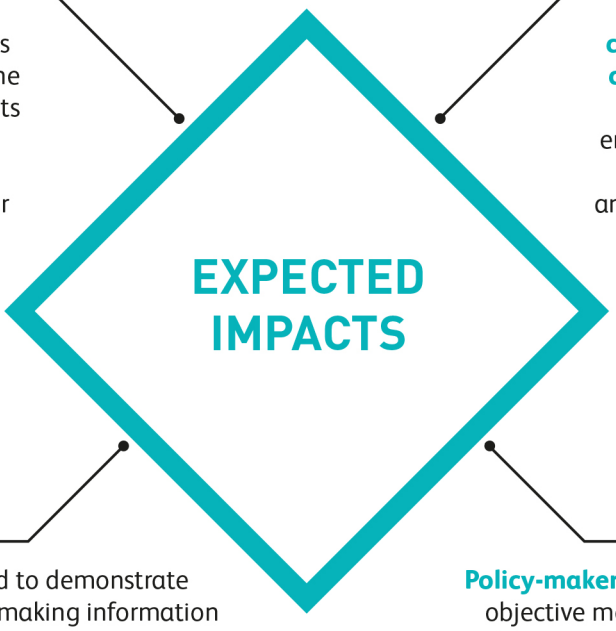



**Acknowledge** companies putting human rights at the core of their business, while also pointing the way toward improved performance on key human rights issues.

Introduce a **positive competitive environment** for companies to race to the top of the annual ranking.

Enable investors to **incorporate social 'costs' into capital allocation decisions** to better reflect the true cost of doing business.

Equip civil society, workers, regulators and consumers with information to take an evidence-based approach to **challenge poorly performing companies.**




**Investors** will be better equipped to direct investments to companies performing in line with international human rights standards, and engage with those who are not to improve their performance or shift their capital away if improvements are not achieved.

**Civil society, workers communities, customers and consumers** will be empowered with better information to encourage and pressure human rights advances by companies and make well-informed choices about which companies to engage with.

**Businesses** will be incentivised to demonstrate they respect human rights by making information publicly available, and when impacts occur more likely to demonstrate how they were addressed and the lessons learned. This provides an opportunity to learn from peers within and across industries, and improve preventative measures as well as effective remedies for victims.

**Policy-makers and regulators** will have an objective means helping them to focus on those companies and industries that have significant human rights risks and impacts and those underperforming despite these risk and impacts, highlighting where increased interventions, regulation and incentives might be necessary.

# Meeting CHRB Objectives

This section looks at the stated CHRB Objectives (1-5) and provides a commentary of progress made to date. As with the *CHRB Expected Impacts*, achieving CHRB's Objectives is a long-term effort, but the significant successes to date, within one-year of the launch of the Pilot, should be celebrated. The following sections go into the detail of each Objective and CHRB's progress to date, but a snapshot has been provided by one of our founding members:

Business & Human Rights Resource Centre

## Phil Bloomer

Executive Director of the Business and Human Rights Resource Centre & Member of the CHRB Advisory Council

"The Business and Human Rights Resource Centre is in constant dialogue with business, investors, and civil society around the world. Our global team in 20 locations around the world regularly record the impact of the Corporate Human Rights Benchmark. Here are a few examples:

- Mining, apparel, and food companies that are revising whole sections of their human rights policy in preparation for the next iteration of the Benchmark
- Leaders in responsible companies complaining that too many of their competitors are asking for their time to learn best practice
- Human rights leaders inside companies that thank us for their increased empowerment to assess and mitigate human rights risks
- Consultants who have convinced companies to implement more ambitious human rights policies on the basis of enhanced reputation reward through action."

*Figure 6 - Commentary from the BHRRC*

## **Objective 1.** Make corporate human rights performance easier to see and simpler to understand for a wide range of audiences – inside and outside companies.

Human rights and business, particularly regarding corporate performance, is a broad and evolving field which suffers from inconsistent interpretations in different regions and a mixed regulatory environment. There are no consistent and simple metrics that are currently applied to boil down performance equivalent to quarterly returns or CO2 footprints, while audiences both inside and outside of companies can struggle to understand what human rights means to them or how it can be rapidly understood. Contributing to this debate and bringing clarity is a key objective of the CHRB.

CHRB aims to make human rights performance easier to see and simpler to understand for various audiences by changing the level of detail in reporting the results of assessment:

- By creating a methodology that is deliberately limited in scope, but broken down into 87 distinct indicators, we can provide sufficient detail to allow for an understanding of individual topics (and where companies are failing or can improve) for a more informed and interested audience.
- By grouping the indicators into 6 Themes we can enable the core elements of corporate human rights performance (namely governance and policies, embedding respect human rights and due diligence into company operations, implementing remedy and grievance mechanisms, demonstrating performance through specific practices and risk mitigation, demonstrating performance in responding to alleged impacts and finally, through transparency), to be quickly compared and to distinguish between company commitments, systems and implementation.
- By providing a single score for a company, a proxy for overall performance is achieved, allowing rapid comparisons between companies and across time. This allows a casual observer to get a feel for how a company is doing on human rights without having to understand the intricacies of the indicators and scoring methodology.

The omission of human rights topics (such as downstream impacts on users), or the focus on specific industry risks (at the exclusion of others) in the methodology has been questioned during the 2017 consultations. However, the overwhelming feedback since the launch of the methodology has been that CHRB's extensive stakeholder consultation process and the subsequent responses to feedback have created an approach to assessment that has gained broad acceptance across business and civil society.

In researching this report, CHRB contacted several organisations, scanned media stories and reviewed our own engagements to understand if the CHRB's work had managed to improve the understanding of corporate human rights performance. The excitement at launching the pilot was tempered by the responses from some of the benchmarked companies who expressed mixed messages; often confirming that they would take account of the findings while simultaneously calling into question the approach of CHRB regarding the rating of performance and the interpretations of data during the research. But outside of the benchmarked companies, the message was clearer – that the methodology and thematic approach has helped improve understanding, both of human rights in general and in specific areas:

For example, ShareAction viewed CHRB's methodology as "a really useful standard to understand what good performance looks like when it comes to companies' varying approaches to protecting human rights in their supply chains" and based elements of their Workforce Disclosure Initiative questionnaire on CHRB's indicators (see the WDI case study on page 26 for more detail).

### Tesco Response to Investor Coalition Letter

"[…] the Corporate Human Rights Benchmark looks likely to become a useful tool - in particular to understand what external stakeholders find most useful to be assured of our significant efforts on human rights."

*Giles Bolton, Responsible Sourcing Director*

Mars, Incorporated (Mars), a non-benchmarked company and the 6th largest private company in the USA after Deloitte and PWC[13], described the CHRB as having "the opportunity to translate complex layers of human rights performance into a simple framework that drives behavior and action". Based on this endorsement, Mars subsequently commissioned a third-party review of their human rights work against the CHRB methodology to identify areas of strength and weakness (see the Mars case study on page 42).

Additional companies from Australia, Finland and Hong Kong have contacted CHRB to express interest in being benchmarked, indicating a level of interest and acceptance from a wider business audience. This has been backed up by Twenty-Fifty, a consultancy working in the field (see the Twenty-Fifty case study on page 57), who has seen interest from non-benchmarked

[13] Ref Forbes 2017 rankings - https://www.forbes.com/sites/andreamurphy/2017/08/09/americas-largest-private-companies-2/#3181c82b247c

extractives companies and from companies in non-benchmarked industries (like ICT), who want to understand their performance against the benchmark and are willing to bring in external support to reach that understanding.

### Mars Inc Case Study

"We believe the Corporate Human Rights Benchmark can be an important tool in our journey, both to understand our own human rights performance and to learn how others across sectors are taking action, reporting on progress and collaborating to drive change... we recently commissioned a third-party review of our human rights performance based on the CHRB methodology."

In summary, the mix of detailed indicators, thematic scores and overarching rankings is succeeding in making human rights performance easier to understand and see, for a wide range of audiences. While CHRB accepts the pilot methodology was not perfect, it has been considerably revised based on extensive external stakeholder review and input (see Methodology 2018 Chapter on Page 60) and as such, we are confident that we will continue to meet this objective.

## **Objective 2.** Introduce a positive competitive environment for companies to race to the top of the annual ranking

Many companies have not made a public statement concerning their position in the pilot benchmark. CHRB has found that those companies who have publicly discussed their rankings have tended to be the relatively high performers, comfortable in admitting that there are gaps in their performance that they are working on. We have also found, in relation to the sustainability agenda and competition promoted by benchmarks, that 'nobody wants to come bottom[14]'. Generally, companies have not publicly admitted to pursuing points, or attempting to achieve a better position in the rankings next time. In addition, business associations tended to question the utility of a ranking process; raising the concern that this might lead to companies gaming the system (chasing points), as opposed to understanding and encouraging company and sector wide progress in human rights performance.

It is understandable for business associations to oppose relative rankings of their members when they are maintaining a united front to an external audience. It is also understandable that companies may not wish to be seen as slavishly-responding to external rankings as opposed to being driven by their own strategies and values. Despite this, CHRB maintains a strong belief in positive competitive environments that will result in longer-term improvements in corporate human rights performance, and furthermore assert that this is already happening.

### Freeport-McMoRan Response to Investor Letter

"While we are pleased with our relative performance in the initial CHRB, we are continuing our journey of United Nations Guiding Principles on Business and Human Rights (UNGP) implementation throughout our business. This includes reviewing areas for improvement as identified in the CHRB feedback."

*Chris Chambers, Director, Sustainability Programs*

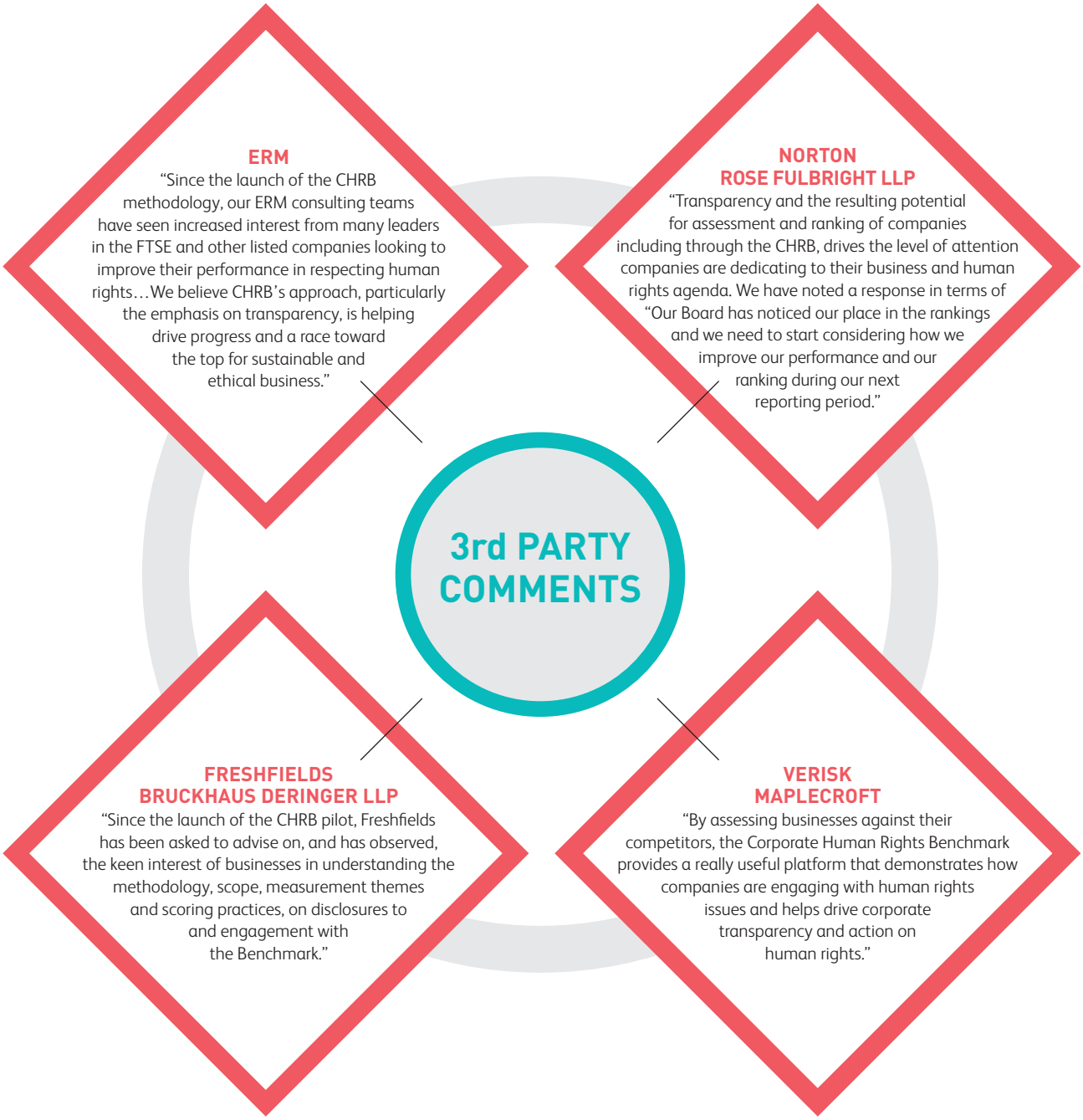
### Gap Inc. Response to Investor Letter

"While we are pleased to rank among the leading apparel companies in the 2016 benchmark, we recognize there are areas where we can improve. We are using the results of the company assessment and input from multiple stakeholder groups to continually evolve our programs and policies."

*Tina Romani, Investor Relations*

A quick canvas of just a few consulting and law firms known for providing support to companies in this space resulted in some interesting feedback, showing that companies are willing to finance improvements in their approach to human rights and are considering how to improve their rankings; strongly implying a desire to also improve their relative performance against their peers (see the comments on the next page). This approach is supported by the UK government, who stated: **"The Government is proud to have supported the development of the Corporate Human Rights Benchmark…The Government sees the competitive nature of such a benchmark as a powerful driver for change."** [15]

[14] Louise Nicholls at the Sedex 2017 Conference - https://www.youtube.com/watch?v=bPfEyqJXYb8&t=2512s
[15] https://publications.parliament.uk/pa/jt201719/jtselect/jtrights/686/686.pdf


3rd PARTY COMMENTS
ERM
"Since the launch of the CHRB methodology, our ERM consulting teams have seen increased interest from many leaders in the FTSE and other listed companies looking to improve their performance in respecting human rights…We believe CHRB's approach, particularly the emphasis on transparency, is helping drive progress and a race toward the top for sustainable and ethical business."
NORTON ROSE FULBRIGHT LLP
"Transparency and the resulting potential for assessment and ranking of companies including through the CHRB, drives the level of attention companies are dedicating to their business and human rights agenda. We have noted a response in terms of "Our Board has noticed our place in the rankings and we need to start considering how we improve our performance and our ranking during our next reporting period."
FRESHFIELDS BRUCKHAUS DERINGER LLP
"Since the launch of the CHRB pilot, Freshfields has been asked to advise on, and has observed, the keen interest of businesses in understanding the methodology, scope, measurement themes and scoring practices, on disclosures to and engagement with the Benchmark."
VERISK MAPLECROFT
"By assessing businesses against their competitors, the Corporate Human Rights Benchmark provides a really useful platform that demonstrates how companies are engaging with human rights issues and helps drive corporate transparency and action on human rights."

