

# Corporate Human Rights Benchmark Progress Report

April 2018  
Executive Summary

## Foreword

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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,

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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

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“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

# 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.

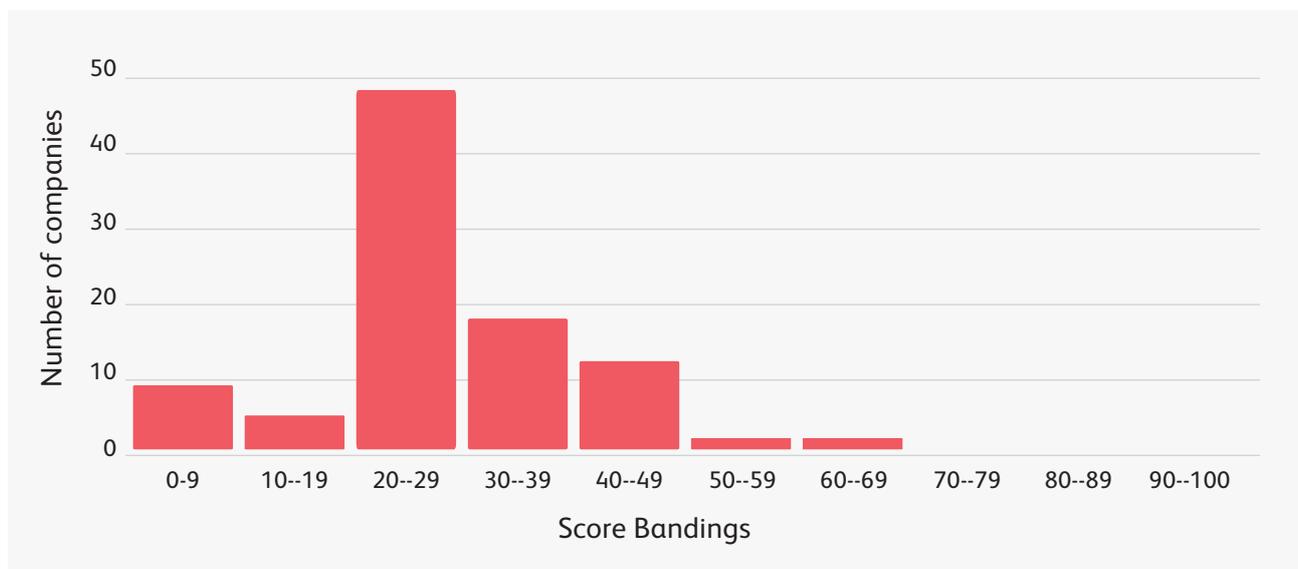
In 2017, CHRB launched the first Corporate Human Rights Benchmark, a landmark assessment of the largest public companies in the agricultural products, apparel and extractives industries. In 2018, CHRB will be releasing the follow up benchmark and working to expand the scope and scale of future benchmarks. 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<sup>1</sup> 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](https://www.corporatebenchmark.org/)<sup>2</sup>. 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:



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

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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*

<sup>3</sup> 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](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's 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<sup>4</sup> 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

<sup>4</sup> 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<sup>5</sup>. A full explanation of the improvements to the methodology is detailed in an Explanatory Note<sup>6</sup>, 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 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.

<sup>5</sup> Available at <https://www.corporatebenchmark.org/methodology> .

<sup>6</sup> Available at <https://www.corporatebenchmark.org/methodology> , under More information on the 2018 Methodology.





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