



Social transformation

Draft methodology

Report for public consultation
June 2020

From 2 June to 7 September 2020, the World Benchmarking Alliance (WBA) is holding a public consultation on the draft methodology for its core social indicators. All interested stakeholders are invited to review and share their comments with us on this draft by sending feedback to info.social@worldbenchmarkingalliance.org.

This consultation is part of WBA's continuous stakeholder engagement process and builds on earlier presentations and meetings with a wide range of stakeholders, with input from WBA's Allies, business, investors, policymakers, business associations, civil society and academics. While feedback is invited on any element of the document, there is a list of numbered consultation questions within certain sections, and respondents are encouraged to reference the questions where possible when providing feedback.

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Foreword

Our planet and society are facing systemic social, economic and environmental challenges – including inequality and poverty, a climate crisis and biodiversity loss – which all require systemic solutions. In 2015, the United Nations launched the Sustainable Development Goals (SDGs) to address these global challenges under the 2030 Agenda. WBA believes the private sector is critical for achieving the 2030 Agenda and was set up in recognition of the power of benchmarks to drive change. Our mission is to generate a movement to measure and incentivise business impact towards a sustainable future that works for everyone. The ongoing coronavirus pandemic has reinforced the vulnerability of our current systems as well as the need for a systems-based approach for achieving the 2030 Agenda and in building back better.

The 2030 Agenda requires us to challenge our thinking and no longer act in silos. During global stakeholder consultations, it became clear that we cannot assess progress issue by issue, SDG by SDG, given that all areas are interrelated. Therefore, we are using a comprehensive systems approach to develop benchmarks, focusing on seven systems transformations we believe are vital to put our society, planet and economy on a more sustainable and resilient path.

During consultations, we also confirmed the foundational role that respect for human rights has in achieving the SDGs. As such, we developed a model that places the social transformation at its heart, underpinning and enabling the other six transformations. This draft methodology builds on the social transformation scoping report published earlier this year and sets out our proposed approach to putting people at the heart of our transformations – with a special focus on the ‘core social indicators’ that will be used to assess all the 2,000 companies we have selected as being critical to the achievement of the 2030 Agenda.

As a board member of the Corporate Human Rights Benchmark, now integrated into WBA, I saw how integral due diligence is to responsible business conduct – and how few companies are actually doing it – with predictable outcomes. In recent years, data and transparency scandals have shown how the social contract between companies and society is fraying. The coronavirus pandemic has underscored the need for strong social protections for workers. Now more than ever, companies should be held accountable for their role in society and encouraged to play their part in the needed transformations.

In the midst of a climate, health and economic crisis, it might initially seem odd to focus on confirming ‘minimum’ social expectations for responsible business conduct. Yet I believe setting these expectations is vital. Firstly, they should represent the framework on which companies can build back better. Where companies do not meet these expectations, not only will their contributions to the SDGs be undermined but any transition will certainly not be a ‘just’ one. Secondly, if all companies were already meeting these minimum expectations, the world would be in a very different place – one much better placed to support people and be resilient in the face of crises. While we will assess the aspirational transformations for the SDGs, we should never neglect the foundations on which long-term sustainable business conduct is built.

We know we don’t have all the answers and welcome feedback from all quarters on our proposed approach and draft indicators. We particularly encourage collaboration and engagement with stakeholders in lower income countries who are most likely to be impacted by emergent crises and transformations, and we look forward to driving change for the 2030 Agenda.

Gerbrand Haverkamp, Executive Director of the World Benchmarking Alliance

Acknowledgements

This draft methodology was not created in isolation, and WBA would like to thank those who helped shape the model and initial core social indicator list. Our thanks for early contributions during 2019 go to the Corporate Human Rights Benchmark, EIRIS Foundation, ShareAction's Workforce Disclosure Initiative and the Business and Human Rights Resource Centre, whose experience in assessing human rights performance and decent work has helped shape the broader model. Thanks also to the Columbia Center on Sustainable Investment, KnowTheChain, Oxfam, the Global Child Forum and Transparency International, who provided an initial sense check and acted as critical friends for some of our thinking at the start of 2020. We acknowledge that this draft methodology has been developed with support from our Allies who represent more of a 'global north' perspective and we recognise that we need to get meaningful feedback from a broader range of stakeholders. As such we are actively seeking ways to improve this draft methodology by getting input from those based in, or representing people from, lower-income countries and the global south.

WBA is funded by a group of governments, foundations and philanthropic organisations that share our vision for the future. We would like to thank them for their support, without which none of our work would be possible. A full list of WBA's funders is set out on the final page of this report.

Our Alliance of over 130 organisations represents civil society, business networks, financial institutions and multilateral organisations with SDG 17 (partnerships for the goals) at its core. WBA would like to thank its Allies for the support and expertise they provide, and we look forward to their contributions during the consultation period. The Alliance is continually growing but includes:



Introduction to the World Benchmarking Alliance

Achieving the SDGs requires large-scale and profound transformations of the systems that drive environmental and social pressures, particularly in developing countries. WBA is an independent organisation that is committed to increasing the private sector's contribution to a sustainable future for all, by ensuring companies play their critical role in delivering these transformations to achieve the 2030 Agenda.

WBA has set out to achieve this goal by developing and using a series of free, publicly available benchmarks that will assess and compare the performance and impact of 2,000 keystone companies (discussed in the 'Scope of the social transformation' section below). Benchmarks provide an essential tool for measuring and comparing corporate performance on the SDGs. They also equip financial institutions, companies, governments, civil society and individuals with the information they need to exert their full influence and encourage others to do the same. By supporting the private sector to deliver on the SDGs, WBA can help companies move from aspiration to action to achievement.

Figure 1: Seven systems transformations



WBA's benchmarks assess corporate performance and impact across the seven systems transformations needed to achieve the SDGs, namely: food and agriculture, circular, decarbonisation and energy, digital, financial, urban and a social transformation that underpins them all (Figure 1). These seven systems transformations offer a strategic framework for WBA to develop benchmarks.

In 2019, WBA assessed 255 companies through three benchmarks: the [Seafood Stewardship Index](#), the third iteration of the [Corporate Human Rights Benchmark](#) and the [Climate and Energy Benchmark for the automotive industry](#). During 2020, WBA plans to assess hundreds more companies through the

launch of benchmarks on [climate and energy](#) (focused on the utilities sector), [food and agriculture](#), [gender](#) and [digital](#), while developing the methodologies and models to understand and assess the other transformations.

By 2023, WBA will be assessing the progress of 2,000 companies globally (a mix of public, private and state-owned enterprises) that we have identified as most influential for and impactful on the SDGs. Each of the 2,000 companies – which we term the 'SDG2000' – will be evaluated on the transformation(s) most relevant to them, with all companies being assessed on a social component.

Through our Alliance, engagement with companies and governments, WBA will push to drive positive change in corporate behaviour to achieve the transformations and the 2030 Agenda – contributing to a sustainable future that leaves no one behind.

Why a social transformation?

The social transformation underpins and enables the six other transformations. It focuses on respect for human rights, equality and empowerment, without which none of the SDGs can be fully achieved. Human rights and human development are interrelated and interdependent. When human development and human rights advance together, they reinforce each other, protecting people's fundamental rights and freedoms while expanding people's capabilities (1). As such, human rights and human development should be at the core of corporate sustainability action (2).

All companies and their investors have a responsibility to respect human rights (3) and support civic freedoms and the rule of law as well as those who defend them (4). Only when companies eliminate the human rights risks in their operations and value chains can they deliver the people-centred sustainable development to which the SDGs aspire. To do this, companies must be transparent and take action, led from the top, to undertake the human rights due diligence set out in the UN Guiding Principles on Business and Human Rights (UNGPs). As part of this process, companies must identify the risks they create for their workers and consumers as well as the communities and societies where they operate, seek to prevent and mitigate these risks and provide access to remedy when things go wrong. In addition, companies should work to address inequalities of power and wealth in their relations with workers, communities and consumers to ensure that the human rights of all are respected.

Companies can also promote human development – enlarging people's freedoms and choices, enhancing their capabilities and improving their opportunities (2) – by creating beneficial goods and services, providing decent jobs and training, empowering workers and their organisations and paying taxes that support governments in delivering essential public services.

Beyond respect for human rights and the links to the SDGs, the root causes of social, political and economic issues must be addressed if the 2030 Agenda is to be achieved. Key among these is addressing the needs of marginalised and disadvantaged populations and reducing the inequalities that negatively impact human development. While many social, political and economic issues may be viewed as areas of government concern (e.g. education and healthcare), this overlooks the role of companies, which exist as market actors within the current system and are partly responsible for creating, driving and benefitting from the system.

Companies support, oppose and operate within the myriad political systems that are linked to both the root causes of inequality and the principal drivers of development. Choices made in terms of business model (including worker social protection and contract security, shareholder versus stakeholder primacy, extended and outsourced supply chain oversight, political influence and tax arrangements) all have material impacts on a company's contribution to the SDGs. As such, the social transformation may need to assess, reward and push for business models that address broader social, political and economic issues.

The global outbreak of the coronavirus (COVID-19) has laid bare the fragility of our globalised economy, although the full effects are yet to be understood. While the world is currently in crisis-management mode, 2020 will provide an opportunity to reframe our understanding of responsible business conduct and to accelerate the systemic changes that need to take place to ensure we have thriving, resilient economies that work for all, even – or especially – during times of crisis, and that this transition is 'just' and leaves no one behind.

