

Report on Corporate Human Rights Benchmark Multi-Stakeholder Consultation in London

Date: Friday 3rd July 2015

Time: 13.00 – 16.15

Place: Aviva Investors, No. 1 Poultry, London EC2R 8EJ

1. Opening

Stephanie Maier (Aviva Investors), the host of the day, opened the meeting with a warm welcome to all the participants. John Morrison, Executive Director of Institute of Human Rights and Business (IHRB) and member of the Corporate Human Rights Benchmark (CHRB) Steering Committee chaired the meeting. He began by providing an overview of the work undertaken to date including initial meetings and discussions held in 2013 and 2014 to discuss the demand for the benchmark and its feasibility and the Benchmark's subsequent launch in December 2014. The audience included a mixture of business, investors and civil society representatives, some who were new to the process and others who had attended previous meetings. Participants were informed that this meeting was the part of a series of consultation meetings on the CHRB to be held in major global cities during June to September. Finally, the objective of the meeting was re-iterated: to obtain participants' first impressions on the overarching CHRB framework and if the Benchmark is fit for purpose for all stakeholder constituents.

2. Presentation on CHRB Overarching Framework

Haley St Dennis, Project Manager Research and Legal Affairs of IHRB and member of the CHRB Steering Committee presented CHRB's overarching framework. This presentation mirrored the CHRB Framework Paper Multi-stakeholder Consultations that was distributed to participants in advance of the meeting, and focused on the rationale and aims for the Benchmark as well as highlighting its design principles, scope and measurement themes. Subsequently, Peter Webster, Chief Executive Officer of EIRIS, and member of the CHRB Steering Committee elaborated on the specific measurement themes and sub-headings and gave the audience an indication of the possible indicators for each measurement theme. Examples of the sector-specific additional criteria were also highlighted to demonstrate the balance in ensuring a comprehensive benchmark with sector specificity.

3. Participant Reflections and Questions

Following the presentations, participants were asked in their tables to individually write down on post-its their initial reflections and questions on the Benchmark. Subsequently these were discussed by each group and feed back to the plenary. The main reflections and questions are summarised below.

Scope

- Link between sector and geography is key
- By excluding geography a great deal of exposure is lost
- Granularity is key and size.
- As geographical coverage is out of scope does this mean that there will be no way to flag up companies operating in countries considered to be off limits by some investors? E.g. North Korea?
- Positive Impacts – why excluded? With this exclude companies good work & disincentives?
- ICT
- When you say ‘products / services’ are out of scope, is this just with customers – i.e. supply chain is in scope.
- Boundaries of products and services out of scope?
- Revisit product/ service category: arbitrary distinction – materiality decisions often arrive at products/services

Structure

- Joint ventures vs. governments – how do you measure? State – owned enterprises?
- Companies that have subsidiaries in different industries?
- Business relationship has to be core to the benchmark
- Human Rights risks are too great and as a result company avoids country/product etc. – should get credit for this stance.
- How will supply chains be assessed? What weighting in scoring system? Bias in available data?

Indicators & Measurement Themes

- How are the KPIs being determined? How do we know they are the right KPIs?
- KPIs should it have its own section or be split across the themes?
- Capacity building KPIS should not just be in the company but down the supply chain.
- Nothing happens without leadership, galvanising the company
- Adverse Events – how to measure?
- Is leadership % too low? Is that because it's hard to measure?
- Using same indicators for different sectors – comparing apples/ oranges? Of different indicators for different sectors? Supplemental questions for different sectors?
- Concern over 20% for KPIs – some thought it is difficult to assess? Can it be made? If it can be done: needs to be weighed more. If it can't be done: leave it out.
- Issues of risk – need clarity on risk for companies vs. risk for right-holders
- Different metrics measure the same things: e.g. is it injuries compared to the size of companies, or injuries compared to revenue, etc.
- Reporting criterion: is this about the quality of the report? Possibly marked down twice for the same thing (i.e. Company has not done x and has not reported on it either)
- Balance between essential and desirable indicators – open to discussion
- Split between essential and desirable indicators is subjective.
- Clarity and not confusion amongst different alterations / initiatives

