

A proposal for a global human rights performance benchmark

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Main points of presentation

Introducing EIRIS

What we do. Who we serve, and why?

The vision of a human rights performance benchmark

What is the purpose? How will it be achieved?

The project partners

Who is involved and how will the project be developed

What has happened so far?

The outcome of meetings in London, Amsterdam and New York

Key elements in the proposal

Investors, the Rating, the timescales and the role of stakeholders

Introducing EIRIS

What do we do?

Researching 3500 companies globally for investors on ESG issues
Started in 1983 just for UK investors

Why do we do it?

We believe ESG information is valuable to all investors
And we believe investors using this data is good for everyone

Who do we serve?

Asset owners concerned about long term issues and performance
Asset managers responding to clients and enhancing investment processes

How do we work?

Research public information sources and seek feedback from companies
Investors get access through global platform and partners

The idea of a human rights benchmark

Vision and purpose

- A public open source benchmark of corporate human rights performance
- Bringing the benefits of competition and transparency
- Advancing the debate about companies and human rights

How is it to be achieved?

- Using the expertise of existing bodies in research and in human rights
- Funding from governments, foundations, and other supporters
- Used by investors, governments, companies and their stakeholders

Practical models

- Access to Medicines Index

How we measure

4 Strategic Pillars

25%
Commitments

25%
Transparency

40%
Performance

10%
Innovation

7 Technical Areas

10%

General Access to Medicine Management

10%

Public Policy and Market Influence

20%

Research and Development

25%

Equitable Pricing, Manufacturing and Distribution

15%

Patents and Licensing

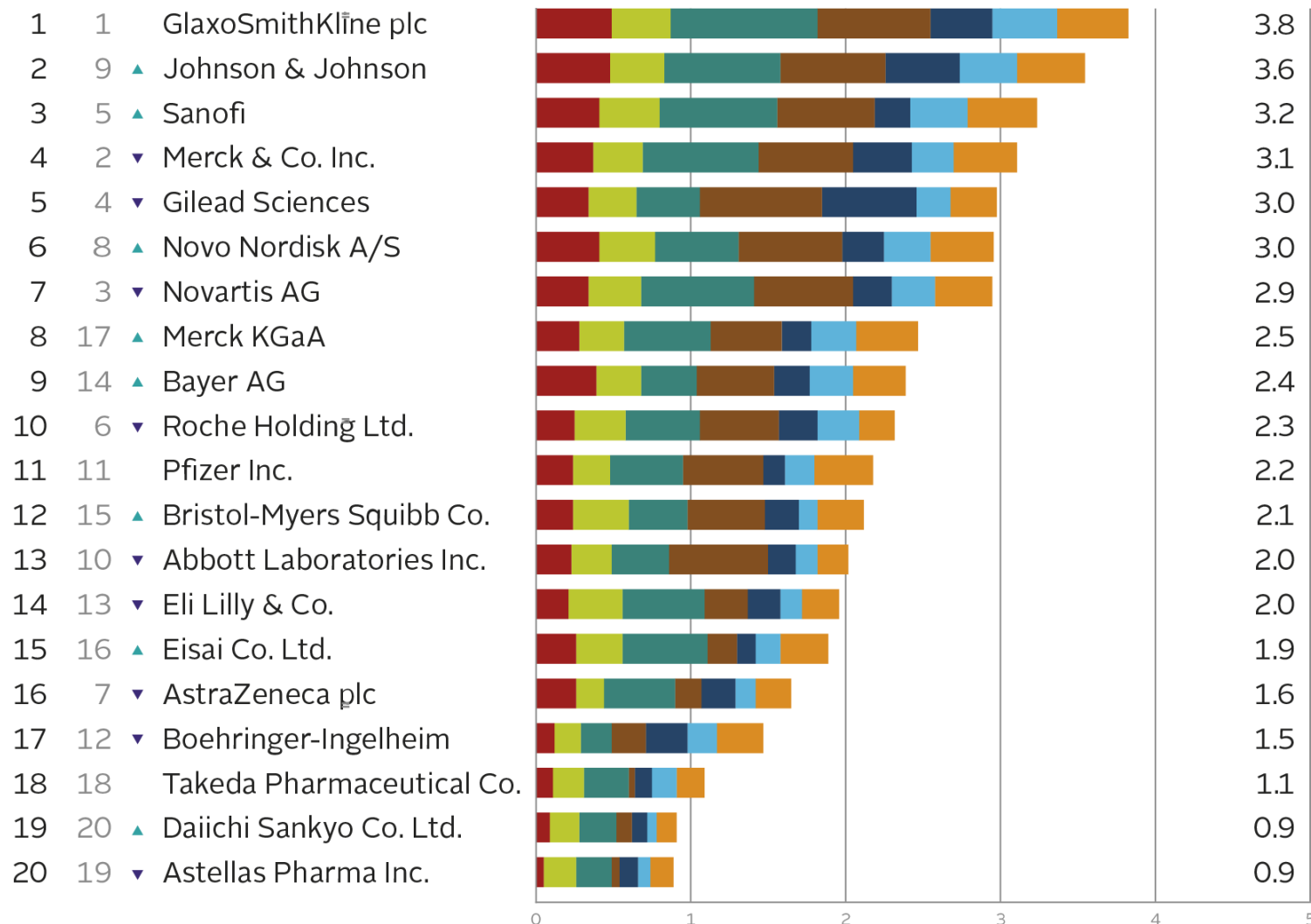
10%

Capability Advancement in Product Development and Distribution

10%

Product Donations & Philanthropic Activities

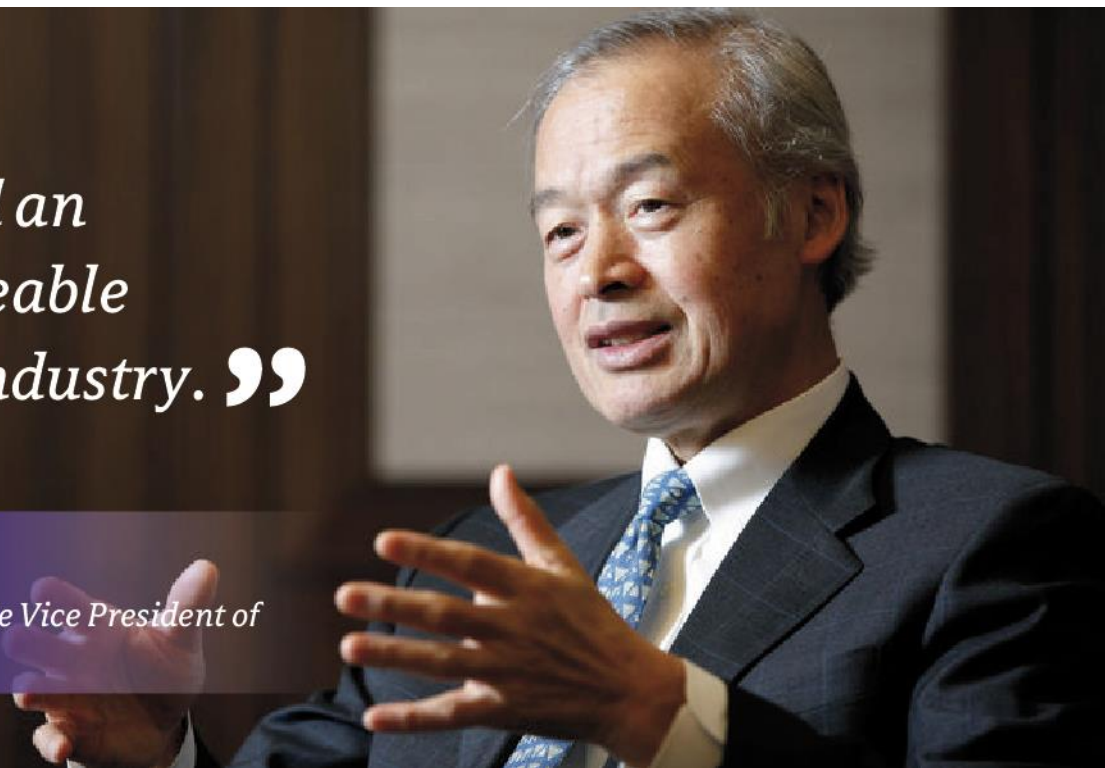
2012 Overall Ranking



“The Index report has had an incredible and unforeseeable impact on the pharma industry.”