Scope of the social transformation

Figure 2: Key figures and geographic representation of the SDG2000

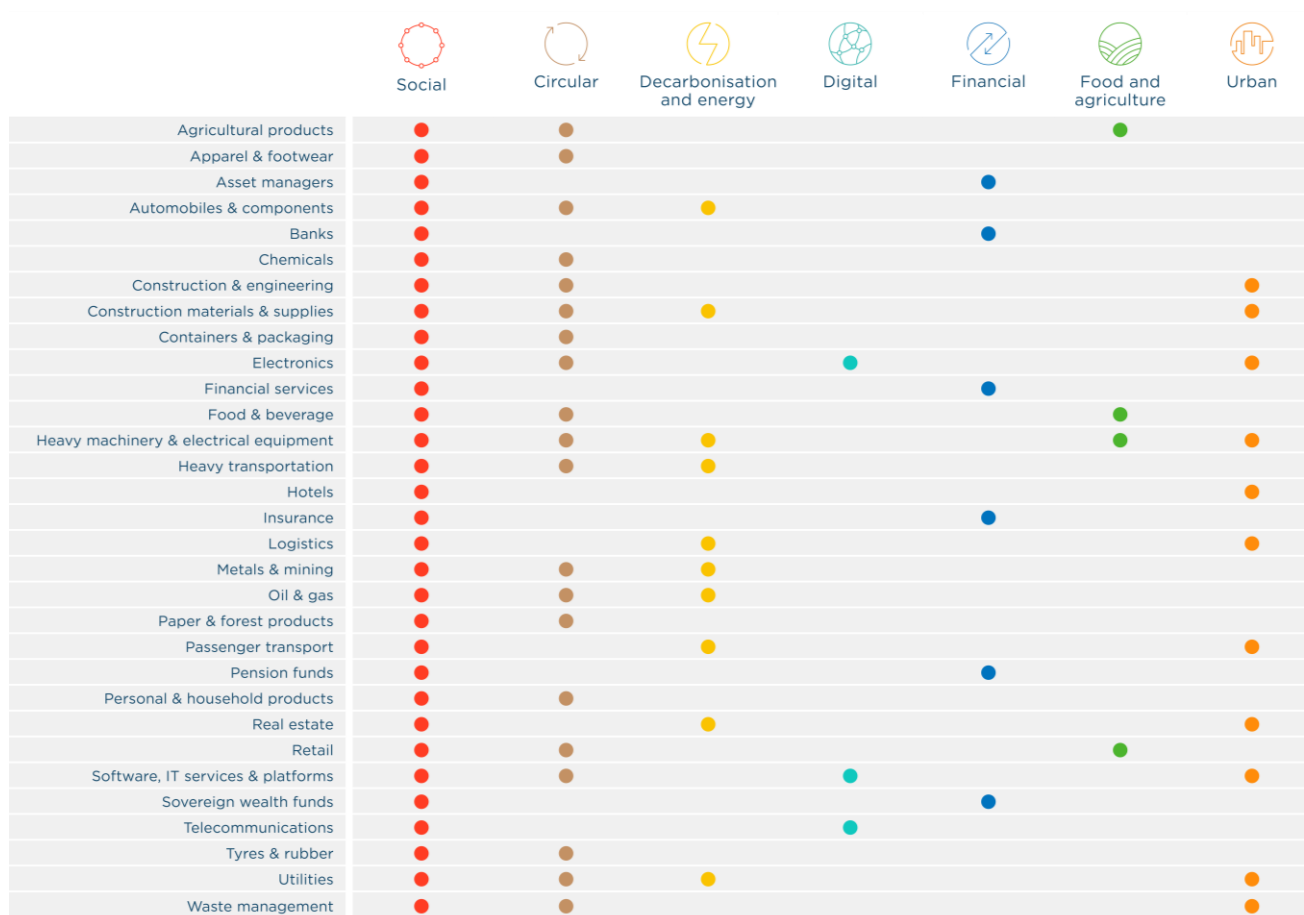


Industry scope

Using the seven systems transformation model, WBA identified the most relevant industries that can impact each transformation. This analysis was informed by scientific research, UN and (inter)governmental reports, industry publications and research by civil society organisations. We placed particular focus on the influence that specific industries have on shaping the transformations. This influence can be positive, whereby the industry enables or accelerates the transformation; negative, whereby the industry hampers or negatively influences the transformation; or both. Industries can also be linked to multiple transformations. Although both positive and negative influences were considered, some industries were excluded on the grounds that significant negative impact from business models or products and services meant their role in the transformation would be limited (e.g. companies that derive the majority of their revenues from the sale of tobacco, coal or weapons).

Figure 3 represents WBA's mapping of systems transformations to industries. The social component is relevant to all industries, as represented by the red dots, because human rights and human development must be at the core of corporate sustainability action.

Figure 3: Mapping of systems transformations to industries



Company scope

After identifying relevant industries, WBA built on leading academic research to expand the concept of keystone actors, which refers to organisations with disproportionate influence on the structure and function of the systems within which they operate (5). Inspired by this concept, WBA developed the idea of ‘keystone companies’. These keystone companies are catalysts for change and their actions are vital for a wider, systemic transformation. The five principles set out in Figure 4 were drawn on to select the keystone companies.

Figure 4: WBA principles for selecting keystone companies

- 1** Companies that dominate global production or service revenues and volumes within a particular sector
- 2** Companies that control globally relevant segments of production and/or service provision
- 3** Companies that connect (eco)systems globally through subsidiaries and supply chains
- 4** Companies that influence global governance processes and institutions
- 5** Companies that have a global footprint, particularly significant in developing countries

The list of keystone companies was first published as the [SDG2000](#) in January 2020 and will be updated on an annual basis.

SDG scope

When the 2030 Agenda was adopted in 2015, including the 17 SDGs and their corresponding 169 targets, *people* were placed first. At their core, the SDGs promote a people-centred agenda that envisions a world where ‘all life can thrive’ by seeking ‘to realise the human rights of all and to achieve gender equality and the empowerment of all women and girls’ (6). For this to be possible, human rights must be respected, basic human needs met and the current societal structures that constrain people from living a self-determined life must be transformed (7). Accordingly, unlike for other WBA benchmarks, there is not a specific set of SDGs that are relevant for the social transformation; rather, all the SDGs are in scope (Figure 5).

Figure 5: SDGs relevant for the social transformation



Proposed social transformation assessment model

WBA will assess the 2,000 keystone companies on their contribution to the SDGs using the seven systems transformation model shown in Figure 1. The social transformation is unique in that it sits at the heart of the model and underpins the six other transformations.

By applying a social lens to every transformation assessment, we can understand whether the transition from the current to the desired system is a ‘just transition’ that manages social risk and leaves no one behind while creating a better future.

The social context for companies in each system will be different, so understanding how well a company is contributing to a particular transformation will therefore require a context-specific assessment. At the same time, **all companies need to meet minimum societal expectations to be responsible actors. If they do not, then any contribution to the SDGs will be undermined such that the SDGs cannot be fully achieved. Consequently, there are common elements that can be assessed in every transformation.**

With this in mind, WBA does not plan to publish a separate social transformation benchmark for all 2,000 companies, as this would duplicate work at the level of the six other transformations. It would also create a partial picture of select topics, devoid of an understanding of the role of companies within systems. Moreover, it would likely prove challenging to compare and contrast the social contributions across dozens of industries. Instead, WBA proposes a framework that allows an understanding of a company’s approach to meeting minimum societal expectations as well as its contribution to the relevant aspects of the social transformation.

To achieve this, WBA will first aim to assess whether companies are meeting minimum societal expectations, such as respecting workers’ rights, paying a living wage and taking a responsible approach to lobbying and taxation. This minimum expectation (or social license to operate) will provide the foundation from which to understand a company’s impacts on the other transformations and the SDGs. WBA will then be better placed to highlight actions that support or hinder progress towards the SDGs and the transformations, with companies in each system having transformation-specific social issues that need to be addressed. Note that ‘worker’ refers to an individual performing work for a company, regardless of the existence or nature of any contractual relationship with that company (i.e. the term extends beyond a company’s employees).

Where necessary, WBA will publish ‘spotlight assessments’ on specific social topics, providing insights that can only be reached through deep-dive analysis, alongside continuing to support the work of Allies who undertake such assessments. In the future, these spotlights may also consider additional social transformations that need to happen to achieve specific outcomes but which do not neatly fall into one of the six other transformations (for example a spotlight on inequality).

The proposed approach can be summarised through three types of assessment shown in Figure 6.

Figure 6: Proposed social transformation approach

1 Core social assessment

The 2,000 keystone companies will be assessed against a small number of sector-agnostic core social indicators that will provide a snapshot across all companies. These indicators will focus on things that all companies must do. How companies perform on the core assessment will have a material impact on their assessment under their relevant transformation benchmarks, providing a weighting or score-limiting factor on subsequent assessments. This will enable WBA to quickly achieve scale. See the ‘Core social assessment’ section below for more details.

2 Transformation-specific social assessments

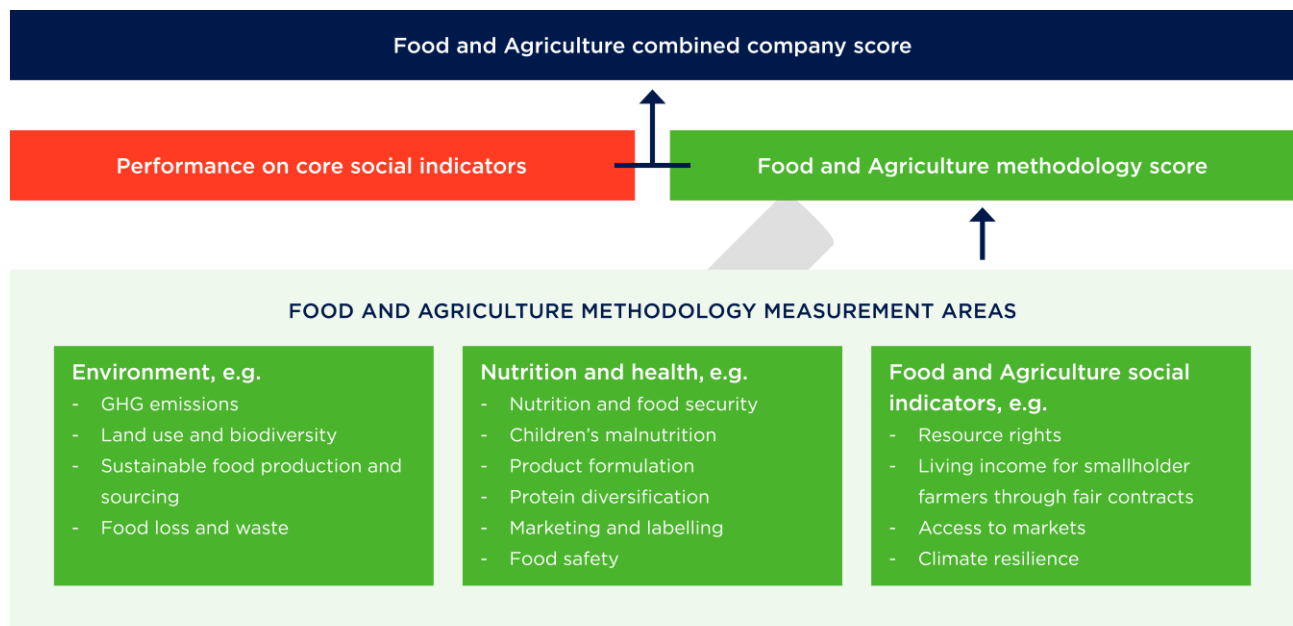
Within each of the six other transformations, companies will be assessed on additional social issues that are relevant to the transformation, as part of the transformation-specific methodology. These issues may be extensions of the core social topics, or entirely new topics. They will focus on things that companies can do to better support the delivery of the SDGs within a transformation, whether that is managing sector-specific social risks like forced labour (things companies in scope must do as per the UNGPs) or supporting targeted interventions like enabling internet access in the digital transformation (things that companies in scope should do to support the transformation). Transformation-specific indicators will provide varying depth of social assessment within transformations and sectors. See the ‘Transformation-specific social assessments’ section below for more details.