- Still question marks about how performance /KPIs can be compared between companies when each act in unique contexts.
- Reporting weighting is low (10%) Aim should be to encourage better transparency & reporting
- Sector supplements from GRI maybe useful to identify sector specific impacts and KPIs.
- Draw on existing work by sector associations on sector specific impacts and KPIs.
- Extent to which existing sector specific information from indices is used?
- Which rights trump? How do you rate when they are competing rights?
- Is qualitative information public? E.g. compliances, corrective actions – will companies want to make this public
- Weighting: some things more important than others. Your indicators make implicit judgements.
- Companies in Qatar have to confiscate IDS. Will they be marked down for following the law?
- Commitment to remedy only desirable? This is surely one of the most significant Indicators - it is about a company response?
- Mediation on Adverse Events – how do you determine whether the response is robust?
- Process vs. outcome indicators – need more on latter, but difficult to capture.
- Performance- danger that NGO/Press focus on single issues will bias the assessment and quality of company response will be difficult (subjective) to assess
- Management systems – are the company's system externally audited or certified to relevant standards e.g. OHSAS IS0001
- Performance: large cap bias (brand name) vs. B2B
- Good performers penalty – the companies that disclose negative impacts will see score fall more than the importance of leadership in the issue.
- The weighting of adverse events – is this % high enough? Companies linked to recurring problems highlight failings in policies and management systems i.e. less positive

Missing Issues:

- Freedom of Association
- Living Wage
- Discrimination
- What is meant by women and children?

Process:

- What if you disagree with your score/ranking?
- Score vs. ranking – can we see the journey & trend?
- Sectors to be looked at separately
- Want investors to be part of the primary audience
- Incentivising public disclosure
- How do we find all the relevant information – very detailed information that is currently internal, reactions maybe private.
- Some regions (Germany, USA) have great PR teams, don't negatively weight companies who don't have those capabilities?
- How do you sense and assess the quality of what companies are doing?
- How do you seek to stop companies managing the benchmark? Fear of companies "managing to benchmark" instead of improving?

- What will be the next steps? How will those that need to improve be helped? How will you help them see the value in improving?
- How will unavailability of data be handled?
- Can other stakeholders consult/feed in information pre-dialogue? Where is the negative information coming from?
- What resources are there to assess – will it be one team using same standards? What Quality Assurance will there be? Verification of 3rd party data?
- How is information verified especially when provided by third parties?
- Assurance of data? (Publically available)
- Different levels of assurance and if they have the assurance at all?
- How do you get to real-time reporting? Can this utilise forward-looking indicators?
- How will you communicate with those companies? Will assessments take place at same time each year? When will group be chosen? (changes to index for example)
- Legacy issues – how to capture them in the benchmark –
- Credibility of benchmark will be compromised if companies with controversial on-going issues score high based on activities they take elsewhere – Legacy
- Problem of companies that are seen as human rights abusers (e.g. Shell) Problem of credibility of benchmark if they score well – on going litigation?
- Concern: taking as read what a NGO or other says about a company is accurate.
- Concern: media reports may be inaccurate – how will these be verified?
- Experience of other ratings agencies: NGO allegations may not be correct, companies may not have chance to respond, not necessary true.
- Theory of change works – we need a mechanism that creates competitive dynamic and rewards companies.
- Clarity not confusion – clutter of information – BHHRC webpage for clarity.

Companies scope

- Is the number of companies diluting the power of the ranking – are you including too many companies?
- Why only listed Companies?
- Openness to not just limiting to the top 500 – companies that are big but not in the top 500
- What system of industry classification will be used? How will wide differences within sectors be managed?
- Where are companies in the Top 100 based? How will you engage them,
- How do IFC, EBRD and other IFIs engage them and how can you build on them?

Portal

- Open website for criticism – good initiative
- Database itself needs to be transparent
- Portal only open for companies or also NGOs – need more information?
- Companies give much more attention to CDP type surveys, rather than CHRb approach to portal. Huge risks of inaccurate data.

