

Report on Corporate Human Rights Benchmark Multi-Stakeholder Consultation in New York

Date: Friday 25th September 2015

Time: 11.00 – 15.00

Place: NYU Stern Center for Business and Human Rights

1. Opening

Sarah Labowitz (NYU Stern), the host of the day, opened the meeting. Bennett Freeman, Representing Calvert Investments 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. Participants were informed that this meeting was the last of a series of consultation meetings on the CHRB held in major global cities during June to September and CHRB's desire to hear everyone's opinion in order to improve the Benchmark. Finally, Bennett Freeman asked all participants to introduce themselves.

2. Presentation on CHRB Overarching Framework

Annabel Short, Program Director at Business and Human Rights Resource Centre 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, CEO 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. Finally, Phil Bloomer, Executive Director of Business and Human Rights Resource Centre, presented a summary of the key points that the CHRB have received during this consultation phase.

3. Participant Reflections and Questions

Following the presentations, participants were asked to individually write down on post-its their initial questions and impressions of the Benchmark. These are summarised below.

Questions

Process

- Will there be a process for evaluating systems or groups that a company cites they are involved with? I.e. evaluation of specific auditors if used or MSI that the company is a part of.
- How will the portal be managed, curated and staffed?
- How can you get at outcomes? a) On the ground b) may be contested c) cause/effect question d) many other factors in play.

- Who will actually decide the rankings against the indicators
- How is objectivity to be maintained through the process
- Who decides the validity of statements around adverse impacts
- When can we expect the “final” document as the time table is tight
- How will you reach out to companies on sources to draw upon
- If you are relying on companies providing data, how are you working to ensure there is enough buy-in for them to provide it? And is there a way to ensure it is accurate?
- How do you ensure transparency in a reporting platform?
- Is the degree of scoring 1-2 enough to provide credit (or not) where due?
- Does the performance component account for situations in which an adverse act is performed by a “rogue” employee or team? Is this perhaps a measure of the interaction of policy/ management and performance criteria?
- Frequency of reporting and delivery of information, comparable scores to contrast company performance. On an annual process or quarterly?
- Will there be a consultation for the addition of more industries to the benchmark?
- What will be the source of the performance indicators? Companies have been so resistant to disclosure of negative impacts, and it is often difficult to verify third party allegations.
- Are human rights issues taken into account when making materiality assessment decisions? Is human rights or sustainability manager in the room when these decisions are being made?
- Do you think corporations will participate in the platform and release more information?
- What are the mechanisms to make companies care about the benchmark?
- How is non-corporate public information vetted?
- What is the time period for assessing human rights performance? How far back are you looking?

Indicators

- How do you take into account the on-going efforts in corporations of “materiality assessment” of CSR? How human rights are part of the materiality assessment and how it can inform the Benchmark? Maybe we need to take this into consideration as well.
- Is there a way to assess the overall “Management Quality” over Human Rights? This can be a bridge between Governance and Leadership.
- What’s a “fall-back channel” for workers in relation to grievance? Must ensure multiple private/confidential channels.
- How are the indicators translated into profit for upstream suppliers?
- For forced evictions will there be reference to the Voluntary Principles on Security of Land Tenure?
- In what ways does the Framework overlap with GRI (Global Reporting Initiative) indicators on human rights? Is there any deliberate overlap?
- The indicator on policy commitment to business relationships uses the word “major” business relationships. How will this be (i.e. major) determined and defined?
- What do we know about which indicators potentially have the most impact to improve human rights practices/ outcomes?
- How are you determining the frequency and substance of Board reviews of human rights oversight?
- Given the growing proliferation of MSIs, what is the process to determine which are most credible?

Scope

- How is parent-subsidiary relationship taken into account when evaluating a “company”?

General

- What is the role of organizations that are working on transparency with SEC-listed companies, such as SASB (Sustainable Accounting Standards)?
- Are companies’ involvements in pushing for a National Action Plan being considered?

Impressions

Structure

- Clearly differentiate policy, process, practice, outcome – currently are jumbled together in same sections.
- Confusion in salient issues vs. key sector risks vs. relevant issues/ KPIs
- Reporting / transparency indicators not sufficiently a) different b) geared to quality of reporting
- Examine every indicator for possible perverse results – is big risk – manageable but big.
- The proposed benchmark relies heavily on self-reported data by companies. However, there should be more emphasis on obtaining diverse set of information sources, which are reliable. Getting this balance right is important.
- Need clarity of what is inside and outside scope when it comes to performance. “Policies, processes, practices” are the core it seems but performance is central to human rights impacts. Helpful if there is more conversation on proxies.
- Important that the KPIs are tracked and performance is more important than transparency.
- Would be useful to add some request to get companies to start tracking time that Board and top management spend on dealing with given human rights issues. This is an externality Shift has worked on but I think could be an eye opener to companies.
- Huge potential; huge challenges – take more time to get this right (enough) otherwise we lose too much.
- Scale? Absolute vs. Bell Curve?
- Leadership, Management Systems, Grievance are all very similar and represent the majority of the benchmark (50%). Many of the “performance” indicators are similarly process-orientated. How do you propose to begin to measure real-world outcomes?
- Compliance vs. performance: more thoughts into tools that facilitate outcome measurement