### Nestlé

"Whilst we have been encouraged to see that Nestlé achieved a solid position in the CHRB pilot, we know that there is more work to be done. The pilot results have provided an excellent framework to engage internal stakeholders, and shape our ongoing efforts in this space, including enabling us to better understand our potential gaps. In an ever-changing business landscape, investors play a critical role in supporting companies to take decisive steps in managing their responsibility to respect human rights. We look forward to continuing our participation in this important initiative."

*Steffen Kindler, Head of Investor Relations & Christian Frutiger, Head of Public Affairs*

It is too soon since the pilot, and CHRB is limited by consultant-client confidentiality, to understand exactly what approach companies are taking to improve their rankings when they bring in external support. There is a definite risk that (rational thinking) companies may be targeting the low-hanging fruit; the gaps that will easily allow them to increase their scores, which will often be to rapidly increase their publicly disclosed information on human rights. This risk ties into some of the criticisms around existing ESG indices and the wider critique of benchmarking; that it may either prompt a race to the middle (hiding in plain sight), or that a focus on the existing best practices (which may not be very good) encourages companies to be 'the least bad[16]', rather than driving a race to the top.

At this stage, CHRB is comfortable with these risks and critiques for several reasons:

- Low hanging fruit; increased disclosure - In line with the CHRB scoring criteria, being transparent about human rights is a mark of performance in and of itself. When there is a level playing field concerning human rights disclosures, civil society and investors will be well placed to engage and make informed decisions and benchmarks like CHRB will be better placed to assess relative performance. As such, increased disclosures should be encouraged and are a first step to understanding true performance.

- Race to the middle - In the pilot benchmark, the average score was less than 30%, with a distribution heavily skewed to the lower end. Even a race to the middle (halfway between the worst and the best) would require an exceptional increase in implementation and reporting on human rights management processes, which would still be a positive result overall.

- Race to be 'least bad' - While there are pockets of best practice in certain thematic areas, the CHRB methodology doesn't take 'the best performing company' to be representative of 'peak performance' in human rights: No companies scored over 70% in the pilot and there is still huge room for improvement for the best performing companies. CHRB will encourage companies to aim for the highest possible absolute scores, as well as relative to their peers.

- Gaming the system - CHRB is confident that if a company aims to 'game the system', the methodology has been drafted in such a way as to ensure that adding points does equate to an improvement in performance, regardless of where they are scored in the Themes. CHRB will monitor this in future iterations to identify indicators that need to be toughened if they are being used as easy-wins and, where necessary, highlight these practices if they are spotted.

## **Objective 3.** Equip civil society, workers, regulators and consumers with information to take an evidence-based approach to challenge poorly performing companies

CHRB has made, and will continue to make, its research and data freely available to the public, providing an in-depth analysis of some of the largest companies in the world and their human rights performance. As such, CHRB is fulfilling this objective, although we realise that we need to ensure the data is reaching a wider audience and is in more easily exploitable formats.

After the pilot, CHRB directed its attention towards the investor industry as the initial avenue for company engagement, as opposed to wider civil society, workers, regulators and consumers (partly because CHRB sees that investors tend to be ignored less than other groups who wish to engage with companies). More effort will be made to extract elements of the research for specific target audiences in the future, but CHRB will continue to rely on third parties to use the data in their engagements or campaigns.

An example where this has already started within CHRB was for the 2017 UN Forum on Business and Human Rights in Geneva, which focused on 'realising access to effective remedy'. As

[16] https://innovation-forum.co.uk/analysis.php?s=the-benchmark-to-end-all-benchmarks

preparation for a panel run by the CHRB, the data concerning remedy and grievance managements and commitments was exported and used to focus panel discussions, particularly highlighting the bottom performers in the relevant CHRB indicators (the image below is the handout used at the Forum).

CHRB will encourage third parties to review data from the 2018 benchmark to provide evidence for specific thematic engagements, such as living wages, human rights defenders or board level commitments.

A further area CHRB will pursue to better achieve this objective will be in joining the dots between CHRB's work and other initiatives. For instance, Better Buying[17] is a platform set up to allow suppliers to rate their buyers. There are discrete areas of mutual interest for CHRB and Better Buying relating to potential human rights impacts that buyers may have through their approaches to purchasing and supply chain management. By working with Better Buying, CHRB can attempt to compare what companies say versus what they do (i.e. comparing how companies are publicly reporting on their approaches against what the suppliers themselves observe). Where there are obvious discrepancies, between our respective findings, this can be used to inform stakeholders and to encourage more accurate disclosures.

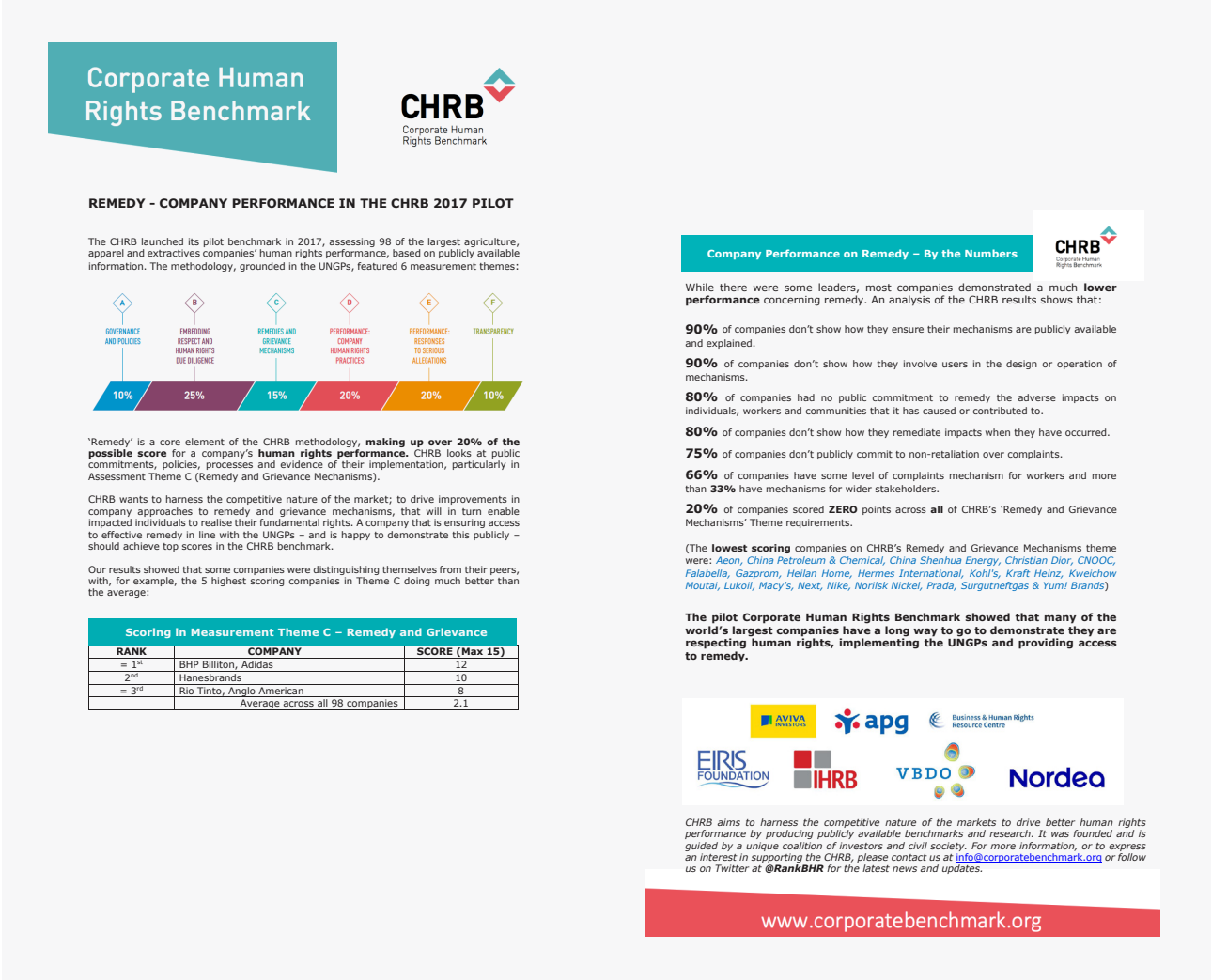



*Figure 7 - CHRB Handout on Remedy (key content)*

[17] http://www.betterbuying.org/

## **Objective 4.** Enable investors to incorporate social 'costs' into capital allocation decisions, to better reflect the true cost of doing business

**Proxy for social costs** - The CHRB pilot and 2018 benchmark feature 100 of the largest companies in the agricultural products, apparel and extractives industries. While the data on each individual company is detailed and provides useful discussion points for company engagements, the methodology does not provide for an assessment of actual human rights impacts in business operations (and instead focuses on the response to allegations of serious human rights impacts). There are several reasons for this approach including the risk of being seen to comment on ongoing court cases and the difficulty of taking a quantitative approach to human rights impacts to calculate / rank individual impacts and 'social costs'. Additionally, the CHRB methodology has so far not looked downstream to users, where many of the social costs may manifest. With this limitation understood, plus CHRB's reliance on public reporting, CHRB creates a proxy for corporate human rights performance, with in turn allows investors to understand how well companies understand, manage and respond to social costs.

CHRB is working to achieve this objective and its linked impact (see next chapter) by **providing data to investors and engaging with them** to encourage the use of that data in investment decisions.

**Dealing with limits of scale** - The benchmark, with only 100 companies in 2018, is not scaled to allow for easy integration into wider portfolio management systems, which may oversee holdings in several thousand companies and it would be extremely difficult for CHRB to fund a detailed assessment of several thousand companies. In parallel, CHRB wishes to focus on relatively small and impactful benchmarks and does not want to end up in competition with for-profit data providers.

CHRB is pleased to have seen interest from a variety of data providers wishing to integrate elements of the CHRB methodology into their own research processes. CHRB encourages the spread of improved human rights assessment indicators which will trickle into existing products and eventually provide investors with a better understanding of company human rights performance, albeit at a reduced level of detail than those in the benchmark.

Vigeo Eiris is a ratings and research agency that assesses over 4,000 companies and is a key provider of research for the Benchmark. Vigeo Eiris and CHRB' methodologies both stem from the same set of internationally recognised human rights standards. This convergence of collected indicators make it possible to apply the CHRB assessment criteria to thousands of company research profiles with the findings passed on to a wide range of investors.

The 'convergence solution' embedded in a data offering will enable investors to take a twin track approach (company engagement and dashboard/performance tracking) to drive improvements in company performance and to make better decisions about capital allocation.

By using ratings agencies and data providers to source consistent research across a wider universe, CHRB can focus upon further company-specific research of the largest companies in the industries CHRB deems the highest impact.

**How investors can use CHRB directly** – As an example of investor use of CHRB data, Union Investment, a leading German asset manager with over EUR 300bn under management, provided an interesting example of where investors can use their leverage to begin incorporating social costs into capital allocation via a company engagement cycle. Using the CHRB data to assess relevant holdings for human rights performance, particularly around company responses to serious allegations, Union Investment aims to shift companies to a 'human rights green area'. When companies don't conduct the necessary changes to reach this point, the stock gets shifted to an internal negative list and will no longer be eligible for sustainability funds (see Case Study Union Investment on page 36 for more details).

**Investor Collaborations Pushing for Change** – As discussed previously, an investor coalition wrote to the benchmarked companies, who were asked to carefully consider the outcomes of the CHRB pilot and to follow up on the CHRB 'investor expectations on human rights'. Companies were also asked to share how the results have been shared internally, at what level and if the findings have been helpful in framing any revisions in policy or processes. So far, 29 out of 98 companies responded to the letter. This is the first step; monitoring the levels of response, further engagement and review of company efforts to address issues is the next step. This should provide the investor coalition with an understanding of where social costs are not understood by companies or are under the radar.

**Overall** CHRB is achieving the rolling objective of enabling investors through: the provision of more detailed data than is provided by ratings agencies; by cooperating with ratings agencies to improve the quality of existing paid-for human rights indicators in products; and by supporting collective engagement approaches by providing both an engagement focus (the benchmark) and by sending the letters and tracking the responses.

## Objective 4 Case Study - Union Investment

***Janne Werning***
Sustainability & Engagement Analyst
Portfolio management of Union Investmentt

"Union Investment is a leading asset manager in Germany and in Europe, with EUR 320 billion assets under management as of September 2017. Sustainable investment has been a central part of our business for more than 20 years and we have developed into one of Europe's leading providers, with EUR 33,5 billion assets under management (as of September 2017) in sustainable investment solutions.

In 2017, we integrated CHRB's results in our company analysis in order to identify key human rights risks. As well as working with ESG rating agencies, who provide us with their assessment, we use the results of the CHRB to evaluate the human rights performance of our portfolio holdings. From our perspective, it is *critical for all stakeholders in different roles to take action to improve human rights standards. As an investor, we consider it our duty to address shortcomings of companies in our portfolios to drive positive change.*

Engaging with our portfolio companies is an integral part of our active investment strategy. On average, Union Investment holds more than 4,000 investor meetings per year, around 300 of which stand in relation to sustainability issues. The in-depth information provided by the CHRB supports an informed engagement process with non-compliant companies. We focus on the companies´ response to serious allegations of negative human rights impacts, and if we see any shortcomings in a company's human rights performance, we address these head-on in company meetings. Overall, we note that the UN Guiding Principles have not yet arrived in the day-to-day business of most companies.

Our objective is to actively influence those companies so that they move into a 'human rights green area'. During the engagement dialogue, we make clear that as an investor we believe that the respect for human rights not only acts as an indicator of the companies´ social acceptability, but also limits operational, legal and reputational risks. If the company does not conduct the necessary changes, as a last resort, we put the stock on our internal negative list. This means the company is no longer eligible to our sustainability funds.

The CHRB not only helps us to compare the human rights performance of companies in high-risk sectors but also creates a greater leverage for us as investors in the dialogue with companies on their specific performance. In our experience, companies rarely want to appear on the bottom of a credible and publicly available benchmark. Thus, the public ranking of corporate human rights performance hopefully functions as a tool in driving a race to the top."

Union Investment

## Objective 4 Case Study - MN

***Anna-Sterre Nette***
Senior Advisor Responsible Investment, MN

"As an asset manager and service provider of two large pension funds, Pensioenfonds van de Metalektro (PME) and Pensioenfonds Metaal en Techniek (PMT), MN's fiduciary duty entails responsible investment. The CHRB has proved important for our engagement activities in 2017.