Business

- The benchmark will demand resources from the company side – will they feel this is yet another benchmark/ reporting initiative?
- How do you ensure that companies take this seriously – given the many, many benchmark that currently exist. Will consumers & investors care? What is your engagement strategy?
- How do you make people in power care? Needs to get to the rights audience?
- How do you ensure that there is no gaming of the benchmark
- How will the benchmarking exercise work if companies do not consent? How can companies be incentivised to cooperate?

Top Issues

- Concern about listing top issues: Takes the responsibility off the companies. Perhaps they should decide what their issues are?
- Does the pre-determination of sector issues contradict the principle of companies having effective systems to identify their own risks and impacts.

Other

- It could undermine mediation or other dialogues between communities/ individuals rights holders' and companies
- Issues of confidentiality and trusted dialogue could be undermined, how can the benchmark encourage that dialogue?

4. Break out Groups on Broad Critical Issues

Phil Bloomer, Executive Director of Business & Human Rights Resource Centre and member of the CHRB Steering Committee introduced the breakout groups to discuss broad critical issues that were highlighted in initial consultations in 2013 & 2014.

The three broad critical issues identified were:

- Have we got the principles behind the weighting right? Ensuring a balance between policy vs. performance
- Have we covered the top issues in the key sectors?
- Is the benchmark fit for purpose (for all stakeholders)

For each issue participants were asked to focus on: 1) Whether the issue has been resolved, 2) Challenges, 3) Opportunities, 4) Next Steps & 5) Network need to take this forward.

Below is a summary of the key issues raised linked to the three broad critical issues:

4.1 Have we got the principles behind the weighting right? Ensuring a balance between policy vs. performance

- Performance is all of this: Policy, Process, and Execution. Reword performance as implementation? So not enough % given to performance

- This is really about performance– if it can be assessed should be more but if can't then don't change
- Reporting – 10% okay if it is about encouraging disclosure however could be seen as double accounting
- Rename Essential and Desirable indicators to something like basic and advanced
- KPIs should be more weighted
- How are the different rights weighted? e.g. impacts on the rights to life vs. environmental impacts = about Impact
- Grievance Mechanism should be higher + extra points for engaging in community mechanisms
- Why not positive impacts? They are in there indirectly Avoiding impact is positive. By saying out of scope may be creating problems for self.
- Leadership is low if we want to galvanise organisation – mark of leadership
- Boards are the differentiator in better performing companies
- Need to ensure geographies, omitting is too big an error.
- Concerns on reporting as a separate theme. Is it quality or quantity of disclosure?
- SCOPE – products and services right terminology (customers impacts rather than the products itself).

Concern in relation to the section on Adverse Events

- Challenge of 'substantiating' allegations. Noise vs. credibility of allegation
- Focuses on company response – policy, process - *but how is willingness to engage accounted for?*
- Triangulation of sources – source influencers – individual blogger vs. systematic # of complaints
- However is this a barrier for entry? (e.g. Individual complaint) or issues being resolved without the knowledge of the press? Internal mediation may be functioning well.
- Question the weighting of severity

4.2 Have we covered the top issues in the key sectors?

Overarching comment:

The Benchmark shouldn't list the top issues this should come from companies themselves rather than being alerted by the benchmark.

Additional Top issues to include

All Sectors:

- Gender is cross-cutting not sure its covered well enough
- Expand more detail on women and children
- Climate change: incongruous not to reflect high carbon emissions. All companies are expected to reduce their emissions, baffling if Extractive companies aren't assessed on emissions. OTHERS disagreed this is a Human Rights Benchmark.
- Community Health and safety impacts are missing (e.g. Noise and health)
- Right to an adequate standard of living.
- Freedom of association.



