4 in 10 companies ‘failing’ on human rights - major new ranking

- *Prada, Starbucks and Kraft Heinz among companies scoring poorly*
- *Majority of clothing and agricultural companies failing to do enough to prevent child labour*
- *Leading companies include Adidas and Rio Tinto*

Zürich/London – 13 November 2018 – 40 out of 101 major extractive, agricultural and clothing or footwear companies ranked by the 2018 Corporate Human Rights Benchmark (CHRB) are failing to demonstrate respect for human rights on paper or in practice (1).

CHRB measures how companies perform across 100 indicators based on the UN Guiding Principles on Human Rights. It uses publicly available information on issues such as forced labour, protecting human rights activists and the living wage to give companies a maximum possible score of up to 100% (2). In this year’s ranking, two-thirds of companies scored less than 30% overall.

“While we see clear progress from some companies, the majority are failing to make the grade. Seventy years after the adoption of the Universal Declaration of Human Rights, this is very concerning. If businesses will not clearly demonstrate their respect for human rights, then governments should step in with tougher laws to protect people,” said Margaret Wachenfeld, CHRB Independent Director and co-lead of the CHRB Methodology Committee.

The average score across all companies has increased since the pilot in 2017, but remains unacceptably low at 27%. The research shows that overall businesses need to get better at ‘walking the talk’ by matching their paper commitments with clear, consistent action when human rights abuses or risks are identified.

“Forced and child labour, gender equality and protecting activists are some of the most pressing issues of our time. Companies need to show how they’re addressing these challenges, to protect themselves from legal penalties or action from investors and consumers,” said John Morrison, Chief Executive of the Institute of Human Rights and Business.

Companies at the top end of the rankings demonstrated that identifying and managing risks is a key part of their core business. They scored particularly well on transparency of human rights policies and practices. Meanwhile companies at the bottom of the ranking failed to show any engagement with human rights concerns. This should raise urgent questions for investors and consumers as to whether these companies are serious about avoiding harm to people in their pursuit of profits.

Other key findings include:

- Virtually no companies demonstrate strong commitments to ensuring living wages are paid to workers in their own operations and supply chains.
- Less than 10 per cent of companies commit to respecting human rights defenders (HRDs), including those HRDs exercising their rights to freedom of expression, association, public assembly and protest.
- There is a clear gap between companies acknowledging allegations and actually engaging with those affected.

CHRB is calling on companies to improve their performance on human rights, and to use the scoring system to understand where such improvements can be made. It is also calling on investors to challenge poorly performing companies and to use their leverage to drive improvements. Aviva, APG and Nordea, who manage over a trillion dollars between them, have all confirmed that the 2018 benchmark will be used to inform their investment decisions.

“This ranking should serve as a wake-up call for businesses everywhere. Too many are still not doing enough to respect the rights of those involved in or impacted by their operations, despite increasing investor scrutiny and the negative impact it has on a company’s long-term performance and prospects. While some businesses are showing the way forward, the overall picture is deeply concerning,” said Steve Waygood, Chief Responsible Investment Officer, Aviva Investors.

ENDS

(1) Of the 101 companies surveyed, 40% failed to show any evidence of identifying or mitigating human rights issues in their supply chains, as required by the UN Guiding Principles on Business and Human Rights.

(2) The CHRB Methodology is the result of extensive multi-stakeholder consultation, involving representatives from over 400 companies, governments, civil society organisations, investors, academics and legal experts. Grounded in the UN's Guiding Principles on Human Rights, it produces a proxy for corporate human rights performance across six key themes: governance and policies, embedding respect and human rights due diligence into the business, remedies and grievance mechanisms, human rights practices, responses to allegations of serious human rights impacts and transparency. The research, delivered with our partner EIRIS Foundation, is based on public information, supported by (optional) company engagements and is made freely available to all interested stakeholders.

(3) Following some improvements to the methodology, CHRB redrew the 2017 scores using 2018 rules, to enable meaningful comparisons to be made. The adjusted 2017 average score is 18%. CHRB estimates that two thirds of the 9% increase in average score is due to improvements in company disclosures, policies, processes and practices. The other third is due to changes in the methodology that enabled companies to score more points.

(4) CHRB is a UK based not for profit, supported by a mix of investors, civil society organisations and European governments. It produces in-depth assessments and rankings of how well companies in high-risk sectors perform on human rights issues. CHRB aims to harness the competitive nature of the markets to drive better corporate human rights performance, by providing companies, investors, consumers, governments and civil society with the information to make better decisions on the allocation of capital, purchasing, procurement, legislation and campaigns. CHRB is an ally of the World Benchmarking Alliance (WBA).