We are signatories of the United Nation's Principles for Responsible Investment (UNPRI), the international network of investors working on the development of a more sustainable global financial system. As part of the UNPRI working group on human rights in the extractive sector, we have been actively engaging companies in the extractive sector on human rights matters.

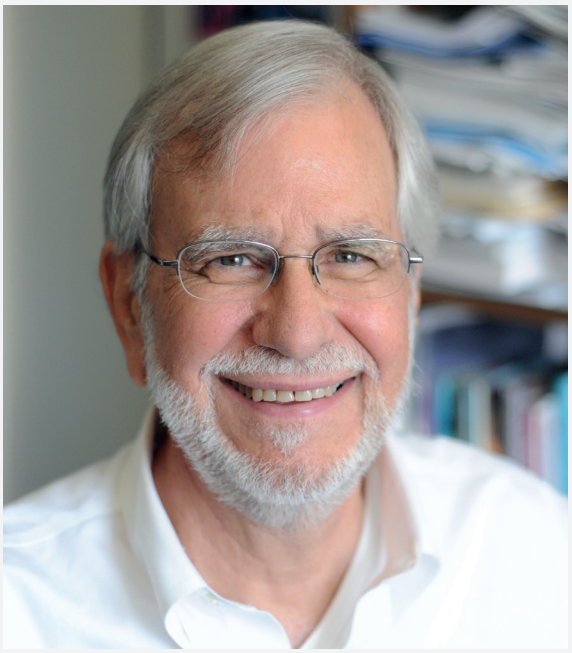
The goal of this working group was to engage companies to improve their human rights policies. Through using the CHRB's clear indicators as well as their company assessments that allow looking at company scores relative to their peers, we were able to draw up a report on the status of human rights in the extractives sector. Additionally, MN has collaborated with APG to also engage with companies in our portfolios in the agricultural and apparel sectors.

In total, we have spoken to approximately thirty companies using the CHRB data as the basis for our (human rights) conversations. First, the CHRB results served as a great incentive to start the conversation. Second, we used the CHRB data as a tool to frame this conversation around the companies' human rights policies and practices particularly. Thirdly, the CHRB assessment was useful to encourage the companies to do better.

We ask laggards to step up their efforts so they are able to meet our expectations: they need to start developing and implementing relevant policies. We encourage leaders to keep ahead of the game. They can be inspirational and set standards for human rights policies and practices. In 2018 we will continue to engage companies using CHRB and will continue to stay in touch with CHRB to encourage them to keep up the good work.

We have noticed that for most companies, a human rights policy is in place, but true commitment from the top, and true implementation of this policy in practice, is lacking. Moreover, policies to report on results, lessons learnt and a review cycle to re-assess their human rights policies could be vastly improved by most companies. The CHRB has created a standard and reference that is useful for investors, and our continual effort to draw attention to the relevance of human rights policies for companies, will hopefully be one of the main drivers for change towards companies taking human rights issues and risks at the core of their business practice and values."

## Objective 4 Case Study - The Interfaith Center on Corporate Responsibility (ICCR)



***David Schilling***
Senior Program Director for Human Rights
Interfaith Center on Corporate Responsibility

"Celebrating its 46th year, ICCR is the pioneer coalition of shareholder advocates who view the management of their investments as a catalyst for social change. Its 300-member organizations comprise faith communities, socially responsible asset managers, unions, pensions, NGOs and other socially responsible investors with combined assets of over $400 billion. ICCR members engage hundreds of corporations annually in an effort to foster greater corporate accountability.

Since the Corporate Human Rights Benchmark (CHRB) released it first report in March 2017, Interfaith Center on Corporate Responsibility members have used the results in dialogues with companies to identify where challenges exist in respecting human rights and where additional investor engagement is needed. The findings are consistent with ICCR's experience that while some companies have adopted and implemented human rights polices based on the UN Guiding Principles on Business and Human Rights, most companies are lagging behind in knowing what their human rights impacts are and showing what they are doing to address them.

As ICCR convenes the Investor Alliance for Human Rights, to provide a collective action platform that will consolidate and increase investor influence on key business and human rights issues, the CHRB will continue to be an important tool for analysing and identifying the areas for improved corporate performance."

INTERFAITH CENTER ON CORPORATE RESPONSIBILITY

INVESTOR ALLIANCE FOR HUMAN RIGHTS
AN ICCR INITIATIVE

## **Objective 5.** Acknowledge companies putting human rights at the core of their business, while also pointing the way toward improved performance on key human rights issues

**Acknowledging good performance** - The CHRB Key Findings[18] document, tied in with the launch of the benchmark in 2017, delivers on this objective. Leading companies are clearly named in the rankings, while emerging practices and the companies demonstrating them are highlighted for each Theme (as typified in the Figure 8 – below).

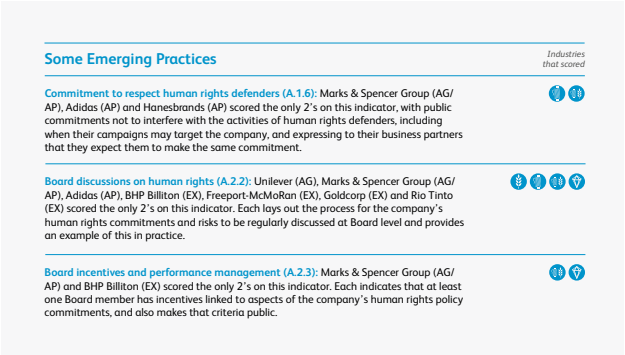



*Figure 8 - Example of emergent practices identified in the pilot*

The CHRB launch was deliberately low-key in 2017, as expected for a pilot benchmark. The 2018 results will be announced on a bigger stage and CHRB will mobilise supportive stakeholders to acknowledge leaders and highlight laggards.

**Pointing the way to improved performance** – Pointing the way to improved performance can be viewed in two parts; by looking at the methodology itself and by looking at the best practices that are emerging / resulting in high scores. Interested stakeholders can download the data for specific companies and find why they were awarded top-marks for specific indicators, leading to the public documents referenced in the research. Companies and interested parties can then see what improved performance looks like. CHRB recognises that this investigative approach is burdensome for interested stakeholders and that more analysis on specific issues would be useful to guide best practice; we aim to improve the depth of post-benchmark reporting in the future.

> "We have also received interest from ICT, media and extractive companies not included in the 2016 pilot, but who are keen to understand their likely performance against the benchmark demonstrating the impact that the initiative has had on industry more broadly."
>
> *Emily Richards, Twentyfyfifty*

In addition, the methodology itself can be seen as a guide to improving performance. CHRB has seen how many companies are using their scores to support internal gap analyses and subsequent improvement plans, while our feedback from consultancies reflects a similar picture (see case studies below for descriptions from ERM, Twentyfifty and Verisk Maplecroft). This also extends beyond the companies in the benchmark.

Mars, Incorporated is a private, family-owned company based in the United States. Although private companies are not in scope for the benchmark, Mars is an excellent example showing where a company can use the CHRB methodology and data to understand their performance and help to create improvement plans to address any gaps:

[18] https://www.corporatebenchmark.org/sites/default/files/styles/thumbnail/public/2017-03/Key%20Findings%20Report/CHRB%20Key%20Findings%20report%20-%20May%202017.pdf

## Objective 5 Case Study – Mars Incorporated: Using the CHRB to Drive Change

*Marika McCauley Sine*
Vice President of Global Human Rights, Mars, Incorporated

"The inaugural Corporate Human Rights Benchmark results are clear - we have a long way to go, as a global community of businesses, NGOs and investors working to advance respect for human rights. The ranking highlights early areas of progress as well as gaps that need attention and action.

From our perspective, the CHRB presents a great opportunity to translate complex layers of human rights performance into a simple framework that has the potential to drive the right actions. As we know, what gets measured is often what gets managed. Like any good management system, CHRB can continue evolving to ensure it is asking the right questions to measure the right behaviours - from prevention to remedy.

At Mars, Incorporated, we believe the global economy – and global businesses like ours – need to do much more to ensure that work empowers people. Respecting human rights is the foundation for successful and sustainable business, and yet challenges to human rights are widespread across global supply chains. Last year, we launched our Sustainable in a Generation Plan with this context in mind, outlining our goal to enable people to thrive by meaningfully improving working lives in our supply chains, in the context of our ambitions across the areas of Thriving People, Healthy Planet and Nourishing Wellbeing. We believe the Corporate Human Rights Benchmark can be an important tool in our journey, both to understand our own human rights performance and to learn how others across sectors are taking action, reporting on progress and collaborating to drive change. Although the CHRB's scope does not currently include privately-held companies like ours, we recently commissioned a third-party review of our human rights performance based on the CHRB methodology.

Through this review, we identified the strengths of our approach and also opportunities for improvement in a few key areas including the limited public details that were available on our human rights program, the fact that few of our senior leaders were engaging externally on human rights topics, and gaps in the information that we make public about our due diligence processes in extended supply chains. We have shared these results with leaders across our business and take them into account as we continually work to strengthen our approaches. For example, in 2017 we enhanced the content of our website with substantive material on our approach to human rights across our own operations, with our first tier suppliers and into extended supply chains, and we stepped-up the external engagements of our senior leader engagements on these topics.

As we all know, government, civil society and business must work together to address complex human rights issues. Over time, we hope that the CHRB will not only reward strong corporate disclosure but also help companies to identify the specific elements of good human rights practice that build effective, cross-sector collaborations and interventions. We will continue to use the CHRB indicators to track and improve our efforts. We look forward to seeing the strengthening of the CHRB as well as company results into the future, which can only serve to enable us all to do better at positively impacting the lives of vulnerable people touched by our businesses around the world."

MARS

# Having an Impact

This section looks at the impacts that CHRB expects to have. Combined, these impacts are intended to support an environment where better corporate human rights performance is encouraged and rewarded, while poor performance is highlighted and accounted for. It will be difficult to trace improvements in on-the-ground performance back to a discrete programme, as we are part of a wider movement in business responsibility. However, we believe the impacts to date are both a proof of concept and a vindication for the efforts and funds that have helped to get the CHRB to this point.

## **Impact 1.** Civil society, workers, communities and consumers will be empowered with better information to encourage and pressure human rights advances by companies and make well-informed choices about which companies to engage with.

As discussed above regarding Objective 3, CHRB's focus has largely been on the investor community, relying on wider civil society to use the pilot findings. We recognise that to have this impact we must do more to disseminate the data. CHRB will conduct more in depth analysis, to provide civil society, workers and communities with information that will support thematic engagement. But CHRB will not become an advocacy or campaign group targeting specific companies.

CHRB recognises that it is only a single piece of the puzzle. We will continue to work with likeminded organisations that aim to empower stakeholders through the provision of publicly available data. This is why we coordinate with benchmarks like KnowTheChain and are allied to the World Benchmarking Alliance. It is also positive to see the spread of benchmarks to new regions, such as the recent Australian human rights benchmark (see below). A challenge for the future will be coordinating with allies to ensure that the right data, in the right format, gets to the right stakeholder, at the right time; to empower stakeholders to make informed decisions.

CHRB is also pleased to see where civil society has drawn on CHRB's work and taken innovative approaches to engage with companies. One key example comes from the Australian Centre for Corporate Responsibility (ACCR) who reviewed the CHRB research on Woolworths Ltd. Seen as an industry laggard (in relation to addressing and disclosing human rights risks in their agricultural supply chain), ACCR teamed up with an industry fund (LUCRF Super) and the National Union of Workers to file a shareholder resolution ahead of the Woolworths AGM.

This resolution demanded company reporting on human rights due diligence in the agricultural supply chain. The resolution was withdrawn after Woolworths reached an historic agreement with the National Union of Workers - agreeing to ensure that the rights of workers in the Woolworths supply chain are upheld.

The ACCR case is a striking example of where a motivated civil society actor can mobilise support for shareholder action, backed up by credible data on the companies under the spotlight, to create positive change in the corporate human rights space. CHRB would be impressed to see the collaborative approach of the ACCR replicated elsewhere to achieve real change in specific high-risk human rights contexts.

## Case Study - The Australian Centre for Corporate Responsibility (ACCR) Report: The spread of Human Rights Benchmarking

### Human Rights and Australian Listed Companies

Brenchmarking report, October 2017

***Brynn O'Brien***
Executive Director, ACCR

"The report was written by the Australian Centre for Corporate Responsibility (ACCR) and CAER, a leading provider of independent research and services relating to the ESG and ethical performance of companies and investment portfolios.

It was prompted by the growing interest from the Australian investment sector in the human rights impacts of companies in which they invest. ACCR identified a gap in local research into how Australian companies are addressing human rights risks and took inspiration from the CHRB report and its positive global reception.

ACCR's report aimed to further develop investors' understanding of human rights issues for Australian companies, and to increase their appetite for positive stewardship through results-driven engagements with companies on human rights. It was funded by philanthropic sources.

### Methodology

The report drew upon the work undertaken by the Corporate Human Rights Benchmark (CHRB) in their pilot benchmark published in March 2017. Of the companies evaluated by CHRB, three companies – Woolworths, Rio Tinto and BHP Billiton – were Australian. These were not newly researched for this report.

The research commissioned by ACCR evaluated a further set of 20 large, listed Australian companies against internationally-accepted human rights indicators, based on the UN Guiding Principles on Business and Human Rights (UNGPs), as well as other relevant norms and initiatives depending on the sector. The total dataset was therefore 23 Australia listed companies.

The CHRB methodology offered the advantage of comparability with a larger, international data set allowing company-to-company, business size, sector and geographical comparisons to be made.

### Key Findings of the ACCR Report

ACCR's report demonstrated, with few exceptions, a low level of understanding of human rights risk and engagement with leading practices on risk management, across the Australian companies surveyed. It is quite possible, if not highly likely, that at least some of the companies surveyed have human rights controversies lurking in their value chains of which they are simply unaware.

Overall, Australian companies performed roughly in line with their global counterparts. The highest scoring company (in both ACCR and CHRB reports) was BHP Billiton at 77 %[19], the lowest Australian company was Cochlear at 2 %.

Reflecting the pattern in the global CHRB dataset, responses of the Australian extractives sector to human

rights risks are well-developed compared to other sectors, due in no small part to the serious risks of adverse human rights impacts inherent in large-scale multinational, extractives operations, and significant recent controversies in that sector.

Australian companies covered by this research perform better than the global average in relation to the establishment of grievance mechanisms through which concerns can be raised about the impact of operations on human rights. On the issue of remedy for human rights abuses identified in a company's value chain, however, Australian companies received low scores, in line with the global dataset.

Still, a significant number of large listed Australian companies lag far behind their peers in their response to human rights issues."

## Key Findings of the ACCR Report

ACCR's report demonstrated, with few exceptions, a low level of understanding of human rights risk and engagement with leading practices on risk management, across the Australian companies surveyed. It is quite possible, if not highly likely, that at least some of the companies surveyed have human rights controversies lurking in their value chains of which they are simply unaware.

Overall, Australian companies performed roughly in line with their global counterparts. The highest scoring company (in both ACCR and CHRB reports) was BHP Billiton at 77 %[19], the lowest Australian company was Cochlear at 2 %.