Apparel:

- Chemical use,
- Cotton
- Structural Safety

Extractive:

- Water
- Land Rights
- Purchasing Practises
- Women and children
- Labour rights

Agriculture:

- Water
- Land Rights
- Purchasing Practises

4.3 Is the benchmark fit for purpose (for all stakeholders) ?

- Emphasis on disclosures, and type of disclosure good. A lot of good information is not usually disclosed – this enables companies to change this.
- Open process more important than the ranking – disclosure over comparing
- Endorse the apple: orange approach – cross sector.
- Company tracking measures often driven by investors, who are utilising Benchmarks.
- Raise governance questions in relation to funding, who is driving the Benchmark, avoid co-optation.
- It must be credible for all stakeholders not just civil society.
- If disclosure is right then gaming of the benchmark isn't bad per se.
- Question of balance between burden on companies in providing information and safeguarding accuracy
- More clarity on risk, investors worried about the risk of companies vs. risk of right holders
- More clarity on how to measure KPIs. How are you going to collate metrics
- To ensure it is fit for purpose, would need different weightings as different lenses according to stakeholder.

5. Next Steps

Prior to closing the meeting, Vicky Dodman, Programme Manager of the CHRB, outlined the next steps in developing the Benchmark and highlighted the on-going multi-stakeholder consultation process and the online consultation where participants could contribute additional feedback.

Agenda Corporate Human Rights Benchmark **Multi-Stakeholder Consultation in London**

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1. Welcome

Stephanie Maier

2. Welcome, Objective of session and tour de table

John Morrison

3. Presentation on the general framework of the CHRB

Haley St. Dennis & Peter Webster

Linked to CHRB Framework Paper sent in advance to participants

4. Overarching impressions & Q&A from participants

Facilitated by CHRB Steering Committee members in groups

5. Break out sessions on broad critical issues

Facilitated by Phil Bloomer

- Ensuring a balance between Policy and Performance – Have we got the weighting of the measurement areas right?
- Have we covered the top issues in the key sectors?
- Is the benchmark fit for purpose (for all stakeholders)?

6. Report back to Plenary - the main suggestions from the group discussion

Facilitated by Phil Bloomer

7. Next Steps – where to add more feedback and process going forwards

Vicky Dodman

8. Closing Remarks

John Morrison

Attendee List

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Business

Sarah	Baker	LSEG Group / FTSE Russell
Cristina	Bruce	Anglo American
Hannah	Clayton	HSC Consultants
Sarah	Dyson	GSK
Jo	Goddard	Aviva plc
Claire	Larner	ICMM
Nigel	Lockwood	G4S
Anne	Mclaren	British Telecommunications plc
Katherine	Miles	Global Business Initiative on Human Rights
Elaine	Mitchel-Hill	Marshalls
Aarti	Ramachandran	Context
Patrick	Shaw-Brown	PWC
Gabriella	Wass	Primark
Monica	Woodley	Economist Intelligence Unit

Civil Society

Desiree	Abrahams	UNGC UK
Nadia	Bernaz	Middlesex University
Stuart	Bell	Ergon Associates
Kenneth	Boyce	Christian Aid
Marilyn	Croser	CORE
Wiebke	Flach	Ethical Trading Initiative
Peter	Frankental	Amnesty International
Beverley	Hall	Prospect
Shauna	Leven	Global Witness
Oliver	Jackson	SEDEX
Anna	Triponel	Shift
Andrew	Wallis	Unseen UK
Francis	West	Unicef UK
Linda	Wood	Change the Law ltd
Felicitas	Weber	UN PRI



Government

Francis	Evans	UK Department for Business, Innovation and Skills
Edward	Greatrex	UK Department for Business, Innovation and Skills
Stephen	Lowe	UK Foreign and Commonwealth Office
Mark	Wright	Equality and Human Rights Commission

Investors

Tim	Goodman	Hermes Investment Management
Juan	Salazar	F&C Investments
Runa	Urheim	Norges Bank Investment Management

Research Providers

Farnam	Bidgoli	Sustainalytics
Juliana	Burden	Ethical Screening
Stella	Kenway	RepRisk

CHRB

Joseph	Bardwell	BHRRC
Phil	Bloomer	BHRRC
Vicky	Dodman	CHRB
Bennett	Freeman	Representing Calvert Investments
Stephanie	Maier	Aviva Investors
John	Morrison	IHRB
Haley	St Dennis	IHRB
Peter	Webster	EIRIS