

Changes to the 2018 Corporate Human Rights Benchmark

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Business and Human Rights

Corporate Human Rights Benchmark Ltd (CHRB) has published its 2018 research methodology and is currently encouraging relevant companies to disclose information relevant to this year's research and ranking exercise.

CHRB is a not-for-profit company launched as a multi-stakeholder initiative in 2013 and guided by an Advisory Council. The CHRB draws on investor, business and human rights, and benchmarking expertise from seven organisations, in addition to three institutions which provide research and data. This update outlines the challenge that the CHRB initiative is intended to address and considers the updated methodology being adopted for 2018.

Background

The UN Guiding Principles on Business and Human Rights (UNGPs) were officially endorsed in 2011 following six years of development in the course of a global multi-stakeholder consultation. The UNGPs affirm the responsibility that companies have under international human rights standards and ILO conventions to respect the rights of workers, communities, consumers and others potentially affected by their operations and business relationships - and to demonstrate how they are doing so. The UNGPs have since been reflected in other international standards including the OECD Guidelines for Multinational Enterprises, IFC Performance Standards and ISO 26000 Social Responsibility Guidance, enhancing the status of the UNGPs as the authoritative baseline for corporate respect for human rights.

While the UNGPs provide clear and practical guidance on implementation of the duty to respect human rights, there is a strong sense in the human rights community that businesses could be doing more to implement the UNGPs and enhance protections afforded to rights-holders.

CHRB was established to test that perception by benchmarking various companies against international human rights standards. In 2017, CHRB published the results of its pilot research into a cluster of companies operating within three industry sectors: apparel, agriculture and extractives. The chosen industries all face well-documented human rights challenges with respect to health and safety, employment rights (particularly with respect to migrant workers and collective representation), child labor and other human rights issues.

The 2017 results suggested that most companies have considerable room for improvement in their efforts to meet UNGP requirements and minimise risk of harm to those impacted by their operations. Only three companies in the pilot scored more than 60% and the average score across all companies was under 30%. Nine out of ten companies failed to score any points for involving users in the design or operations of grievance mechanisms, raising questions about the extent to which existing grievance and remedy processes are fit for purpose. Roughly one

third of benchmarked companies did not score any points for publicly committing to respect human rights.

The 2018 Methodology

Following publication of the 2017 results, CHRB engaged with more than 300 individuals and organisations representing a wide variety of stakeholders. Feedback was also sought from companies involved and others by way of an online survey, and multi-stakeholder discussions at various locations across Latin America, Asia Pacific and Europe. The 2018 methodology includes amendments resulting from this consultative approach.

Companies were selected for the 2017 Pilot according to two criteria:

- Market capitalisation according to the FT 500; and
- Whether the company derives at least 20% of its revenues from the relevant industry.

To maintain consistency and to permit meaningful comparison of results, the companies from the 2017 pilot are again being assessed for the 2018 benchmark.

In addition, CHRB sought to ensure:

- Geographical balance: At least six companies from each continent, according to market capitalisation (based on Forbes 2000), were included in the Benchmark; and
- Industry balance: The top ten companies, according to market capitalisation (again based on Forbes 2000), per industry were included in the Benchmark.

Scoring

The CHRB Methodology is composed of six Measurement Themes (A-F), each containing a series of indicators: Measurement Theme A focuses on governance and policy commitments; Measurement Themes B and C focus on systems and processes for embedding human rights due diligence; Measurement Theme D focuses on specific practices to prevent human rights impacts in each industry (grievance mechanisms); and Measurement Theme E focuses on responses to allegations of serious negative impacts on human rights. Measurement Theme F is concerned with the level of transparency displayed by the company.

Using publicly available information gleaned from company reports, websites, policies and statements, companies are scored against each theme. Scores range from zero to two points, and half points are available for certain multi-criteria indicators.

The recent consultation exercise resulted in a number of changes to the indicators.

