

THE DANISH  
INSTITUTE FOR  
HUMAN RIGHTS

# DOCUMENTING BUSINESS RESPECT FOR HUMAN RIGHTS

A SNAPSHOT OF LARGE  
DANISH COMPANIES



September 2020



THE DANISH  
INSTITUTE FOR  
HUMAN RIGHTS

**Authors:** Florence Estelle Khardine. We would like to thank our Institute colleagues from the Human Rights and Business Department, Signe Andreasen Lysgaard, Cathrine Bloch Veiberg and Elin Wrzoncki, the Corporate Human Rights Benchmark, for sharing insights and comments during the development of the study and the companies assessed for their willingness to engage with the process.

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Wilders Plads 8K  
DK-1403 Copenhagen K  
Phone +45 3269 8888  
[www.humanrights.dk](http://www.humanrights.dk)

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# EXECUTIVE SUMMARY

This snapshot provides an analysis of the human rights policies and self-reported human rights due diligence practices of 20 of the largest Danish companies. The companies represent different sectors, are headquartered in Denmark and all have global operations, value and supply chains.

As is the case for all other business entities, these companies have the responsibility to respect human rights. This entails maintaining an awareness of their negative impacts on human rights and publicly demonstrating what they are doing to address them. The UN Guiding Principles on Business and Human Rights (UNGPs), the global authoritative standard on business and human rights, define the concept of “corporate responsibility to respect human rights” which includes undertaking corporate human rights due diligence. This snapshot takes a closer look at the degree to which some of the largest Danish companies currently document their efforts to meet this standard.

The snapshot aims to contribute to the ongoing debate on whether and how businesses can scale up respect for human rights. Mandatory human rights due diligence regulation is being considered across different European jurisdictions, at the European Union level and in the context of the international binding treaty negotiation process at the UN level. In 2019, the UN Committee

on Economic, Social and Cultural Rights (CESCR) recommended that the Danish State adopt a legal framework which requires business entities to exercise human rights due diligence in their operations and in their business relationships, at home and abroad<sup>1</sup>.

The snapshot measures Danish' companies current documentation of alignment with the UNGPs and, in other words, not their actual behaviour or actual alignment with the standard. The snapshot uses the Corporate Human Rights Benchmark's (CHRB) Core UNGP Indicator Assessment methodology<sup>2</sup> that includes 13 indicators covering three thematic areas: Governance and Policy Commitments (four indicators), Embedding Respect and Human Rights Due Diligence (six indicators), and Remedies and Grievance Mechanisms (three indicators).

The CHRB core methodology only relies on information publicly disclosed by companies themselves – including formal policy documents, information included in annual reports, as well as information on corporate websites and other relevant public material. Naturally, only looking at information provided by companies themselves – and not information made available in the media, by civil society organisations, affected stakeholders or their representatives, or through independent data collection and field work – has a number of limitations,

which we encourage readers to keep in mind in their interpretation and use of the report results and conclusions.

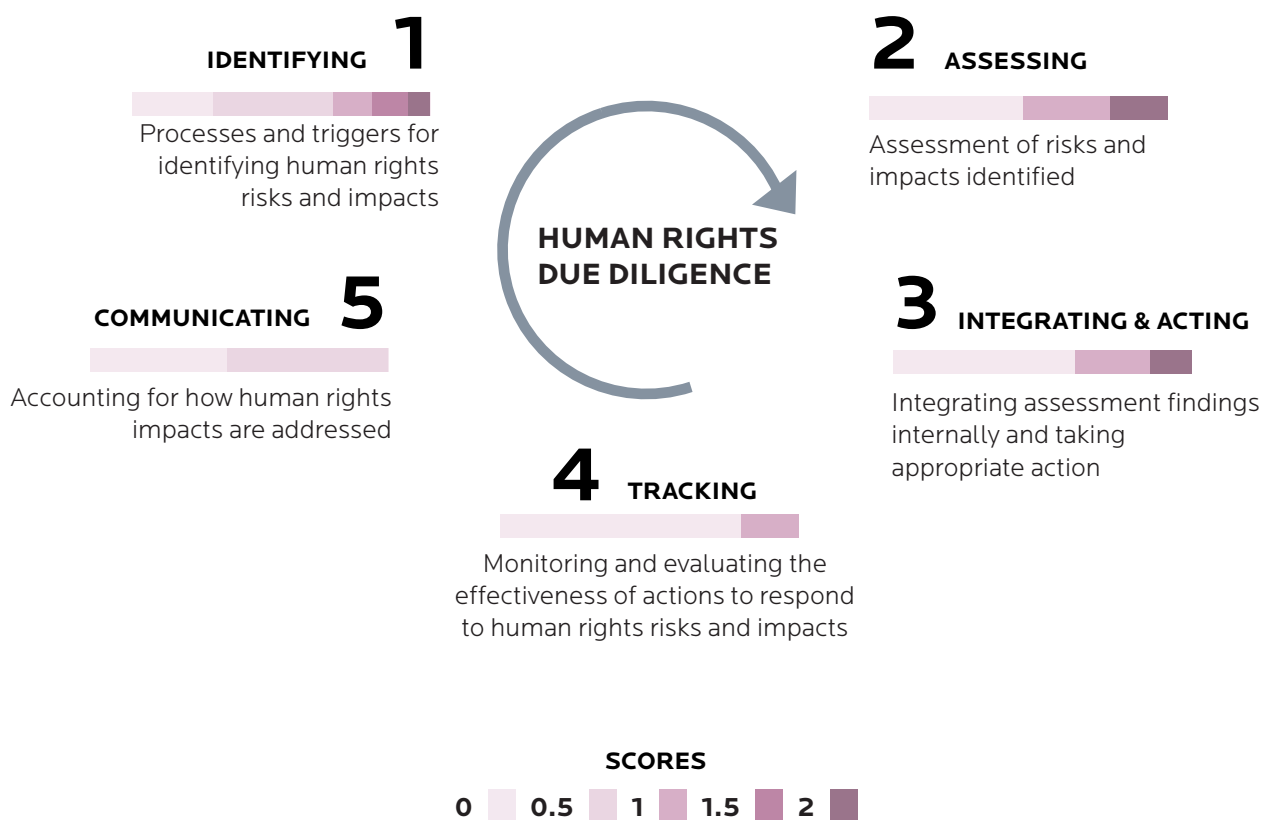
The snapshot finds that:

- **All companies assessed have a publicly available statement committing the company to respect human rights.** A majority of the companies (18/20) further makes an explicit commitment to human rights of workers.
- **None of the companies assessed are currently demonstrating full alignment with the responsibility to respect human rights, as defined by the UNGPs.** Every company scores zero

on at least one of the 13 indicators.<sup>3</sup> Over a third of the companies (7/20) score below 30 percent of the full score<sup>4</sup>, and almost three quarters (14/20) score below 50 percent.

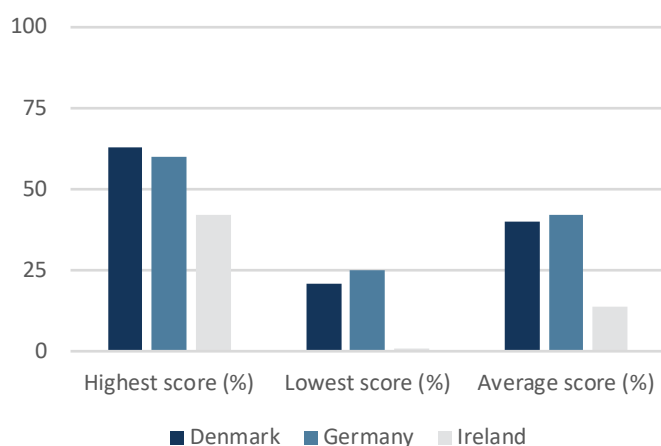
- **Companies have the weakest performance across the human rights due diligence indicators, with an average score of 3 out of the maximum 12 points.** While companies scored relatively high on human rights policy commitments, the examined companies generally fail to communicate their human rights risk and impact management approaches or disclose their impacts. This is directly reflected in the low share of companies reporting on assessing, integrating and

**FIGURE 1**  
OVERVIEW OF THE RESULTS ON EMBEDDING RESPECT AND HUMAN RIGHTS DUE DILIGENCE



acting, as well as tracking actions taken to address human rights impacts (Figure 1). 'Tracking: Monitoring and evaluating the effectiveness of actions taken to respond to human rights risks and impacts' is one of the two lowest scoring indicators overall, with 16 out of 20

**FIGURE 2: HIGHEST, LOWEST AND AVERAGE SCORES: DENMARK, GERMANY AND IRELAND**



companies scoring zero. These results, are on par with the findings from both the German and Finland snapshots,<sup>5</sup> where a clear majority of companies failed to demonstrate how and whether they address their human rights risks and impacts.

• **Access to remedy is one of the weakest areas of performance for companies assessed.** Over half of the Danish companies assessed (12/20) have not committed publicly to provide remedy to victims of human rights abuses, and information on remedying adverse impacts once they do occur is virtually non-existent (3/20). While the large majority have established

grievance mechanisms or other channels for receiving complaints, e.g. through hotlines, the assessment suggests these mechanisms are mostly designed for the companies' own workers rather than, for example, third party workers, local communities or other stakeholder groups that may be negatively impacted by business activities and sometimes in more severe ways.

• **Very few companies demonstrate how they engage with potentially affected stakeholders** (7/20) with just three out of the 20 companies examined communicating how they involve affected stakeholders in their human rights risk and impact identification and assessment process(es), which is a key requirement of due diligence.

• The lowest total score of the study is 5.5 out of a maximum of 26 points (21 percent), while the highest total score is 16.5 out of 26 points (63 percent). **The average company score is 40 percent.** These results are on par with the scores from the German snapshot, where the highest score was 60 percent, the lowest score 25 percent, and total average score 42 percent. Conversely, the scores of the 22 largest companies in Ireland<sup>6</sup> were remarkably lower across the board, with an average total score of 14 percent – the highest scoring 42 percent and lowest zero percent.

Overall, the results reveal that most of the largest companies in Denmark have yet to communicate effectively on whether and how the human rights commitments that many of them have in place are implemented in practice.

While the sample represents a small selection of Danish companies, the snapshot provides insight into the policies and practices of some of the most influential companies in their respective industries, many of which are also vocal in terms of their commitments to sustainability including human rights. Accordingly, it is unrealistic to assume that the wider group of Danish companies with fewer resources available to manage human rights would score higher with the method applied and as such a significantly lower overall score would be expected for Danish companies, broadly.

**COMPANIES ASSESSED**



**7.779**  
AVERAGE  
TURNOVER  
IN MIL. EUR



**45.472**  
AVERAGE NR. OF  
EMPLOYEES

In the wake of the Covid 19 pandemic, where pre-existing health, social and economic inequalities in societies have been thrown into sharp relief and the responsibilities of business towards human rights become even more apparent, the results underscore the need to more effectively ensure human rights due diligence by business. Ten years into the implementation of the UNGPs, it is time to revive the concept of the 'smart mix' of measures called for in the





UNGPs. Namely that fostering business respect for human rights requires a mix of national and international, mandatory and voluntary measures.