3 Spotlight social assessments

Specific issues deserve deeper analysis (e.g. gender equality and women’s empowerment in the apparel industry, or a human rights benchmark in high-risk sectors). Selection of these ‘spotlight issues’ will be supported by the understanding provided by the core social assessment across the keystone companies. Conversely, spotlights will help WBA learn how to scale up elements of the core social assessment. Spotlights will also help demonstrate the utility of the core social indicators, by checking the correlation between the ‘basic but broad’ core social assessment and ‘detailed but targeted’ spotlight assessment. Spotlights will help WBA learn, remain credible, stay relevant and scale the lessons learned. The Corporate Human Rights Benchmark [website](#) offers an insight into one of WBA’s spotlights. See the ‘Spotlight social assessments’ section below for more details.

An example of a combined transformation assessment of a company is shown in Figure 7. More details on the combination of scores is included in the ‘Weighting and scoring core social indicators’ section below.

Figure 7: Example of a combined transformation assessment for the Food and Agriculture Benchmark



Consultation questions (high level)

- A1** Does the proposed model of separating minimum expectations from the transformation-specific methodologies make sense as a concept?
- A2** With regards to framing for a global audience, what language works best in terms of 'basic', 'core' and 'minimum' expectations?
- A3** Does the focus on social, to the exclusion of environmental or governance basic expectations, detract from the model, or does it help to retain focus on 'social'?
- A4** What more could we aspire to in terms of 'social transformations' that the world's most influential companies could contribute to?

Core social assessment

As set out in the previous section, the core social assessment seeks to assess whether companies are meeting minimum societal expectations. Companies that do not meet these minimum expectations will undermine any contribution to the SDGs and fail to demonstrate they operate responsibly. This should not be ‘lost’ within broader assessments of contributions to systems transformation. As detailed in the [social transformation scoping report](#), all core social topics are also relevant to the SDGs. Some core topics are clearly linked to specific targets, like anti-corruption, while others are more broad ranging. Corporate taxation, as an example, is a critical enabler of government-led development and is likely linked to **every SDG** a government is working on.

As such, WBA’s proposed approach is to identify a set of core social indicators that act as a minimum requirement ‘for all companies. These indicators can be assessed separately and viewed as a ‘hurdle’ that companies must overcome. Those that fail to meet the basic criteria will see knock-on effects in their system transformation scores.

This approach will have several implications:

- Assessments on meeting basic societal expectations will not necessarily reflect company performance within a topic or impact on a specific SDG target. Rather, it will allow companies to be given credit subsequently for their contributions to the 2030 Agenda. This is analogous to having a driving license before being allowed to compete in a race.
- By linking core social indicators with deep-dive spotlight assessments on individual topics, WBA may be able to provide scaled proxies for performance to all the keystone companies.
- Core social indicators must be equally applicable to any of the keystone companies and will therefore be sector agnostic.
- As the core social topics will focus on things that all companies must do, WBA has a strong preference to assess companies against publicly available data as opposed to conducting surveys.
- A consistent approach to all the keystone companies will enable comparability and the ability to track companies annually, while providing overarching insights into business approaches to the SDGs that will support policy conversations.
- By placing basic societal expectations at the heart of the SDG assessments, the social transformation will also enable an evaluation of any ‘SDG washing’ by highlighting the gaps between what companies must do (e.g. respect human rights) and what they could do (e.g. change approaches to better support a particular SDG outcome).

In line with WBA’s ‘scale before depth’ approach, the core social indicators will not be designed to compare company performance within a topic. Instead, indicators will be developed which, if not met, would strongly suggest that a company is unlikely to adequately manage a specific issue. This could be viewed as a proxy for understanding what companies ‘are not’ doing, rather than a proxy for performance based on what they ‘are’ doing. It should be noted that the core social expectations are not seen as something to be achieved before ‘moving on’ to the SDGs and those expectations, like human rights due diligence, represent ongoing processes that are key to contributing to the SDGs and driving systemic change.

The next two sub-sections provide an overview of the transformation-specific social assessments and the spotlight social assessments. Following that, the draft core social indicators, the process for their development and the proposed weighting models are discussed in detail.

Transformation-specific social assessments

The level and type of transformation-specific social indicators included in each benchmark will depend on the nature of the systems and the sectors within them, the relevant social issues and the opportunities to contribute to the 2030 Agenda. In terms of assessing companies' social impacts, WBA's approach is to assess **companies' contribution to the systems transformations** that must happen to achieve the SDGs. Therefore, the transformation-specific social assessments will not just be a catalogue of company social impact viewed through the lens of the SDGs; they will also have a higher, systems-level focus on transformation.

Each transformation will have additional salient human rights risks that must be well managed if there is to be a just transition. As an example, the digital transformation would help bring billions of people online. However, if companies do this in a way that overlooks gender or racial bias, infringes on the right to privacy or enables hate crimes and ethnic violence, then this would not be a just transition. Similarly, as shown by the experience in France and elsewhere, decarbonisation efforts that do not consider and address the impact on people (particularly those who will lose their jobs as a result) will be unlikely to succeed and may even cause civil unrest and threaten political stability. Assessing whether an energy transition is just will therefore need to look at much more than the process of decarbonisation.

Transformation-specific social indicators should not simply be an extended list of context-specific social risks. Social risks should only be included if the management of such a risk can positively contribute to the most relevant transformation goals or most material SDGs.

The transformation-specific social assessments do not fall within the scope of this consultation. Rather, they are being consulted on during the development process of each of the transformation methodologies. As such, identifying the topics and developing these transformation-specific social indicators will be an iterative programme of work over the coming years. The focus during this consultation period is to establish the line between the common core expectations and the sector-specific requirements.

Progress update on development of transformation-specific social indicators

- **Food and agriculture:** In 2020, WBA is working to develop a methodology framework of topics to be addressed in the Food and Agriculture Benchmark. The framework will act as the foundation for developing and evolving the benchmark over the coming years. One of the measurement areas in the framework is 'social inclusion', which will consist of the transformation-specific social topics. Transformation-specific social topics are likely to include a living income for smallholder farmers, climate resilience and resource rights. In the second half of 2020, a baseline assessment will be conducted of keystone companies within the food and agriculture system transformation. In parallel, the indicators and scoring methodology will be developed for the first full benchmark in 2021.
- **Decarbonisation and energy:** WBA published a Climate and Energy Benchmark focusing on the automotive sector in December 2019 and will publish a Climate and Energy Benchmark focusing on the utilities sector in mid-2020. In late 2020, WBA will commence scoping out the transformation-specific social topics. The topics will focus on ensuring that the transition to a low-carbon economy includes solutions that leave no one behind. In 2021, WBA will develop and finalise the indicators and then assess the keystone companies within the decarbonisation and energy transformation from 2021 to 2023 (along with the core social indicators).
- **Digital:** WBA will publish a Digital Benchmark in late 2020. The first iteration of the benchmark includes some transformation-specific social indicators. During 2021, WBA will consider if any additional indicators should be included in the second iteration of the benchmark (along with the core social indicators). Indicator topics could include digital rights, artificial intelligence and adverse impacts at scale (elections, bullying etc.).
- **Circular:** The circular transformation is currently in the scoping phase. Transformation-specific social indicators will be included in the methodology report (along with the core social indicators), which is likely to be published in 2021. Indicator topics could include waste export and labour rights in logistics chains.
- **Financial:** Consultation on the scope of the benchmark for the financial system transformation will be undertaken throughout 2020. Transformation-specific social indicators will be included in the methodology (along with the core social indicators), which will be developed over the course of 2021. Indicator topics could include access to finance and screening for harmful activities.
- **Urban:** The urban transformation is likely to enter the scoping phase in 2021. Transformation-specific social indicators will be included in the methodology (along with the core social indicators). Indicator topics could include workers' rights and access to housing.

Spotlight social assessments

Social issues specific to an industry, sector or country deserve deep-dive assessments. Selection of these deep dives will be supported by the understanding generated by the core social assessments across the keystone companies. Conversely, spotlights will help WBA learn how to scale up elements of the core social assessments. The spotlight assessments could be tailored to various contexts, focusing either on specific social issues per industry or sector or providing a country-level snapshot critical to government assessment of national progress on sustainability agendas.

WBA currently has two spotlight social assessments, the Gender Benchmark and the Corporate Human Rights Benchmark (CHRB). In 2020, the Gender Benchmark baseline report and the fourth iteration of the CHRB will be launched as spotlight social assessments.

- **Gender Benchmark** – The Gender Benchmark will assess 36 companies in the apparel sector. A baseline report will be launched in September 2020 followed by a full benchmark in 2021. The methodology seeks to demonstrate how companies can drive gender equality and women’s empowerment across their entire value chains, from their workplace to their supply chains, marketplace and community. The baseline report will be useful in determining the focus of the core social indicator(s) on gender equality and women’s empowerment and the type of data that will be available for collection and assessment.
- **CHRB** – The CHRB, launching in November 2020, will assess 230 companies in five sectors that have high risks for human rights. The full methodology allows a deep dive into corporate approaches to understanding and managing human rights risks and impacts. As several of the core social topics intersect with the CHRB assessment, the 2020 benchmark will provide useful data to evaluate correlations between the core social indicator scores and deep dives on certain topics. Longer term, the crossover between core social and CHRB indicators will allow WBA to provide meaningful insights on human rights for many more companies than are in the CHRB scope. The CHRB methodology will be extensively reviewed in 2020, which will also feed into the core social methodology development process. Once all keystone companies have been assessed on the core social indicators, patterns of poor performance in specific areas may highlight the need for additional spotlights, such as a deeper dive into living wages or taxes.

The ongoing spotlight social assessments do not fall within the scope of this consultation as they are managed by separate processes, however we are keen to get feedback on potential future spotlight assessments.

COVID-19: Gender Benchmark pivot

The first iteration of this benchmark was due to be published in 2020. In light of COVID-19 and its impact on the apparel industry, WBA will:

- Publish a baseline report of gender in the apparel industry in September 2020 that aims to address the growing need for more insight into corporate gender impacts. The report will review the current level of data disclosure regarding gender equality and women's empowerment in the apparel industry and will be based on publicly available information only. It will include both industry-wide findings and company-level profiles. It will map out the current actions and good practices across the industry as well as provide an overview of company responses to COVID-19.
- Launch a full ranking, together with company scorecards, in 2021.

