

# Corporate Human Rights Benchmark

## Summary Report: Key Insights and Revised CHRB Approach from June – October 2015 Consultations

December 2015

### Introduction

The Corporate Human Rights Benchmark (CHRB) would like to thank all stakeholders for their thoughtful comments and insights to the consultation process between June – October 2015 on the draft CHRB [Framework and Indicators](#).<sup>1</sup> The feedback has made an invaluable contribution to the development of a rigorous and credible business and human rights benchmark.

This report summarises the key insights raised by stakeholders during the consultation period and outlines the proposed approach the CHRB team will take to address these issues. This Summary Report includes all submissions to the online consultation process, inputs via bilateral meetings, 8 webinars, and 9 in-person consultation meetings held in Paris, Amsterdam, London, Johannesburg, Sao Paulo, Hong Kong, Sydney, Tokyo and New York. In total the CHRB team received feedback from over 400 stakeholders: businesses and business associations, civil society organisations, investors, international organisations, government departments, consultants and academics. To review individual public submissions, multi-stakeholder consultation reports on the draft Framework and Indicators please visit the [CHRB website](#).<sup>2</sup>

In this Summary Report:

<b>Key Insights from the June - October 2015 Consultation Process .....</b>	<b>2</b>
Aim of the Benchmark.....	2
Alignment with UN Guiding Principles on Business and Human Rights .....	2
Company Scope and Business Relationships .....	3
Focus on Fewer Indicators – Those Which Drive Change .....	3
Avoiding Duplication when Measuring Reporting/Transparency .....	3
Weighting .....	3
Essential vs. Desirable Indicators .....	4
Process vs. Performance .....	4
Sector Specificity .....	4
Adverse Events / Serious Allegations .....	5
Reliability of Information.....	5
Indicators .....	6
Terminology .....	6
Greater Clarity.....	6
<b>For Future Iterations .....</b>	<b>7</b>
<b>Next Steps .....</b>	<b>7</b>
<b>More Information .....</b>	<b>7</b>

<sup>1</sup> <http://business-humanrights.org/en/corporate-human-rights-benchmark-0/resources-faqs>

<sup>2</sup> <http://business-humanrights.org/en/corporate-human-rights-benchmark-0/consultation-feedback>

## Key Insights from the June - October 2015 Consultation Process

### Aim of the Benchmark

Consultations reflected a strong support for the Benchmark's aim to incentivise better human rights performance of companies over time. In general stakeholders agreed that corporate human rights performance can be approximated by measuring human rights related policies, processes, and practices. In our final methodology and accompanying narrative we will explicitly highlight that the Benchmark is not a fundamental measure of performance per se, but relies on proxy measures to drive forward corporate performance.

Additionally, several stakeholders advised of the need to further explain the Benchmark's theory of change. This includes understanding the key role investors will play, the expected benefits for affected communities and workers, how academia and media can contribute and participate, and other ways in which stakeholders groups can harness the Benchmark. The CHR team will reflect these issues in its future communications as appropriate.

### Alignment with UN Guiding Principles on Business and Human Rights

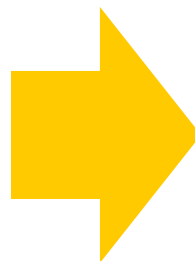
The CHR draws on the UN Guiding Principles on Business and Human Rights (UNGPs), and complements these with additional principles and guidance focused on specific sectors and issues. This was widely recognised by the consultations.

Some concerns were raised that the proposed structure and language of the draft Framework and Indicators were over complicated and did not fully correspond to the UNGPs, which could be confusing to companies working towards achieving the UNGPs. Additionally, some respondents commented that the draft Framework and Indicators were going beyond the UNGPs in some regards, such as the leadership indicators or references to sector- or issue-based principles and guidance. Others, however, appreciated the specificity that these indicators provided.