## **RECOMMENDATIONS**

In light of the results of this snapshot as well as other studies and cases exploring Danish companies' respect for human rights, we urge companies to improve their human rights due diligence practices and their publicly available information thereon, in particular where this snapshot has illustrated areas for improvement. This includes around disclosure of due diligence practices, engagement with affected stakeholders and ensuring access to remedy, when harm occurs.

We further recommend the Danish State, in meeting its duty to protect human rights and in alignment with expectations of the UNGPs:

- Develop and enforce laws that require companies to respect human rights by implementing human rights due diligence and ensuring access to remedy, and periodically assess the adequacy of such laws and address any gaps;
- Ensure that other laws and policies governing the creation and ongoing operation of companies, such as corporate law, do not constrain but enable business respect for human rights;

To further the above, we recommend that the Danish government:

- Commits to developing and adopting Danish mandatory human rights due diligence legislation and to engage actively in the ongoing policy and regulatory developments at the EU level;
- Commissions a legal study to explore options for Danish mandatory human rights due diligence legislation taking into account recent legal development in other EU countries and existing legal analysis;<sup>7</sup>
- Ensures that a Danish mandatory human rights due diligence law is aligned with the UN Guiding Principles on Business and Human Rights and covers negative human rights impacts by business both in and outside of Denmark;
- And ensures extensive consultation when developing a legislative proposal.

The Danish Institute for Human Rights will continue to contribute with analysis and recommendations on mandatory human rights due diligence including to inform developments in the Danish and EU context.

# INTRODUCTION

The global Covid 19 pandemic and associated impacts on societies, economies and vulnerable groups have revealed the critical importance of the UN Guiding Principles on Business and Human Rights (UNGPs), the globally recognised framework articulating state duties and business responsibilities in avoiding and addressing adverse human rights impacts of business activities. Accordingly, businesses should apply the principles of human rights due diligence across their value chains to fulfil their “corporate responsibility to respect” as defined in the UNGPs. As an ongoing, cyclical process that takes account of the dynamic nature of human rights situations, human rights due diligence will be a key tool in global efforts to “build back better”, since it enables companies to focus their attention on human rights impacts, to address human rights impacts in order of their severity, and to identify the human rights impacts of their response to the Covid 19 pandemic.<sup>8</sup>

## STATE OF PLAY

Despite the importance of human rights due diligence, including for Danish companies, we currently have relatively little up to date insight into if and how companies are aligning practices with the UNGPs. A 2020 report by Danwatch that examines how Denmark’s nine largest companies of the energy, food and textile sectors live up to the UNGPs, revealed that only three out of nine companies were able to meet the requirements. In addition, six out of the nine companies

failed to report controversial cases and their handling of them.<sup>9</sup> A 2019 analysis of sustainability reports of 1000 European companies conducted by the Alliance for Corporate Transparency draws a similar picture. Only 41 percent of the 34 Danish companies in the study reported on their human rights due diligence and merely 15 percent made explicit commitments to provide remedy to harmed people.<sup>10</sup> The two reports, alongside recent allegations around involvement of Danish companies in human rights infringements globally,<sup>11</sup> suggest that Danish companies have yet to place human rights at the core of their business.

To further inform the discussion around needed measures advancing respect for human rights by Danish businesses, this snapshot aims to create a baseline about the public reporting on human rights of the large Danish businesses involved in global value chains and incentivise companies to more adequately demonstrate how they implement human rights due diligence and ensure effective remedies for victims. Also, it seeks to serve as evidentiary rhetoric of the need for further efforts by business, and by regulators to encourage and require human rights due diligence.

Legislations requiring human rights due diligence by companies are currently emerging across Europe. In 2019 in Denmark, three political parties put forward a Parliamentary motion requesting the government to develop a legislative proposal on mandatory human rights due diligence and corporate liability, with the support of civil

society organisations, the trade union confederation, the Danish Consumer Council and some businesses.<sup>12</sup> Since then, the UN Committee for Economic, Social and Cultural Rights (CESCR) have recommended that Denmark introduce legislation in this area. A conference will be held on 30 September 2020 to continue the dialogue amongst stakeholders in Denmark on the role of regulation within the smart mix of measures needed to implement the UNGPs. These developments are happening at a time when EU's Non-Financial Reporting Directive is being revised<sup>13</sup> and when one of the world's largest reporting initiatives the Global Reporting Initiative (GRI) is incorporating human rights requirements into its universal standards.<sup>14</sup>

Denmark was the second state to adopt a National Action Plan (NAP) on Business and Human Rights in 2014 and was one of the first countries to explicitly require non-financial reporting on human rights from companies by adopting amendments to the Danish Financial Statements Act in 2012.<sup>15</sup> Denmark's National Contact Point for the OECD Guidelines for Multinational Enterprises has also been acknowledged as a good example of Danish leadership on responsible business conduct. However, the Danish NAP is now the oldest NAP, which has not yet been updated and critics have noted the weaknesses of the Danish NAP and called for a revision of the NAP (most recently by CESCR in 2019).<sup>16</sup>



## **SNAPSHOT APPROACH**

The present snapshot provides information on large Danish companies' demonstrated alignment with the UNGPs. Based on a set of 13 Core Indicators developed by the Corporate Human Rights Benchmark (CHRB), it examines how 20 of the largest Danish companies report and communicate to the public about their commitments and approaches to human rights.

The CHRB Core UNGP Indicators are taken from the full CHRB methodology, which has been applied to benchmark transnational corporations in high-risk sectors since 2016. The shorter indicator-list is designed to allow parties to take a quick snapshot of a company's approach to human rights management and assess whether it is implementing the relevant requirements of the UNGPs.

## **OTHER COUNTRY SNAPSHOTS AND RESULTS**

Similar snapshots based on the UNGP Core Indicators of CHRB have been undertaken before in Germany, Ireland and Finland,<sup>17</sup> and are underway for other countries. One aim of these snapshots has been to help gather data for policymakers and regulators that can highlight areas where increased interventions, regulation and other actions could be necessary.

The German snapshot of the 20 largest companies was conducted with explicit reference to the German government's commitment to reach a 2020 target of at least 50 percent of German companies (with more than 500 employees)

to have introduced effective human rights protections. The government has agreed to pass laws and push for "EU-wide regulation" if companies' voluntary implementation proves to be insufficient. The German snapshot found that 18 out of 20 of companies assessed failed to fully disclose how they effectively manage their human rights risks.<sup>18</sup>

The Ministry of Economic Affairs and Employment of Finland recently published a press release on an additional benchmark of 80 major companies in Finland – a follow-up to the CHRB Core UNGPs assessment of 50 Finnish companies conducted by 3bility Consulting and FIANT in 2019. The Finnish government states that the research project will provide authorities and decision-makers with useful information for outlining policy guidance, legislation and other measures related to corporate human rights responsibilities.<sup>19</sup>

# METHODOLOGY & PROCESS

The study applies the Core UNGP Indicators<sup>20</sup> developed by the Corporate Human Rights Benchmark.<sup>21</sup> These 13 Indicators are extracted from the full CHRB methodology<sup>22</sup> and provide a tool for taking a quick snapshot of a company's approach to human rights management and whether they are implementing the relevant requirements of the UNGPs, regardless of company size and industry sector.

The CHRB Core Indicators are divided into three key areas: 'Governance and Policy Commitments', 'Embedding Respect and Human Rights Due Diligence' and 'Remedies and Grievance Mechanisms'. Table 2 in Annex I gives an overview of the indicators and scores available.

The scoring follows a set structure, awarding either zero, zero point five, one, one point five, or two points depending on whether the indicator requirements are assessed to have been met. Where a company has not met all the criteria for Score 1 but has met at least one or more of the requirements for Score 2, a half point may be awarded. This is to give credit to and distinguish companies that meet 'some' requirements as opposed to those that meet 'none'.

The snapshot methodology is based solely on publicly available information from policy documents, annual reports and other relevant human rights materials found on company

websites. Therefore, snapshot results are merely a proxy for corporate human rights performance and not an absolute measure of a company's actual behaviour nor its impacts on the enjoyment of human rights. Concurrently, the snapshot provides a desktop assessment at a certain point in time, thereby yielding results that will always include an interpretive margin. Consequently, a greater analytical focus on general trends in scores rather than upon marginal differences in scoring between companies is encouraged.

Companies in the present study were selected on the basis of corporate turnover, global value chain activity (including in low and medium income countries) and headquarter location. The selection criteria deliberately placed emphasis on operations and activities in low and medium income countries in recognition of some of the severe human rights abuses that occur along global supply chains.

The snapshot covers companies from 10 sectors: transport (two companies); pharmaceutical (two companies); food and beverage (two companies); industrials (three companies); energy (one company); service (one company); retail (two companies); design<sup>23</sup> (four companies); and construction (three companies).

Companies included in the Denmark snapshot were informed via e-mail once selected. Companies were also given the option to comment on their draft benchmark prior to consolidation. However, this was no requirement, and companies did not receive additional

points in the scoring for engagement. The aim of this was for the companies to inform the research team of any public documents or information that had been overlooked during the assessment process.

A more in-depth explanation of the company selection and engagement processes can be found in Annex I.

The current study was carried out during May-August 2020 based on publicly available data from companies and should not be generalised to the entire population of Danish businesses. In fact, small- and medium-sized enterprises (SMEs) are the core of the Danish economy structure,<sup>24</sup> yet these are not represented in the present study. Instead, the study should be seen as a snapshot of some of the largest Danish companies' disclosure on their level of engagement with human rights.

See full Methodology & Process in Annex I.



# OVERALL RESULTS

Table 3 shows the overall results of the snapshot. Analysing the results by percentage scores, it reveals that 14 out of 20 companies score below 50 percent of the total score, eleven under 40 percent, and seven between 20 and

30 percent. Just two companies score slightly above 60 percent (receiving 16 and 16.5 points out of 26). The relatively low scores suggest Danish companies are still failing to demonstrate a comprehensive approach to human

**TABLE 1** BANDING TABLE WITH TOTAL AND THEME SCORES OF ALL 20 COMPANIES

COMPANY	PERCENTAGE BAND	TOTAL out of 26	THEME A out of 8	THEME B out of 12	THEME C out of 6
Vestas	██████████ 60-70	16,5	7,5	6	3
Ørsted	██████████ 60-70	16	3,5	8	4,5
Novo Nordisk	██████████ 50-60	15,5	5	7	3,5
Danfoss	██████████ 50-60	15,5	5,5	7	3
Grundfos	██████████ 50-60	14	3,5	7	3,5
Arla	██████████ 50-60	13	6,5	4	2,5
Mærsk	██████████ 40-50	12,5	2,5	5,5	4,5
ISS	██████████ 40-50	11	5,5	2	3,5
FLSmidth	██████████ 40-50	10,5	4,5	2,5	3,5
Danish Crown	██████████ 30-40	9,5	4,5	2	3
Lego	██████████ 30-40	9,5	5	1	3,5
Rockwool	██████████ 30-40	8	3,5	1	3,5
Velux	██████████ 30-40	8	5	0	3
Bestseller	██████████ 20-30	7,5	4,5	0,5	2,5
DSV	██████████ 20-30	7	3,5	0	3,5
Salling Group	██████████ 20-30	7	2,5	2,5	2
Pandora	██████████ 20-30	7	3,5	2	1,5
Jysk	██████████ 20-30	7	2,5	1,5	3
Lundbeck	██████████ 20-30	6	3,5	1,5	1
Coop	██████████ 20-30	5,5	3,5	0,5	1,5
<b>AVERAGE SCORE</b>	██████████ 30-40	<b>10</b>	<b>4</b>	<b>3</b>	<b>3</b>

rights management, particularly evident when it comes to reporting on impact identification, prevention and mitigation as well as remediation measures.