COVID-19: Corporate Human Rights Benchmark pivot

The fourth iteration of this benchmark was due to be published in 2020. In light of COVID-19 and its impact on the sectors covered, WBA will:

- Assess the 200 repeat companies on a smaller number of indicators (the core UNGP indicators) instead of the full set of indicators focusing on high-level commitments, human rights due diligence and access to remedy (those with the strongest crossover with the draft core social indicators).
- Conduct a separate study into company responses to the COVID-19 crisis, focusing on human rights impacts. The approach for evaluating each company's response will draw as much as possible on the existing CHRB methodology and will look at a list of relevant topics such as purchasing practices and health and safety. More information will be communicated about this separate study in due course.
- Assess automobile manufacturing companies against the full CHRB methodology, as this is their first year of inclusion in the benchmark.

Development process for the core social indicators

WBA is developing the core social indicators through a thorough research and multi-stakeholder engagement process to ensure the indicators address the right topics and reflect stakeholders' expectations regarding the global minimum expectations for responsible business conduct. The current focus is on social aspects, but WBA is keen to discuss this in relation to minimum environmental or governance license-to-operate standards.

Development of the core social indicators began in 2019 via engagement with peer organisations within the Alliance (including the EIRIS Foundation, KnowTheChain, ShareAction, the Business and Human Rights Resource Centre and the CHRB – before it integrated into WBA) as well as WBA's own internal staff (including members of the Digital Benchmark and Gender Benchmark teams). Following this, indicators detailed in various sources (e.g. the Global Reporting Initiative, B Lab, United Nations Conference on Trade and Development and the Sustainability Accounting Standards Board) were reviewed and additional desk-based research was conducted. An initial list of over 100 indicators/disclosures was identified as relevant to the 'core' of the social transformation.

To narrow down this list, bilateral discussions with subject matter experts took place. Taking into account the inputs from experts and the research conducted, the following 15 topics were selected to draft the core social indicators:

1. Commitment to respect human rights
2. Human rights due diligence
3. Access to remedy
4. Governance of human rights issues (board oversight)
5. Freedom of association and collective bargaining
6. Forced labour
7. Child labour
8. Discrimination
9. Gender equality and women's empowerment
10. Health and safety
11. Living wages and social protection
12. Personal data protection
13. Corporate taxation
14. Anti-corruption
15. Lobbying and corporate political influence

This draft list of topics was set out in the [scoping report](#) that was published in early 2020. Following the launch of the scoping report, dialogue has taken place to gather input for the draft methodology and create awareness around the social transformation.

Alignment with existing standards and frameworks

Input received by WBA in developing the core social indicators was paired with extensive desk-based research into the many relevant principles and normative standards, benchmarks and corporate reporting frameworks that are already in use. This approach ensures that the indicators build upon, and where possible are aligned with, the most widely accepted existing instruments.

International conventions and declarations setting out the normative expectations of corporate behaviour were a key source drawn upon to clarify expectations of corporate policies, practices and performance, including:

- Universal Declaration of Human Rights (8)
- International Covenant on Civil and Political Rights (9)
- International Covenant on Economic, Social and Cultural Rights (10)
- Convention on the Elimination of All Forms of Discrimination Against Women (11)
- Convention on the Rights of the Child (12).

Indicators in existing benchmarks (like the CHRB) and reporting frameworks (like the Global Reporting Initiative, GRI) were another key source drawn upon to develop the core social indicators. There are several frameworks that assess companies or recommend disclosures on one or more of the draft core social indicator topics. Accordingly, WBA has sought to identify and align with the language of these indicators and the criteria used to assess companies, where possible. A full list of materials reviewed during the development of the core social indicators is included in Annex 3.

WBA recognises that there are multiple initiatives operating in the same space regarding sustainability and impact reporting, and that this can be confusing to navigate. This is why WBA is part of the [Impact Management Project](#), a forum for building consensus on how to measure, compare and report impacts on environmental and social issues. Some of the documents reviewed for the core social indicator development are discussed below to show how WBA's approach interacts with other initiatives.

In January 2020, the World Economic Forum (WEF) published *Toward Common Metrics and Consistent Reporting of Sustainable Value Creation* (13) for consultation. The report articulates the problem that the 'absence of a generally accepted international framework for the reporting of material aspects of ESG [environmental, social and governance] and other relevant considerations for long-term value creation contrasts with the well-established standards that exist for reporting and verifying financial performance'. The report proposes metrics and disclosures that were drawn from existing standards (such as GRI, SASB and TCFD) and were designed to support companies in demonstrating the progress they are making on sustainability, including their contribution to the SDGs.

The proposed 22 core metrics cover principles of governance, planet, people and prosperity. As an example, under 'people', gender pay equality is listed (with the metric being the ratio of basic salary and remuneration of women to men for each employee category, by significant locations of operations – as per GRI 405-2). These metrics define minimum standards for **reporting** (by design). They do not set a baseline as to what the minimum accepted **behaviour** of companies actually is (for example, having gender pay equality). In contrast, WBA will draft the core social indicators based on what we believe companies should be doing in practice. The indicators will rely on publicly available data, and therefore all the topics should be part of a disclosure framework. In other words, the WEF disclosure framework and the WBA core social

indicators are complementary but look at different things. (Of the WEF disclosures that are ‘people focused’, there is strong overlap with WBA core social topics on five out of six.)

Elsewhere, the GRI and UN Global Compact (respectively the most widely used sustainability reporting framework and the largest corporate sustainability initiative in terms of members) produced an *Analysis of the Goals and Targets* (14). The report provides an extensive inventory of possible **disclosures per SDG** at the level of the 169 targets, generally focusing on pre-existing disclosures, supported by potential actions that businesses can take to make progress towards the targets. By linking the possible disclosures, which are taken from multiple disclosure frameworks, with the individual SDG targets, the report supports individual companies in understanding what data is likely to be relevant to interpret their own potential impacts on achieving the SDGs and how they might contribute to some discrete positive impacts.

However, the report does not say what companies ‘should’ be doing, nor does it provide a clear link to the broader transformations that companies need to be part of to drive the 2030 Agenda. There is definite complementarity with WBA’s work, but it approaches company contributions to the SDGs from a different starting point.

The OECD Guidelines for Multinational Enterprises provide recommendations for multiple topics. Those with a clear crossover with the WBA core social topics relate to human rights, employment and industrial relations, combatting bribery and taxation, but the core social topics are more explicit regarding gender, living wages, data protection and lobbying. Of the ten UN Global Compact Principles, only principles seven, eight and nine are not covered by the core social topics. (Principles seven to nine have an environmental focus.) But the core social topics go deeper on issues like tax, political influence and decent work.

In summary, WBA builds on internationally accepted standards that reflect expectations regarding business conduct and seeks to align with pre-existing disclosure standards. In general, the core social indicators should not introduce new topics but may require additional disclosures from companies so that business conduct can be better understood.

Weighting and scoring core social indicators

Approach to weighting within the core social indicator set

Given how much opinions vary on the relative importance of different indicators and issues, WBA acknowledges the difficulty in achieving consensus on how to best weight core social indicators and has opted for an approach that is simple to explain and understand. Therefore, we propose giving each of the core social indicators equal weighting in any total scoring.

Where social topics may be 'more important', there is potential to expand these into multiple indicators to provide greater weight to the topic. This has already been attempted with the first three indicators, representing elements of one initial core social topic: 'implementing the UNGPs'. The ongoing coronavirus pandemic has already prompted reconsideration of whether the core social indicator on 'living wages and social protection' should instead be two separate indicators or even more.

Approach to scoring

There are multiple ways that the core social indicators can be developed to create scores or results. Three examples are set out below to help drive conversation in the consultation.

1. If each indicator has a maximum score of two points and there are 15 indicators, a company could score between 0 and 30 points.
2. If each indicator is a binary 'met, not met' choice, a company could score between 0 and 15 (in terms of basic expectations being fully met).
3. If each indicator is set up to be a choice between 'not met', 'partially met' or 'fully met', then a company could have a combination score (such as not met = 3, partially met = 5, fully met = 7).

Consultation questions (scoring indicators)

- B1** What are the benefits and drawbacks of the three approaches set out above?
- B2** How should the scoring data for the keystone companies be used (e.g. to develop stand-alone rankings, integrated transformation rankings etc.)?
- B3** Are there any approaches (other than the three set out above) that could be used to create scores for the core social indicators?
- B4** Is there a preference for one of the three approaches set out above?

Combining core social indicator scores with transformation methodology scores

As explained in Figure 7, whether companies meet, or fail to meet, the core social indicators will have an impact on their final scores in the transformation benchmarks. This will be achieved by providing a **weighting or limiting factor** that is applied to the score in the transformation methodology. WBA proposes having a uniform approach. However, the final weighting/limit could be decided on by the relevant transformation team. At this stage, several models are presented for consideration in the consultation.

1. Weighting factor: WBA could use a company's performance on the core social indicators to apply a total or partial weighting. If a total weighting approach were followed, then a company's performance on the core social indicators would impact its score received for a transformation benchmark. If a partial weighting approach were followed, then a company's performance on the core social indicators would impact only a part of its score received for a transformation benchmark.

Take the example of a company in the digital transformation that scores 80% in the Digital Benchmark but only meets 50% of the core social indicators. Under the **total weighting approach**, the company's total combined score would be calculated using the formula below.

Core social indicators score	X	Digital Benchmark score	=	Total combined score
50%	X	80%	=	40%

Under the **partial weighting approach**, if the Digital Benchmark only allows core social indicator performance to impact **half** of a company's Digital Benchmark score, then the company's combined total score would be calculated using the formula below.

Digital score not at risk	+	Digital score at risk	X	Core social indicators score	=	Total combined score
80% x ½	+	[(80% x ½)]	X	(50%)	=	60%
40%	+	[(40%)]	X	(50%)	=	60%

The impact on the final score using total weighting and partial weighting is significant. However, the level of impact also varies significantly (from 80% without any social weighting to 60% using the partial weighting approach and 40% using the total weighting approach).

- 2. Limiting factor:** WBA could use a company's performance on the core social indicators to create a combined final score by **limiting** its score received for a transformation benchmark. For example:
- if a company meets none of the core social indicators → the company cannot receive a total combined score of more than 25% in the transformation benchmark
 - if a company meets five of the core social indicators → the company cannot receive a total combined score of more than 50% in the transformation benchmark
 - if a company meets ten core social indicators → the company cannot receive a total combined score of more than 75% in the transformation benchmark

- if a company meets 15 core social indicators → the company can receive a total combined score of 100% in the transformation benchmark.