Indicators

- For agriculture, consider adding contract farmers in addition to suppliers.
- The KPI form could be confusing, as the example indicators don’t seem to reflect the way companies define KPI’s.
- The performance KPIs could better evaluate environmental impact: do AG & EX especially follow good procedures to dispose of waste (harmful or otherwise). Could also focus more on needs of women.
- Be as explicit as possible on expectations of suppliers and cascading responsibilities on policies and training

- Include alignment of lobbying and trade relationships
- Remedies & grievance mechanisms: a) continuous, not ad-hoc, b) accessible (beyond available), c) respects / includes traditional approaches
- Scoring on methodology- governance should be higher (15-20%) this is what will drive change in the company

Process

- Reliability & uniformity of sources of information beyond those provided by business particularly concerning redressing grievances in performance?
- Concerned that “publically sourced” is a disincentive for companies to collect/provide detailed data.
- There is a need to find a way to supplement sources of information for ranking companies in addition to their public reporting, especially information from affected communities.

Scope

- How can we adapt our methodology for identifying companies to account for the significant Human Rights impact of smaller or more devolved subsidiaries and smaller enterprises that won't appear on any high profile ranking?

General

- Important and promising – what do you need to move it forward?
- Thank you for undertaking such a thorough consultation process will make it a stronger tool and increase credibility.
- More transparency needed of decisions made now and going forward.
- Who is not in the room, how are they to be involved?
- Integration of Technology: crowdsourcing? Web crowding? Mobile tech? Social Media?
- Suggest connecting with CDP to get input on strengthening methodology and responding to concerns of companies

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 consultations in 2013 & 2014.

The three broad critical issues identified were:

- Have we got the principles behind the weighting of the measurement themes right?
Ensuring a balance between policy and performance
- Have we covered the respective key sector risks in the Extractive, Apparel and Agriculture sectors?
- Are the CHRB framework, process and indicators, as currently drafted, likely to result in the desired impact for the different stakeholders?

For each question, participants were asked to focus on:

- a) Which areas or elements have been successfully covered;
- b) Which areas or elements require further development or improvement;

- c) What are the necessary resources or knowledge required to overcome any weaknesses or enhance current areas or elements;
- d) Suggestions of contacts or networks to develop these further.

4.1 Have we got the principles behind the weighting of the measurement themes right? *Ensuring a balance between policy and performance*

- Difficult to separate the categories as expressed, the themes bleed into each other e.g. Leadership and Governance with Embedding Policy.
- Not clear what the organising principles behind the themes: UNGPs, investor utility? And are these the right ones?
- Identify your value add, initiatives cover policy and process.
- Consider flipping the focus to performance measurements increase to 60%
- If shifting from Policy to performance, will need to go beyond publically sourced information to getting boots on the ground level.
- Reorder structure so in each theme you have policy, process (static in place) and performance (what's happening)
- Work more on smart proxies for performance criteria
- Trying to cover too many stakeholder constituencies? Okay to only focus on one.
- Focus on investor community and consider how this initiative distinguishes from SASB, GRI?

4.2 Have we covered the respective key sector risks in the Extractive, Apparel and Agriculture sectors?

- Generic indicators work across the board and complemented with specificity at sector level.
- Looking for policy manifestations at first, consider what is the effectiveness of the implementation of controls
- Importance of mapping sub-contractors and upstream suppliers, this is a serious endeavour (upstream and downstream) and is more strategic for companies and beyond compliance
- Add hazardous chemicals (how they are handled/ disclosed)
- Need to reduce wiggle room in responses
- Consider if the rankings could reward good sourcing practices and inform investment criteria
- Consider a more qualitative aspect vs. just quantitative information

4.3 Are the CHRB framework, process and indicators, as currently drafted, likely to result in the desired impact for the different stakeholders?

What's successfully covered?

- Methodology & process – transparency & consultation enhance credibility and will help drive change
- Policies and management & implementation mechanisms do matter for how companies address human rights crises.