Reflecting the pattern in the global CHRB dataset, responses of the Australian extractives sector to human rights risks are well-developed compared to other sectors, due in no small part to the serious risks of adverse human rights impacts inherent in large-scale multinational, extractives operations, and significant recent controversies in that sector.

Australian companies covered by this research perform better than the global average in relation to the establishment of grievance mechanisms through which concerns can be raised about the impact of operations on human rights. On the issue of remedy for human rights abuses identified in a company's value chain, however, Australian companies received low scores, in line with the global dataset.

Still, a significant number of large listed Australian companies lag far behind their peers in their response to human rights issues

| Company | Score |
|---|---|
| BHP Billiton | 70 - 79 % |
| Newcrest | 60 - 69 % |
| Rio Tinto | |
| Oil Search | |
| South 32 | 50 - 59 % |
| Fortescue Metals | |
| Origin Energy | 40 - 49 % |
| Ansell | 30 - 39 % |
| Woodside | |
| Iluka Resources | |
| AUSTRALIAN AVERAGE* | 20 - 29 % |
| AGL Energy | |
| Coca-Cola Amatil | |
| SCL | |
| Wefarmers | 10 - 19 % |
| Treasury wine Estate | |
| BleuScope Steel | |
| Santos | |
| Woolworths | |
| Alumina Limited | |
| Caltex | |
| Resmed | |
| Braincorp | 0 - 9 % |
| Cochlear | |

[19] CHRB notes that BHP's score in the full methodology was less than 70 %, due to differences in scoring criteria

## Outcomes of the ACCR Report

Based on the report, ACCR engaged with Woolworths and Wesfarmers, two companies assessed under the agricultural methodology which were identified as industry laggards when it came to addressing and disclosing human rights related risks in their agricultural supply chains.

ACCR co-filed a resolution to each Woolworths and Wesfarmers in partnership with the industry fund LUCRF Super and the National Union of Workers. The Woolworths resolution was accepted and placed on the agenda of the company's AGM, however the one put forward to Wesfarmers was rejected on the basis that there were not enough appropriately qualified shareholders.

On Wednesday 22 November the resolution put forward to Woolworths was withdrawn after the company reached a historic agreement with the National Union of Workers (NUW) agreeing to ensure that the human rights of workers in the Woolworths supply chain are upheld.

ACCR's resolution kick-started a round of focused conversations between NUW and Woolworths' management about how to identify and address these issues in Woolworths' business. The company and the trade union have agreed to work together to implement a pre-qualification program for labour-hire providers, to ensure that all labour providers who wish to operate in Woolworths' direct fresh food supply chains comply with labour and human rights standards. Once implemented, this model has the potential to be transformative in the Australian agricultural sector.

Despite the resolution being withdrawn, Woolworths still made the results of the proxy vote on our resolutions publicly available.

## Support for CHRB

ACCR commends CHRB's path-breaking work in developing and refining a meaningful tool for evaluating company responses to human rights risks.

The tool's development, through a comprehensive and global multi-stakeholder process, resulted in a rigorous methodology with the potential for broad application. This made it attractive to ACCR when undertaking local work aimed at increasing investor engagement with Australian companies on human rights issues. The CHRB methodology also provided a solid basis for ACCR's direct engagement with companies.

Several companies surveyed in the ACCR report have made improvements to their human rights policies and due diligence mechanisms during and following the engagement process. This supports the proposition that, within some sectors and markets, benchmarking exercises have the potential to drive a 'race to the top.'"

ACCR AUSTRALASIAN CENTRE FOR CORPORATE RESPONSIBILITY

**Impact 2.** Policy makers and regulators will have an objective means helping them to focus on those companies and industries that have significant human rights risks and impacts and those underperforming despite these risk and impacts, highlighting where increased interventions, regulation and incentives might be necessary.

This impact will take time to be realised and understood as the policy and regulatory environment moves at a slower pace than investors and civil society. However, there is both recognition of CHRB in this space, as well as potential for future engagement to push the CHRB agenda:

The UK government has been and continues to be a key supporter of the CHRB. Proud of its proactive work in business and human rights and the National Action Plan (NAP) for implementing the UNGPs, the UK government has so far taken a mixed legislative approach to business and human rights (for example, by introducing the Modern Slavery Act and additional requirements on company reporting, but not binding companies to demonstrate their human rights due diligence in the way the French government has through their Corporate Duty of Vigilance law).

While the UK's Joint Committee on Human Rights[20], another supporter of the CHRB, has criticised the government's approach to revising and tracking the National Action Plan[21], the UK government has confirmed its intent to look at how initiatives like CHRB have made an impact prior to making decisions about the NAP and subsequent policy/legislative changes:

> 'The Government expects that the UK National Action Plan should run…until at least 2020. The Government would consider whether to update or devise a new plan on that timescale. This timeframe would also enable us to take account of a growing set of National Action Plans overseas, as well as other important initiatives, such as the Corporate Human Rights Benchmark…'[15]

CHRB will continue to engage with the UK government, particularly in 2019 following the launch of the next benchmark, to understand where approaches to improving corporate human rights performance are working or where they could be improved through greater government intervention.

Outside of the UK, CHRB is following events in Germany closely. The German government is taking a 'voluntarily comply… or risk legislation' approach to human rights due diligence (HRDD), aiming to demonstrate whether more than 50% of relevant businesses have adequately implemented HRDD processes by 2020. While the CHRB methodology is much broader than just HRDD, we believe it has the baseline indicators from which to draft credible compliance criteria and we hope to see the CHRB methodology used to build the eventual company level assessment criteria.

[20] The Joint Committee is a cross party, cross house group appointed to examine matters relating to human rights in the United Kingdom - http://www.parliament.uk/business/committees/committees-a-z/joint-select/human-rights-committee/

[21] See the Government Response to the Joint Committee's Report of Session 2016-2017 https://publications.parliament.uk/pa/jt201719/jtselect/jtrights/686/686.pdf

## Impact 2 Discussion - Norton Rose Fulbright LLP

*Milana Chamberlain*
Solicitor, qualified in England & Wales, Partner at Norton Rose Fulbright LLP

"In its 2017 report CHRB drew attention to the poor level of engagement with stakeholders potentially affected by companies' operations. Reflecting on this finding, we find that one of the issues which companies consider most difficult is the incorporation of their obligation to respect human rights into the management of their supply chains.

Many companies are still at a point of introducing a systemic approach to management of human rights issues in their supply chains. Other companies are exploring the use of existing tools and technology platforms and assessing to what extent these platforms can be the sole source of identification of human rights issues.

The most advanced companies are addressing their human rights obligations in their supply chains as an integral part of their business model because they understand that safeguarding human rights of individuals and communities engaged in their supply chains forms a part of the long term sustainability and success of their business.

Transparency and the resulting potential for assessment and ranking of companies including through the CHRB drives the level of attention companies are dedicating to their business and human rights agenda. We have noted a response in terms of "Our Board has noticed our place in the rankings and we need to start considering how we improve our performance and our ranking during our next reporting period.

The drive to improve standards, however, needs to go hand in hand with relevant tools. Although the number of statutory reporting obligations including the Modern Slavery Act and the Non-Financial Reporting Directive is increasing, it only requires the description of human rights work which has been performed by the companies during their reporting cycles. Understanding human rights due diligence as a human rights risk management system and knowing how to operationalise it is key to embarking on an on-going effective annual program of substantive human rights work."

NORTON ROSE FULBRIGHT

## Impact 2 Discussion - Freshfields Bruckhaus Deringer LLP

***Emily Holland***
Associate, Freshfields LLP

### Taking a Compliance View of Human Rights – The Freshfields Perspective

"Freshfields Bruckhaus Deringer LLP is an international law firm working across 150 or more countries around the world. The firm has a dedicated global business and human rights practice, the origins of which go back to 2009 when Freshfields was the first international law firm to sign the UN Global Compact and was assisting with the research that led to the development of the UN Guiding Principles on Business and Human Rights (***UNGP***). Freshfields works for multinational companies, financial institutions and public authorities, focusing on the "hard law" which has followed the adoption of the UNGP, both under national laws and regulations and in the call for the development of existing theories of legal liability to be informed and shaped by the UNGP. OECD National Contacts Points complaint procedures play a role in this area, as do benchmarking initiatives that add further incentives for businesses to scrutinize the governance of their human rights policies and practices – including the Corporate Human Rights Benchmark (***CHRB***).

Since the launch of the CHRB pilot, Freshfields has been asked to advise on, and has observed, the keen interest of businesses in understanding the methodology, scope, measurement themes and scoring practices, on disclosures to and engagement with the Benchmark, and furnishing predictions and action items with respect to "CHRB 2.0." We have engaged on these issues through our Human Rights Blog. In light of expected developments, and as rankings and other surveys scrutinizing corporate performance continue to evolve, Freshfields' experience is that companies are working with similar approaches which can be summarized as:

***First***, identifying and understanding their key human rights risks. "Mapping" risks across different areas and business activities can inform and drive the development of a group-wide human rights strategy and associated local policies and procedures. ***Second***, building out a risk-based approach to systematically, and on a prioritized basis, address their key human rights risks and mitigate, prevent and remediate negative impacts as appropriate. ***Third***, locating and at least considering leverage in business relationships, using both contractual and non-contractual mechanisms, to join up with (and in some cases educate) business partners to deal with impacts that are most directly tied to them. ***Fourth***, keeping whatever policies they develop fresh and relevant, including by implementing a formal system for periodic review and developing market- and site-specific variations where necessary. ***Fifth***, reviewing their corporate disclosure duties under existing laws, but also now in reference to non-regulatory initiatives, including the CHRB.

**For more information visit** https://www.freshfields.com/en-gb/what-we-do/services/disputes-litigation-and-arbitration/business-and-human-rights/ or contact the Chair of Freshfields' Global Business and Human Rights practice **Paul Bowden**."

Freshfields

**Impact 3.** Businesses will be incentivised to demonstrate they respect human rights by **making information publicly available**, and when impacts occur more likely to demonstrate how they were addressed and the **lessons learned**. This provides an opportunity to learn from peers within and across industries, plus improve preventative measures as well as effective remedies for victims.

> ' We support the introduction of the Corporate Human Rights Benchmark, which recognises businesses who are taking human rights due diligence seriously.'[22]
> *UK Government*

**Making information publicly available:** CHRB can confidently say that the first part of this intended impact is being partly achieved. Of those companies who responded to the Investor Coalition letter a clear theme emerged that **companies are stepping up their external reporting** and recognising a much **greater expectation on them for transparency**.

### Tesco Response to Investor Letter

"Another learning we have taken from the first benchmark is concerning transparency and disclosures. We are currently in the process of reviewing all our sustainability disclosures and will use the UN Guiding Principles Reporting Framework as part of this process."

*Giles Bolton, Responsible Sourcing Director*

This was exemplified by Coca Cola, who recognised a pull from stakeholders to provide much more detail regarding their human rights management by, for instance, disclosing their salient human rights risks and board level human rights discussion topics. This, linked to their view that the score in the pilot benchmark did not fully represent Coca Cola's 'ground-truth', provided additional momentum for Coca Cola to create and launch their first ever human rights report in 2017, which will be reviewed for the 2018 benchmark. CHRB was pleased to see that Coca Cola's first report was aligned with the UNGP Reporting and Assurance Framework, which should result in good crossover between Coca Cola's disclosures and CHRB's indicators.

It is also clear from CHRB's engagements with consulting firms that **companies are looking to improve their human rights disclosures**, actual performance and subsequent rankings on the benchmark. This indicates that there are incentives at work on the companies, in line with the intended impacts. Responsibility for this can't be claimed by CHRB alone; it is likely the result of combined pressures both external and internal to the companies involved. However, the consistent feedback from firms indicates CHRB and related investor pressure is definitely having an impact at company level.

CHRB expects an increase in disclosures in readiness for the 2018 research cycle. While less than half of companies engaged with CHRB during the pilot, several of those who didn't have now either responded to our 2018 communications or have contacted CHRB directly to ask about the 2018 plans. As such, CHRB is expecting many companies to have **improved scores** compared to the pilot. We encourage civil society observers to recognise that improved scores may not necessarily equate to improvements on the ground or better implementation of human rights managements systems, but that increased disclosure is a necessary first step to levelling the playing field and enabling accurate comparisons of performance.

### Freeport-McMoRan

"We are transitioning toward organizing our human rights reporting in accordance with the UNGP Reporting Framework. We also are enhancing our reporting with respect to our longstanding grievance mechanisms and have launched a global review of these mechanisms against the UNGP effectiveness criteria to ensure they are fit for purpose. We will continue to enhance our human rights reporting over time..."

*Chris Chambers, Director, Sustainability Programs*

CHRB recognises that only a portion of benchmarked companies have been incentivised to improve their disclosures and performance. To change this, increased engagement and external pressure will have to be directed at all of the companies and particularly those on the lower end of the rankings who have the most catching up to do. We particularly encourage investors to

[22] https://publications.parliament.uk/pa/jt201617/jtselect/jtrights/443/443.pdf

focus attention on the laggards and to make strong, public commitments to take action where companies do not improve their performance.

Regarding external pressure falling unevenly on benchmarked companies, the 'big names' in benchmarks like CHRB may often feel that they are unfairly put under the spotlight due to their size and visibility, while other smaller firms can free-ride and avoid being targeted. This can arguably result in an unfair market that rewards poor human rights performers by placing lower (and less costly) demands on them. CHRB's recognises this challenge and encourages companies to help manage it by:

- Supporting the benchmarks as a valid way of identifying lagging companies and encouraging them to improve, as a way of dragging up the whole industry and reducing collective risks.
- Refocusing a proportion of public relations, government relations or lobbying budgets in a new direction; pushing for changes to elevate the baseline legislative requirements on companies regarding human rights, in order to level the playing field and remove the competitive advantage of free-riders or those outside of the benchmarks.
- Continuing to engage with industry groups to share the knowledge gained in improving human rights performance and to take collective action to solve complex problems (where no one company can provide a siloed solution).

**Dealing with impacts and lessons learned:** Overall, it is too early to understand what impact CHRB is having on the degree of change in company disclosures around human rights impacts and any subsequent lessons learned, and this will require monitoring over following iterations of the benchmark. During and following the pilot, CHRB has found that companies who are willing to discuss negative impacts, challenges and lessons learned have tended to be the higher performers. Likewise, a forward focus and publicly disclosing targets indicates a more mature approach and a willingness to have their performance scrutinised. Conversely a focus only on 'good news stories' in external communications may indicate a less mature approach to managing human rights.

> ' CHRB provides a powerful incentive for companies to showcase their corporate human rights records.[23]'
> *International Chamber of Commerce*[24]

[23] https://iccwbo.org/media-wall/news-speeches/3-ways-business-is-promoting-human-rights/
[24] The Chamber is 'the world's largest business organization working to promote international trade, responsible business conduct and a global approach to regulation to accelerate inclusive and sustainable growth to the benefit of all.'