For both the weighting and limiting factor approaches, the underlying message that companies receive is the same: failure to meet the basic societal expectations will have a significant impact on a company's performance in a transformation benchmark, even where the company may be performing relatively well on the transformation methodology alone. The limiting factor has a clear drawback in cases where many companies are already scoring poorly on the transformation methodology.

Consultation questions (scoring models)

- C1** How should a company's total score/performance on the core social indicators impact its transformation score?
- C2** Should the impact of a core social indicator total score on a transformation methodology score be different for each transformation?
- C3** What are the benefits and drawbacks of the weighting versus limiting factor approaches?
- C4** Are there any approaches (other than the two set out above) that could be used to combine core social indicator scores/performance with transformation scores?

Draft core social indicators

In the sections that follow, each core social indicator is detailed. The indicators follow a standard format:

Topic: A short-hand reference for the issue we are investigating. Normally including an indicator numbering schema, e.g. 1. Commitment to respect human rights, with '1' = chronological number in relevant section, and 'Commitment to respect human rights' = specific topic addressed.

- **Indicator:** Sets out what is expected of the company in general terms.
- **Rationale:** Reasoning behind why the topic is being included and its relevance to responsible business conduct or the 2030 Agenda
- **Requirements:** Sets out how the indicator expectations can be met by fulfilling specific requirements or a combination of requirements. Note that not all the requirements necessarily need to be fulfilled to meet the expectation of the indicator. Look out for the words 'or', 'and' etc.
- **Sources:** Key sources aligned with the draft core social indicator, including indicators in existing corporate reporting frameworks. Further work will be done to review alignment with pre-existing indicators and reporting frameworks, which will be referenced in the final methodology.

WBA anticipates significant interest in the details of each indicator but would also like to get feedback on the following general questions regarding how we build indicators.

Consultation questions (general approach to building core indicators)

- D1** While assessing performance might be a preference, there may be insufficient publicly available information to make such an assessment. With this in mind, should the core social indicators focus on a company's transparency (e.g. whether the company discloses a % or a commitment) or focus on performance (i.e. determining whether the % disclosed is good or not) as the 'basic societal expectation' for the keystone companies?
- D2** Are there any missing core social indicator topics? If so, what are they and how would you prioritise them in the draft core social topics list?
- D3** Should any of the core social indicator topics be split into more than one indicator?
- D4** In addition to assessing the SDG2000 on the core social indicators, should a screen be conducted for controversies that are related to one or more of the core social topics? If so, should that screen be incorporated into a company's core social indicators score, or should it not be scored?
- D5** In light of COVID-19, should there be a greater focus on a particular social topic (regardless of whether it is already in the draft core social topics list or not)?
- D6** Is there sufficient coverage of supply chains in the core social indicators?
- D7** Do the core social indicators have sufficient focus on those who are most vulnerable or at risk of being left behind (i.e. supply chain workers, communities)?
- D8** Would your organisation be comfortable in agreeing that the core social expectations represent a minimum for company behaviour?

Referenced sources for core social indicators

The table below lists the acronyms for sources referenced directly within individual core social indicators and which were used to build the indicators and requirements. A wider set of materials was also used to inform development of the core social indicators more generally. These materials are listed in Annex 3.

Source	Acronym
The B Team – A New Bar for Responsible Tax: The B Team Responsible Tax Principles	B Team Tax Principles
Climate Disclosure Standards Board Framework	CDSB
Danish Institute for Human Rights – Indicators for Business	HRIB
Ethical Trading Initiative Base Code	ETI
Future-Fit Business Benchmark BE21 – The Right Tax is Paid at the Right Time	BE21
General Data Protection Regulation (EU) 2016/679	GDPR
Global Reporting Initiative	GRI
International Covenant on Civil and Political Rights	ICCPR
International Covenant on Economic, Social and Cultural Rights	ICESCR
International Labour Organization Hours of Work (Industry) Convention	ILO No. 1
ILO Weekly Rest (Industry) Convention	ILO No. 14
ILO Forced Labour Convention	ILO No. 29
ILO Freedom of Association and Protection of the Right to Organise Convention	ILO No. 87
ILO Right to Organise and Collective Bargaining Convention	ILO No. 98
ILO Equal Remuneration Convention	ILO No. 100
ILO Abolition of Forced Labour Convention	ILO No. 105
ILO Weekly Rest (Commerce and Offices) Convention	ILO No. 106
ILO Discrimination (Employment and Occupation) Convention	ILO No. 111
ILO Minimum Age Convention	ILO No. 138
ILO Occupational Health and Safety Convention	ILO No. 155
ILO Worst Forms of Child Labour Convention	ILO No. 182
KnowTheChain	KTC
OECD Guidelines for Multinational Enterprises	OECD Guidelines
OECD Inclusive Framework on Base Erosion and Profit Shifting	OECD BEPs
Ranking Digital Rights	RDR
Social Accountability 8000 International Standard	SA8000
Sustainable Development Goals	SDG
The Ten Principles of the UN Global Compact	UNGC
Transparency International UK – Open Business Principles and Guidance for Anti-Corruption Corporate Transparency	TI Anti-Corruption Principles
Transparency International UK – Wise Counsel or Dark Arts? Principles and Guidance for Responsible Corporate Political Engagement	TI Political Engagement Principles
UN Guiding Principles on Business and Human Rights	UNGP
UN Guiding Principles Reporting Framework	UNGPRF
Universal Declaration of Human Rights	UDHR

UNCTAD – Guidance on Core Indicators for Entity Reporting on Contribution Towards Implementation of the Sustainable Development Goals	UNCTAD
UNRISD – Measuring Corporate Sustainability Towards Accounting Fit for the SDGs	UNRISD
WBA Corporate Human Rights Benchmark	CHRB
WBA Gender Benchmark	GB
WBA Digital Benchmark	DB
Workforce Disclosure Initiative	WDI

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1. Commitment to respect human rights

- **Indicator:** The company publicly commits to respecting human rights across its activities. It must be clear that the commitment relates to all internationally recognised human rights rather than to one or specific rights. Policies must be approved at the most senior level of the company.
- **Rationale:** A policy commitment to respect human rights is a core requirement of the UNGPs. It sets the ‘tone at the top’ that is needed to embed respect for human rights in the company’s core values and culture. It indicates that senior management considers respect for human rights to be a minimum standard for conducting business with legitimacy, and it lays out expectations for how staff and business relations should act as well as what others can expect of the company.
- **Requirements:** Core criteria are fulfilled by meeting one of the requirements (a) to (f).
 - (a) The company has a publicly available policy statement committing it to respect human rights.
 - (b) The company has a publicly available policy statement committing it to the ten principles of the UN Global Compact (principles one and two include a commitment to respect human rights).
 - (c) The company is a member in good standing of the UN Global Compact, which implies a board-level commitment to the ten principles.
 - (d) The company has a publicly available policy statement committing it to respect the rights set forth in the Universal Declaration of Human Rights.
 - (e) The company has a publicly available policy statement committing it to respect the rights set forth in the International Bill of Human Rights.
 - (f) The company has a policy-level commitment to implement the UNGPs or OECD Guidelines.
- **Sources:** CHRB A.1.1; GRI 103-2; UNGC 1; UNGP 11, 12, 15; UNGPRF A1; WDI 2.1.

Consultation questions (details of indicator)

- E1** Would requirement (f) – a policy-level commitment to implement the UNGPs or OECD Guidelines – be sufficient to demonstrate that a company has made a policy-level commitment to respect human rights?
- E2** Should the core social indicators provide details of the linkages to the SDGs (as per the scoping report)?
- E3** Is the indicator easy to understand?
- E4** Should we be more specific about the requirements for the level of policy sign-off, or are they covered sufficiently in the indicator text?

2. Human rights due diligence

- **Indicator:** The company demonstrates that it has an ongoing process to identify, assess, manage, track and report on human rights risks and impacts related to its business operations.
 - **Rationale:** Human rights due diligence is a core requirement of the UNGPs. It provides the ‘backbone of the day-to-day activities of a business enterprise in translating into practice its responsibility to respect human rights’ (15). Companies should identify, prevent, mitigate and account for how they avoid and address adverse human rights impacts they cause, contribute to or which are linked to their activities through business relationships. It is critical that companies engage in this process in order to ‘proactively manage the potential and actual risks of adverse impacts on the rights and dignity of people’ (15).
 - **Requirements:** Core criteria are fulfilled by meeting (a) and (b) OR by meeting either (c) or (d).
 - (a) The company publicly discloses its process to identify its human rights risks and impacts in specific locations or activities in its own operations.
 - (b) The company publicly discloses its process to identify human rights risks and impacts beyond its own operations (i.e. in business relationships and the supply chain).
 - (c) The company publicly discloses its salient human rights risks (where a company discloses material human rights risks, the materiality process must be explained, and it must be clear that the materiality process understands ‘risks to people’ rather than just ‘risks to the company’).
 - (d) The company publicly discloses the results of human rights risk and impact assessments, which may be aggregated across its operations and locations.
- Note: In all cases above, it must be clear how potentially and/or actually affected stakeholders are consulted during the process.
- **Sources:** CHRB B.2.1, B.2.2; GRI 412-1, 414-2; HRIB 1.2.1; UNGP 17, 18; UNGPRF B2, C3; WDI 2.3, 2.6, 2.7, 2.8, 2.10, 2.11, 2.12.

Consultation questions (details of indicator)

Note: Human rights due diligence should be embedded as an ongoing process within many of the other core social topics. As such, this indicator is not drafted to provide a detailed assessment of how well companies implement the due diligence expectations. Instead, it aims to distinguish between companies that can demonstrate they have a process in place at a group level and those that do not. This is the ‘minimum expectation’.

- F1** What other activities might be seen as equivalent evidence that a company has a human rights due diligence process that aligns with the UNGPs and/or OECD Guidelines?
- F2** Would a stand-alone human rights report in line with the UNGP Reporting Framework be sufficient evidence of a human rights due diligence process?
- F3** How specific does the indicator need to be regarding salience, materiality and double materiality?

