

# The Corporate Human Rights Benchmark

*Harnessing the competitive nature of the markets to drive better human rights performance.*

*Empowering governments and civil society to encourage and press companies to fulfil their corporate responsibility to respect human rights.*

*Benchmarking the top 500 globally listed companies on their human rights related policies, processes and practices.*

## Framework Paper for Multi-Stakeholder Consultations

This document sets out the overview, framework and process in the development of the Corporate Human Rights Benchmark (CHRB). This document also seeks to provide the reader with an understanding of the rationale and aims of the CHRB, as well as initial understanding of the CHRB draft Methodology and process for public input and finalisation in advance of the first pilot Benchmark.

**This document is NOT the CHRB methodology itself.**

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## Overview

### Rationale for the Benchmark

The competitive nature of the market is a powerful driver for change. The Corporate Human Rights Benchmark (CHRB) will build on a competitive approach to incentivise better human rights performance by companies through developing a transparent, publicly available and credible ranking of corporate human rights related policies, processes and practices.

Public transparency, combined with public rankings of companies' performance, is proving a key tool in driving a race to the top. For example, the [Access to Medicine Index](#) has brought advances in the pharmaceutical industry's approach to providing and pricing medicines for often those without means, suffering from diseases such as HIV/Aids and "orphan" diseases – those ignored by large drug companies because they are diseases of the poor with little financial return. Oxfam's [Behind the Brands](#) ranking has created competition between 10 major food and beverage companies to eliminate land grabs, enhance the status of women in their supply chains, and reduce carbon emissions – their achievements have included Coca-Cola and PepsiCo committing to zero-tolerance policies on land grabs, principally for sugar cane plantations.

The recent [survey by the Economist Intelligence Unit](#) on business and human rights found that CEO respondents felt benchmarking companies on their human rights performance would be the best option to enable them to better fulfil their corporate responsibility to respect human rights. The CHRB provides a productive application of the human rights reporting that will soon be standard for the largest companies under the EU Non-Financial Reporting Directive. In addition to incentivizing business behaviour, the CHRB will make an important contribution to creating greater leverage for policy-makers, investors, communities and consumers.

### What is the Aim of the Benchmark?

The Corporate Human Rights Benchmark aims to incentivise better human rights performance over time. The Benchmark measures and ranks the top listed global companies on their human rights related policies, processes and practices.

### Objectives

#### What the Corporate Human Rights Benchmark Will Do

- Make corporate human rights performance easier to see and simpler to understand for a wide range of audiences - inside and outside companies.
- Commend and reward companies doing well while also pointing the way toward improved performance on key human rights issues.

- Introduce a positive competitive environment encouraging companies to race to the top of the annual ranking.
- Enable investors, civil society and regulators to challenge companies where performance is poor and changes are necessary, using an evidence-based approach to improving corporate accountability.

## Expected Impacts

- **Investors** will be better equipped with information to direct investments to companies actually performing against international human rights standards and away from those who are not.
- **Business** will be incentivised to make information publicly available and when adverse events do occur they will be more likely to demonstrate how they addressed them and “ lessons learned”, resulting in greater preventative measures as well as adequate remedies for victims.
- **Civil society, communities and customers** will be empowered to make well-informed choices about specific companies to engage with, through greater transparency and better data on performance, and will have better information to encourage and pressure human rights advances by companies.
- **Policy-makers and regulators** will have an objective means by which to focus on those companies and business sectors that have the greatest human rights impacts and in particular those which are underperforming against significant human rights risks, highlighting where increased regulation and incentives might be necessary.

## Framework

### Design Principles

The Corporate Human Rights Benchmark is centred around four design principles:

➤ **Using Publicly sourced information:**

The Benchmark will use information in the public domain to benchmark companies (with limited exceptions and therefore aims to encourage greater disclosure of information by companies. The Benchmark will request companies to submit information into a public portal<sup>1</sup> but will also use a wide range of information in the public domain from and about companies.

➤ **Drawing on the UN Guiding Principles on Business and Human Rights:**

The Benchmark will utilise the UN Guiding Principles on Business and Human Rights as a foundation, and will complement these with additional human rights sector or issue principles and guidance.

*For example* in the extractives sector the Benchmark draws on the Voluntary Principles on Security and Human Rights.

➤ **Building a Combination of a Comprehensive Approach to Human Rights Management with Sector Specificity:**

The Benchmark will focus on core aspects integral to respecting human rights' and to sector specific issues where applicable. The Benchmark will ensure that companies from different sectors can be benchmarked against each other. The Benchmark focuses on core aspects that should be part of any company's approach to respecting human rights and sector specific factors, when relevant.