**Impact 4.** Investors will be better equipped to direct investments to companies performing in line with international human rights standards and engage with those who are not – to improve their performance or shift their capital away if improvements are not achieved.

In the broader sense, elements of the UNGPs, particularly human rights due diligence (HRDD), continue to be integrated into investor requirements via the Equator Principles, IFC Performance Standards and the OECD countries' Common Approaches, but this is often focused on project finance. There is now wider recognition that new initiatives (like the CHRB and the UNGP Reporting Framework) can 'enable investors to explicitly take into account human rights factors when investing in listed equity.[25]' Only a year after the pilot, it is too soon to expect to demonstrate sweeping change in the investor community as a result of the CHRB, particularly regarding capital allocation decisions. But there have been considerable indicators of change and it is clear that the CHRB has provided useful information to investors that is already being used to drive engagements with companies on human rights issues (as discussed in Objective 4).

CHRB has observed considerable investor engagement with listed companies and the investor community has been relatively open about their general approach, through individual and collective engagements. Less is known about subsequent decisions to invest or divest from particular companies based on their rankings or performance, but this is unsurprising as:

a. these decisions are often confidential,
b. they are also based on a multitude of factors, not just human rights and
c. the CHRB is only one year old and so cannot demonstrate any trends that would indicate whether companies have taken onboard investor expectations or not. [26]

CHRB Investor Members – APG, Aviva and Nordea have all shared how they have been integrating the CHRB work into their own approaches, which have often overlapped with wider efforts (including the UNPRI engagements and the UNGP RAFI Investor Coalition letters). All three have tended to focus on engagements with specific companies finding that the depth of CHRB research into human rights provides a level of detail that exceeds that from (paid for) data providers.

As investors with well-established programmes to engage companies and drive improvements, the CHRB data and methodology serves to support these engagements, tied to whichever priority theme the individual investor is pushing.

The following pages set out in more detail where the CHRB Investor Members are using the work of CHRB to support their responsible investment approaches:

[25] Mining and Sustainable Development, Current Issues. Ed Sumit K. Lodhia *Routledge 2018*
[26] UNPRI provides an interesting analysis on portfolio performance based on ESG trends vs absolute ESG scores (momentum vs tilt strategy in PRI-Financial-performance-of-ESG-integrations-in-US-investing_2018). This showed an alpha advantage in both cases (i.e. companies that are doing well in ESG compared to peers and companies improving ESG both show alpha advantages over time), indicating that

## CHRB Member Story - Nordea

*Magdalena Kettis*
Head of Thematic Engagement
Group Sustainable Finance, Nordea
& CHRB Advisory Council member

"Nordea is the largest Nordic private bank, life & pensions provider and asset manager and one of the biggest banks in Europe. It is a CHRB funding member organisation and contributes to its strategic leadership.

Nordea is committed to sustainable business and development by combining financial performance with environmental and social responsibility as well as sound governance practices. Nordea takes relevant environmental, social and governance principles into consideration when evaluating business risks and opportunities in connection to financing.

Human rights is an important focus area for Nordea's stewardship activities. We believe that human rights are fundamental to sustainable finance and provide the core values on which a sustainable financial system should be built. We believe that the Corporate Human Rights Benchmark will raise the level of awareness of the materiality of human rights and help companies meet investor expectations on human rights. It will also enable financial institutions such as Nordea to assess and help clients to ensure they are not linked to human rights abuses.

As well as looking at the CHRB results, Nordea relies on data provided by a number of research providers with a focus on Environmental, Social and Governance (ESG) data. For issues that are covered by both CHRB and other research providers we see consistency in the data we receive. But because of its specific focus on human rights, the CHRB provides detailed information on human rights issues that is not systematically covered by other research providers. For Nordea, this focus on human rights is particularly useful to assess companies' human rights performance.

Poor management conflicts with the long-term interest in promoting responsible and sustainable development and may impact companies' license to operate. We expect companies to follow internationally recognized human rights principles and to prevent and manage its impact on human rights.
The CHRB results and research are used as part of our ESG analysis and engagements. They help us to identify companies that underperform when it comes to human rights and serve as the basis of our human rights engagement with those companies.

CHRB is also referred to in our dialogues with our household as well as our corporate and institutional customers – who we regularly engage on environmental, social and governance matters.
With just under 100 companies assessed so far, the CHRB has established a baseline. Nordea looks forward to seeing the CHRB dataset expand as more results become available every year and as the CHRB broadens its sample to include more companies and more sectors."

Nordea

## CHRM Member Story - APG Asset Management

*Anna Pot*
Manager, Responsible Investments at APG,
CHRB Advisory Council

"APG Asset Management (APG) is entrusted to invest EUR474 billion (December 2017) for pension funds in the Netherlands. APG considers environmental, social, and governance factors an integral part of our investment process. APG has been a CHRB member organisation since 2016 and contributes to its strategic leadership.

### The 'S' in ESG matters to investors

At APG we are committed to being a long-term responsible investor. We want to understand the companies we invest in and engage them in dialogue to improve their sustainability and financial performance. Evidence linking a company's reputational and financial health to its human rights performance is growing.

### Data drives better decisions and dialogue

The CHRB is developing the kind of credible, meaningful data on human rights performance that APG's investment teams need. Better data leads to better investment decisions and improved outcomes when we engage companies.

The CHRB results support our teams in their company research. It offers them a focused data set on social performance that would otherwise be difficult to capture. The benchmark results inform the company's overall ESG standing in our portfolio, which in turn influences investment decisions.

APG has also used the CHRB in our dialogues with benchmarked companies. We discuss how they have used the data so far and look together at any areas in which they may have scored significantly lower than their peers. We want to first understand what's behind the score. In some cases, companies simply need to adjust their disclosures. In other cases, they need to improve their human rights practices. The benchmark enables us have a productive, data-driven conversation about how a company will move forward. It supports our engagement process, and helps us encourage companies to be forthcoming and take action where needed.

### Joining forces

In order to be more effective in bringing the message of change to the market, we look for like-minded investors who will join us in calling on industries and companies to take a meaningful look at their human rights performance. The benchmark results have bolstered APG's collaboration with other investors to engage companies in the apparel and extractives industries on this front.

APG initiated and facilitated the co-signed a letter to all 98 companies assessed in the 2017 CHRB pilot in support of the UN Guiding Principles Reporting Framework. We asked these companies to disclose how they will use the CHRB results in their business. Together the 85+ investors who signed the letter represent more than $5.3 trillion assets under management.

In follow up to this correspondence we continue to pursue dialogue with apparel and extractive companies to encourage further improvement in their performance. We want to see all extractive companies have a board-endorsed human rights policy in place. In the apparel industry we focus on two outcomes with all companies: 1) they have effective oversight of the labour conditions in their production process and 2) they report on the impact of the corporate policies that are in place to mandate this oversight."

**Recommendations**

APG encourages all benchmarked companies to review their results and to improve in areas where the CHRB research has identified gaps. We have welcomed reports from some companies that the CHRB results have been shared among senior management teams, and that they were taking a close look at their scores to define how to improve their human rights practices as well as their disclosures.

We also encourage companies to engage with the CHRB team during this year's assessment in order to have the research and upcoming CHRB scores optimally reflect the company's performance and disclosures."

## CHRB Member Story – Aviva

*Abigail Herron*
Global Head of Responsible Investment, Aviva Investors

| Human Rights Engagement Topic | No. |
|---|---|
| Board Diversity | 35 |
| LGBT | 12 |
| Governance & risk management – health & safety | 10 |
| Governance & risk management – Human Rights | 109 |
| Governance & risk management – supply chain labour standards | 6 |
| Living Wage | 7 |
| Quality of life – access to medicines | 3 |
| **Total** | **182** |

"Aviva has been using the CHRB products to both support company engagements and also, by introducing fund managers to the methodology, improving the wider understanding of the human rights and investment nexus. During the 18 months prior to 2018, Aviva Investors conducted over 180 human rights related engagements designed to raise concerns and seek commitments from companies to address those issues.

Aviva Investors also voted on over 100 human rights related shareholder resolutions, supporting calls for boards to introduce new human rights policies, report on human rights risk management and specific risks, such as forced labour, and to disclose human rights related data.

The CHRB data will continue to provide detailed background for some of the key companies in the extractives, apparel and agricultural products industries. Conversely, investor pressure should result in improved disclosures and performance from companies, creating a virtuous cycle. After further iterations of the benchmark, investors will have sufficient data to assess whether companies are improving their human rights performance and, if not, whether the human rights, financial and reputational risks warrant a divestment.

In reviewing how CHRB data could be used following the pilot, Aviva Investors assessed the feasibility of integrating the rankings into the fund-managers' ESG heatmap. The intention was that when poor human rights performance is integrated in a ratings system as a standalone metric, for instance with the company's ranking on the CHRB benchmark determining a 'red, amber, green' status, fund manager's decision making will be influenced away from risky stocks towards better human rights performers. Unfortunately, the limited scale of the CHRB data (100 companies) means that only a small percentage of assets would be covered. This is an issue due to the need for a consistent approach to decision making, however CHRB is still in discussions with Aviva Investors on integrating company rankings into existing profiles."

## Conclusions regarding impacts

The discussions with Aviva Investors has highlighted an almost Catch 22 situation for CHRB regarding wide scale impact in terms of investor decision making: Investors value the CHRB data for its depth, which enables informed board-level engagement and can drive top-down change within companies' human rights performance. However, the depth of research has cost implications, which in turn limit the total number of companies in the benchmark.

As CHRB does not cover all the companies in a portfolio (or even within one sector), there is a limited ability to integrate human rights considerations into day-to-day fund management decision making. As such, CHRB's impact regarding the allocation of capital will be limited compared to its theoretical potential. This could be addressed by increasing research budgets, reducing the detail of the research or by adopting a different approach to research such as artificial intelligence-based research. All of these options have significant implications but **without changing the approach, CHRB's ability to influence fund management and capital allocation will largely be limited to those companies in the benchmark.**

In summary - CHRB is having an impact, but it is limited compared to its potential. As discussed elsewhere, CHRB is looking at ways to expand the number of companies being assessed. In addition, we are trying to get more and more investors aware of and using the results and findings. In addition to the UNGP Reporting Framework Investor Coalition, we are engaged with PRI (see box below) and are working with the UN Environmental Programme Financial Initiative[27] to spread the message to a much wider, global finance audience. We will also work with additional investor coalitions, such as ICCR's Investor Alliance for Human Rights, as an avenue for disseminating our findings to more investors.

**Note on the UN PRI: Principles for Responsible Investment** – The UN-backed PRI works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. With more than 1,900 signatories representing approximately US$ 70 trillion, the PRI works with signatories to address ESG issues by coordinating collaborative initiatives, including investor-company engagements. For PRI-coordinated collaborative investor engagements on social issues, the internal methodology for assessing corporate disclosure was updated with the **Corporate Human Rights Benchmark** framework in 2016 to ensure consistency with existing market benchmark methodologies. Following the pilot of the CHRB benchmark, the investor working groups were presented with the findings by CHRB to help raise awareness of the benchmark and inform corporate engagement dialogues.

In developing this report, CHRB contacted a few consultancies who specialise in the business and human rights space. Case studies, provided by several of these consultancies, which corroborate CHRB's findings, are included on the following pages.

[27] http://www.unepfi.org/social-issues/social-issues/

# Corroboration of Impacts – Consultancy Case Studies

Since the publication of the Pilot results in March 2017, CHRB heard from a number of consultancies who have noticed an increased interest from companies looking to improve their human rights policies and practices. The following case studies look at the experience of ERM Consulting, Verisk Maplecroft and Twentyfifty. CHRB believes that the use of consultants to support companies in human rights performance is widespread and that these are just a few examples.

## Environmental Resources Management (ERM) Consulting

*Kate Larsen*
ERM Human Rights Team

"Since the launch of the CHRB methodology, our ERM consulting teams have seen increased interest from many leaders in the FTSE and other listed companies looking to improve their performance in respecting human rights.

We have supported companies from industries including extractives, consumer goods, fashion, finance and others in their efforts to understand and align business processes to the UN Guiding Principles (UNGPs) and, as a consequence, improve their rankings on responsible business benchmarks such as the CHRB.

In addition, we are seeing an increased demand for companies to demonstrate and report on their respect for human rights across their whole value chain. For example, ERM is advising more clients on developing their responsible sourcing programmes, whilst others, who had not previously investigated human rights aspects in 'high-risk' countries, have since sought our support to address these gaps.

We believe CHRB's approach, particularly the emphasis on transparency, Is helping drive progress and a race toward the top for sustainable and ethical business."

ERM

*The business of sustainability*

## Verisk Maplecroft

***Hannah Broscombe***
Supply Chain Analyst
Human Rights Verisk-Maplecroft

"Verisk Maplecroft is a leading global risk analytics, research and strategic forecasting company.

We have first-hand experience of how the CHRB has influenced businesses to review or re-think their human rights due diligence processes, both within their own operations and their supply chains.

For example, in 2017, we worked with a leading global mining company that used the CHRB score to identify gaps in their human rights due diligence framework. We worked with the client to increase internal awareness about the importance of human rights across the business through training sessions and demonstrated how data can be used to assess and mitigate risk impacts across their global operations.

Company policies, practices and procedures around human rights are receiving ever-closer scrutiny from regulators, investors, civil society groups and consumers. As a result, we have seen an increase in businesses coming to us for support to understand what their human rights risks and impacts are and how to better manage them.

By assessing businesses against their competitors, the Corporate Human Rights Benchmark provides a really useful platform that demonstrates how companies are engaging with human rights issues and helps drive corporate transparency and action on human rights."

## Twentyfifty

*Emily Richards*
Senior Consultant
Twentyfifty Ltd

"Founded in 2004, twentyfifty builds the capacity of business to lead change that serves business and society. We combine leadership and organisational development, stakeholder engagement and human rights. We work across sectors, having particular experience in extractives, agriculture, clothing, technology, and travel industries.

Over the last 5-10 years, we have noticed companies becoming increasingly aware of, and concerned with the social and human rights risks posed by their own operational activity and through their supply chains. This is in part because of the clarification of responsibility provided by the UNGPs in 2011, burgeoning legislative requirements, investor pressure, consumer activism, but also in part by the growth in multi-stakeholder benchmarking initiatives like the CHRB and KnowTheChain.

Since the inception of the CHRB in 2016 we have received requests from pilot companies to support their direct engagement with the benchmarking process, but also to better understand their human rights performance more broadly, what it means, and how to better articulate it throughout the business, beyond the external relations, or sustainability departments. Individuals within these companies, charged with coordinating CHRB responses, indicate that the initiative has created impetus and opportunity for internal change around the identification and management of social risk.

We have also received interest from ICT, media and extractive companies not included in the 2016 pilot, but who are keen to understand their likely performance against the benchmark demonstrating the impact that the initiative has had on industry more broadly.