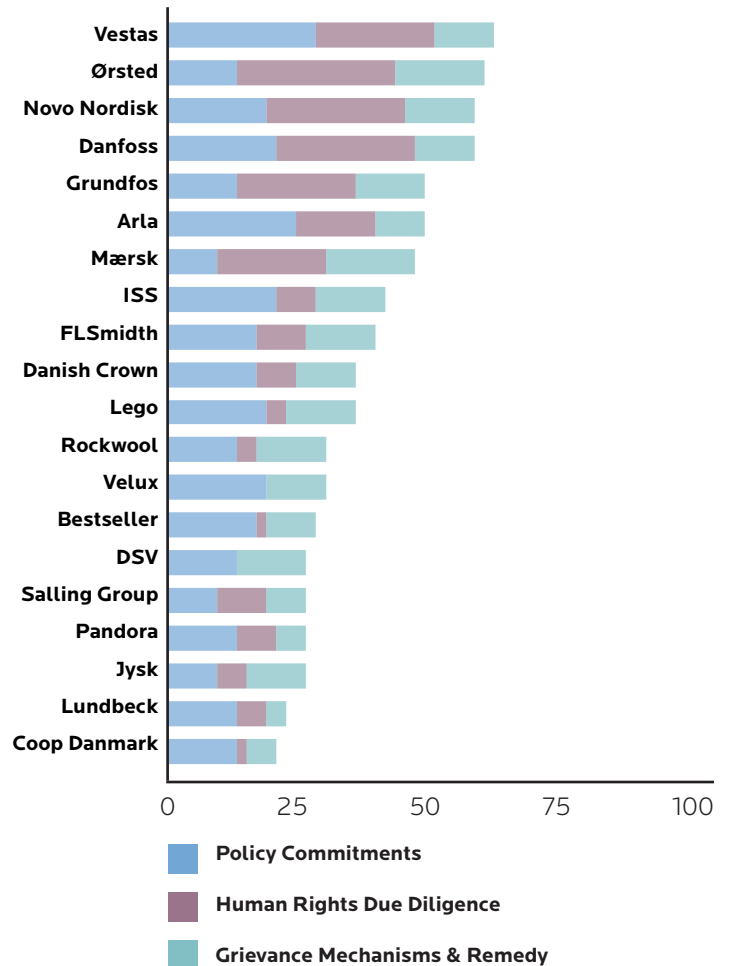
The relatively low scores suggest Danish companies are still failing to demonstrate a comprehensive approach to human rights management, particularly evident when it comes to reporting on impact identification, prevention and mitigation as well as remediation measures.

Under the Theme B, due diligence, 17 out of the 20 examined companies score zero on at least one of the indicators, while 11 companies score zero on three or more indicators. The average scores for these six human rights due diligence indicators are all below one respectively. Even though all companies communicate annual sustainability risk assessments with environmental and social targets, they do not consistently demonstrate how human rights are being addressed in these processes. Instead information is often focused on material risks to the company rather than the most critical risks to people affected by business activities.

Additionally, most of the companies assessed have adopted compliance systems to prevent violations of the company's standards and codes of conduct in supply chains. However, companies rarely demonstrate that such systems have been aligned with UNGPs, including to enable proactive identification, prevention and mitigating of salient human rights issues in the supply chain, or to require and incentivise alignment by suppliers with the UNGPs.

Only a couple of companies demonstrate key due diligence process requirements as expected by the UNGPs in connection to their supply chain management

**FIGURE 3** COMPANY PARTIAL SCORES BY THEME (A, B & C)



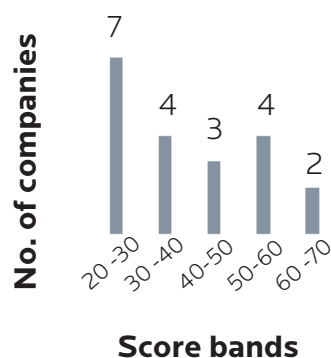
programmes. In addition, none of the companies disclose comprehensive information on systems in place to track and evaluate the effectiveness of their due diligence efforts and capture lessons learned from monitoring their human rights performance on a regular basis.



Remediation to victims in cases of causing or contributing to adverse impacts is the other area with the weakest company performance. Half of the Danish companies analysed make no commitment to remedy the situation for victims of an abuse that they cause or contribute to. Fifteen out of the 20 companies fail to provide any information on how they handle remediation cases or incorporate lessons learned from remediation approaches into processes to prevent future impacts. Considering these results, some of the largest Danish companies are not currently able to document that they meet their responsibility to provide for or cooperate in the remediation of adverse impacts, a core component of the UNGPs and an essential principle for affected rightsholders.

On the other hand, there are no companies in the lowest bands (0-10 percent and 10-20 percent), but neither in the highest bands (70-80 percent, 80-90 percent and 90-100 percent). When comparing these results with the scores of the companies assessed in the Irish snapshot, the average score of Danish companies is higher, since almost have of the Irish companies scored below 10 percent – and just five companies scored above 20 percent. However, the scores from the Denmark snapshot match the scores found in the German snapshot, where most of the companies ranked between 20 and 60 percent, making an average of 42 percent (only 2 percent higher than the Danish average).

**FIGURE 4** COMPANY SCORES (BY PERCENTAGE BAND)



Overall, the Denmark snapshot suggests that large companies fail to adequately demonstrate that they have human rights management systems in place that meet the basic expectations of the UNGPs. With an average score across all companies of 40 percent, it is evident that disclosure remains weak in this area, even among the largest companies.

# RESULTS BY INDICATOR THEME

Glancing over the average scores across individual indicators, it is noticeable that results vary to some degree (see Figure 5).

**FIGURE 5:** INDICATOR SCORES ON AVERAGE ACROSS ALL COMPANIES (MAX SCORE: 2)



**Policy Commitments**

In regard to Theme A (Governance and Policy Commitments), the majority of companies have made public statements acknowledging responsibility to respect human rights (A.1.1) and labour rights (A.1.2), but far less extend this commitment to engaging with affected stakeholders (A.1.4) and only eight have a public commitment to provide for or cooperate in access to remedy for affected individuals (A.1.5).

On the Theme B (Embedding Respect and Human Rights Due Diligence), companies on average scored the lowest – with two companies scoring a zero overall. In terms of the allocation of responsibilities for human rights (B.1.1), only eight companies indicate senior

manager responsibility for human rights. On the remaining indicators that address human rights due diligence processes of identifying, assessing, integrating, and acting and tracking, a slight majority of companies demonstrate how they identify human rights risk in their own operations and/or in supply chains (B.2.1) but only nine companies disclose their most salient issues (B.2.2). Indeed, very few companies identify and assess the most severe negative impacts on rights-holders and place their reporting focus on risks to the business. Accordingly, nine companies were able to provide an example of conclusions reached and actions taken on salient human rights issues as a result of their assessment (B.2.3). However, whereas quite a few

companies were able to exemplify such efforts, only five companies could demonstrate a global system to take action to mitigate these salient human rights issues.

In order to verify whether adverse human rights impacts are being effectively addressed, businesses should track the effectiveness of their responses. Just four companies scored one point on the corresponding indicator (B.2.4). In one of the cases, the point was scored on the basis of an example of the lessons learned while tracking the effectiveness of actions, but only three companies described a systematic approach to monitoring and evaluating the effectiveness of actions as part of their human rights due diligence.

With relation to 'Reporting: Accounting for how human rights impacts are addressed' (B.2.5) a company must demonstrate how it communicates externally about its human rights impacts and how effective it has been in addressing those impacts – i.e. indicators B.2.1 to B.2.4. None of the companies were able to meet all the requirements of the four abovementioned due diligence indicators and were thus only awarded half a point on the indicator. Six companies scored a half-point for having communicated how it has responded to specific human rights concerns raised by, or on behalf of, affected stakeholders.

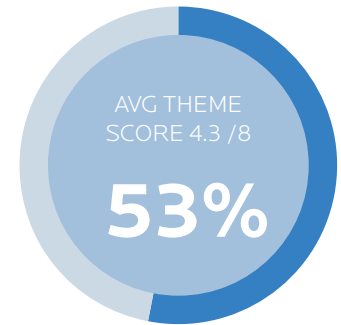
As to Theme C (Remedies and Grievance Mechanisms) 19 out of 20 companies disclosed that they have at least one mechanism accessible to all workers to raise complaints or concerns (C.1) –

making it the highest scoring indicator. Conversely, companies were less clear in their communication of similar grievance mechanisms for external individual and communities (C.2), particularly how complaints about issues at the company's suppliers may be raised. Almost no companies communicate how they remedy adverse impacts and incorporate lessons learned to prevent future impacts (C.7). Indicators addressing the issue of remediation to victims (A.1.5 & C.7) generally received low scores.

In the three sections below the more granular results on theme A, B and C are presented.

# THEME A

## GOVERNANCE AND POLICY COMMITMENTS



### INDICATORS

#### A.1.1 COMMITMENT TO RESPECT HUMAN RIGHTS

#### A.1.2 COMMITMENT TO RESPECT THE HUMAN RIGHTS OF WORKERS

#### A.1.4 COMMITMENT TO ENGAGE WITH STAKEHOLDERS

#### A.1.5 COMMITMENT TO REMEDY

Theme A indicators aim to assess the extent to which a company acknowledges its responsibility to respect human rights, and how it formally incorporates this into publicly available statements of policy. A policy commitment is a statement approved at the highest levels of the business that shows the company is committed to respecting human rights and communicates this internally and externally.<sup>25</sup> It sets the “tone at the top” of the company that is needed to drive respect for human rights into the core values and culture of the business. It indicates that top management considers respect for human rights to be a minimum standard for conducting business with legitimacy; it sets out their

expectations of how staff and business relationships should act, as well as what others can expect of the company. It should trigger a range of other internal actions that are necessary to meet the commitment in practice.<sup>26</sup>

For Theme A indicators, explicit commitments are required, and points are only awarded in response to wording that provide a clear expression of commitment. Expressions such as “in line with” or “strive to ensure” are considered vague in relation to a firm commitment. Commitments found embedded in sustainability or CSR reports were considered when proof of executive management sign-off existed.