3. Access to remedy

- **Indicator:** The company has channels through which stakeholders (including workers, external individuals and community members who may be adversely impacted by the company) can raise complaints or concerns, it discloses data on the channels' operation and it extends requirements on access to remedy into the supply chain.
- **Rationale:** Where a company identifies that it has caused or contributed to negative human rights impacts, it should provide for or cooperate in their remediation through legitimate processes. Companies should establish or participate in effective operational-level grievance mechanisms for stakeholders who may be negatively impacted by company activities. Remediation processes provided by the state or third-party institutions (e.g. multi-stakeholder initiatives) can offer alternative channels for affected stakeholders to raise complaints or concerns.
- **Requirements:** Core criteria are fulfilled by meeting all of the requirements (a) to (e).
 - (a) The company has one or more channels/mechanisms, or participates in shared mechanisms, that are accessible to all workers (including contracted workers), to raise complaints or concerns related to the company.
 - (b) The company has one or more channels/mechanisms, or participates in shared mechanisms, that are accessible to all external individuals and communities (or legitimate representatives) who may be adversely impacted by the company, to raise complaints or concerns related to the company.
 - (c) The company discloses data on the operation of the channel(s)/mechanism(s), including statistics on the numbers and types of human and labour rights-related complaints and grievances that are handled each year.
 - (d) The company requires its suppliers to establish a channel/mechanism for workers to raise complaints or concerns related to the supplier or its operations, or these workers have access to the company's own channel(s)/mechanism(s) to raise complaints or concerns about the company's suppliers.
 - (e) The company requires its suppliers to establish a channel/mechanism for potentially affected people to raise complaints or concerns related to the supplier or its operations.

Note: Remedy is often predicated on understanding who has been impacted. Therefore, anonymous hotlines or whistle-blowing mechanisms are unlikely to meet the requirements on their own.

- **Sources:** CHRB C.1, C.2; GRI 103-2; KTC 5.3; UNGP 22, 29, 30; UNGPRF C6.1, C6.3; WDI 7.12, 7.14.

Consultation questions (details of indicator)

Note: Remedy frequently relies on the identification of stakeholders. As such, a simple whistle-blower or ethics hotline would not qualify as a system for access to remedy if it does not allow for affected parties to actually have access to remedy. Remedy is frequently sensitive, and so systems without options for confidentiality will also fail to meet the requirements. The requirements above do not go into detail concerning the following: alignment with the UNGP criteria for effective grievance mechanisms, how mechanisms are sensitised via appropriate media and languages, or examples of remedy in practice.

- G1** Do the requirements for this indicator ask too much from companies or not enough?
- G2** With respect to requirement (e), would an expectation on suppliers, rather than a requirement, be more appropriate for this indicator?

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4. Governance of human rights issues (board oversight)

- **Indicator:** The company's board is active regarding human rights, has specific accountability for the company's human rights approach and performance, and demonstrates oversight at the highest level of the company.
- **Rationale:** Board leadership on social issues is key to embedding purpose within the company and signalling the importance of these issues to stakeholders inside and outside the company. Social issues should be important to all companies, therefore managing them should be incorporated into relevant targets and linked to appropriate remuneration and performance targets at the most senior levels.
- **Requirements:** Core criteria are fulfilled by meeting either (a) or (b) AND either (c) or (d).
 - (a) A board member is tasked with specific governance oversight of one or more areas of respect for human rights.
 - (b) A board committee is tasked with specific governance oversight of one or more areas of respect for human rights.
 - (c) The company discloses how the board implements its oversight of human rights issues.
 - (d) The company discloses the human rights issues discussed by the board on at least an annual basis.
- **Sources:** CHRB A.2.1, A.2.2; GRI 102-18, 102-26, 102-31, 102-35; UNGP 16, 24; UNGPRF A1.1, A2.2.

Consultation questions (details of indicator)

- H1** The minimum expectation set out here is that human rights are part of the (board) governance remit of any SDG2000 company. However, there is also an expectation that social issues are, in general, overseen by the board. With this in mind, would it be better to reframe the requirement as 'governance of social issues' or even more broadly regarding sustainability?
- H2** Following on from the question above, should 'board oversight' instead be demonstrated for each of the core social topics? Should additional requirements regarding demonstrating board competence be added (e.g. education and training mechanisms, or the appointment of subject matter experts to the board)?
- H3** In requirement (a), should the board member be named?

5. Freedom of association and collective bargaining

- **Indicator:** The company publicly commits to respecting the principles concerning fundamental rights at work in the ILO conventions relating to freedom of association and the effective recognition of the right to collective bargaining, it expects its suppliers to commit to respecting the same rights and it demonstrates it monitors the issue by disclosing key information regarding levels of collective bargaining.
- **Rationale:** Companies should respect the right of all workers to form and join a trade union of their choice (or equivalent worker bodies where the right to freedom of association and collective bargaining is restricted under law) and to bargain collectively. Companies that actively support freedom of association and collective bargaining create an enabling environment for the protection of fundamental rights and the realisation of multiple SDGs (including SDG 8.8, 16.3, 16.6 and 16.10). Similarly, without workers' associations, the incorporation of worker voice into business decisions becomes less likely, undermining causes such as a just transition.
- **Requirements:** Core criteria are fulfilled by meeting one of (a), (b) or (c) AND meeting (d), (e) and (f).
 - a) The company has a publicly available policy statement committing it to respect the human rights that the ILO has declared to be fundamental rights at work (ILO Core Labour Standards – see note).
 - b) The company has a publicly available policy statement that includes explicit commitments to respect the right to freedom of association **and** the right to collective bargaining in respect of employment and occupation.
 - c) The company has a publicly available policy statement committing it to respect the ten principles of the UN Global Compact (principles three to six are based on the ILO Declaration on Fundamental Principles and Rights at Work).
 - d) The company discloses the proportion of its workforce who are covered by collective bargaining agreements.
 - e) The company's policy commitment(s) also expect suppliers to commit to respecting the right to freedom of association and collective bargaining. (Note: A blanket expectation on suppliers to respect the rights in the ILO Core Labour Standards would not be sufficient.)
 - f) The company discloses the proportion of its suppliers who are unionised, or the proportion of its supplier workforce who are covered by collective bargaining agreements.

Note: The ILO Core Labour Standards are a set of four fundamental, universal and indivisible human rights. These four rights are enshrined in eight ILO conventions. The ILO Declaration on Fundamental Principles and Rights at Work commits member states to respect and promote the principles and rights in the core labour standards, which are set out in eight conventions as follows:

- Freedom of association and the effective recognition of the right to collective bargaining (Convention No. 87 and No. 98)
 - Elimination of all forms of forced or compulsory labour (Convention No. 29 and No. 105)
 - Effective abolition of child labour (Convention No. 138 and No. 182)
 - Elimination of discrimination in respect of employment and occupation (Convention No. 100 and No. 111).
- **Sources:** CHRB A.1.2; GRI 103-2; ILO No. 87, No. 98; KTC 1.2, 3.3; SDG 8.8, 16.3, 16.6, 16.10; UNCTAD C.4.1; UNGP 12, 16(c); UNGPRF A1; WDI 7.1, 7.3, 10.1, 10.10.

Consultation questions (details of indicator)

- I1** The CHRB has identified cases where companies commit to respecting the right to freedom of association (by name) but then ‘miss out’ the right to collective bargaining. Therefore, is a commitment to respect the rights in the ILO fundamental conventions sufficient, or should the relevant rights be named (freedom of association and collective bargaining)?
- I2** Requirement (e) is framed as the company ‘expects suppliers to’ rather than ‘requires suppliers to’. Is a supplier expectation sufficient for a minimum expectation, or should a requirement be placed on suppliers?
- I3** Is requirement (f) expecting too much from companies, considering the number of companies in the SDG2000 that may not have extended supply chains in countries with weaker labour protections?
- I4** Should minimum disclosures require country-by-country disaggregation of collective bargaining coverage?
- I5** Should we also expect minimum standards for disclosure on workers, such as percentage and numbers of workers in affiliates, factories and suppliers engaged via contract?

6. Forced labour

- **Indicator:** The company publicly demonstrates its commitment to address forced labour, places clear requirements on its suppliers relating to forced labour and discloses the steps it takes to understand risks of forced labour in its operations and supply chain.
- **Rationale:** Companies can engage in or be associated with forced labour in various ways. Among them are imposing financial burdens on workers by withholding wages or expenses that should be covered by the company and restricting workers' movement, including through retention of passports or personal identification documents. Companies should eliminate forced labour throughout their operations and supply chains. Doing so will contribute to the fulfilment of a number of SDGs, including SDG 8 (decent work) and SDG 10 (reduce inequality).
- **Requirements:** Core criteria are fulfilled by meeting one of (a), (b), (c) or (d) AND also by meeting (e) and (f).
 - a) The company has a publicly available policy statement committing it to respect the human rights that the ILO has declared to be fundamental rights at work.
 - b) The company has a publicly available policy statement that includes an explicit commitment to respect the right not to be subject to forced labour in respect of employment and occupation.
 - c) The company has a publicly available policy statement committing it to respect the ten principles of the UN Global Compact (principles three to six are based on the ILO Declaration on Fundamental Principles and Rights at Work).
 - d) The company has a policy commitment stating it will not use, be complicit in or benefit from forced labour.
 - e) The company discloses its steps for understanding the risks of forced labour in its operations and supply chain.
 - f) The company's policy commitment(s) also expect suppliers to commit to respecting the right not to be subject to forced labour. (Note: A blanket expectation on suppliers to respect the rights in the ILO Core Labour Standards would not be sufficient.)
- **Sources:** CHRB A.1.2; GRI 103-2; ILO No. 29, No. 105; KTC 1.1, 1.2, 2.2, 3.3; UNGP 12, 16(c); UNGPRF A1; WDI 10.1, 10.10.

Consultation questions (details of indicator)

Note: In terms of a minimum expectation, there would ideally be no forced labour and, reflecting their outsized influence, all companies should be striving to eliminate forced labour in their supply chains. However, proving an absence of forced labour is arguably both impossible and likely to have unintended consequences, like hiding the issue. With this in mind, the minimum expectation is framed around policy commitments, expectations on suppliers and companies understanding their exposure to forced labour risks. As forced labour is unlikely to be a salient issue for all SDG2000 companies, assessments of how companies **manage** forced labour risks, particularly in their supply chains, will be best placed in the transformation- and sector-specific methodologies.

- J1** If a company identifies cases of forced labour in its operations or supply chain, what impact should this have on the company meeting the requirements of the indicator?
- J2** The UK Modern Slavery Act sets a useful marker through its transparency in supply chains elements, which require companies to disclose what steps, if any, they have taken regarding forced labour due diligence in their supply chains. Requirement (e) goes beyond this by expecting all SDG2000 companies to have undertaken due diligence. Is this the right approach?
- J3** Should requirement (e) go even further by requiring the disclosure of forced labour risks in companies' operations and supply chains?
- J4** Requirement (f) is framed as the company 'expects suppliers to' rather than 'requires suppliers to'. Is a supplier expectation sufficient for a minimum expectation, or should a requirement be placed on suppliers?