Challenges

- Not all indicators clearly related to human rights

- What are rights being addressed, and do they have universal support?
- Need to keep encouraging companies to dig in, to develop user base before its even launched - don't be married to dates in advance
- For impact, need focus to shift away from policy and process, to practices that affect of rights
- Where policy fails, companies need to be measured and rated on this.
- Policy needed to crystallize practice- they are still evolving.
- Many companies don't have policies & management systems in place yet.
- Is this integrated to major business decisions like joint ventures or mergers & acquisitions?
- How do you demonstrate prevention/ effectiveness of proactive steps?
- Increase weighting of governance? Board commitment will drive change
- For impact among investors: Engage with them to find how useful this will be to them
- How do you understand materiality if geography is out of scope? Companies have to prioritize high-risk zones.
- Will the benchmark track how/whether companies track costs of human rights impacts – when externalities start hitting bottom line? This will help make the business case
- Will we ask companies if there is a way to measure if a policy is successful or not? Investors will want to know which companies have better systems.
- Need more clarity of what performance metrics look like- how will the outside world respond to honest disclosure?
- Performance now looks like it only evaluates poor performance. Need to include positive impacts & performance, too.
- How will you find information that civil society, investors and other stakeholders want but that aren't publicly available and companies aren't willing to disclose?

Objective information:

- 5-10 of the most difficult and relevant indicators per sector, find effective proxies- e.g. supply chain controls key to really manage human rights impacts in supply chain.
- Indicators should assess how comprehensive and holistic companies' measures and responses are – need nuance to capture this.
- Add to criteria: Partnerships, e.g. with UN, ILO, to address challenges proactively.
- Tension between nimble and effective human rights risk management for one company vs. positive human rights outcome for affected people.
- To minimize risk are we encouraging them to simply not invest in high-risk countries?

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 that the Steering Committee would be reviewing all the feedback received and then deciding on the next steps forward.



Corporate Human Rights Benchmark Multi-Stakeholder Consultation
New York, 25th September 2015

Kindly hosted by NYU Stern Center for Business and Human Rights

Agenda for the session

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| 11:00 – 11:25 | Welcome, objective of the session and introductions |
| 11:25 – 12:00 | Presentation on the Corporate Human Rights Benchmark (CHRB)
The CHRB Steering Committee will give a synopsis of stakeholder feedback to date and an overview of the CHRB general framework and measurement approach. |
| 12:00 – 12:55 | Overarching impressions & questions
A space for participants to reflect substantively and strategically on CHRB's framework and draft indicators. |
| 12:55 – 13:30 | <i>Networking Lunch</i> |
| 13:30 – 14:40 | Break-out session on critical issues
Opportunity for participants to discuss some of the critical issues that the benchmark seeks to address. |
| 14:40 – 14:50 | Next steps |
| 14:50 – 15:00 | Closing remarks |

Attendee List

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Michael	Adams	Columbia University
Max	Anderson	Columbia University
Joanne	Bauer	Columbia University
Sethaly	Beyer	Columbia University
Shubha	Chandra	UN Global Compact
Dina	Ciarmatori	Neuberger Berman
Anatole	Douaud	Columbia University
Alex	Feldman	Clifford Chance
Mary Beth	Gallagher	Tri-State Coalition for Responsible Investment
Nina	Gardner	John Hopkins University
Erika	George	The University of Utah
Sam	Schrager	Just Capital
Antoine	Heuty	Ulula
Marian	Ingrams	Harvard University
Jonathan	Jacoby	Oxfam America
Alya Z.	Kayal	USSIF
Andy	Knauer	Just Capital
Sarah	Labowitz	NYU Stern School of Business
Mike	Lombardo	Calvert Investments
Haoran	Luan	Columbia University
Amol	Mehra	International Corporate Accountability Roundtable
Kilian	Moote	Know the Chain
Ishita	Petkar	Columbia University
Caroline	Rees	Shift
Jonathan	Samuel	AngloAmerican
David	Schilling	Interfaith Centre of Corporate Responsibility -ICCR
David	Segall	NYU Stern School of Business
Satbir	Singh	Columbia University
Ben	Skinner	Tau Investments
Andrew	Slight	PepsiCo
Julie	Tanner	Christian Brothers Investment Services
Mariela	Vargova	Rockefeller & Co
Sarah	Volkman	Context America, Inc
Allison	Walker	Columbia University
Chatrini	Weeratunge	Columbia University
Samantha	Weinberg	Columbia University
Ginger	Whitesell	Columbia University
Andrew	Wilcock	Columbia University
Brent	Wilson	Coca-Cola
Ursula	Wynhoven	UN Global Compact