Tachi Yamada

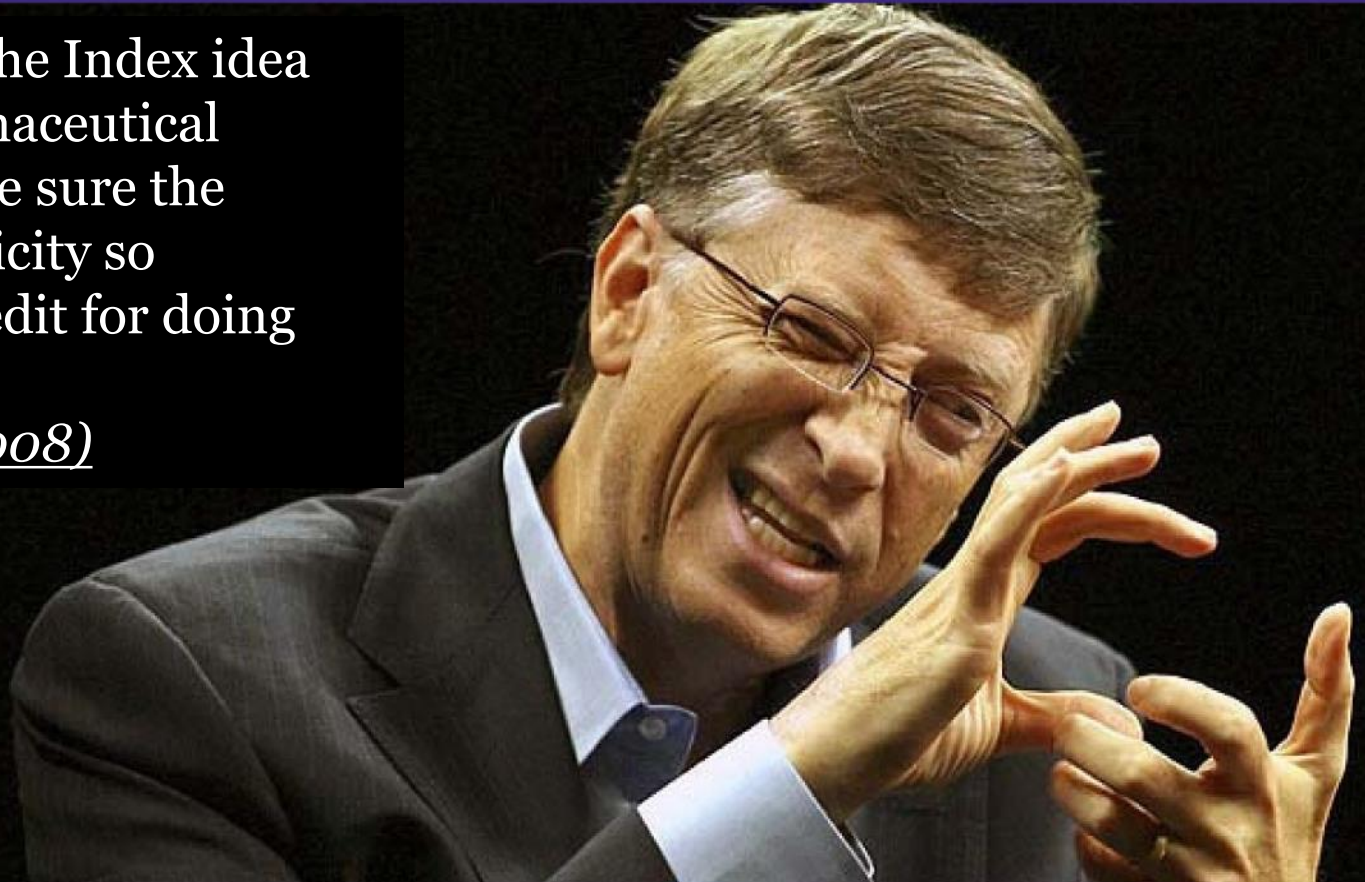
*Director, Medical & Scientific Officer, Executive Vice President of
Takeda Pharmaceuticals International, Inc.*



“We can expand the Index idea beyond the pharmaceutical industry and make sure the rankings get publicity so companies get credit for doing good work.”

(Time, July 31, 2008)

Bill Gates



The UN Guiding principles

“Protect, respect and remedy” adopted by UN in 2011

Governments have the prime responsibility to protect human rights

Companies and investors should respect them and undertake due diligence

And victims should be provided with remedies

Growing numbers of other initiatives

Labour standards codes

Voluntary Security Principles for extractives

Guiding Principles a floor and not a ceiling

Provides a minimum standard

Supplemented and augmented by other initiatives

The project partners

Institute for Human Rights & Business

A global centre of expertise on business and human rights

Business and Human Rights Resource Centre

Global hub for debate and disclosure of allegations and corporate responses

VBDO

Dutch social investment forum and investor engagement co-ordinator

Aviva Investor

Investment arm of UK based insurer with £246 billion assets globally

Calvert

Leading US Sustainable and Responsible Investment manager

EIRIS

Lead research body assessing companies for the benchmark
Working with other research organisations where relevant

Progress to date

Meetings held

London: Initial launch

Amsterdam: Where each stakeholder group sees value

London: initial sectors and exploration of content

New York: What investors might ask for from companies

Tokyo: initial briefing held in July

Initial governance determined

Steering Committee and Research Committee

Plans made

Draft roadmaps produced for launch and expansion

Funding

Outreach to governments and some potential foundations

Perceptions of different stakeholders

Investors

Information tool for screening & investment selection

Also for engagement with companies and picking leading shares

On content: desire for performance, not just policies and processes

Companies

Would help internal specialists engage with other departments

On content: desire to see narrative alongside quantitative data

Civil society

To engage companies and understand policies and practices better

On content: desire for open source at lowest level of data, and to involve human rights defenders and those from the global south.