7. Child labour

- **Indicator:** The company publicly demonstrates its commitment to address child labour and places clear requirements on its suppliers relating to child labour.
- **Rationale:** Companies can be linked to child labour in various ways. These include directly employing children, benefitting from the low cost of child labour in the supply chain, failing to conduct adequate due diligence (to identify child labour deep in the supply chain), failing to pay a living wage (preventing parents from keeping their children in school), incentivising child labour by setting high production targets (16) and/or not requiring suppliers to refrain from engaging in these activities. Companies should eliminate the use of child labour in their operations and supply chains. Doing so will contribute to the achievement of a number of SDGs, including SDG 4 (ensure inclusive and equitable quality education) and SDG 8 (decent work).
- **Requirements:** Core criteria are fulfilled by meeting one of (a), (b), (c) or (d) AND meeting (e).
 - a) The company has a publicly available policy statement committing it to respect the human rights that the ILO has declared to be fundamental rights at work.
 - b) The company has a publicly available policy statement that includes an explicit commitment to respect the right not to be subject to child labour in respect of employment and occupation.
 - ⇒ c) The company has a publicly available policy statement committing it to respect the ten principles of the UN Global Compact (principles three to six are based on the ILO Declaration on Fundamental Principles and Rights at Work).
 - d) The company has a policy commitment stating it will not use, be complicit in or benefit from child labour.
 - e) The company's policy commitment(s) also expect suppliers to commit to respecting the right not to be subject to child labour. (Note: A blanket expectation on suppliers to respect the rights in the ILO Core Labour Standards would not be sufficient.)
- **Sources:** CHRB A.1.2; GRI 103-2; ILO No. 138, No. 182); KTC 1.2, 3.3; UNGP 12, 16(c); UNGPRF A1; WDI 10.1, 10.10.

Consultation questions (details of indicator)

- K1** Should there be a further requirement on the demonstration of child labour due diligence or risk assessments? This was initially excluded because of the large number of sectors covered by the SDG2000 (some of which may be less likely to be linked to child labour) and the existence of a similar requirement regarding forced labour in the previous indicator.
- K2** In requirement (d), is the 'complicit in/benefit from' element too stringent for a minimum expectation? It reflects the language of the UN Global Compact on forced labour guidance but limiting it to 'will not use' is an option.
- K3** Requirement (e) is framed as the company 'expects suppliers to' rather than 'requires suppliers to'. Is a supplier expectation sufficient for a minimum expectation, or should a requirement be placed on suppliers? Should the requirement be framed as a commitment not to use, be complicit in or benefit from child labour?
- K4** High-risk sectors have likely already made policy commitments and put better codes of conduct in place. Could this result in companies in low-risk sectors being scored worse than companies that actually have child labour in their operations and supply chains? Connected to this, how should credible incidents of child labour be viewed in relation to meeting the basic expectations?

8. Discrimination

- **Indicator:** The company publicly demonstrates its commitment to address discrimination, places clear requirements on its suppliers regarding discrimination and discloses data linked to relevant issues.
- **Rationale:** Companies can be linked to discrimination by engaging in ‘practices that have the effect of placing certain individuals in a position of subordination or disadvantage in the labour market or the workplace because of their race, colour, religion, sex, political opinion, national extraction, social origin or any other attribute which bears no relation to the job to be performed’ (17). Companies should work to eliminate discrimination in their operations and supply chains and should promote equal opportunities. Doing so will contribute to the achievement of a number of SDGs, including SDG 5 (achieve gender equality and empower all women and girls), SDG 8 (decent work) and SDG 10 (reduce inequality).
- **Requirements:** Core criteria are fulfilled by meeting at least one of (a), (b), (c) or (d) AND meeting both (e) and (f).
 - a) The company has a publicly available policy statement committing it to respect the human rights that the ILO has declared to be fundamental rights at work.
 - b) The company has a publicly available policy statement that includes an explicit commitment to respect the right not to be subject to discrimination in respect of employment and occupation.
 - c) The company has a publicly available policy statement committing it to respect the ten principles of the UN Global Compact (principles three to six are based on the ILO Declaration on Fundamental Principles and Rights at Work).
 - d) The company has a policy commitment stating it will not discriminate against people on any grounds in respect of employment and occupation.
 - e) The company’s policy commitment(s) also expect suppliers to commit to respecting the right not to be subject to discrimination. (Note: A blanket expectation on suppliers to respect the rights in the ILO Core Labour Standards would not be sufficient.)
 - f) The company discloses data on employees and governance bodies as per GRI 405-1 (see note).

Note: GRI 405-1 disclosures cover the percentage breakdowns of an organisation’s governance bodies by gender, age group and other relevant indicators of diversity, and the percentage breakdown of employees (by employee category – their level and function) by gender, age group and other relevant indicators.
- **Sources:** CHRB A.1.2; ETI 7.1; GRI 103-2, 405-1; ILO No. 100, No. 111; KTC 1.2, 3.3; UNGP 12, 16(c); UNGPRF A1; WDI 7.23, 10.1, 10.10.

Consultation questions (details of indicator)

- L1** The indicator requirements are effectively ‘policy commitment’ (a)-(d), ‘supplier expectation’ (e) and ‘minimum data disclosure’ (f). Is this framing useful, and should it be made more obvious in the final methodology?
- L2** A minimum list of characteristics that might be discriminated against has not been included (such as race, colour, sex, religion, political opinion, national or social origin, age, disability, migrant status, HIV and AIDS status, gender identity, sexual orientation). The aim is to set the bar for non-discrimination in general. However, where companies word policies around ‘characteristics protected by applicable laws’ but specify only a short list of characteristics (e.g. omitting and by implication not including sexual orientation as a valid characteristic for discrimination), how should this be viewed, and should the indicator be designed to ‘catch’ this issue?

In responding to the above question, please consider the OECD Guidelines Part V – Employment and Industrial Relations, which states, ‘Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices and applicable international labour standards:

1...e) Be guided throughout their operations by the principle of equality of opportunity and treatment in employment and not discriminate against their workers with respect to employment or occupation on such grounds as race, colour, sex, religion, political opinion, national extraction or social origin, or other status, unless selectivity concerning worker characteristics furthers established governmental policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of a job.’

- L3** Requirement (e) is framed as the company ‘expects suppliers to’ rather than ‘requires suppliers to’. Is a supplier expectation sufficient for a minimum expectation, or should a requirement be placed on suppliers?

9. Gender equality and women's empowerment

- **Indicator:** The company publicly commits to driving gender equality and women's empowerment in its operations, takes a zero-tolerance approach to violence and harassment and discloses sex-disaggregated data on relevant issues.
- **Rationale:** In the workplace, gender inequality manifests itself in a variety of ways. Women are underrepresented in leadership positions, they face a persistent pay gap and occupy the majority in part-time and low-paid jobs. Women are also more likely than men to face sexual harassment and gender-based violence within and beyond the workplace and receive limited support from their employers for their health needs as women and mothers. Achieving gender equality is key to achieving specific SDGs and as a catalyst for sustainable development in general. Companies are uniquely positioned to drive gender equality and women's empowerment and can contribute to the achievement of multiple SDGs, among them SDG 5 (achieve gender equality and empower all women and girls), SDG 8 (decent work) and SDG 10 (reduce inequality).
- **Requirements:** Core criteria are fulfilled by meeting all of the requirements (a) to (e).
 - a) The company has a public commitment to gender equality and women's empowerment in its operations (e.g. the company is a signatory to the Women's Empowerment Principles).
 - b) The company publicly discloses specific, time-bound targets on gender equality and women's empowerment.
 - c) The company has a public commitment to zero tolerance of violence and harassment in its operations.
 - d) The company discloses sex-disaggregated pay data for its operations as per GRI 405-2 (see note).
 - e) The company discloses the proportion of women in governance bodies and senior executive roles.

Note: GRI 405-2 requires disclosure of the ratio of the basic salary and remuneration of women to men for each employee category and by significant locations of operation as well as how 'significant locations of operation' is defined. Remuneration should be based on the average pay of each gender grouping within each employee category.

- **Sources:** GB 1, 11, 19, 29, 31; GRI 405-1, 405-2; UNCTAD C.1.1; WDI 3.14, 3.25, 3.34.

Consultation questions (details of indicator)

- M1** Gender-based discrimination is covered in indicator eight, whereas this indicator focuses on the idea that gender equality is a crucial catalyst for achieving the SDGs – with an expectation that all companies in the SDG2000 should be active in driving equality and empowerment as a minimum. Is this too demanding for a minimum expectation?
- M2** Should the issue of violence and harassment, which is frequently but not exclusively linked to gender, be in this topic, part of the discrimination core social indicator or its own indicator?
- M3** Should this indicator go further and assess how companies are driving gender equality and women's empowerment within their supply chains? If so, what is the minimum expectation of companies?
- M4** Should requirement (d) go further and require companies to disclose gender pay gap data (e.g. mean pay gap and/or median pay gap)?
- M5** Regarding requirement (e), should the minimum expectation be broader? In other words, should companies be disclosing the proportion of women in leadership roles below senior executives?

10. Health and safety

- **Indicator:** The company publicly commits to respecting the health and safety of workers, it expects its suppliers to commit to respecting the health and safety of their own workers, and it demonstrates that it monitors the issue by disclosing quantitative information.
- **Rationale:** Companies can impact the health and safety of workers in various ways, such as exposure to hazardous substances and wastes, or by failing to protect workers by not providing safe work environments. Companies should ensure the health and safety of workers in their operations and take steps to ensure the health and safety of workers in their supply chains. Doing so will contribute to the achievement of a number of SDGs, including SDG 3 (good health and well-being), SDG 8 (decent work) and SDG 16 (peace and justice).
- **Requirements:** Core criteria are fulfilled by meeting all of the requirements (a) to (d).
 - a) The company has a publicly available policy statement committing it to respect the health and safety of workers.
 - b) The company discloses quantitative information on health and safety for its workers related to injury rates, fatality rates and lost days (or near-miss frequency rates) and occupational disease rates.
 - c) The company sets out clear requirements for its suppliers regarding the provision of safe and healthy work environments.
 - d) The company discloses quantitative information on health and safety for workers at its suppliers related to injury rates, fatality rates, lost days (or near-miss frequency rates) and occupational disease rates.
- **Sources:** CHRB A.1.2, Theme D; GRI 103-2, 403-9; ILO No. 155; SDG 3.9, 8.8, 16.6; UNCTAD C.3.2; UNGP 12, 16(c); UNGPRF A1; WDI 6.1, 6.3.