### KEY FINDINGS A

- **All companies assessed have a publicly available statement committing the company to respect human rights.**

- **Under half of the companies (9/20) specifically commit to implementing the UN Guiding Principles on Business and Human Rights** or OECD Guidelines for Multinational Enterprises.
- **Over half of the companies (13/20) commit to ILO Core Labour Standards, but do not explicitly commit to ILO conventions on working hours and health and safety.**
- **Eleven companies commit to engage with affected stakeholders, yet only seven companies demonstrate examples of engagement** with affected stakeholders.
- **Only eight companies commit to provide for or cooperate in access to remedy** for affected individuals, workers, and communities where it identifies adverse impacts caused or contributed to.

#### **A.1.1 COMMITMENT TO RESPECT HUMAN RIGHTS**

**The average score for this indicator is 1.45 out of 2, making it the second highest scoring indicator overall.**

For Score 1, a company is required to make a publicly available statement committing it to respect human rights, or state a commitment to the UN Global Compact, to the Universal Declaration of Human Rights (UDHR), or to the International Bill of Human Rights. **All companies assessed met this indicator.**

**Score 2 is met by nine out of 20 companies** who also expressed their commitment to the UNGPs and/or the OECD Guidelines for Multinational Enterprises.

#### **A.1.2 COMMITMENT TO RESPECT THE HUMAN RIGHTS OF WORKERS**

**The companies scored the same on average (1.45 out of 2) as in indicator A.1.1. Yet two companies did not have a publicly available statement of policy committing it to respecting the human rights of workers.**<sup>27</sup>

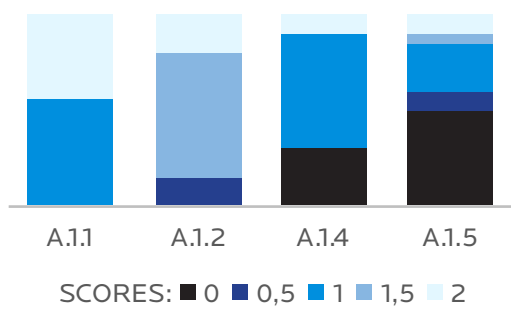
Score 1 for this indicator is awarded if a company makes a publicly available statement of policy committing it to respecting the human rights of workers as set out in the International Labour Organisation's (ILO) Core Labour Standards. In addition, the company must also state that it expects its suppliers to commit to respecting each of the ILO core labour standards, and explicitly lists them in that commitment. **Eighteen out of the 20 companies met this requirement.**

To achieve Score 2, a company must explicitly commit to the Core Labour Standards itself: respecting freedom of association and the right to collective bargaining, the elimination of forced labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation. In addition, the company must commit to labour standards on working hours and the health and safety of its workers in accordance with the relevant ILO conventions and expect the same from their suppliers.

**Only four out of the 20 companies fully met this requirement. Thirteen companies made commitments to the ILO conventions, but did not explicitly commit to respecting working hours and health and safety or expect this from their suppliers.** Eight out of the thirteen companies have a publicly available statement of policy stating that the company expects its suppliers to commit to respecting ILO labour standards on working hours but did not have a corresponding statement promoting these standards within its own operations. The strong focus on supply chains suggests that the relevance of these rights in the Danish context is considered less important by companies, perhaps due to the relatively strong labour laws and systems to monitor their implementation.



**FIGURE 7:** DISTRIBUTION OF SCORES FOR THEME A



**A.1.4 COMMITMENT TO ENGAGE WITH STAKEHOLDERS**

**The average score is 0.8 out of 2, companies thus scored lower on this indicator than on A.1.1. and A.1.2. Six companies did not meet any of the indicator requirements.**

Engagement with potentially and actually affected stakeholders means engaging in a dialogue with the stakeholders who might be, or are, impacted by the company’s activities and/or with their legitimate representatives. Depending on the nature of the company’s operations, this can include (but is not limited to) own workers, third party workers, local communities, consumers and any other person or group of people whose life and environment might be impacted by the company’s activities.<sup>28</sup> Engagement with potentially affected stakeholders should be cornerstone of any human rights due diligence, as this engagement can enable the company to adequately identify and assess impacts and to respond in manners found relevant by those affected.

To qualify for Score 1, a company must make publicly available a statement of policy committing it to engage with its potentially and actually affected stakeholders, including in local communities where relevant, or there is evidence of engagement with potentially and actually affected stakeholders and/ or their legitimate representatives in the last two years.

**Eleven companies have made a public policy statement committing it to engage with affected stakeholders. However, only seven companies demonstrated examples of engagement with affected individuals, workers, and local communities – three did so without making an explicit policy commitment.**

Score 2 requires that a company demonstrate engagement with affected stakeholders in the development or monitoring of its human rights approach, either through a public statement of policy or by provide concrete examples. **Only two companies received full credit for engaging stakeholders on the development of their approach to human rights.**

**A.1.5 COMMITMENT TO REMEDY**

**The average score for this indicator is 0.6 out of 2, making it the lowest scoring indicator in Theme A.**

Where companies identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in their remediation through legitimate processes. To achieve Score 1,



a company is expected to have a publicly available statement of policy committing it to remedy the adverse impacts on individuals, workers and communities that it has caused or contributed to. **Only 8 companies have made such a commitment.**

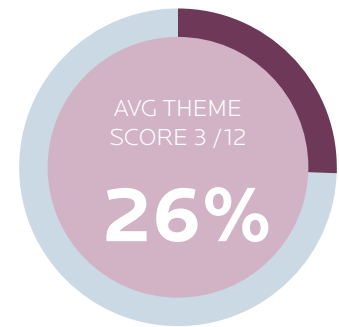
To achieve Score 2, the company's policy statement must also include a commitment to working with its suppliers to remedy adverse impacts which are directly linked to its operations, products or services through the suppliers' own mechanisms or through collaborating with its suppliers on the development of third party non-judicial remedies. In addition, the Company's policy commitment must recognise that its approach to remedy should not obstruct access to other remedies or include commitments to collaborating in initiatives that provide access to remedy.

**Of the 20 companies assessed, only three companies demonstrated concrete commitments to working with its suppliers to remedy adverse impacts, which are directly linked to its operations, products or services by a business relationship.** Just two went further to recognise its approach should not impede access to other remedies, thereby fully meeting Score 2 requirements.



# THEME B

## EMBEDDING RESPECT AND HUMAN RIGHTS DUE DILIGENCE



### INDICATORS

- B.1.1 RESPONSIBILITY AND RESOURCES FOR DAY-TO-DAY HUMAN RIGHTS FUNCTIONS**
- B.2.1 IDENTIFYING: PROCESSES AND TRIGGERS FOR IDENTIFYING HUMAN RIGHTS RISKS AND IMPACTS**
- B.2.2 ASSESSING: ASSESSMENT OF RISKS AND IMPACTS IDENTIFIED (SALIENT RISKS AND KEY INDUSTRY RISKS)**
- B.2.3 INTEGRATING AND ACTING: INTEGRATING ASSESSMENT FINDINGS INTERNALLY AND TAKING APPROPRIATE ACTION**
- B.2.4 TRACKING: MONITORING AND EVALUATING THE EFFECTIVENESS OF ACTIONS TO RESPOND TO HUMAN RIGHTS RISKS AND IMPACTS**
- B.2.5 REPORTING: ACCOUNTING FOR HOW HUMAN RIGHTS IMPACTS ARE ADDRESSED**

Human rights due diligence is a fundamental expectation of the UNGPs. In the context of the CHRB methodology it is converted into five indicators B.2.1-B.2.5. The steps of embedding policy commitments into company culture and broader management systems and reinforcing them with specific due diligence

processes, ensures that a company takes a systematic and proactive, rather than ad hoc working with its suppliers or reactive, approach to respecting human rights. Indicator B.1.1 therefore looks at the responsibility and resources for day-to-day human rights functions, indicating how the due diligence process is resourced whereas the remaining

### KEY FINDINGS B

- **Only eight companies explicitly indicate senior responsibility for human rights.**

- **Every company scores below 1 point on at least one or more of the human rights due diligence indicators** (identify, assess, act upon, track and communicate human rights impacts).
- **Most companies demonstrate how they identify human rights impacts**, but often limit the scope of their processes to impacts in the supply chain. **Very few companies (4/20) document that they engage with affected stakeholders or human rights experts** in identifying their human rights risks.
- **Most companies (16/20) fail to demonstrate that they track their responses to actual and potential human rights impacts** to evaluate whether the responses have the desired effect.

indicators cover the human rights due diligence cycle.<sup>29</sup>

### **B.1.1 RESPONSIBILITY & RESOURCES FOR DAY-TO-DAY HUMAN RIGHTS FUNCTIONS**

**For this indicator, the average score across all companies is 0,7 out of 2. Despite the low score, it is one of the highest scoring indicators in Theme B** (together with indicators B.2.1 and B.2.2<sup>30</sup>).

To achieve Score 1, it is expected that a company indicates the senior manager role(s) or senior bodies responsible for relevant human rights issues within the Company. **Eight companies out of the 20 clearly communicated senior management responsibilities, meaning over half of the companies failed to specify senior responsibility and accountability for human rights impacts.**

However, most of the companies

operate with ‘sustainability’ or ‘corporate responsibility’ governance systems of broader scope to capture both social and environmental issues, where human rights responsibility may be included implicitly. This type of governance system is not recognised by the indicator.

Score 2 requires for the company to describe how day-to-day responsibility is allocated across the range of relevant functions of the company, including for its supply chain activities. **Just four companies provided information on day-to-day responsibilities for human rights across relevant functions, incl. for managing human rights issues within its supply chain.**

### **B.2.1 IDENTIFYING: PROCESSES AND TRIGGERS FOR IDENTIFYING HUMAN RIGHTS RISKS AND IMPACTS**

Companies should identify and assess any negative impacts on human rights with which they may be involved. This



includes actual impacts (past or current) and potential impacts (those possible in the future – also referred to as human rights risks). These may come from the company's own activities and from its business relationships; both direct relationships and those one or more steps removed. The focus in human rights due diligence must be on risks to the human rights of people, as distinct from risks to the business itself, although the two can be overlapping. **The average score for this indicator is 0.65. Only four companies demonstrated appropriate risk identification measures, scoring above one point.**

To meet requirements of Score 1, a company must describe how it proactively and continuously identifies potential human rights risks (and impacts), including supply chain risks. **Six out of 20 companies described human rights identification processes, covering their own operations and through relevant business relationships, including their supply chains.** At the same time, six companies provided information on how human rights risks are taken into consideration in their supply chain activities only, while including no information on similar processes in own operations. Three companies only described identification processes for their own activities.

Score 2 has multiple requirements. Here, a company is expected to describe the global systems it has in place to identify its human rights risks and impacts on a regular basis across its activities, in consultation with affected or potentially affected stakeholders and

internal or independent external human rights experts. This includes how the systems are triggered by new country operations, new business relationships or changes in the human rights context in particular locations. In addition, the indicator seeks to find evidence of when human rights impact assessments (HRIAs) or environmental and social impact assessments (ESIAs) covering human rights are carried out. **One company met all the above-mentioned requirements and is also the only company indicating how it consults affected stakeholders, including communities, when identifying risks.**

**Only four companies provided information on their global system** for identifying its human rights risks and impacts on a regular basis across its activities. Among the four, three of the companies provided a description of consultations with human rights experts. The same three companies also provided an explanation of when HRIAs are carried out.