*For example* in the apparel sector a factor that is relevant will be forced labour and human trafficking.

➤ **Covering Policies, Processes and Practices:**

The Benchmark will endeavour to balance measuring companies on human rights related policies, processes and practices.

The Benchmark takes a process and systems approach. It combines an assessment of each company's own process to determine and manage their most salient risks (after having reviewed a broad range of potential risks) with a narrower view of those risks that are likely to be the most significant for companies in their sector and which we believe companies should be managing.

The Benchmark also endeavours to assess performance through a series of KPIs and sector specific practices combined with an assessment of adverse events that have occurred and companies approach to addressing and remediating them.

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<sup>1</sup> The portal will be designed based on the framework of the [BHRRC Company Action Platform](#)

## Scope

The scope of the Benchmark is not fixed and will change as it expands to its ultimate target of benchmarking the top 500 globally listed companies. The methodology will therefore also evolve over time as new sectors are introduced.

For its first iteration under Methodology 1.0, the Benchmark will focus on:

- **Companies:** The Benchmark will initially measure the top 100 globally listed companies that are in the Extractive, Apparel and Food/Beverage and Agriculture sectors. The Benchmark will focus solely on company's operations and not on a company's products or services. The scope of the companies considered to fall inside the sectors will be set out in more detail in the final methodology.
- **Sectors:** The Benchmark will initially measure companies in the Extractive, Apparel and Food/Beverage and Agriculture sectors. These sectors were chosen following multi-stakeholder consultations and taking into account the severity of human rights impacts of the sector, the extent of previous work on human rights in the sector/area of business activity, including through sector-specific initiatives, what other benchmarks already exist and global economic significance by size or "connecting" influence.
- **Adverse Human Rights Impacts:** The Benchmark's focus is on measures taken to avoid, mitigate and address adverse human rights impacts in line with the UN Guiding Principles on Business and Human Rights. Measures around positive impacts, through supporting or promoting the enjoyment of human rights, are not the focus – though company leadership on human rights will be assessed to provide opportunity to acknowledge innovations in ensuring companies do not harm people.

## Out of Scope

These are significant aspects that contribute to human rights performance by companies, but which will not be covered in Methodology 1.0. Following multi-stakeholder consultations on the draft methodology 1.0, such issues will be considered for subsequent revisions of the Benchmark's Methodology (e.g. 2.0, 3.0, etc.).

- **Geography:** The Benchmark in its first iteration will not focus on specific geographies.
- **Products and Services:** The Benchmark will not focus on issues that impact on human rights linked to the products and services, which companies provide, for example food safety. These will be covered in the next iteration of the Benchmark.
- **Positive Impacts:** The Benchmark will not focus on positive impacts on human rights.
- **Rights that are measured in aggregate as a sector:** The Benchmark will not include issues that are relevant to human rights but that cannot be directly attributed to a particular company or its business relationships, instead only to a wider collective. For example, climate change links to human rights concerning a clean environment or taxation links to economic rights.

## Benchmark Limitations

- **Not a fundamental measure of performance:** The Benchmark will not be a fundamental measure of performance due to difficulties of sourcing complete information, defining measures, and aggregation. It will measure relevant proxies of performance to drive forward improvement.
- **Limitations of assessing across operations:** The Benchmark will be ranking the largest of global companies, often with extensive operations globally. The information drawn on for the Benchmark will be as precise as the information released by companies in a disaggregated basis and available through reasonably accessible information sources globally and locally. In order to deal with this challenge the Benchmark will initially score companies based on demonstrating examples of good practices and on asking for coverage of operations.

## Measurement Themes

The draft Benchmark methodology currently focuses on 5 measurement themes, and 9 sub-headings.

Measurement Themes	Sub – Headings
Leadership 10%	Leadership
Governance 10%	Policy Commitments 5%
	Board Level Accountability 5%
Management systems 30%	Embedding policy 5%
	Human Rights Due Diligence 15%
	Remedies and Grievance Mechanisms 10%
Performance 40%	KPIs and Sector-specific Practices 20%
	Adverse Events 20%
Reporting 10%	Reporting/ Transparency

There are over 50 indicators and these are classified as essential (E) or desirable (D) when relevant<sup>2</sup>. Essential Indicators are indicators that we expect companies to fulfil either in part or in full. Desirable indicators are indicators that we expect companies to work towards.