The CHRB framework and engagement with the benchmark has been seen by some companies as a baseline gap analysis to inform road maps for action going forward 1-5 years. Examples of implemented and future actions include human rights policy revisions, the integration of human rights governance structures including human rights working groups, better internal engagement on thematic issues, and increased commitment to human rights impact assessments."

twentyfifty®

# Critical Learnings – IHRB Commentary

IHRB

## John Morrison

IHRB is the leading international think tank on business and human rights. IHRB's mission is to shape policy, advance practice and strengthen accountability in order to make respect for human rights part of everyday business.

**Proven benefits of collective action**

CHRB is a unique collaboration that brings together stakeholders that do not traditionally work together. Since the creation of the initiative, CHRB has been led by a Steering Group whose members are a mix of investors, civil society organisations and independent experts who convene every fortnight. CHRB is also supported by governments and engages with companies on a regular basis.

One might assume that such a multi-stakeholder initiative would likely be deadlocked by conflicting views, irreconcilable expectations and a lack of coordination, and therefore impracticable. On the contrary, the CHRB experience so far has proven the benefits of collective action. Through fortnightly discussions, the different members have demonstrated high levels of commitment, and showed that different stakeholders can complement each other by bringing different perspectives, skills and resources to the table.

**Ranking challenge:**
the difficulty of assessing human rights performance

Another critical learning for CHRB, and one that was to be expected from the onset, is that ranking presents important challenges. First, it can be difficult to measure human rights performance - prevention is a key strategy and it is hard to measure negative impacts that do not happen. Large companies are impacting on people every day and in many parts of the world, so CHRB has always insisted that the assessment can only ever be a proxy,

It is also important to ensure that the ranking of companies does not have unintended consequences. How can we ensure that leading companies do not become complacent and that laggards to not become dismissive? How do we ensure that companies that are investing time and resources into improving their practices but do not see this reflected in their score (yet) do not become disillusioned?

These are challenges that CHRB constantly keeps in mind and tries to address. CHRB is aware of the importance of striking the right balance to ensure the long-term viability of its model of change. This is also why engagement with other stakeholders, and particularly benchmarked companies, has been such an essential part of the Benchmark's processes and reviews.

**Technological advances**

Those critical learnings help shape CHRB's key strategic issues and vision for going forward. Other developments, such as technological advances, are also likely to have an impact on CHRB's work. Advances in technologies such as blockchain and artificial intelligence represent great opportunities for improving research capacity and reliability, and CHRB is willing to embrace those exciting possibilities.

***John Morrison***
CEO of the IHRB
and Member of the CHRB Advisory Council

# Conclusions from the Pilot

CHRB can conclude that the Pilot benchmark has been a success in terms of meeting its objectives and is beginning to see tangible impacts:

The responses from benchmarked companies to the investor coalition letter, combined with the feedback from consultancies and law firms, show that some benchmarked companies are making considerable efforts to improve their human rights performance. This can, in part, be attributed to companies wishing to improve their rankings or relative performance in the benchmark. It should be noted that some companies believe their 'on the ground' performance was not reflected in the Pilot results and are likely to increase their public disclosures in order to improve their scores in 2018. CHRB is encouraged by this; transparency is crucial and until the disclosure playing field has been levelled, it will be difficult to distinguish between companies that are 'good performers' and those with 'high levels of disclosure'. We hope to see much greater disclosure in 2018 and encourage companies to both make relevant information more readily available online and to follow the UNGP Reporting and Assurance Framework when reviewing and reporting on human rights.

Unfortunately, while two thirds of companies responded formally to the letter or subsequently engaged with CHRB, one third of companies may not have felt sufficient external pressure to justify a response or the implementation of improvement plans. CHRB encourages investors and civil society to focus on those companies who are both non-responsive and low performers in the pilot, and to articulate their expectations regarding human rights and the consequences of failing to act.

The use of the CHRB methodology by companies outside of the benchmark list, as well as for the basis of new, regional benchmarks such as ACCR's, has been a welcome validation. However, CHRB recognised that the pilot methodology wasn't perfect and has made great efforts to improve on it for 2018. We will continue to push the methodology as the best means for relevant companies to assess their relative human rights performance and will investigate how similar assessments can be applied to a much larger number of companies. The 2018 results will also be carefully assessed in order to understand where companies have improved or worsened their scores in terms of increased disclosure, changes to the methodology and/or improvements in the implementation of human rights policies and management processes. Taking this into account, an assessment of the direction of travel will be possible and in 2019 CHRB will be able to identify any meaningful trends.

While CHRB believes that the actions since the Pilot have provided evidence towards validating the concept (of benchmarking human rights as a way of improving performance) and we are confident in having made a tangible and positive impact, it is too soon to make any larger claims; for this CHRB needs more time. As such, CHRB is appealing to the investment community, plus foundations and governments interested in pushing the business and human rights agenda, to support the CHRB in 2018 and beyond. With continued support, CHRB will contribute to putting implementation of the UNGPs at the heart of business as usual, by supporting an environment that rewards high performers, calls out poor performers and creates a race to the top in business and human rights.

The following sections provide a look ahead for the CHRB in 2018 and 2019:

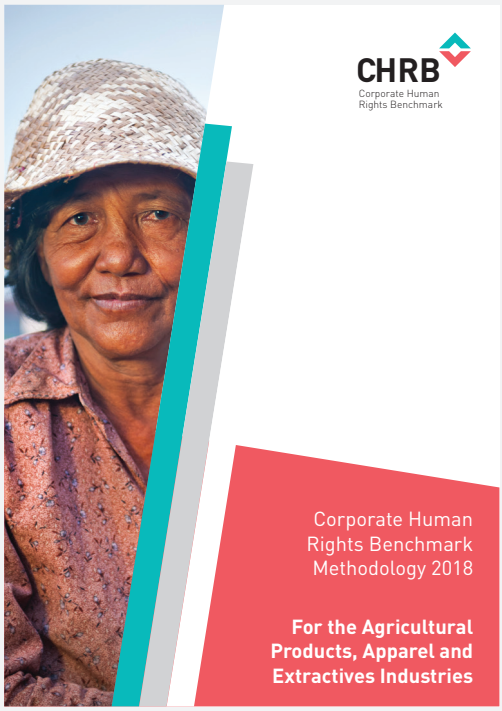
# Methodology 2018

In recognition that the first benchmark was based on a pilot methodology, CHRB considered it important to conduct a full review of the Methodology based on external consultations and on learnings from the pilot.

Between June and October 2017, CHRB held extensive global consultations, receiving input from over 300 individuals and organisations (a full list of consulted organisations is available in Annex 2). CHRB welcomed all comments and made changes to the Methodology based on them when suggestions were clear, in line with the spirit of the UNGPs, supported by many stakeholders and was not in contradiction with what other stakeholders suggested.

A full explanation of the improvements to the methodology is detailed in an Explanatory Note[28], which was published alongside the revised methodology in December 2017.

The largest adjustments to the methodology (i.e. those that will have the most significant impact on the assessment and final scores) related to introducing half marks, addressing the issues within Theme E (discussed in the 'Pilot Benchmark Highlights' section) and revising the whole of the Transparency Measurement Theme:




**Half Score** - The CHRB has revised its scoring system to include half scores. In the Pilot assessment, companies could only receive a score of 0, 1 or 2. In the revised Methodology, half points are now available in cases of multi-criteria indicators; where the company is asked to fulfill more than one requirement to get a full score of 1 or 2. This will ensure a more nuanced assessment that credits companies for their efforts in a more granular fashion. The Methodology Committee also understood the need for more guidance and clarity on scoring, and therefore developed scoring tables, which are available in Annex 2 of the 2018 Methodology document.[29]

**Theme E** – Serious Allegations - The CHRB has changed the scoring rule for companies for whom no serious allegations meeting the CHRB thresholds are identified. In the Pilot assessment, those companies received an automatic 20 points, often equating to the majority of a companies total score. CHRB also received comments that this rule was unfair as it did not reflect the different political and cultural contexts in which different companies operate (implying that an absence of allegation may result from, for example, lower levels of freedom of expression in regions where a company operates, as opposed to an absence of negative human rights impacts). Therefore, in the 2018 assessment companies with no serious allegations will be awarded a score that is the average of their score in other measurement themes, instead of receiving 20 points automatically.

**Measurement Theme F – Transparency** - The CHRB Methodology Committee recognised that the pilot approach to assessing transparency was overly burdensome for researchers and that the utility of the stand-alone section was not fully understood by many of the stakeholders interested in the Methodology. Theme F has been considerably revised to make the theme simpler to assess and understand. The total number of indicators was reduced from about 30 (depending on the industry) to 3. The revised Transparency section continues to reward companies that demonstrate a willingness to disclose information (new indicator F.1), it credits companies that use existing good practice reporting frameworks such as the UNGP Reporting Framework or GRI (new indicator F.2) and rewards companies that demonstrate a high quality of disclosures (new indicator F.3).

The CHRB is very grateful to all the individuals and organisations that contributed to the 2017 consultations and helped us improve our Methodology. It was particularly important to review the Methodology following the initial assessment and to follow up on lessons and learnings from the first practical application of the CHRB Methodology. We will continue to engage with various stakeholders going forward, with a view to continuously improving the Methodology and adapting it to what happens in practice, to take account of new developments and understandings of what drives better corporate human rights performance.

[28] Available at https://www.corporatebenchmark.org/methodology , under More information on the 2018 Methodology.
[29] Available at https://www.corporatebenchmark.org/methodology.

# 2018 Benchmarking Cycle

In 2018, CHRB will research and produce the second corporate human rights benchmark. An earlier plan was to introduce additional sectors in 2018 but this approach was adjusted following the launch of the pilot. CHRB will remain focused on the extractives, apparel and agricultural products industries, assessing the same 98 companies from the pilot (as well as some additional agricultural product companies to keep get the total back up to 100 companies, namely Monster Beverages, Ahold Delhaize and Wesfarmers).

This decision is linked to the substantial amendments to the methodology, grounded in stakeholder feedback both during the pilot and the 2017 consultation process. We considered improving the methodology, post pilot, to be more of a priority than expanding the number of sectors and companies.

The table below sets out the planned stages for the 2018 research cycle:

| Timing | Stage | Details |
|---|---|---|
| **February** | Release of new CHRB documents | CHRB publishes the full 2018 Methodology online, to support the release of the revised indicators.<br>CHRB sends companies a (voluntary) self-assessment template to support disclosure and engagement, with supporting guidance related to specific indicators. |
| **Mid-February to end of March** | Disclosure by companies | The **CHRB Disclosure Platform opens for 6 weeks**.<br>The CHRB encourages companies to include relevant information in their own documentation and websites and in their formal reporting. However, companies can make any new statements or information publicly available through the CHRB Disclosure Platform and that information may be used in Benchmark assessments as relevant for the individual indicators in question.<br>This ensures companies can put the most relevant and updated information in front of CHRB researchers. Should companies choose not to highlight or disclose any new information in the CHRB Disclosure Platform, researchers will base their assessments on the information they can find in the public domain. All information on the CHRB Disclosure Platform will be publicly viewable.<br>**The disclosure platform closes at the end of March.** |
| **April to early July** | Research and initial scoring | A team of CHRB researchers carries out the research and analysis. We will only look at public documents and disclosures released **by 31st March 2018**. We will send initial scores as soon as they are available, with an engagement timeline. |
| **Mid-May to early August** | Company review and subsequent Engagement | Once companies are contacted with their draft scores and any questions from the researchers they will have at least **three weeks to review the research**, prior to an engagement with the research team.<br>Companies have a (voluntary) opportunity to review the research and analysis and feedback issues to the CHRB. This period of engagement with companies is an opportunity to understand and discuss any discrepancies in the analysis due to either a lack of or misinterpretation of data. |
| **Mid-June to mid-August** | Second disclosure phase | If the company is willing to disclose further information into the public domain, CHRB will accept and account for this information when revising scores, **but only if the company details where the new disclosures are relevant to specific CHRB indicators.** |
| **Early July to mid-August** | Second review – revise scores where necessary | The researchers will revise the scores following engagement and a review of any new data which CHRB is told about. Companies will be given a more specific disclosure and review window based on their first engagement dates. |
| **September & October** | Analysis | Results shared with companies and analysed for trends. |
| **November** | Results publication | The 2018 Key Findings Report is released and company research profiles are made public. |

CHRB will endeavour to maintain this timeline, although there may be some deviations during the course of the research cycle.

# CHRB Finances

**Funding and Budget** - CHRB has been funded by a mix of government, foundation and member donations, plus considerable in-kind contributions from the members. The total cost, excluding in-kind contributions, to progress from a concept to a limited company with a published pilot benchmark was approximately £680,000, of which one half came from governments and foundations, the remainder being supplied by the members of CHRB. This excludes in-kind contributions from supporters.

The planned expenditure for 2018 and confirmed funding are summarised below:

| 2018 OUTLINE COSTS | | |
|---|---|---|
| *Core staff and admin overheads (exc methodology and research time)* | £ | 115,000.00 |
| Methodology Development and External Consultation | £ | 100,000.00 |
| Research and Creating Benchmark | £ | 300,000.00 |
| *Communications* | £ | 45,000.00 |
| **Total** | **£** | **560,000.00** |

| 2018 CONFIRMED INCOME | | |
|---|---|---|
| *Member donations* | £ | 150,000.00 |
| Donor governments | £ | 200,000.00 |
| **Total** | **£** | **350,000.00** |

The CHRB members (in addition to any cash-donations provided) are expected to provide approx. 150 days of pro-bono time in 2018, plus host up to 10 consultations or events and provide desk space and communications support to the permanent staff. While difficult to estimate, this is valued at approximately £150,000. Aviva Investors provides approximately two-thirds of the direct and in-kind contributions to CHRB.

Funding for the CHRB is independent of companies being benchmarked and CHRB has decided to pursue a strictly not-for-profit model. Despite strong interest from data providers, CHRB has not yet commercialised the data from the pilot benchmark and believes that the data produced by CHRB should remain publicly available, free of charge. The lack of guaranteed funds for 2018 and 2019 may prevent CHRB from expanding into new sectors and/or moving towards the long-term target of 500 benchmarked companies. As such, 2018 will see an increased push from CHRB for long-term fundraising. To ensure a sustainable source of funding, CHRB is pursuing the following approaches:

- Joint proposals with the World Benchmarking Alliance (WBA) to key governments interested in supporting human rights and SDG based benchmarks.
- Increasing the number of investor members who sit on the Advisory Council and provide annual donations.
- Hybrid funding approach utilising dormant assets or unclaimed dividends to generate long term funds.
- Licensing the methodology to third parties who are interested in a best-in-class approach to rating and ranking companies on their human rights performance and who can conduct credible research and assessment, increasing the reach of the benchmarking approach.
- Individual approaches to governments and foundations with an interest in advancing the business and human rights agenda.