**B.2.2 ASSESSING: ASSESSMENT OF RISKS AND IMPACTS IDENTIFIED (SALIENT RISKS AND KEY INDUSTRY RISKS)**

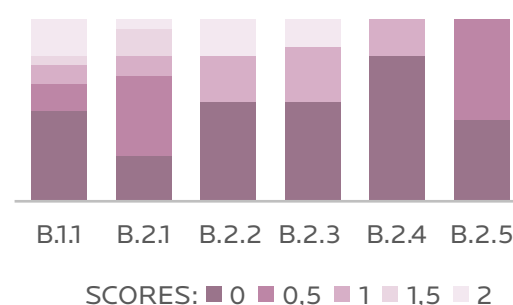
**Eleven companies scored zero points for this indicator. The average score for this indicator is 0.65 out of 2.**

To meet the requirements of Score 1, a company must describe its process(es) for assessing its human rights risks and impacts or publicly disclose the results of the assessments, which may be aggregated across its operations and locations.

All companies describe their material and/or sustainability risk assessment approaches in sustainability reporting, however, to satisfy the requirements of this indicator, the assessment must include the (potential) impacts on affected stakeholders and description of the most salient human rights issues. This was only met by four companies. **The other five companies scoring one point on the indicator disclosed results of assessment only,** listing their most salient human rights issues at the global enterprise-level.

Score 2 entails disclosure of both the process and the results of such salient risks and impacts assessment. **The four companies that provided details on their human rights risk assessment process(es) also shared publicly the results of their assessments,** which could be aggregated across their operations and locations.

**FIGURE 8: DISTRIBUTION OF SCORES FOR THEME B**



**B.2.3 INTEGRATING AND ACTING: INTEGRATING ASSESSMENT FINDINGS INTERNALLY AND TAKING APPROPRIATE ACTION**

To address negative human rights impacts, businesses should integrate

the findings from their risk assessments across relevant internal functions and processes, act to prevent and mitigate the impacts identified, and have the internal decision-making, budget allocation and oversight processes in place to enable effective responses.

Nearly half of the companies described either their global system for integrating assessment findings or provided an example of actions taken on salient human rights issues. Based on this approach, **the average score for this indicator is 0.6 out of 2.**

To achieve Score 1, a company is expected to describe its global system to take action to prevent, mitigate or remediate its salient human rights issues, including how its system applies to its supply chain. Another way to meet Score 1 is to provide an example of the specific conclusions reached and actions taken (or to be taken) on at least one of its salient human rights issues as a result of assessment processes in at least one of its activities/operations.

Score 2 is met if both a systematic approach and examples are described.

In line with the descriptions of human rights risk and impact identification and assessment, **just under half of the companies (nine) scored at least one** because they described either an integrated systematic approach to preventing, mitigating or remediating its salient human rights issues, or examples of actions taken to reduce human rights risks and impacts. **Only three out of 20 companies formulated a global integrated systematic approach and**

**provided concrete examples of steps taken to mitigate their salient human rights issues, thereby meeting the requirements for Score 2 fully.**

With regard to the remaining companies that did not meet any of the requirements, in most cases they described audit systems that focus on monitoring supplier adherence to business standards, codes of conduct and policies with follow-up on policy implementation rather than steps in the human rights due diligence process to address salient human rights impacts.

#### **B.2.4 TRACKING: MONITORING AND EVALUATING THE EFFECTIVENESS OF ACTIONS TO RESPOND TO HUMAN RIGHTS RISKS AND IMPACTS**

Companies need to track their responses to actual and potential human rights impacts to evaluate how effectively they are being addressed. Tracking should be based on appropriate qualitative and quantitative indicators and draw on internal and external feedback, including from affected stakeholders.

**Only four out of 20 companies assessed were able to meet this requirement, however none achieve a score of above 1. The average score for this indicator is 0.2 out of 2, making it the lowest scoring indicator overall** (together with C.7 on processes to ensure effective remedy).

To meet requirements of Score 1, it is required that a company describes the system(s) for tracking the actions



taken in response to human rights risks and impacts assessed and for evaluating whether the actions have been effective or have missed key issues or not produced the desired results. A company may also be awarded one point if it provides an example of the lessons learned while tracking the effectiveness of its actions on at least one of its salient human rights issues as a result of the due diligence process. **Three companies provided details on monitoring and evaluation processes**, for example, some explain performance reviews of their salient human rights programmes or sustainability programmes, covering human rights, to track progress and plan next steps. **One company provided examples of lessons learned in tracking the effectiveness of their actions for addressing their salient human rights issues.**

Score 2 requires that companies both demonstrate lessons learned and describe the monitoring system(s) to track their action plans. **None of the 20 companies were able to meet this requirement.**

Almost half of the companies did not provide information on actions taken to address salient issues, but even fewer companies (four of the nine companies) demonstrated tracking the effectiveness of these actions, which is crucial to ensure their effectiveness.

### **B.2.5 REPORTING: ACCOUNTING FOR HOW HUMAN RIGHTS IMPACTS ARE ADDRESSED**

The UNGPs expect companies to communicate externally to account for how they address human rights impacts, in a manner that is accessible to its intended audiences, especially affected stakeholders when raising concerns.

**The average score for this indicator is 0.3 out of 2.**

To meet Score 1, a company must demonstrate how it communicates externally about its human rights impacts and how effective it has been in addressing those impacts – i.e. achieve full scores through B.2.1 to B.2.4. However, **none of the companies met all requirements of the due diligence indicators.**

Score 2 requires evidence of concrete measures (i.e. not just public reporting) to ensure the information reaches the affected stakeholders, such as communicating via community billboards, worker notices or surveys etc, or a description of how the company has responded to specific human rights concerns raised by, or on behalf of, affected stakeholders.

**None of the companies were awarded a score above a half-point.**

Five out of the nine companies who met some of the above-mentioned requirements, received a half point for scoring two points on at least one or more of the due diligence indicators.

Six companies provided an example of responding to stakeholder concerns, but only two companies demonstrated how they ensure relevant details on human rights approaches reach their affected stakeholders. For example, one company hosts local level workshops to engage with specific stakeholder groups and share information on company activities.

# THEME C

## REMEDIES AND GRIEVANCE MECHANISMS



### INDICATORS

- C.1 GRIEVANCE CHANNELS/MECHANISMS TO RECEIVE COMPLAINTS OR CONCERNS FROM WORKERS**
- C.2 GRIEVANCE CHANNELS/MECHANISMS TO RECEIVE COMPLAINTS OR CONCERNS FROM EXTERNAL INDIVIDUALS AND COMMUNITIES**
- C.7 REMEDYING ADVERSE IMPACTS AND INCORPORATING LESSONS LEARNED**

Theme C indicators focus on the extent to which a company is able to/and provide(s) remedy in addressing actual adverse impacts on human rights. It covers a company's approach to providing or cooperating in remediation when human rights harms – actual

human rights impacts – have occurred. The indicators aim to assess the extent to which a company has appropriate processes in place so that grievances may be addressed early and remediated directly where appropriate.

### KEY FINDINGS C

- **Almost all companies (19/20) have established one or more complaints mechanisms open to workers.**
- **Few companies (5/20) are clear on how grievance channels can be accessed by local communities and other external individuals to raise concerns of abuses at suppliers.**
- **Almost none of the companies (3/20) describe how they enable access to remedy,** indicating that there might be a gap between formal mechanisms in place and actual remediation happening.



### C.1 GRIEVANCE CHANNEL(S)/ MECHANISM(S) TO RECEIVE COMPLAINTS OR CONCERNS FROM WORKERS

Companies should establish or participate in effective operational-level grievance mechanisms for workers who may be negatively impacted by their activities. **All companies indicated that they have complaints mechanisms accessible to workers. The average score is 1,5 out of 2, making it the highest scoring indicator.**

To achieve Score 1, a company must demonstrate that it has one or more mechanisms, or participates in a shared mechanism, accessible to all employees to raise complaints or concerns related to the company. An explicit reference to human rights is not required, but a mechanism that is specifically designed to cover other topics (e.g. a corruption hotline) needs to make clear to stakeholders that it can be used for human rights concerns as well.

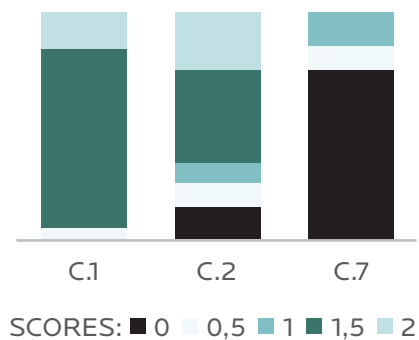
**Nineteen out 20 companies fulfilled the requirement.** Almost all companies have established complaints mechanism as part of their policy compliance. While these are often described as ‘ethics’ or ‘compliance’ hotlines, they also allow employees to raise concerns related to human rights. Only one company had a complaints mechanisms accessible to workers with country bound limitations as to what could be reported.

Score 2 requires that a company also discloses data about the number of human rights grievances filed,

addressed or resolved, and indicates that the available appropriate languages. In addition, it is required to demonstrate how workers in its supply chain have access to either the company’s own mechanism or to communicate its expectation for suppliers to establish appropriate channels for workers.

**Three companies met this indicator criteria completely, while 16 out of 20 met the requirements partially enabling a score of 1.5.** The majority of these companies met the criteria on providing formal access to its complaints mechanism to workers in supply chain. However, most companies did not fulfil the criterion on disclosing data on the number of cases concerning human rights.