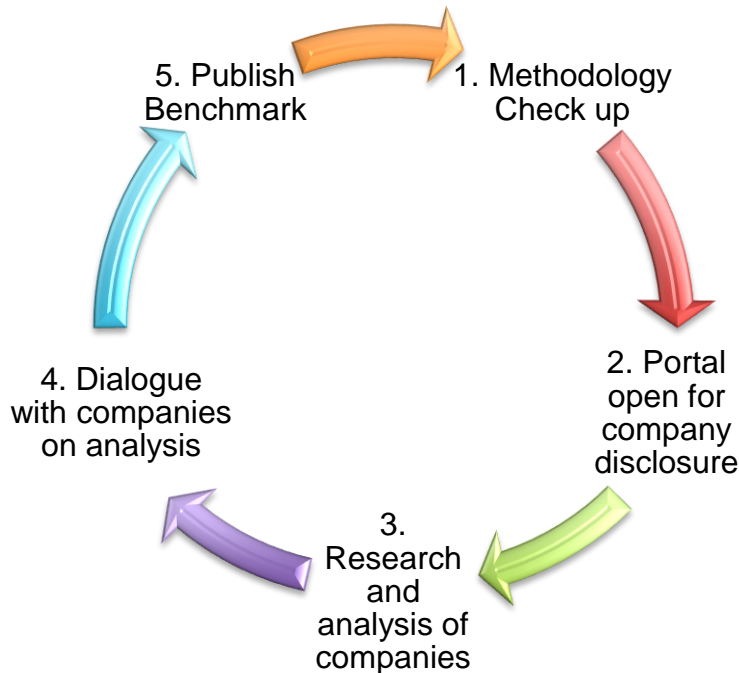
For the full list of indicators please refer to the Draft List of Indicators document, housed on the [CHRB Website](#).

<sup>2</sup> Indicators under the Performance and Reporting Measurement Area are not classified as essential or desirable.

## Process

### Lifecycle of the Benchmark

The Corporate Human Rights Benchmark will operate on an annual life cycle.



### Methodology Review

Once the initial Benchmark with all its sectors are established, the Benchmark will aim to review the methodology every 3 years. This review will include adding new elements to the Benchmark (e.g. geographical scope, products and services), fine-tune indicators and add additional indicators to reflect changes in the eco-system.

On an annual basis a quick methodology check up will be done, this will ensure that any issues that came out in the previous year's Benchmark are adjusted.

### Roadmap

The ultimate aim of the Benchmark - to rank top 500 globally listed companies - will be achieved incrementally. This will be done by adding new sectors to the benchmark over time.

Proposed Timeline (this is subject to change)

#### **March - June 2016:**

- Pilot Benchmark 100 companies from the extractives, agriculture/food and beverage, Apparel sectors using Methodology 1.0.



### **March - June 2017:**

- Broaden remit to the finance, heavy manufacturing and engineering, light manufacturing or service Industries and the electronics sectors using Methodology 1.0. Undertake consultations on and revisions to Methodology 1.0.

### **March - June 2018:**

- Release Methodology 2.0 and broaden to include pharmaceutical and ICT sectors – reach target of 500 companies.

## Short-term Timeline

This is an indicative timeline for the first iteration of the Benchmark

### **June - September 2015**

Multi-stakeholder consultations on CHRB Framework and draft Methodology 1.0.

### **September 2015**

Draft Methodology 1.0 review and revision following consultation process.

### **October 2015**

Online Portal is opened for companies to disclose information relevant to each measurement area.

### **November 2015**

Research and analysis on companies begins.

### **January - February 2016**

Dialogue with companies on draft analysis for clarifications and corrections.

### **March - April 2016**

Publish pilot Benchmark

## Consultation Process

The consultation process will run from June – September 2015.

Multi-stakeholder consultations will be held in major global cities including Amsterdam, London, Johannesburg, Sao Paulo and New York. Consultations will also be carried out with companies and additional webinars. All these will focus on the overall framework of the Benchmark and take the broad critical issues.

In July 2015, the full draft list of indicators will be published as part of our online consultation, and will be hosted on our website for 6 weeks, until the 31<sup>st</sup> August. This will ask for comments and input on the complete set of indicators by which companies will be measured. Additional bilateral consultations will also be held with human rights and sector experts.

For more up to date information on the forthcoming consultation process please refer to the [Corporate Human Rights Benchmark website](#).