Significant changes include:

- Extending indicator A.1.3 to require companies to provide publicly available policy statements that refer to specific sections of international principles or conventions. General statements promising compliance with human rights are unlikely to achieve this score 2 requirement unless they affirm specific parts of named international human rights texts, reflecting the growing pressure for companies to engage directly with, understand the application of, and commit to human rights requirements.
- Loosening indicator A.1.4's score 1 requirement for companies to engage in a dialogue with **all** potentially and actually affected stakeholders who might be, or are, impacted by

the company's activities (by removing the word 'all'). This suggests an increasing understanding that engaging in a dialogue with all potential stakeholders may not be possible in practice, but maintains the requirement to engage in a stakeholder dialogue.

- Adding an additional, new requirement within indicator B.1.8 for companies to describe the frequency and triggers for engagement on human rights issues (for example by type or stakeholder group) in the past two years. This reflects a growing expectation that companies will provide meaningful information about their encounters with human rights issues in order to achieve score 1 for this indicator.
- Increasing indicator C.3's score and lock requirements (for score 2) for companies to involve workers, external individuals and communities who are potential or actual users of remedy and grievance mechanisms in their design, implementation and performance assessment. This change reflects concerns that existing grievance mechanisms may not be fit for purpose, and an evolving expectation for companies seeking higher scores to be able to show user engagement in creating appropriate remedy and grievance mechanisms across the supply chain.
- Adding a new element to the score 2 requirements of indicator C.7 requiring companies seeking to achieve score 2 to evaluate the effectiveness of grievance channel(s) or mechanism(s), forcing companies seeking higher scores to strike a careful balance between revealing too little information and failing to protect sensitive information involved in contentious matters.
- Removing indicator D.1.3's express requirement for companies to map suppliers beyond tier one. Due to this change, while companies must still map suppliers to achieve score 1 under this indicator, multi-tiered maps are no longer expressly required. This be helpful in cases where multi-tiered mapping would be particularly complex (or impossible to achieve) due to the nature of the supply chain.
- Extending or confirming the requirements of indicator D.3.7. For achievement of score 1, new requirements include: implementing commitments to the Voluntary Principles on Security and Human Rights or the International Code of Conduct for Private Security Providers and demonstrating how companies ensure human rights in their maintenance of the security of company-managed operations.
- In relation to measurement theme E, the CHRB Methodology Committee removed the rule under which companies with no allegations received an automatic 20 points, and adopt a rule instead under which companies with no allegations will receive a score that amounts to the average of their score in all other measurement themes as a proxy.

In addition, minor wording amendments or weighting adjustments were added to a number of other indicators to improve transparency and clarity or remove repetition.

Excluded factors

Geography

No specific criteria have been designed for companies operating in certain geographies, although certain criteria encourage companies to identify their salient risks, which might include geographical considerations.

Consumption of Products and Services

The 2018 Benchmark focuses on the production end of the value chain of each industry, rather than on the impacts linked to the distribution, retailing, end-use or consumption of products and

services (see also Industry Scope above). For example, food safety issues such as sugar content and obesity related to agricultural products or the consumption of gasoline in consumer vehicles. CHRB indicates such information may be included in future iterations of the Benchmark, however.

Positive Impacts

In line with the UN Guiding Principles, the Benchmark focuses on measures to avoid adverse impacts on human rights. It does not include potential positive impacts achieved by CSR and philanthropic programmes.

Collective Impacts

The Benchmark does not include issues that are relevant to human rights but where specific impacts on identifiable victims cannot be directly attributed to a particular company or its business relationships. For example, climate change links to human rights concerning a clean environment.

The Future

The three industries in focus at this stage - Agricultural Products, Apparel, and Extractives - were selected following multi-stakeholder consultation, taking into account their high human rights risks, the extent of previous work on the issue, and global economic significance. CHRB's stated commitment to encouraging a greater analytical focus on how scores improve over time suggests that these industries will remain in focus under future benchmark iterations. In line with the fast-growing international field of transparency initiatives, CHRB also aims to add new industries and companies over time on an incremental basis. Although at this stage it is difficult to predict the direction of such expansion with any certainty, additional industries that are already being tackled by similar benchmarking initiatives include for example Information & Communications Technology. Incorporating benchmarking for new industries will be increasingly attainable for CHRB as it exits its pilot project stage and builds practical expertise.

We will continue to track corporate transparency initiatives and their impacts for global businesses.

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