**FIGURE 9:** DISTRIBUTION OF SCORES FOR THEME C



### C.2 GRIEVANCE CHANNEL(S)/ MECHANISM(S) TO RECEIVE COMPLAINTS OR CONCERNS FROM EXTERNAL INDIVIDUALS AND COMMUNITIES

Appropriate operational-level grievance mechanisms should also be accessible for non-worker potentially affected individuals and communities to raise

concerns on human rights. **The average score is for this indicator 1.25 out of 2 across all 20 companies.**

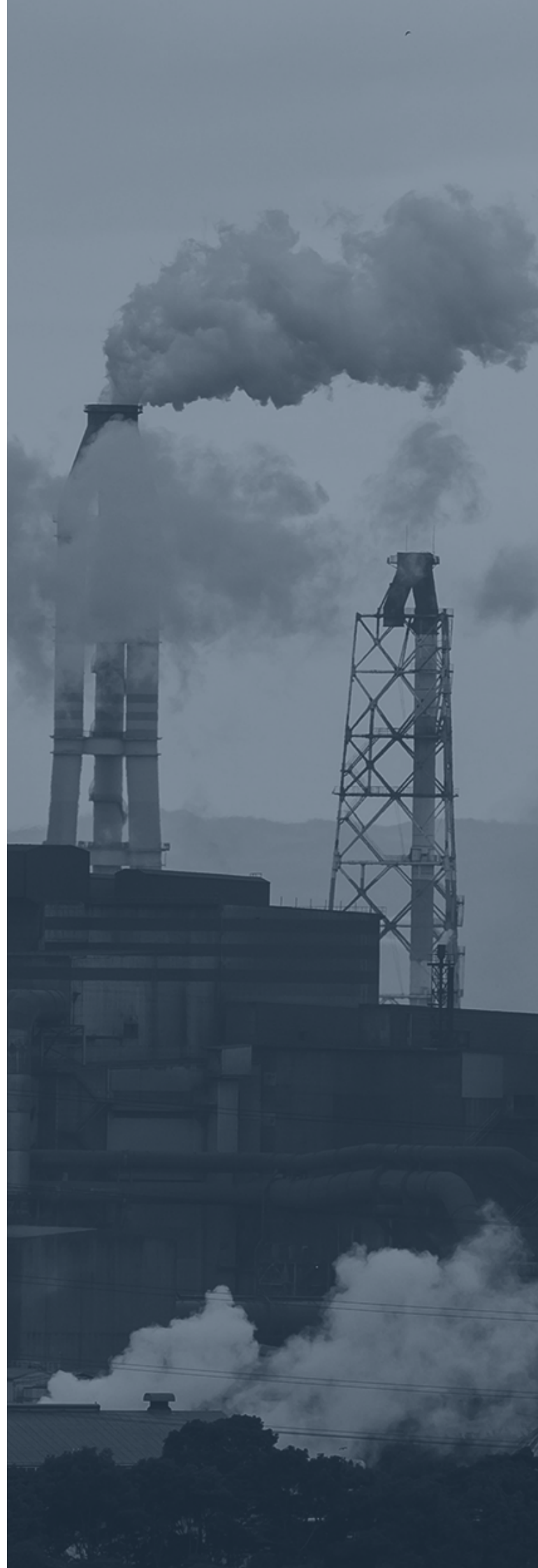
For Score 1, a company is expected to have one or more mechanism(s), or participates in a shared mechanism, accessible to all external individuals and communities who may be adversely impacted by business activities. **One fourth of the companies assessed did not meet this requirement.** Reflecting on the lower scores compared with C.1, the companies are clearly less transparent about how they provide access to grievance mechanisms for external individuals or communities than for workers.

For Score 2 under this indicator, it should be clear that the mechanism is accessible to affected external stakeholders at all its own operations, including in local languages. In addition, it must be explicitly described how external individuals and communities have access to mechanism(s) to raise complaints related to the supply chain.

**The examined companies were less clear on how grievance channels can be accessed by local communities and individuals to raise concerns of abuses in the supply chain. Only five out of 20 companies met these requirements completely.**

### **C.7 REMEDYING ADVERSE IMPACTS AND INCORPORATING LESSONS LEARNED**

Companies should provide for or cooperate in remediation to victims where it has identified that it has caused



or contributed to adverse human rights impacts. They should also incorporate the lessons learned from remediation approaches into mechanisms and processes to prevent future impacts.

**This was the lowest scoring indicator of the benchmark assessment, with an average score of 0,2 out of 2.** This is particularly interesting, when seen in contrast with C1 and C2, which are amongst the highest scoring indicators, suggesting that there might be a gap between formal mechanisms in place and actual remediation taking place.

To meet Score 1, a company is expected to describe its approach to enable access to remedy for victims in a specific case, or (if no adverse impacts have been identified) how it would treat any claim for remedy.

**Only three companies out of 20 companies assessed communicated this type of information.**

For Score 2, a company is required to demonstrate how it incorporates the lessons learned. Firstly, by describing changes to systems and procedures to prevent similar adverse impacts in the future or, if no adverse impacts have been identified, by describing the approach it would take to review and change systems and procedures to prevent adverse impacts in the future. Secondly, a company should communicate how it evaluates the effectiveness of the grievance mechanism(s).

**None of the assessed companies fulfilled all the requirements of the indicator concerning incorporating lessons learnt.** Two companies provided

information on precautionary measures taken following a concrete case of damage in order to prevent recurrence but did not meet requirements under Score 1.

# CONCLUSION & NEXT STEPS

The snapshot illustrates that disclosure on human rights amongst large Danish companies overall is weak and particularly in relation to the details of their human rights management approaches. The findings from the study include that:

- A great majority of companies benchmarked make strong commitments to respect human rights in their business operations. However, when it comes to labour rights, companies rarely explicitly require compliance with the relevant ILO conventions, particularly as regards working hours.
- On par with findings from similar country snapshots, translating commitments to practice through regular human rights due diligence (identify, assess, act upon, track and communicate human rights impacts) is still at a very early stage among companies assessed. Companies scored 26 percent (3 out of 12) on average under the human rights due diligence assessment area, with every company scoring below one point on at least one or more of the human rights due diligence indicators.
- Over half of the companies fail to consult and engage with potentially affected individuals and communities on a regular basis. Just over half of the companies have a commitment to do so. Fewer companies explicitly describe how external individuals and

communities can raise concerns and have grievance mechanisms for this in place. Only five of the 20 companies describe how they ensure local communities can raise complaints of abuses in the supply chain, for example.

- Companies show low levels of commitment to provide access to remedy in case of adverse impacts. Only eight out of 20 companies assessed commit to provide for or cooperate in remediation for affected victims where adverse impacts occur. While many companies have in place mechanisms to receive complaints and grievances, very few disclose processes or practices on how they would treat a request for remedy.

The snapshot delivers insight into how companies are currently communicating about their efforts in this domain. Arguably, some companies likely do more than what they communicate about externally, while others may present an unrealistic picture of their activities. Despite these limitations, the snapshot provides useful insight into the overall levels of disclosure and underlying human rights efforts among the largest companies in Denmark. Considering that the sample represents a small fraction of the largest businesses, which have access to more resources to develop human rights capacity and systems, it is unlikely that the remaining Danish companies would have taken further steps when it comes to compliance with the basic requirements of the UNGPs.

Notwithstanding that this snapshot excludes the assessment of allegations of human rights abuses that could also reveal disparity between public self-reporting and actual behaviour, the particular weakness shown in the area of conducting human rights due diligence suggests that there is a real need for companies, investors and regulators alike to ensure these gaps are addressed.

The UNGPs expects a “smart mix” of measures that connects binding and non-binding measures including policies and incentive measures to ensure responsible business conduct. Governments may employ regulatory modalities such as national action plans, guidance and training for companies on how to respect human rights – accompanied by mandating non-financial reporting and human rights due diligence to ensure human rights abuse by business is avoided and addressed. Ten years into the implementation of the UNGPs, it is time to revive the concept of the ‘smart mix’ of measures called for in the UNGPs including in a Danish context.

## **RECOMMENDATIONS**

In light of the results of this snapshot, as well as other studies and cases exploring Danish companies’ respect for human rights, we urge companies to improve their human rights due diligence practices and their publicly available information thereon, in particular where this snapshot has illustrated areas for improvement. This includes around disclosure of due diligence practices,

engagement with affected stakeholders and ensuring access to remedy, when harm occurs.

We further recommend the Danish State, in meeting its duty to protect human rights and in alignment with expectations of the UNGPs:

- Develop and enforce laws that require companies to respect human rights by implementing human rights due diligence and ensuring access to remedy, and periodically assess the adequacy of such laws and address any gaps;
- Ensure that other laws and policies governing the creation and ongoing operation of companies, such as corporate law, do not constrain but enable business respect for human rights;

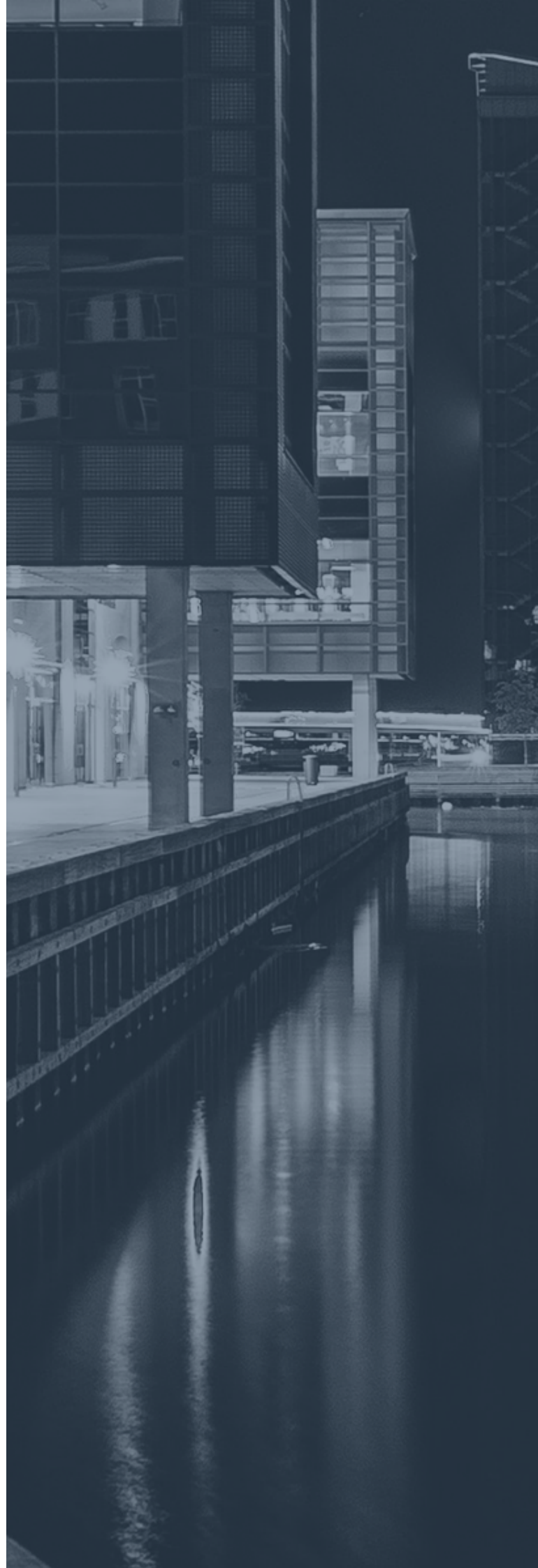
To further the above, we recommend that the Danish government:

- Commits to developing and adopting Danish mandatory human rights due diligence legislation and to engage actively in the ongoing policy and regulatory developments at the EU level;
- Commissions a legal study to explore options for Danish mandatory human rights due diligence legislation taking into account recent legal development in other EU countries and existing legal analysis;<sup>31</sup>
- Ensures that a Danish mandatory human rights due diligence law is

aligned with the UN Guiding Principles on Business and Human Rights and covers negative human rights impacts by business both in and outside of Denmark; and

- Ensures extensive consultation when developing a legislative proposal.

The Danish Institute for Human Rights will continue to contribute with analysis and recommendations on mandatory human rights due diligence including to inform developments in the Danish and EU context.