In response to these concerns, and to achieve a balance, the CHR will be restructured as follows:

#### Old structure

- A. Leadership
- B. Governance
  - B.1. Policy commitments
  - B.2. Board level accountability
- C. Management systems
  - C.1. Embedding policy
  - C.2. Human rights due diligence
  - C.3. Remedies and grievance mechanisms
- D. Performance
  - D.1. KPIs and sector-specific practices
  - D.2. Adverse events
- E. Reporting / Transparency



#### New structure (preliminary)

- A. Governance and Policies
- B. Human Rights Due Diligence and Related Management Systems
- C. Performance
  - C.1. KPIs and Sector-Specific Practices
  - C.2. Serious Allegations
- D. Remediation

#### Notes:

- Most leadership indicators will be deleted
- Fractional points for reporting and transparency will be integrated across some indicators (see details below)

Moreover, the language in the final methodology will be aligned to the UNGPs as much as possible. Indicators will be cross-referenced to the UNGPs and other reporting frameworks (including UN Guiding Principles Framework (UNGPRF) and the Global Reporting Initiative (GRI)). The CHRB will continue to make reference to sector- and issue-specific principles and standards where appropriate.

### **Company Scope and Business Relationships**

Many stakeholders requested greater clarity on how the Benchmark will consider different company structures, such as diversified companies and conglomerates. Respondents also wanted to understand in more detail how the Benchmark will address the concept of leverage within business relationships when assessing certain indicators. This particularly focused on the number of tiers within supply chains and the difference between operated joint ventures and non-operated joint ventures within the extractive sector. The CHRB team are seeking further input on both of these issues and will ensure that the scope of companies covered will be clearly outlined in the final methodology.

### **Focus on Fewer Indicators – Those Which Drive Change**

Most respondents thought that it is possible to provide an accurate reflection of a company's human rights performance while also reducing the number of indicators. The CHRB does not want to put an unnecessary additional reporting burden on companies. We will reduce the number of indicators, focusing on those that have the potential to drive changes in policies, processes and practices within companies to improve overall corporate performance on human rights. We will also reduce or simplify multi-part indicators as much as possible.

### **Avoiding Duplication when Measuring Reporting/Transparency**

Many stakeholders noted the possible duplication of a standalone Reporting / Transparency section, given the implicit transparency that comes with achieving scores across all other indicators; in other words, the Reporting / Transparency section of the draft Framework and Indicators invited the possibility of double counting. The CHRB team have taken this on board and, as noted above, the Reporting / Transparency section has been removed.

Instead, fractional points related to a company's reporting and transparency will be included across some indicators. This will seek to recognise a company's disclosure itself, while the indicators on substantive areas of the Benchmark (Governance and Policy; Human Rights Due Diligence and Related Management Systems; Performance; and Remediation) will focus on whether or not the policy, process or practice in question is actually in existence or occurring. This will therefore avoid unintended double counting while preserving the Benchmark's ability to reflect a separate score for disclosure, which has been submitted as an important consideration for the investor community, a primary audience for the Benchmark.

### **Weighting**

The overall weighting scheme in the draft Framework and Indicators appeared sensible to most stakeholders. Although some suggested to put more weight on the Management Systems measurement theme (in particular on due diligence and access to remedy) or Reporting / Transparency, whereas others suggested increasing the relative weight of Performance and Adverse Events measurement themes. The CHRB team will take these comments into consideration when finalising the weighting scheme for the final methodology.

## Essential vs. Desirable Indicators

Stakeholders recognised that some indicators were more important than others and should therefore receive a higher weighting. However, the categorisation of indicators as “essential” and “desirable” did not resonate. Stakeholders felt that by categorising indicators into essential and desirable it implied that only the essential indicators were necessary and the desirable ones were additional, rather than showing a difference in weighting. On reflection, CHRB is in agreement with this observation and the final methodology will use a different approach to highlight the difference in weighting between indicators.

## Process vs. Performance

The CHRB received substantial comments on measuring “performance” and what this entails. There is a large range of opinion on this issue. While where some stakeholders advocate performance indicators should solely focus on measuring actual human rights impacts on the ground, others consider effective processes and policies to be the best reflection of performance across the large and complex companies the Benchmark will cover. CHRB considers both perspectives to have merit and has sought to revise the proposed structure to take this into account (see above).