# New Sectors for Benchmarking

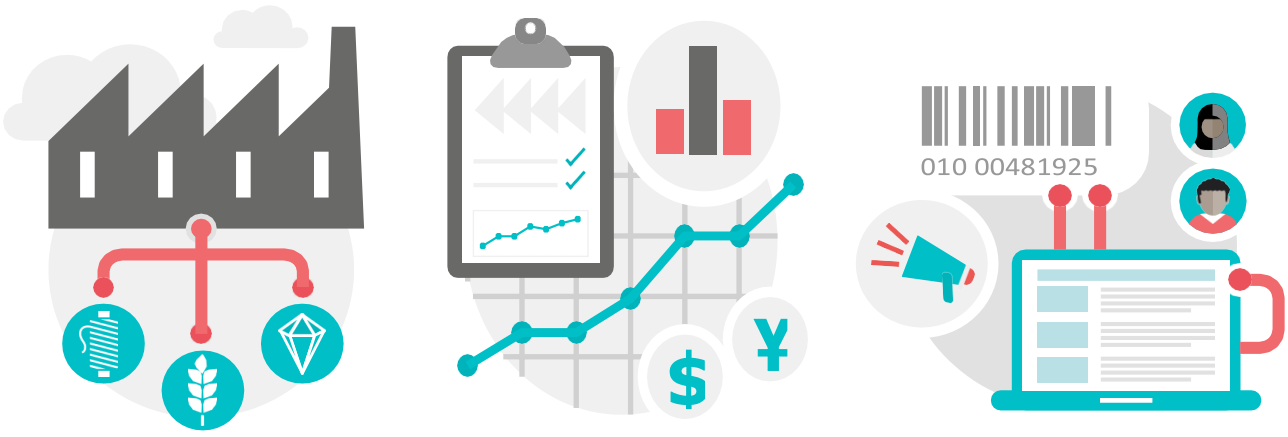
The original plan for CHRB was to start with four business sectors (agricultural products, apparel, extractives and information and communications technology (ICT)) chosen during the consultation process as the highest priority sectors[30]. This sector list would then be expanded on, until reaching 500 of the largest publicly listed companies in the benchmark. Due to a mix of factors, including pre-existing work in the field of ICT and a question of resourcing/capacity, ICT was omitted from the pilot.

In 2017, part of the consultation process was built around understanding the priority sectors and whether ICT should still be the next focus area for CHRB. Based on this consultation, in 2018 CHRB intends to develop the methodology for the inclusion of the ICT sector in the benchmark, with a planned roll out for 2019 (finances permitting). The next highest priority sectors recommended by consultation participants were finance and banking, manufacturing (which includes auto), leisure/hospitality and construction.

In addition, the question over dealing with conglomerates that span sectors, but don't meet the 20 % sector threshold for inclusion in the benchmark, was frequently raised (e.g. Disney and Amazon, whose apparel turnover is larger than some benchmarked companies but only makes up a small percentage of their totals).

Although CHRB would like to commit to the rapid expansion of the benchmark, at this stage no commitments can be made on the next sectors beyond ICT and to review the selection criteria for companies for the 2019 benchmark.

Once longer-term funding has been secured, further commitments to expand the benchmark will be made. Simultaneously, CHRB will review its approach of limiting the number of companies (to the hundreds) against the ability to meet the intended impacts concerning 'enabling investors' and driving changes in the allocation of capital.




[30] Priority was determined by a review of the following factors:
- Severity of human rights impacts
- Extent of previous work on human rights in the sector
- Other benchmarks in existence
- Significance (size or connecting influence)
- Risks posed to human rights defenders in the sector

# Annexes

## Annex 1 2017 Pilot Scores by Company and Theme

The table below sets out the company scores per company, broken down into total score and Themes A-F, for the 2017 Pilot. The colours have been added to the scores to make it easier to see low, middle and high relative performance. Individual company scoring sheets are available on the CHRB website.

| **2017 Pilot scores by themes** (Scores highlighted in colour banding to provide guidance) | | **Theme** | A.1 POLICY COMMIT-MENTS | A.2 BOARD LEVEL ACCOUNT-ABILITY | B.1 EMBEDDING RESPECT FOR HUMAN RIGHTS | B.2 HUMAN RIGHTS DUE DILIGENCE | C. REMEDIES AND GRIEVANCE MECHANISMS | D. ENABLING FACTORS AND BUSINESS | F. TRANSPARENCY |
|---|---|---|---|---|---|---|---|---|---|
| | | | **A.1** | **A.2** | **B.1** | **B.2** | **C** | **D** | **F** |
| **Company** | **Sector** | **Max/ Score** | **5** | **5** | **10** | **15** | **15** | **20** | **10** |
| BHP Billiton | EX | 69 | 4.0 | 5.0 | 8.1 | 7.5 | 11.7 | 13.8 | 6.8 |
| Marks & Spencer Group | AG/ AP | 64 | 4.3 | 5.0 | 5.0 | 11.3 | 7.5 | 9.2 | 7.1 |
| Rio Tinto | EX | 64 | 3.7 | 3.3 | 6.4 | 8.8 | 9.2 | 11.3 | 6.4 |
| Nestle | AG | 58 | 3.3 | 2.5 | 3.6 | 10.0 | 6.7 | 5.5 | 6.2 |
| Adidas | AP | 57 | 3.7 | 2.5 | 5.6 | 8.8 | 12.5 | 11.0 | 7.8 |
| Unilever | AG | 56 | 4.3 | 3.3 | 6.9 | 11.3 | 5.0 | 5.5 | 4.6 |
| Total | EX | 50 | 3.3 | 2.5 | 7.5 | 8.8 | 3.3 | 11.3 | 5.6 |
| Hennes & Mauritz | AP | 48 | 3.7 | 0.8 | 5.6 | 10.0 | 3.3 | 8.0 | 6.1 |
| Kellogg | AG | 47 | 3.2 | 2.5 | 3.1 | 6.3 | 3.3 | 4.5 | 4.2 |
| Anglo American | EX | 46 | 3.3 | 2.5 | 3.1 | 6.3 | 9.2 | 7.5 | 6.8 |
| Freeport-McMoRan | EX | 45 | 1.7 | 3.3 | 6.4 | 5.0 | 6.7 | 8.8 | 5.2 |
| Gap | AP | 45 | 4.3 | 2.5 | 3.9 | 7.5 | 2.5 | 4.0 | 7.4 |
| Tesco | AG/ AP | 43 | 2.7 | 0.8 | 5.3 | 6.3 | 2.5 | 0.8 | 4.2 |
| BP | EX | 43 | 0.7 | 0.8 | 0.8 | 2.5 | 6.7 | 6.3 | 4.8 |
| Conoco Phillips | EX | 41 | 1.3 | 1.7 | 2.2 | 3.8 | 1.7 | 5.0 | 5.6 |
| Chevron Corporation | EX | 41 | 1.0 | 1.7 | 2.5 | 3.8 | 1.7 | 6.3 | 4.0 |
| The Coca-Cola Company | AG | 41 | 2.7 | 1.7 | 4.2 | 10.0 | 3.3 | 8.2 | 5.4 |
| Nike | AP | 40 | 0.7 | 0.8 | 2.2 | 3.8 | 0.0 | 9.0 | 3.9 |
| Statoil | EX | 40 | 2.7 | 0.8 | 0.6 | 1.3 | 5.0 | 5.0 | 4.4 |
| Pernod-Ricard | AG | 39 | 3.8 | 1.7 | 4.2 | 2.5 | 1.7 | 1.8 | 2.9 |

| **2017 Pilot scores by themes** (Scores highlighted in colour banding to provide guidance) | | **Theme** | A.1 POLICY COMMIT-MENTS | A.2 BOARD LEVEL ACCOUNT-ABILITY | B.1 EMBEDDING RESPECT FOR HUMAN RIGHTS | B.2 HUMAN RIGHTS DUE DILIGENCE | C. REMEDIES AND GRIEVANCE MECHANISMS | D. ENABLING FACTORS AND BUSINESS | F. TRANSPARENCY |
|---|---|---|---|---|---|---|---|---|---|
| | | | **A.1** | **A.2** | **B.1** | **B.2** | **C** | **D** | **F** |
| **Company** | **Sector** | **Max/ Score** | 5 | 5 | 10 | 15 | 15 | 20 | 10 |
| Royal Dutch Shell | EX | 38 | 2.3 | 1.7 | 3.3 | 10.0 | 2.5 | 6.3 | 4.4 |
| VF | AP | 37 | 1.0 | 0.8 | 4.7 | 7.5 | 7.5 | 3.5 | 4.6 |
| General Mills | AG | 37 | 2.3 | 0.8 | 2.2 | 5.0 | 2.5 | 0.0 | 4.3 |
| Inditex | AP | 36 | 3.3 | 0.8 | 4.7 | 0.0 | 1.7 | 8.0 | 7.0 |
| Sasol | EX | 36 | 2.3 | 1.7 | 1.1 | 0.0 | 0.8 | 6.3 | 4.0 |
| Hanesbrands | AP | 36 | 2.3 | 1.7 | 2.2 | 2.5 | 9.2 | 5.5 | 6.2 |
| Ecopetrol | EX | 33 | 1.0 | 0.0 | 1.7 | 1.3 | 1.7 | 2.5 | 4.4 |
| Glencore | EX | 33 | 1.0 | 0.8 | 1.7 | 1.3 | 2.5 | 7.5 | 5.2 |
| Vale | EX | 32 | 1.0 | 0.8 | 3.3 | 5.0 | 5.8 | 5.0 | 4.0 |
| Heineken NV | AG | 32 | 1.0 | 1.7 | 1.9 | 0.0 | 3.3 | 0.0 | 4.2 |
| Exxon Mobil | EX | 32 | 1.3 | 0.0 | 0.6 | 1.3 | 1.7 | 5.0 | 2.0 |
| Suncor Energy | EX | 31 | 1.3 | 1.7 | 0.6 | 1.3 | 0.8 | 2.5 | 2.8 |
| Diageo | AG | 31 | 2.3 | 0.8 | 2.2 | 0.0 | 1.7 | 0.0 | 3.8 |
| The Hershey Company | AG | 31 | 0.7 | 0.0 | 1.1 | 5.0 | 0.8 | 0.0 | 2.9 |
| Occidental Petroleum | EX | 30 | 1.0 | 1.7 | 1.7 | 0.0 | 0.8 | 1.3 | 3.6 |
| Target | AG/ AP | 30 | 0.0 | 0.8 | 1.7 | 0.0 | 2.5 | 1.7 | 3.3 |
| Danone | AG | 29 | 2.0 | 0.0 | 1.4 | 1.3 | 1.7 | 0.0 | 2.5 |
| PTT | EX | 29 | 1.3 | 0.0 | 0.0 | 2.5 | 0.8 | 2.5 | 1.6 |
| Devon Energy | EX | 29 | 0.0 | 0.8 | 0.0 | 0.0 | 1.7 | 3.8 | 2.4 |
| Kering | AP | 22 | 1.3 | 0.8 | 0.6 | 0.0 | 0.8 | 1.0 | 3.8 |
| Archer Daniels Midland | AG | 22 | 0.7 | 0.0 | 0.8 | 3.8 | 0.8 | 0.0 | 1.8 |
| BRF | AG | 22 | 0.7 | 0.0 | 0.6 | 0.0 | 1.7 | 0.5 | 4.3 |
| Goldcorp | EX | 22 | 2.7 | 2.5 | 1.9 | 0.0 | 3.3 | 5.0 | 4.8 |
| Associated British Foods | AG/ AP | 22 | 1.2 | 0.8 | 2.2 | 5.0 | 2.5 | 2.9 | 3.6 |
| Anheuser-Busch InBev | AG | 21 | 1.0 | 0.0 | 1.4 | 0.0 | 0.8 | 1.4 | 2.9 |
| Sysco | AG | 21 | 0.7 | 0.8 | 1.7 | 0.0 | 0.8 | 0.9 | 2.5 |

| **2017 Pilot scores by themes** (Scores highlighted in colour banding to provide guidance) | | **Theme** | A.1 POLICY COMMIT-MENTS | A.2 BOARD LEVEL ACCOUNT-ABILITY | B.1 EMBEDDING RESPECT FOR HUMAN RIGHTS | B.2 HUMAN RIGHTS DUE DILIGENCE | C. REMEDIES AND GRIEVANCE MECHANISMS | D. ENABLING FACTORS AND BUSINESS | F. TRANSPARENCY |
|---|---|---|---|---|---|---|---|---|---|
| | | | **A.1** | **A.2** | **B.1** | **B.2** | **C** | **D** | **F** |
| **Company** | **Sector** | **Max/ Score** | 5 | 5 | 10 | 15 | 15 | 20 | 10 |
| TJX Companies | AP | 21 | 0.7 | 0.0 | 0.8 | 0.0 | 2.5 | 0.0 | 3.1 |
| L Brands | AP | 27 | 0.0 | 0.0 | 1.1 | 0.0 | 3.3 | 0.0 | 2.6 |
| Canadian Natural Resources | EX | 27 | 1.7 | 0.0 | 0.0 | 0.0 | 0.8 | 2.5 | 1.6 |
| Christian Dior | AP | 27 | 2.3 | 0.8 | 0.6 | 0.0 | 0.0 | 1.0 | 1.9 |
| Dior | | | | | | | | | |
| Compass Group | AG | 26 | 1.3 | 0.8 | 1.7 | 0.0 | 0.8 | 0.0 | 1.7 |
| Norilsk Nickel | EX | 26 | 0.7 | 0.8 | 0.0 | 0.0 | 0.0 | 2.5 | 2.0 |
| PetroChina | EX | 26 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 1.3 | 3.6 |
| Starbucks | AG | 26 | 1.3 | 0.0 | 1.1 | 0.0 | 1.7 | 0.5 | 1.1 |
| Marathon Petroleum | EX | 25 | 0.7 | 0.8 | 0.0 | 0.0 | 1.7 | 0.0 | 2.0 |
| Woolworths | AG | 25 | 1.3 | 0.0 | 1.4 | 7.5 | 1.7 | 2.7 | 2.9 |
| Nordstrom | AP | 25 | 0.0 | 0.0 | 0.6 | 1.3 | 0.8 | 0.0 | 1.9 |
| Anadarko Petroleum | EX | 24 | 0.3 | 0.0 | 1.7 | 0.0 | 0.8 | 0.0 | 1.6 |
| Phillips 66 | EX | 24 | 1.0 | 0.0 | 0.0 | 0.0 | 1.7 | 0.0 | 1.6 |
| Mondelez International | AG | 24 | 1.0 | 1.7 | 0.6 | 7.5 | 3.3 | 0.9 | 4.2 |
| PepsiCo | AG | 24 | 2.0 | 0.8 | 4.2 | 3.8 | 2.5 | 0.9 | 3.8 |
| Lukoil | EX | 24 | 0.7 | 0.8 | 0.0 | 0.0 | 0.0 | 1.3 | 0.8 |
| Coach | AP | 24 | 0.0 | 0.0 | 0.6 | 0.0 | 0.8 | 0.0 | 2.2 |
| Kroger | AG | 23 | 0.0 | 0.0 | 0.0 | 1.3 | 0.8 | 0.0 | 1.3 |
| Shoprite | AG | 23 | 0.0 | 0.8 | 0.0 | 0.0 | 0.8 | 0.0 | 1.4 |
| Next | AP | 23 | 2.3 | 0.8 | 4.2 | 1.3 | 0.0 | 6.0 | 1.7 |
| Surgutneft-egas | EX | 23 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.5 | 0.0 |
| Alimentation Couche-Tard | AG | 22 | 0.7 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.8 |
| Aeon Company | AG/ AP | 22 | 0.7 | 0.0 | 1.1 | 0.0 | 0.0 | 0.0 | 0.4 |