# ANNEX: METHODOLOGY & PROCESS

## ABOUT THE METHODOLOGY

The study applies the Core UNGP Indicators developed by the Corporate Human Rights Benchmark (CHRB).<sup>32</sup> These 13 Indicators<sup>33</sup> are extracted from the full CHRB methodology<sup>34</sup> and provide a tool for taking a quick snapshot of a company's approach to human rights management and whether they are implementing the relevant requirements of the UNGPs, regardless of company size and industry sector.

The CHRB Core Indicators are divided into three key areas, namely 'Governance and Policy Commitments', 'Embedding Respect and Human Rights Due Diligence' and 'Remedies and Grievance Mechanisms'. Table 1 gives an overview of the indicators and scores available.

The scoring follows a set structure, awarding either zero, zero point five, one, one point five, or two points depending on whether the indicator requirements are assessed to have been met. Where a company has not met all the criteria for Score 1 but has met at least one or more of the requirements for Score 2, a half point may be awarded. This is to give credit to and distinguish companies that meet 'some' requirements as opposed to those that meet 'none'.

## APPROACH TO DOCUMENTATION & DATA COLLECTION

The snapshot is based solely on publicly available information from policy documents, annual reports and other relevant human rights materials found on company websites. Therefore, snapshot results are merely a proxy for corporate human rights performance and not an absolute measure of a company's actual behaviour nor its impacts on the enjoyment of human rights. Concurrently, the snapshot provides a subjective assessment at a certain point in time, thereby yielding results that will always include an interpretive margin. Consequently, a greater analytical focus on general trends in scores rather than upon marginal differences in scoring between companies is encouraged.

The current study was carried out during May-August 2020 based on publicly available data from companies listed in Table 2 and should therefore not be generalised to the entire population of Danish businesses. In fact, small- and medium-sized enterprises (SMEs) are the core of the Danish economy structure,<sup>35</sup> yet these are not represented in the present study. Instead, the study should be seen as a snapshot of some of the largest Danish companies' disclosure on their level of engagement with human rights.

## CHRB SNAPSHOTS IN OTHER COUNTRIES – COMPARABILITY

The global benchmarks of CHRB have been complemented by a growing number of national level snapshots

**TABLE 2 CHRB CORE UNGP INDICATORS**
**AVAILABLE POINTS**
**THEME A: GOVERNANCE AND POLICY COMMITMENTS**

 Max  
8

<b>A.1.1</b>	Commitment to respect human rights	0	1	2
<b>A.1.2</b>	Commitment to respect the human rights of workers	0	0.5	1 1.5 2
<b>A.1.4</b>	Commitment to engage with stakeholders	0	1	2
<b>A.1.5</b>	Commitment to remedy	0	1	1.5 2

**THEME B: EMBEDDING RESPECT AND HUMAN RIGHTS DUE DILIGENCE**

 Max  
12

<b>B.1.1</b>	Embedding – Responsibility and resources for day-to-day human rights functions	0	1	1.5 2
<b>B.2.1</b>	HRDD – Identifying: Processes and triggers for identifying human rights risks and impacts	0	0.5	1 1.5 2
<b>B.2.2</b>	HRDD – Assessing: Assessment of risks and impacts identified (salient risks and key industry risks)	0	1	2
<b>B.2.3</b>	HRDD – Integrating and Acting: Integrating assessment finding internally and taking appropriate action	0	0.5	1 2
<b>B.2.4</b>	HRDD – Tracking: Monitoring and evaluating the effectiveness of actions to respond to human rights risks and impacts	0	1	2
<b>B.2.5</b>	HRDD - Reporting: Accounting for how human rights impacts are addressed	0	1	1.5 2

**THEME C: REMEDIES AND GRIEVANCE MECHANISMS**

 Max  
6

<b>C.1</b>	Grievance channels/mechanisms to receive complaints or concerns from workers	0	1	1.5 2
<b>C.2</b>	Grievance channels/mechanisms to receive complaints or concerns from external individuals and communities	0	1	1.5 2
<b>C.7</b>	Remediating adverse impacts and incorporating lessons learned	0	1	1.5 2



– from Ireland, Finland and Germany  
– applying the CHRB methodology to capture the local trends in corporate respect for human rights. While all country snapshots have utilised the CHRB Core UNGP Indicators, the studies have nevertheless taken different approaches in their assessment processes.

In the German snapshot, data collection was exclusively based on publicly available information without any form of company consultation. As a result, the study excludes indicator B.2.5<sup>36</sup> contending that the indicator would necessitate company-internal information. The snapshot of Finland excludes indicators A.1.4, B.2.5 and B1.1<sup>37</sup> from the analysis, due to challenges in finding comparable public information, and does not specify whether companies were able to contest benchmark results prior to finalisation. Finally, the Irish snapshot covered all indicators<sup>38</sup> and gave companies the opportunity to review the findings and to point the researcher to any additional public information that may not have been identified. A similar approach to that of the Irish have been taken in the Danish snapshot.

## **ABOUT THE DANISH SNAPSHOT**

### **SELECTING COMPANIES FOR THE DENMARK SNAPSHOT**

Companies in the present study were selected on the basis of corporate turnover for the financial year 2018, based on the Guld1000 list<sup>39</sup> of Berlingske (published in October 2019).<sup>40</sup> To ensure that the study captured companies involved in global value chains including in low and medium income countries,

traders and companies who engage with the transfer of goods and services without extensive own international production activities, were excluded from the sample. This process led to the exclusion of eight companies from the Guld1000 list.<sup>41</sup>

In addition, because the Guld1000 list includes foreign companies with subsidiaries in Denmark, one company with headquarters located outside of Denmark was excluded.<sup>42</sup>

Finally, Danish companies already benchmarked as part of CHRB's existing assessments were excluded, given the different publication and engagement timeframes as well as the varying disclosure opportunities, i.e. access to the CHRB disclosure platform.<sup>43</sup> The final list of the 20 companies assessed is included in Table 2.

The snapshot covers companies from 10 sectors: transport (two companies); pharmaceutical (two companies); food and beverage (two companies); industrials (three companies); energy (one company); service (one company); retail (two companies); design (four companies); and construction (three companies). It should be noted that the sample selection is not directly proportional to the largest industries of Denmark's economy, with some of the most important being the service industries, shipping and trade, as well as the manufacturing industry.<sup>44</sup>

### **COMPANY ENGAGEMENT**

Companies included in the Denmark snapshot were informed via e-mail once selected. Companies were also

given the option to comment on their draft benchmark prior to consolidation. However, this was no requirement, and companies did not receive additional points for engagement. The aim of this was for the companies to inform the research team of any public documents or information that had been overlooked during the assessment process.

In general, we observed a high level of engagement and interest in learning about the methodology and assessment criteria from companies assessed. This suggests that the companies surveyed are interested in understanding how to improve practices on human rights.

## **RISKS & LIMITATIONS**

### **CHRB METHODOLOGY**

As noted in the Introduction, the CHRB research relies on public information disclosed by companies with the aim of driving further transparency on human rights due diligence systems and their alignment with the Guiding Principles. The limitations that come with using public information on policies and processes to assess a company's human rights performance must thus be emphasised. This issue is exemplified by several incidents of severe misconduct and involvement in severe human rights abuses by high-ranking CHRB companies, such as Rio Tinto and Vale, following the CHRB's own assessments.<sup>45</sup> The CHRB cautions that benchmark results remain a proxy for corporate human rights performance and a subjective assessment at a certain point in time – not an absolute measure of actual performance.<sup>46</sup> Another shortcoming

of the benchmark is therefore also the lack of focus on outcomes and effectivity of measures assessed, as well as the absence of perspectives of communities and external individuals impacted by company operations.<sup>47</sup>

Despite the quantitative approach of the benchmark assessment, we also found that several indicators left an important interpretive margin, which may affect the consistency of assessments and yield results that make comparison difficult. Therefore, the analytical focus should be on the aggregated results and, if the snapshot is repeated in the future, improvement over time rather than upon individual company scoring or marginal differences in scoring.<sup>48</sup>

While the indicators overall are well defined, certain indicators and associated interpretation of criteria were observed to have methodological weaknesses. These include:

- Requirement of explicit human rights language and specific type of wording: we experienced that the methodology was not always able to capture the efforts of companies that fail to communicate using human rights and business language and frame communications to fit the CHRB indicators. As such, there is a risk that the benchmark findings may reveal more about company's ability to communicate its human rights approach and to disclose information on policies and processes rather than actual human rights performance.
- B.1.1 "Embedding – Responsibility and resources for day-to-day human rights

functions”: we experienced that the indicator excluded relevant information on companies’ sustainability governance structures that most often cover human rights or social issues but are not explicit about human rights accountability. We

applied the CHRB criteria rigidly but see a need to add broader indicators on evidence of human rights responsibilities.

- Several indicators, such as B.2.1 “HRDD – Identifying: Processes and triggers

**TABLE 3 COMPANIES ASSESSED**

COMPANY	SECTOR	REVENUE IN MIL. DKK (FINANCIAL YEAR 2018)	NUMBER OF EMPLOYEES
<b>Mærsk</b>	Transport	246.500	80.220
<b>Novo Nordisk</b>	Pharmaceutical	111.831	42.881
<b>DSV</b>	Transport	79.053	47.479
<b>Arla</b>	Food and beverage	77.699	19.190
<b>Vestas</b>	Industrials	75.530	24.221
<b>Ørsted</b>	Energy	75.520	5.796
<b>ISS</b>	Service	73.592	482.902
<b>Danish Crown</b>	Food and beverage	60.892	27.921
<b>Salling Group</b>	Retail	59.410	27.497
<b>Danfoss</b>	Industrials	45.449	27.313
<b>Coop</b>	Retail	42.796	16.125
<b>Lego</b>	Design	36.391	15.050
<b>Bestseller</b>	Design	29.143	21.125
<b>Grundfos</b>	Industrials	26.721	18.895
<b>Pandora</b>	Design	22.806	3.126
<b>Rockwool</b>	Construction	19.907	11.416
<b>Velux</b>	Construction	19.592	15.459
<b>FLSmidth</b>	Construction	18.750	11.470
<b>Jysk</b>	Design	18.223	10.841
<b>Lundbeck</b>	Pharmaceutical	18.117	506

for identifying human rights risks and impacts”, cover multiple requirements, meaning two companies with very different performances may yield the same final result. For instance, in indicator B.2.1, a company that meets all four criteria under Score 2, but does not meet all Score 1 criteria, will only be awarded a half-point. A company that is disclosing just enough information to meet one of the six requirements would essentially receive the same score.

- C.1 “Grievance channels/mechanisms to receive complaints or concerns from workers “and C.2 “Grievance channels/mechanisms to receive complaints or concerns from external individuals and communities”: we observed that most companies that operate with compliance/whistle-blower systems were able to meet the criteria. However, such company mechanisms are often designed from the perspective of the company and tend to focus more on preventing violations of the business’s policies and standards rather than remedying a situation for victims.<sup>49</sup> A human rights-compatible and dialogue-based mechanism integrates human rights norms and standards into its processes and offer a channel for those individuals or groups impacted by a company’s activities to raise concerns on an informed basis.<sup>50</sup> For the purpose of this assessment, we followed the CHRB criteria but were more stringent in the review of descriptions on who could use the mechanism and what issues could be raised.