The CHRB was commended for including specific performance indicators, yet these indicators were also seen as the most challenging to get “right”. Several academics pointed out that many indicators listed under this section were in fact oriented around policy and process and therefore not achieving the desired focus on practices or outcomes. CHRB is in agreement with this reflection. In the new iteration of the CHRB methodology these indicators will be revised to focus on a small number of practice and outcome focused indicators per sector, linked to each of the key sector risks. The CHRB welcomes input from stakeholders with relevant experience in devising such measurable indicators.

## Sector Specificity

Stakeholders widely welcomed the sector-specific approach of the Benchmark, while a few questioned the value of cross-sectorial comparison. Additionally, the decision to start with the extractive, apparel and agriculture (linked to food and beverage supply chains) industries received general recognition.

Stakeholders were divided regarding the need to pre-determine the *key sector risks* (the risks regularly regarded as potentially severe and/or likely within the industry sector). Some parties did not want these outlined, understanding that identifying a company’s *salient human rights issues* (those human rights that are at risk of the most severe negative impacts through a company’s activities or business relationships) needs to be undertaken on an individual company basis. At the same time, there were a significant number of stakeholders that felt that the key sector risks should remain to ensure companies’ were assessed on these issues. These stakeholders went on to request additional issues to ensure a thorough list of key sector risks per industry.

Taking into account this feedback, the CHRB proposes to do both. It will continue to score a company’s process for assessing its human rights risks and impacts. This will focus on the company’s assessment of its *salient human rights issues* (as defined above), which vary from company to company. In assessing this process, CHRB will check if the listed *key sector risks* (as defined above) are included and how companies are demonstrating, through a process of human rights due diligence, that they are seeking to prevent them. While the key sector risks are anticipated to be relevant given the company’s sector, they may not necessarily be the individual company’s most salient human rights issues. As such, if a key sector risk is not included in a company’s assessment of its salient human rights issues, the CHRB will assess whether a company has explained why the risk is not relevant to its

operations.

As mentioned above, CHRB will also make the link between the key performance indicators per sector and the key sector risks clearer and more explicit.

Stakeholders also highlighted the need to include labour rights within the key sector risks, and requested the term “vulnerable groups” be broken down into specific groups, rather than an overarching concept. CHRB proposes to add relevant labour rights to each industry’s key sector risks, and we will also explore further how to ensure that we clearly articulate all groups included within “vulnerable groups” without creating additional indicators (which risks skewing the weightings).

In addition to sector specificity, a substantial number of stakeholders requested the Benchmark also take a geographical lens when scoring companies’ human rights due diligence processes. CHRB will review how to potentially take this on board, understanding that the Benchmark cannot become country specific.

### **Adverse Events / Serious Allegations**

Many respondents found the Adverse Events measurement theme to be a differentiating feature of the Benchmark, providing the opportunity to go beyond company self-reported information (on which the rest of the indicators rely).

However, there were serious concerns in relation to judging: a) whether the adverse event is true; b) how to evaluate company responses and commensurately score effective responses; c) which adverse events would be included; and d) the timeframe in which the adverse events occurred is taken into consideration. The CHRB team acknowledges that this section is different from the other sections of the Benchmark and requires further detailed explanation to ensure that stakeholders are clear on the process and scoring that will be used.

As an initial response to some of the concerns expressed, as above, this section will now focus on “serious allegations”, rather than “adverse events”. Notwithstanding whether or not the allegation is true, if deemed a “serious allegation” within the CHRB process, the Benchmark will assess whether a company has responded. Scoring in this section will focus on *deducting* points for poor company responses – in terms of commitments and actions to address the serious allegations – rather than *awarding* points. This will ensure that the Benchmark does not penalise companies where no serious allegations have been identified and as a result would not be awarded a score in this section.

The above offers only an preliminary response, and the CHRB team are further reviewing the revised methodology for this section and consulting relevant experts to ensure a fair and accurate process when categorising which allegations are serious and establishing different criteria to assess company responses. Once drafted the CHRB will publish an in-depth note on the process, criteria and scoring for the revised Serious Allegations section.

