

Monitoring Progress in Corporate Respect for Human Rights

Policy brief, March 2020



It is widely recognised that the solutions, services and goods generated by the private sector have a central role in reaching the Sustainable Development Goals (SDGs).

The positive contribution of business is, however, only fully realised if companies respect human rights in line with the UN Guiding Principles on Business and Human Rights (UNGPs, 2011). Today, business continues to cause and contribute to serious human rights violations.

Important efforts have already been taken by the European Commission and several Member States of the EU to encourage and oblige companies to heed the UNGPs and carry out human rights due diligence (HRDD).

We see that the EU should

- 1) make HRDD mandatory for companies operating in the EU, creating a level playing field for all companies in the region; and
- 2) strongly promote corporate respect for human rights in all related EU policies, including the Directive on Non-Financial Reporting, the Sustainable Financing Action Plan, and the European Green Deal.

We congratulate Finland for proposing an ambitious Agenda for Action on Business and Human Rights for the EU and urge the current and future EU Presidents, all relevant DGs of the Commission and the Parliament to further the implementation of this Agenda.

The need for monitoring

We wish to highlight the important role that robust and legitimate monitoring methods have in supporting legislative developments and spurring corporate respect for human rights.

Knowledge about how well individual companies adhere to the UNGP is needed by all stakeholders:

- Investors willing to consider Economic, Social and Governance (ESG) aspects in their investment decisions need better data on companies' human rights performance;
- Companies would benefit from greater clarity on how corporate performance is assessed as this can fuel learning, better practices and also peer pressure;
- Policy-makers need evidence about whether corporate respect for human rights is growing and which policy instruments are most effective in spurring it;
- Consumers need information and rankings to make wiser decisions, so market reaction to human right violations becomes deeper and longer.

State of indicators and monitoring

Current rankings and indices are vastly insufficient to serve the above needs. Companies that offer analytics and ratings for investors apply various indicators but none of them properly reflect the UNGPs, so their results are contradictory¹.

¹ <https://www.bloomberg.com/news/articles/2019-12-11/conflicting-esg-ratings-are-confusing-sustainable-investors>

We take an example of alternative from the most widely referenced HRDD-ranking, Corporate Human Rights Benchmark (CHRB, www.corporatebenchmark.org). The benchmark is maintained by a not for profit -company backed by a group of investors and civil society organisations.

The CHRB has indicators on companies' human rights policies, processes and practices. The assessment relies on public information disclosed by companies. It is, however, currently only applied to the world's 200 largest companies from four business sectors.

Therefore:

- 3) Meaningful outcome-oriented metrics must be developed to monitor corporate performance in adhering to the UNGP, drawing lessons from or building on current monitoring frameworks.
- 4) The metric needs to be *transparent* concerning its methodology and data, *adaptable* to evaluate versatile companies operating in distinctive contexts and *justifiable* for its manifold users.

Implementation

A transparent and participatory process is required for developing EU-level metrics for assessing corporate adherence to the UNGP. This process can be supported through pilots at national, EU or global level.

One such pilot is under way in Finland, where the government is commissioning research to assess how Finnish companies adhere to the UNGP. The research project will offer a one-off assessment but the need for ongoing data collection and analysis remains.

- 5) Public engagement is needed to ensure the justifiability and legitimacy of the metric and the results to their manifold users. Constant public funding is needed for data collection and analysis and considerable institutional support is needed to disseminate the results and promote their usage.
- 6) The EU, perhaps through Eurostat, should lead the development of the UNGP-based HRDD indicator in a transparent and consultative manner and on the basis of adequate resource allocation.

Further information

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These recommendations draw on a co-creative multistakeholder conference entitled Beyond Growth – Indicators and Politics for People and Planet, held during Finland's EU Presidency in Helsinki on 28-29 October 2019. The conference brought together experts from business, civil society, academia, national governments, the European Parliament and the European Commission.

Respecting Human Rights in Business track was facilitated by *Fairtrade Finland* and *Finnish Evangelical Lutheran Mission FELM*. The other tracks focused on inequality, circular economy, ecological resilience and policy coherence. Conference organizers were Finnish Development NGOs – Fingo and Finland's National Commission on Sustainable Development.