- The Core UNGP Indicators are extracted from the full CHRB Methodology to create a snapshot methodology

applicable across sectors. The narrowed selection of indicators thus also excludes relevant indicators such as those relating to policy compliance processes, human rights training as well as serious human rights allegations. Furthermore, the full methodology also takes as its basis in certain industry-specific global standards to assess industry-specific challenges and approaches to managing human rights risks and impacts.<sup>51</sup> The Core UNGPs Indicators are thus to a certain extent less aligned with business and operational realities and may overlook some processes and practices that are relevant to e.g. industry practices.

#### **RELATIONSHIPS BETWEEN DIHR AND COMPANIES INCLUDED IN THE SNAPSHOT**

DIHR through its corporate engagement activities has or have had collaborations or relationships with a number of the companies included in the snapshot. DIHR collaborated directly with Arla at the time of the assessment.<sup>52</sup> In addition, several of the companies assessed in the snapshot are members of the Nordic Business Network for Human Rights, which is facilitated by DIHR (Arla, Danfoss, Lego, Lundbeck, Pandora, Novo Nordisk and Vestas).<sup>53</sup>

However, due to the methodological reliance on publicly available information only for the purpose of company assessments, DIHR has not utilised any additional knowledge from such collaborations in connection with this snapshot and has not identified any conflicts of interests.

## **QUALITY ASSESSMENT**

While the approach to the collection, handling and reporting of data is described in detail above, the personal biases of researchers may still cause subjective interpretation of empirical data. In order to limit subjectivity in research and ensure reliability in the application of indicators, the research team attended a training on the Core UNGP methodology with CHRB researchers prior to project launch. Additionally, the research team made use of the CHRB Excel spreadsheet that enabled a structured and systematic collection of data on a company by company basis. Subsequently, the CHRB cross-checked two initial applications of the methodology to ensure correct interpretation of indicators and consistency with the CHRB approach. Throughout the preliminary research phase, i.e. applying the indicators and developing company draft scorecards, the CHRB provided guidance and feedback when further clarification was needed. Finally, once company feedback was collected, the research team conducted a final consistency check of the assessments across all company scorecards to ensure repeatability of the methodology approach across examined companies.

# ENDNOTES

- 1 UN Committee on Economic, Social and Cultural Rights, Committee on Economic, Social and Cultural Rights: Concluding observations on sixth periodic report of Denmark, E/C.12/DNK/CO/6, 2019.
- 2 Corporate Human Rights Benchmark, CHRB Core UNGP Indicator Assessment: For companies in all sector, April 2019.
- 3 Companies are scored between zero and two across the core indicators – a score of one thus means they meet the very basic criteria of the indicator.
- 4 100% equals 26 points.
- 5 Business & Human Rights Resource Centre & Zhaw School of Management and Law, Respect for Human Rights: a snapshot of the largest German companies, November 2019; Fiant Consulting Oy & 3bility Consulting, Words to Deeds: Study on Operationalization of UN Guiding Principles on Business and Human Rights among Listed Companies in Finland, November 2019.
- 6 Hogan, B. et al., “Irish Business & Human Rights: Benchmarking compliance with the UN Guiding Principles,” Centre for Social Innovation, Trinity Business School, 8 November 2019, available at: [https://media.business-humanrights.org/media/documents/files/CSI\\_BHR\\_Report\\_FINAL\\_6\\_Nov.pdf](https://media.business-humanrights.org/media/documents/files/CSI_BHR_Report_FINAL_6_Nov.pdf)
- 7 German Watch, Gutachten zur Ausgestaltung eines Lieferkettengesetzes, February 2020; Bright, C., et al., “Options for Mandator Human Rights Due Diligence in Belgium,” Leuven Centre for Global Governance Studies, 2020; Etikkinformasjonsutvalget, Åpenhet om leverandørkjeder, 2019; Helminen, Sakari, Jani Alenius, Ville Walta & Sofia Donner, Judicial Analysis on the Corporate Social Responsibility Act, Ernst & Young Oy, 2 September 2020.
- 8 United Nations Human Rights Office of the High Commissioner, Mandatory Human Rights Due Diligence Regimes Some Key Considerations, June 2020.
- 9 Danwatch, Menneskerettighederne: Sådan går det med de største danske virksomheders due diligence-indsats og rapportering, August 2020.
- 10 Alliance for Corporate Transparency, General Human Rights Reporting Criteria, ‘Denmark’, 2019, available at: [https://www.allianceforcorporatetransparency.org/database/#s\\_C](https://www.allianceforcorporatetransparency.org/database/#s_C)
- 11 See for example: Information, “Leverandører til Bestseller bruger coronakrisen til at fyre fagligt aktive,” July 2020; Danwatch, “Pandora fired employees that founded a union,” August 2020; Danwatch “Whistleblower at Maersk subcontractor fired”, August 2019; Business and Human Rights Resource Centre, “China: Investigation finds labour abuse & sexual harassment at toy factories producing for international brands; Includes company responses.”
- 12 The European Coalition for Corporate Justice, Evidence for mandatory HRDD legislation, May 2019.
- 13 The European Commission, Non-financial reporting.
- 14 GRI, Review of the Universal Standards.
- 15 On 12th June 2012 the Danish Parliament adopted an amendment to the

Financial Statement Act so that businesses in the future have to expressly account for the topics human rights and climate impact reduction regardless of whether or not these are included in the businesses' CSR policies. For more information see: <http://csrgov.dk/file/557863/implementation-of-eu-directive.pdf>.

16 UN Committee on Economic, Social and Cultural Rights, Committee on Economic, Social and Cultural Rights: Concluding observations on sixth periodic report of Denmark.

17 Business & Human Rights Resource Centre & Zhaw School of Management and Law, Respect for Human Rights; Fiant Consulting Oy & 3bility Consulting, Words to Deeds; Hogan, B. et al., "Irish Business & Human Rights."

18 Business & Human Rights Resource Centre & Zhaw School of Management and Law, Respect for Human Rights.

19 Ministry of Economic Affairs and Employment of Finland, Research project: How do Finnish companies meet their human rights responsibilities, June 2020.

20 Corporate Human Rights Benchmark, CHRB Core UNGP Indicator Assessment: For companies in all sector.

21 The Corporate Human Rights Benchmark was launched in 2013 as a multi-stakeholder initiative and draws on investor, business and human rights, and benchmarking expertise from 6 organisations: APG Asset Management, Aviva Investors, Business & Human Rights Resource Centre, EIRIS Foundation, Institute for Human Rights and Business and Nordea Wealth Management.

22 See <https://www.corporatebenchmark.org/chrp-methodology>. For the full list of companies assessed by CHRB see: <https://www.corporatebenchmark.org/download-benchmark-data>.

23 Design is the sector category used by the Berlingske top 1000 list.

24 European Commission, 2019 SBA Fact Sheet Denmark, available at: <https://ec.europa.eu/docsroom/documents/38662/attachments/8/translations/en/renditions/native>

25 As a general note on multi-stakeholder initiatives (MSI), the CHRB does not give automatic credit to companies for being part of industry initiatives or business associations, which often produce policy documents that may include relevant commitments. Measurement Theme A looks at commitments in the companies' own formal policy documents.

26 Corporate Human Rights Benchmark, CHRB Core UNGP Indicator Assessment: For companies in all sector.

27 These companies, in general, relied on MSI policies as opposed to having their own formal policies and commitments to human rights.

28 Corporate Human Rights Benchmark, CHRB Core UNGP Indicator Assessment: For companies in all sector.

29 Ibid

30 However, this is due to a few top scoring companies, the median is only 0,2 as opposed to B.2.1 that has a median of 0.5, (B.2.2 has a median of 0)

31 German Watch, Gutachten zur Ausgestaltung eines Lieferkettengesetzes,

February 2020; Bright, C., et al., "Options for Mandator Human Rights Due Diligence in Belgium," Leuven Centre for Global Governance Studies, 2020; Etikkinformasjonsutvalget, Åpenhet om leverandørkjeder, 2019; Helminen, Sakari, Jani Alenius, Ville Walta & Sofia Donner, Judicial Analysis on the Corporate Social Responsibility Act, Ernst & Young Oy, 2 September 2020.

32 Corporate Human Rights Benchmark, CHRB Core UNGP Indicator Assessment: For companies in all sector.

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34 Corporate Human Rights Benchmark, Methodology. For the full list of companies assessed by CHRB see: <https://www.corporatebenchmark.org/download-benchmark-data>.

35 European Commission, 2019 SBA Fact Sheet Denmark, available at: <https://ec.europa.eu/docsroom/documents/38662/attachments/8/translations/en/renditions/native>

36 HRDD Reporting: Accounting for how human rights impacts are addressed

37 "Commitment to engage with stakeholders", "HRDD – Reporting: Accounting for how human rights impacts are addressed" and "Embedding- Responsibility and resources for day-to-day human rights functions"

38 The research was done using a pre-release of the core methodology.

39 Berlingske, Se listen: Her er Danmarks 1.000 største virksomheder i 2019, October 2019.

40 The Guld1000 list covers Denmark's 1000 largest non-financial companies ranked by annual revenue (excl. corporate taxes and fees) for the financial year 2018. See methodology here.

41 Namely Selfinvest; Danske Commodities; Centrica Energy Trading; DLG; Danish Agro; Energi Danmark; Equinor Refining Denmark; Siemens Gamesa Renewable Energy A/S.

42 SAS thereby excluded from the sample list.

43 Carlsberg thereby excluded from the sample list. Ørsted had still not been assessed by CHRB, when the present study was initiated, and was therefore not excluded.

44 Statistics Denmark, Produktion, BVT og indkomstdannelse efter transaktion, branche og prisenhed, available at: <https://statistikbanken.dk/nabp10>

45 World Benchmarking Alliant & Corporate Human Rights Benchmark, CHRB response to the destruction of a 46,000-year-old Aboriginal heritage site by Rio Tinto at Juukan Gorge in Western Australia on 24 May 2020, July 2020.

46 Corporate Human Rights Benchmark, Guide to Benchmark.

47 Corporate Human Rights Benchmark, 2020 Methodology Review.

48 Corporate Human Rights Benchmark, Guide to Benchmark.



49 Doing Business With Respect for Human Rights, Chapter 3.8 Remediation and grievance mechanisms

'Early warning, effective solutions'.

50 Harvard Kennedy School Corporate Responsibility Initiative, "Rights-Compatible Grievance Mechanisms: A Guidance Tool for Companies and their Stakeholders," available at: [https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/programs/cri/files/Workingpaper\\_41\\_Rights-Compatible%2BGrievance%2BMechanisms\\_May2008FNL.pdf](https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/programs/cri/files/Workingpaper_41_Rights-Compatible%2BGrievance%2BMechanisms_May2008FNL.pdf)

51 Corporate Human Rights Benchmark, CHRB Core UNGP Indicator Assessment: For companies in all sector.

52 The Danish Institute for Human Rights, Arla Partnership.

53 The Danish Institute for Human Rights, Nordic Business Network for Human Rights.

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