Key elements of the project

Investors seeking information from companies

A coalition of investors who value human rights information

A portal for easy disclosure by companies

A rating based on this and other information made public

The design of the scoring system

The research challenges

Improving and expanding the benchmark over time

Stakeholder involvement

Investors seeking information

Assembling a coalition of interested investors

PRI signatories

Other responsible investors around the world

Creating a portal to assist with disclosure

Using the Business and Human Rights Resource Centre hub

A simple list of broad headings

- Policies & commitments
- Risks identified and managed
- Management systems to implement and report on policies
- Remedies when things go wrong
- Scope of policies and systems (across enterprises and business partners)
- External collaborations

Think of this as “CDP for human rights”

The initial Rating

Numbers and types of companies

Initial aim of 250 companies

At least the 50 largest global companies

50 each from those exposed to up to four key sectors

- Extractives
- Agriculture
- ICT
- Retail/Apparel

General policy indicators: Global 50

- Support for fundamental Human Rights 60%
- Explicit support for UDHR 54%
- Core ILO: Equal opportunities 94%
- Core ILO: Child labour 78%
- Core ILO: Force Labour 76%
- Core ILO: Freedom of Association 64%
- Core ILO: Collective Bargaining 52%
- Board level responsibility for policy 42%
- Communication of policy globally 54%
- Commitment to include in major contracts 62%
- Commitment to advocacy where risks arise 6%

General system indicators: Global 50

- Risk identification 78%
- Procedures to remedy non-compliance 58%
- Training all staff in Human Rights policy 36%
- Consulting independent local stakeholders 14%
- Setting targets for human rights performance 8%
- Human rights capacity building 8%

Sector specific criteria examples

Top 50 Extractives

- Indigenous rights commitment 30%
- Policy on security guards 22%
- Voluntary Principles signatory 24%

Top 50 Electronics, Food, and Apparel

- Health & Safety commitment 90%
- Working hours limits 82%
- Member of multi-stakeholder or other initiatives 36%
- Supplier communication 88%
- Auditing procedures 84%
- Supplier training 56%

The scoring system

High level concept

- 80-100% Clear leadership and proactive role
- 60-80% Specific geographical sector and adverse event risks addressed
- 40-60% Good generic approach and any adverse events addressed
- 20-40% Some progress but adverse events problems or weak approach
- 0-20% No evidence of response to adverse events or other challenges

Key elements

- Generic issues (due diligence, management systems etc)
- Sector specific issues related to type of business
- Geography specific issues related to country of operation
- Adverse events (scandals, media stories) and company responses

The research challenges

Making conclusions specific to context

- Sector and country specific elements

- Focussing on specific rights (water, land etc)

Performance, not just process

- Examining “adverse events”

- Specific performance KPIs

- Using civil society mechanisms like OECD contact points

Unobserved adverse events

- Identify issues that should appear in due diligence processes

- Background research into where rights are most at risk

Improving and expanding over time

Methodology 1.0

Devise in 2014

Apply to first 250 in 2015

First public rating by June 2016 (5th Anniversary of Guiding Principles)

Second update in 2017, possible expanded to 500 companies

Methodology 2.0

Launch improved methodology in 2017

First full use in 2018 covering 500 companies

Expand by 250-500 companies a year thereafter

Stakeholder involvement

On-going governance

Steering Committee of project partners, plus research committee
Wider expert group convened regularly around the world

Specific outreach

Investors, NGOs and companies around methodology consultation
Professional networks (lawyers, accountants etc)
Academics
Investor and other coordination bodies (PRI, GRI, IIRC etc)
National Human Rights Institutions
Specific focus on reaching out to Africa Asia and Latin America

Next steps

Funding: expected sources

- Governments
- Foundations
- Supportive investors
- Business users of the information (consultants, information providers)

Creation of methodology

- Clarifying the key indicators
- Building the grading system

Seeking more input

- Consultation workshop today in Tokyo
- Consultation on first draft methodology

Results

Impact on investors

A practical means to integrate human rights considerations

A starting point for more detailed conversations with companies

Impact on companies

An internal driver and focus for human rights related work

A framework for dialogue with investors and other stakeholders

Impact for other stakeholders

Public data, chance to engage with companies, and express views

Overall impact

Raises Human Rights up the corporate agenda,

Advances to impact of the Guiding Principles

Questions?

1. How would such a benchmark be used in Japan?
2. How would Japan companies and investors wish to be engaged as the project develops? Who else should be engaged to make it successful in Japan?
3. What elements of particular Japanese culture might be included?
4. Which areas of human rights disclosure are most important?

Thank you for your time and consideration