| **2017 Pilot scores by themes** (Scores highlighted in colour banding to provide guidance) | | **Theme** | A.1 POLICY COMMIT-MENTS | A.2 BOARD LEVEL ACCOUNT-ABILITY | B.1 EMBEDDING RESPECT FOR HUMAN RIGHTS | B.2 HUMAN RIGHTS DUE DILIGENCE | C. REMEDIES AND GRIEVANCE MECHANISMS | D. ENABLING FACTORS AND BUSINESS | F. TRANSPARENCY |
|---|---|---|---|---|---|---|---|---|---|
| | | | **A.1** | **A.2** | **B.1** | **B.2** | **C** | **D** | **F** |
| **Company** | **Sector** | **Max/ Score** | **5** | **5** | **10** | **15** | **15** | **20** | **10** |
| Gazprom | EX | 22 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.3 | 0.8 |
| Carrefour | AG | 22 | 2.7 | 1.7 | 3.3 | 5.0 | 0.8 | 1.8 | 3.8 |
| EOG Resources | EX | 22 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.8 |
| Repsol | EX | 22 | 2.3 | 0.0 | 2.8 | 1.3 | 4.2 | 5.0 | 6.0 |
| Valero Energy | EX | 22 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Prada | AP | 21 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 |
| ENI | EX | 21 | 2.3 | 0.0 | 1.4 | 1.3 | 0.8 | 3.8 | 4.0 |
| CNOOC | EX | 21 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| Falabella | AG/ AP | 21 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.8 |
| Rosneft Oil | EX | 21 | 2.3 | 0.0 | 2.8 | 1.3 | 4.2 | 5.0 | 6.0 |
| China Shen-hua Energy | EX | 20 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Energy | | | | | | | | | |
| Hermes International | AP | 20 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| Heilan Home | AP | 20 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Kraft Heinz | AG | 20 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Kweichow Moutai | AG | 20 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Petrobras | EX | 19 | 1.0 | 0.0 | 1.1 | 0.0 | 1.7 | 5.0 | 4.0 |
| Under Armour | AP | 17 | 0.0 | 0.0 | 1.1 | 0.0 | 0.8 | 3.0 | 2.2 |
| Fast Retailing | AP | 16 | 0.0 | 0.0 | 1.1 | 0.0 | 0.8 | 3.0 | 3.1 |
| Wal-Mart Stores | AG/ AP | 15 | 0.0 | 0.0 | 1.1 | 0.0 | 0.8 | 4.2 | 2.5 |
| McDonald's | AG | 10 | 0.7 | 0.8 | 1.1 | 0.0 | 0.8 | 0.0 | 1.7 |
| Coal India | EX | 10 | 0.7 | 0.0 | 1.1 | 2.5 | 0.8 | 1.3 | 3.2 |
| China Petroleum & Chemical | EX | 9 | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 |
| Ross Stores | AP | 7 | 0.0 | 0.0 | 1.1 | 0.0 | 0.8 | 0.0 | 0.4 |
| Kohl's | AP | 7 | 0.7 | 0.0 | 0.8 | 0.0 | 0.0 | 1.0 | 2.2 |

| **2017 Pilot scores by themes** (Scores highlighted in colour banding to provide guidance) | | **Theme** | A.1 POLICY COMMIT-MENTS | A.2 BOARD LEVEL ACCOUNT-ABILITY | B.1 EMBEDDING RESPECT FOR HUMAN RIGHTS | B.2 HUMAN RIGHTS DUE DILIGENCE | C. REMEDIES AND GRIEVANCE MECHANISMS | D. ENABLING FACTORS AND BUSINESS | F. TRANSPARENCY |
|---|---|---|---|---|---|---|---|---|---|
| | | | **A.1** | **A.2** | **B.1** | **B.2** | **C** | **D** | **F** |
| **Company** | **Sector** | **Max/ Score** | **5** | **5** | **10** | **15** | **15** | **20** | **10** |
| Oil & Natural Gas Corporation | EX | 7 | 1.0 | 0.0 | 0.0 | 0.0 | 1.7 | 2.5 | 2.0 |
| Yum! Brands | AG | 7 | 0.7 | 0.0 | 0.6 | 0.0 | 0.0 | 0.0 | 0.4 |
| Grupo Mexico | EX | 6 | 1.0 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 1.6 |
| Macy's | AP | 5 | 0.0 | 0.0 | 1.1 | 0.0 | 0.0 | 1.0 | 0.4 |
| Costco Wholesale | AG/ AP | 5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 1.7 | 0.8 |

**Note** – for reasons of space and because of the methodological issues discussed elsewhere in this document, Theme E has been hidden within this table. This explains why there may be apparent mathematical errors in the score columns. Where the total score does not equal sum of the Theme scores, this can be attributed to Theme E and also explains why a company appears higher/lower on the list than expected.

# **Annex 2** Organisations Taking Part in the 2017 Consultations

The table below sets out the list of organisations who registered to take part in the CHRB 2017 consultations. This mix of interested stakeholders provided crucial input that has and will continue to shape CHRB's methodology and approach moving forward[31]. We include them here to acknowledge this input and thank them for their help. It is important to note that their inclusion here does not necessarily represent an endorsement by them of our methodology, analysis or conclusion.

| Organisation |
|---|
| **Benchmarked Companies** |
| Adidas |
| Aeon |
| Anglo American |
| Associated British Foods |
| BHP Billiton |
| BP |
| Chevron |
| ConocoPhillips |
| Diageo |
| Ecopetrol |
| ENI |
| Exxon Mobil |
| Fast Retailing |
| Freeport-McMoRan |
| Gap |
| Glencore |
| Hanesbrands |
| Inditex |
| Marks & Spencer |
| McDonalds |
| Nestle |
| Next |
| PepsiCo |
| Rio Tinto |
| Rosneft |
| Sasol |
| Suncor |
| Target |
| The Coca Cola Company |
| Vale |
| Vale |
| Walmart |
| Woolworths |
| **Business Association** |
| Business Council for Sustainable Development (CEADS) |
| CSO Network |
| Global Business Initiative on Human Rights (GBI) |
| ICMM |
| IOE |
| IPIECA |
| WBCSD (World Business Council for Sustainable Development) |
| **Civil Society (NFP, charities, NGOs etc)** |
| Access to Medicine Foundation |
| Accountability Counsel |
| Amnesty |
| British Institute of International and Comparative Law (BIICL) |
| BSR |
| Business and Human Rights Resource Centre |
| Business in the Community (BITC) |
| CAFOD |
| Center for Economic and Social Rights (CESR) |
| Center for International Environmental Law (CIEL) |
| Christian Aid |
| CNV internationaal |
| CORE |
| Danish Church Aid |
| Danish Institute for Ethical Trading |
| Enough Project |
| Ethical Trading Initiative (ETI) |
| FIDH - International Federation for Human Rights |

[31] For a list of organisations in the initial consultation and methodology development - https://www.corporatebenchmark.org/methodology-development-and-reviews-consultations

| |
|---|
| Fundacion Vida Silvestre Argentina |
| Fundeps |
| Global Reporting Initiative (GRI) |
| Human Rights Watch |
| ICAR |
| ICCR |
| Index Initiative |
| Inno Community Development Organisation |
| International Alert |
| Know the Chain, Business and Human Rights Resource Centre |
| Liberty Asia |
| Mekong Club |
| MSI Integrity |
| New America Foundation |
| NJCM (ICJ, Dutch section) |
| Open Society Foundations |
| Oxfam GB |
| Oxfam HK |
| Oxfam US |
| Pax for Peace |
| PLAN International UK |
| PODER (Proyecto sobre Organización, Desarrollo, Educación e Investigación) |
| Pratt Institute |
| Ranking Digital Rights |
| Responsible Investment Association Australasia |
| Rights in Development |
| Sar Watch |
| ShareAction |
| Shift |
| Terre des Hommes |
| The Nature Conservancy |
| The WikiRate Project |
| WWF |
| **Other Company** |
| Ahold |
| Ajinomoto |
| AkzoNobel |
| ANA Holdings INC |
| Arla Foods |
| Boral Ltd |
| Bridgestone Corporation |
| BT |
| Cerrejón - Minería Responsable |
| ComunicaRSE |
| Daiichi Sankyo Company |
| Enel Colombia |
| Fujitsu Limited |
| Google |
| Grupo Prodeco |
| Hilton |
| Hitachi Construction Machinery |
| Inpex Corporation |
| Japan Tobacco |
| Johnson & Johnson |
| JXTG Holdings |
| Kao Corporation |
| Kempen |
| Konica Minolta |
| KPN |
| Li&Fung |
| Mars |
| Mazda Motor Corporation |
| Mitsui Chemical |
| MTR Corporation Limited |
| NEC |
| Novo Nordisk |
| Oath |
| Panasonic |
| Philips |
| Qantas |
| QUICK Corp. |
| RepRisk AG |
| Sanofi S.A. |
| Seguros Bolivar |
| SG Holdings |
| Share (Shareholder Association for Research and Education) |

| |
|---|
| Suntory Holdings Ltd |
| Sustainable Inclusive Solutions |
| Sustainalytics |
| Sydney Airport |
| Telstra |
| Treasury Wine Estates |
| Walt Disney Company Japan |
| Yokogawa Electric Corporation |
| Acueducto |
| Australia Post |
| **Consultancy** |
| Abeam Consulting ltd |
| Ardura SAS |
| Casley Consulting |
| Combined Vision Consulting Ltd |
| Corporate Citizenship |
| Cre-en Consulting |
| Elephas Consultants |
| Ergon Associates |
| ERM |
| Global CSR |
| KPMG |
| Learning4Development |
| PwC |
| Pyra Consultores |
| Sancroft |
| Spective Solutions |
| Sustenia |
| Verisk Maplecroft |
| **Finance & Insurance** |
| AllianceBernstein |
| ANZ Bank |
| Asobancaria |
| Aegon |
| Banco Bradesco |
| Banco Galicia |
| Banco Hipotecario |
| Banco Nacional de Fomento |
| Banco Provincia |

| |
|---|
| Bancomext |
| Banistmo |
| BCRA |
| Bluebay asset management |
| Bradesco Asset Management |
| Calpers |
| Capital Group |
| Cartica |
| Citi Group |
| Citibanamex |
| Colonial First State Global Asset Management |
| Commonwealth Bank of Australia |
| Credit Suisse |
| Danske Bank |
| Ethos Fund |
| Finance In Motion |
| Handelsbanken |
| HSBC Bank Argentina |
| ING |
| Jlens network |
| Kepler Cheuvreux |
| KLP |
| Lansforsakringar |
| National Australia Bank |
| Nationale Nederlanden |
| NBIM (Norges Bank Investment Management) |
| NVB (Dutch Banking Association) |
| OP Financial Group |
| OP Trust |
| Pegasus capital advisers |
| PGGM |
| PIRC |
| Resource Capital Funds |
| Robeco |
| SAGE Fund |
| Sompo Japan Nipponkoa Asset Management Co., Ltd. |
| Standard Life Investments |
| Sumitomo Mitsui Trust Bank |
| The Good Bankers Company Ltd |

| |
|---|
| The GPT Group |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. |
| Triodos |
| VBDO |
| Visa Inc |
| Westpac |
| Zurich Insurance Group |
| AMP Capital Investors |
| APG Asset Management |
| Ausbil Investment Management Limited |
| Aviva Investors |
| Blackrock |
| Christian Brothers Investment Services |
| CTW Investment |
| Domini |
| Hermes Investment |
| IFM Investors |
| Maryknoll Sisters (investment) |
| Mercy Investment |
| Mirova |
| MN investment |
| Momentum |
| MP IM |
| Nei Investment |
| Nordea |
| Union Investment |
| Australian Council of Superannuation Investors |
| Tri-State Coalition for Responsible Investment |
| Standard Life Investments |
| Sumitomo Mitsui Trust Bank |
| The Good Bankers Company Ltd |
| The GPT Group |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. |
| Triodos |
| VBDO |
| Visa Inc |
| Westpac |
| Zurich Insurance Group |
| AMP Capital Investors |

| |
|---|
| APG Asset Management |
| Ausbil Investment Management Limited |
| Aviva Investors |
| Blackrock |
| Christian Brothers Investment Services |
| CTW Investment |
| Domini |
| Hermes Investment |
| IFM Investors |
| Maryknoll Sisters (investment) |
| Mercy Investment |
| Mirova |
| MN investment |
| Momentum |
| MP IM |
| Nei Investment |
| Nordea |
| Union Investment |
| Australian Council of Superannuation Investors |
| Tri-State Coalition for Responsible Investment |
| **Foundation** |
| C & A Foundation |
| Responsible Mining Index |
| Thomson Reuters Foundation |
| **Government department or agency** |
| Australian Human Rights Commission |
| Congreso Nacional |
| Consejeria Presidencial para Los Derechos Humanos |
| Department for Indernational Development (DFID), UK |
| Dutch ministry of foreign affairs |
| Dutch Mission in NYC |
| GIZ |
| HCDN |
| Ministerio de Minas y Energía |
| Presidencial para los Derechos Humanos |
| Subsecretaría de Responsabilidad Social para el Desarrollo Sostenible |
| The Social and Economic Council of the Netherlands (SER) |
| UK Foreign and Commonwealth Office |

| International Organisation |
|---|
| Global Compact Local Network |
| Global Compact Network Australia |
| Interamerican Investment Corporation |
| OECD NCP (Netherlands) |
| OHCHR |
| PRI |
| UN Global Compact |
| UNDP (Estrategia Territorial para la Gestión Equitativa y Sostenible del Sector Hidrocarburos) |
| UNICEF UK |
| UNPRI |
| World Bank Group |
| **Law firm** |
| Allens |
| Beccar Varela |
| Freshfields LLP |
| **Union related** |
| AFLCIO |
| Australian Council of Trade Unions |
| UFCW (United Food and Commercial Workers International Union) |
| **Research & Academia** |
| Institute for International Socio-Economic Studies |
| Nomura Research Institute, Ltd. |
| CAER |
| Ethical Screening |
| GES International |
| Danish Institute for Human Rights |
| American University Washington College of Law |
| Centro para Graduados de la Universidad del Salvador |
| City University Hong Kong (School of Law) |
| Columbia university |
| Copenhagen Business School |
| Cornell University New Conversations Project |
| Sydney Law School |
| Sydney University |
| TUM (Technische Universität München) |
| University of Edinburgh |
| University of Technology Sydney |

CHRB

Corporate Human
Rights Benchmark