### **Reliability of Information**

As above, the CHRB was complemented for going beyond reliance on only company self-reported information and also using third party information in the Adverse Events (now renamed Serious Allegations) section. However, there was a wide range of opinion on the reliability and the veracity of the information that the Benchmark could use to assess companies. Some respondents thought the draft methodology depended too much on company self-reported information and too little on third party data (predominantly civil

society feedback), while others felt the Adverse Events section relied too much on third party information (particularly businesses' and business associations' feedback).

The CHRB is aware of the challenge of verifying the validity of the data used. However, by ensuring that all information used is in the public domain and accessible to all we are confident this is a step toward ensuring the validity and reliability of the information. In relation to self-reported information, CHRB takes the view that any company publishing false information would lead to serious repercussions for its reputation and business. In the revised Serious Allegations section, CHRB will rely on information from third parties. However, all third party information will be identified and analysed by Reprisk, Business & Human Rights Resource Centre and EIRIS – three organisations well experienced in collating and utilising third party information and company responses.

As above, once drafted the CHRB will publish an in-depth note on the process, criteria and scoring for the revised Serious Allegations section.

Understanding that quantification and verification issues may arise during the benchmarking process, CHRB will set up an independent process to respond to relevant, serious complaints about the Benchmark. CHRB will ensure that this process is transparent and accountable to all stakeholders of the Benchmark.

### Indicators

Many detailed comments were received on specific indicators. These ranged from changes in topics to scoring amendments and wording suggestions. CHRB is studying these in detail and will reflect them in the revised methodology. CHRB also received several suggestions for additional indicators. CHRB will seek to account for these as much as possible, but may choose to reserve such additions for future iterations of the Benchmark methodology in order to take into account feedback calling to reduce the number of indicators and focus on indicators that will drive policies, processes and practices to improve overall performance.

### Terminology

CHRB received significant comments on the terminology used in the draft Framework and Indicators. Many stakeholders felt that the draft indicators used nuanced language that could lead to subjective interpretation. The CHRB team is reviewing all wording used to ensure in the final methodology that all terminology is objective, consistent and aligned to the UN Guiding Principles (UNGPs). We will review and add to the Terminology section and, as outlined above, we will also be cross-referencing indicators to other reporting initiatives.

### Greater Clarity

Finally, respondents requested greater elaboration on CHRB and the benchmarking process. The CHRB team recognises that the final methodology will require detailed, clear and accessible explanations providing the full context of individual indicators and how they fit into the scoring for individual measurement themes and the overall ranking. The revised methodology will include a detailed narrative on the CHRB, its governance and research processes, its theory of change, intended audience and scope, as well as the benchmarking process and scoring across all the indicators. We will ensure that the methodology is accessible to all stakeholders.

## For Future Iterations

The CHRB received several recommendations that we have decided to reserve for future iterations of the Benchmark methodology, following the 2016 pilot. These included:

- Expanding the scope of the benchmark beyond a company's operations to include the human rights impacts related to a company's products and services
- Expanding into further sectors. CHRB will be doing this once the pilot benchmark has been published. The specific sectors will be determined in 2016.
- Further consultation on new sectors: we will be consulting with relevant stakeholders on the new sector indicators as these develop. Once we have determined which additional sectors will be included in future iterations of the Benchmark, we will outline a timeline, including sufficient time for stakeholder consultations.
- The CHRB team envisages continuous improvement of the methodology, especially in relation to the performance indicators. However, we will not do this on an annual basis understanding the need to have comparability between results. CHRB proposes to update the methodology on a three-year basis.

## Next Steps

The CHRB aims to publish the final methodology to be used in the 2016 pilot benchmark in early 2016. Exact timings and a detailed timeline will be conveyed in our first newsletter in 2016 and published on the CHRB website in January 2016.

CHRB will contact companies that will be included in the pilot benchmark in early 2016 to notify them that they will be benchmarked and outline the full process and timeline for the pilot ranking. Once all companies have been informed we will publish the list of companies that will be included in the 2016 pilot.

## More Information

For updates on the process please sign up to our newsletter or contact CHRB's Programme Manager [Vicky Dodman](mailto:vicky.dodman@corporatebenchmark.org).  
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