Consultation questions (details of indicator)

- N1** Many of the health and safety risks of business operations have been effectively outsourced through contracting (e.g. to security and cleaning staff) or offshoring (regarding physical production). But does requirement (d) go beyond a minimum expectation of responsible conduct?
- N2** Should requirement (d) specify disclosure for specific worker categories (e.g. gender and region), as suggested in the WEF Common Metrics report?
- N3** Noting that some industries are inherently more dangerous than others and the reporting of incidents should be encouraged, not discouraged, what impact should the existence of severe health and safety incidents have on the assessment of companies?
- N4** The WEF Common Metrics report (13) proposes an indicator: 'Monetised impacts of work-related incidents on employees, employers and society by multiplying the number and type of occupational incidents by the direct and indirect costs for employees, employers and society per incident.' Explaining the need for the proposed indicator, the report continues, 'The financial impacts of workplace accidents – in terms of lost time and productivity, property damage, fines from regulators, reputational damage, healthcare costs, employee compensation costs and damaged employee morale – can destabilise companies and their business models. Measuring the direct and indirect impacts of these accidents will enable companies to reduce their negative impacts on employees, business and society.' Would it be helpful to include the monetisation of impacts as part of the core social assessment?

11. Living wages and social protection

- **Indicator:** The company pays its workers a living wage and works to ensure supply chain workers are also paid a living wage. The company respects applicable international standards and national laws and regulations concerning maximum working hours and minimum breaks and rest periods.
- **Rationale:** Companies should ensure that workers, including in the supply chain, are paid a living wage. The payment of a living wage is seen as a critical enabler of the private sector's contribution to the 2030 Agenda and is clearly linked to multiple SDGs, including SDG 1 (end poverty), SDG 2 (zero hunger), SDG 3 (improve good health and well-being), SDG 4 (ensure inclusive and equitable quality education), SDG 5 (achieve gender equality and empower all women and girls), SDG 8 (decent work) and SDG 10 (reduce inequality). A living wage is inextricably linked to working hours – as a wage would not be considered a 'living wage' if it relies on exploitation through extreme hours of work. As such, a living wage should be viewed alongside consideration of working hours.
- **Requirements:** Core requirements are fulfilled by meeting (a), (b) and (c) AND meeting either (d) or (e) AND also meeting either (f) or (g).
 - a) The company discloses the breakdown of its workforce, including permanent and temporary, full-time and part-time employees, contractors and third-party workers.
 - b) The company provides paid sick leave.
 - c) The company requires contractors and suppliers to pay their own workers a living wage (for example via direct contract wording or via codes of conduct that must be followed as conditions of contract).
 - d) The company makes a public commitment to pay employees a living wage across all its operations (a commitment to a legal minimum wage is not considered sufficient without additional explanation of how the legal minimum equates to a real living wage).
 - e) The company states that all employees are paid a living wage and details how it determines a living wage for the regions where it operates, which includes involvement of relevant trade unions (or equivalent worker bodies where the right to freedom of association and collective bargaining is restricted under law).
 - f) The company states that it aligns with working hour requirements equivalent to the ETI Base Code (working hours must comply with national laws, collective agreements and the provisions of sub-clauses 6.2 to 6.6 of the Base Code, whichever affords the greater protection for workers – see note).
 - g) The company makes a public commitment to respect the requirements of ILO conventions on hours of work (No. 1) and weekly rest (No. 14 and No. 106), regarding maximum hours of work and minimum hours of rest for its industry.

Note: ETI sub-clauses 6.2 to 6.6 are based on international labour standards as follows:

6.2 Working hours, excluding overtime, shall be defined by contract, and shall not exceed 48 hours per week.

6.3 All overtime shall be voluntary. Overtime shall be used responsibly, taking into account all the following: the extent, frequency and hours worked by individual workers and the workforce as a whole. It shall not be used to replace regular employment. Overtime shall always be compensated at a premium rate, which is recommended to be not less than 125% of the regular rate of pay.

6.4 The total hours worked in any seven-day period shall not exceed 60 hours, except where covered by clause 6.5 below.

6.5 Working hours may exceed 60 hours in any seven-day period only in exceptional circumstances where all of the following are met: • this is allowed by national law; • this is allowed by a collective

agreement freely negotiated with a workers' organisation representing a significant portion of the workforce; • appropriate safeguards are taken to protect the workers' health and safety; and • the employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies.

6.6 Workers shall be provided with at least one day off in every seven-day period or, where allowed by national law, two days off in every 14-day period.

- **Sources:** CHRB Theme D; ETI 6, 8; ICESCR Art. 7; HRIB 8.2.2; ILO No. 1, 14, 106; SA8000 IV.7; WDI 3.5, 3.31.

Consultation questions (details of indicator)

- O1** This is currently a very tough indicator and was drafted that way because of the clear links between living wages and multiple positive outcomes across the SDGs. But is it too tough, and/or should it be split into multiple topics?
- O2** We want to start understanding whether companies are trying to avoid their obligations set forth in labour or social security laws and regulations by using labour-only contracting, sub-contracting or other arrangements. Work security in the wake of COVID-19 has elevated this consideration. This also links to clause 8 of the ETI Base Code: 'To every extent possible work performed must be on the basis of a recognised employment relationship established through national law and practice.' A first step is understanding the balance of employees to gig and other workers, which is why requirement (a) has been included.
- O3** At the minimum level, what expectations should be set regarding living wages in the supply chain?
- O4** For requirement (d), should the minimum be an 'expectation' rather than a 'requirement'?
- O5** Although worker protections are gaining increased attention in the face of COVID-19, it is tricky to set minimum expectations that are universal and make sense across more than 70 countries where SDG2000 companies are headquartered. Healthcare insurance is so closely tied to national approaches that it was excluded from first drafts of the methodology. However, paid sick leave is an additional requirement that needs to be consulted on and developed further.
- O6** 'Social security' means different things to different people. What minimum expectations regarding worker protections are missing? How would they best be framed?
- O7** Is the equivalence of requirements (f) and (g) recognised, or does including the full elements of the ETI Base Code confuse things?

12. Personal data protection

- **Indicator:** The company applies responsible practices for personal data in relation to data collection and data sharing.
- **Rationale:** Companies collect and use growing amounts of personal data pertaining to their staff, customers, clients and other stakeholders. As WBA has identified, a digital transformation must happen to achieve the 2030 Agenda, which – if successful – will also contribute to the growth in personal data. Companies who process personal data will have increasing potential to negatively impact human rights, such as the right to privacy. Conversely, upholding these rights will help protect fundamental freedoms (SDG 16.10) and will be critical to the digital transformation.
- **Requirements:** Core criteria are fulfilled by meeting all of the requirements (a) to (g).
 - a) The company publicly discloses the **user information** it collects.
 - b) The company publicly discloses the **purpose** for which it collects user information.
 - c) The company publicly discloses **how it collects** user information.
 - d) The company publicly discloses **whether it shares** the user information it collects.
 - e) The company publicly discloses **with whom it shares** the user information it collects.
 - f) The company clearly discloses that it **may share user information** with government(s) or legal authorities.
 - g) The company publicly discloses the **purpose for which it shares** user information.
- **Sources:** DB U.3; GDPR Art. 13(1)(e)-(f); ICCPR Art. 17; RDR P3, P4, P5; SDG 16.10; UDHR Art. 12.

Consultation questions (details of indicator)

- P1** There are other 'basic' elements of personal data management that could have been included, such as user access and retention of personal information, but should the indicator go any further than requirements (a)-(g) at the 'minimum expectation' level?
- P2** Current framing is on 'public disclosure', but should the requirement specify a privacy policy or statement?

13. Corporate taxation

- **Indicator:** The company demonstrates a responsible tax approach that complies with both the letter and spirit of the law in the countries where it operates and ensures the right amount of tax is paid, at the right time, in the countries in which it creates value.
- **Rationale:** Companies can be linked to and/or involved in improper tax practices, such as tax evasion and avoidance, which ultimately deprive states of critical resources. Conversely, as the payment of taxes directly impacts a state's ability to deliver on the 2030 Agenda, companies can indirectly contribute to all the SDGs that are dependent on government funding and directly contribute to SDG 17.1 (strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection). As such, companies should be paying the right amount of tax, at the right time, in the right place. Each company's tax profile is unique, so the requirements are based on the articulation of the company's approach and its tax transparency.
- **Requirements:** Core criteria are fulfilled by meeting all of the requirements (a), (b) and (c).
 - a) The company has a publicly available policy committing it to a responsible tax approach and names the board member and/or committee with oversight of or responsibility for the company's tax approach.
 - b) The company states that it will not establish a presence in low-tax jurisdictions for non-commercial reasons (i.e. where the primary purpose is minimising tax payments).
 - c) The company takes a transparent approach to country-by-country tax reporting and discloses details in alignment with GRI 207-4 (see note).

Note: The GRI 207-4 disclosure requirements specify that the reporting organisation shall report the following information:

- a. All tax jurisdictions where the entities included in the organisation's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes.
 - b. For each tax jurisdiction reported in Disclosure 207-4-a:
 - i. names of the resident entities
 - ii. primary activities of the organisation
 - iii. number of employees, and the basis of calculation of this number
 - iv. revenues from third-party sales
 - v. revenues from intra-group transactions with other tax jurisdictions
 - vi. profit/loss before tax
 - vii. tangible assets other than cash and cash equivalents
 - viii. corporate income tax paid on a cash basis
 - ix. corporate income tax accrued on profit/loss
 - x. reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax.
 - c. The time period covered by the information reported in Disclosure 207-4.
- **Sources:** B Team Tax Principles; BE21 2.2; GRI 207-4; OECD BEPS 13; OECD Guidelines Part 1 XI.

Consultation questions (details of indicator)

- Q1** There is less global consensus on corporate tax approaches than for other core social issues such as labour standards. As such, the requirements drew on a variety of sources, but is the expectation as framed too demanding?
- Q2** Should there be more flexibility around the language of 'tax policy' to include public tax strategies?
- Q3** Where companies are clearly involved in tax avoidance strategies, how should this be reflected in the social transformation assessment?
- Q4** Should there be more focus on effective tax rates, as proposed by the UNRISD? In a recent [policy brief](#), the research institute suggests, '[Companies should] disclose the tax gap and the effective tax rate as a percentage of pre-tax profits and the industry norm, as well as the volume and percentage of global profits attributed to recognised tax havens and low-tax jurisdictions; country-by-country tax reporting should be publicly disclosed, including data related to revenues, assets, employment, pre-tax profits, taxes paid and the effective tax rate...'.

14. Anti-corruption

- **Indicator:** The company publicly prohibits bribery and corruption, demonstrates how these commitments are embedded in company practices and reports on alleged instances of corruption raised through whistle-blowing or grievance mechanisms.
- **Rationale:** Companies can be linked to bribery and corruption through multiple activities, including giving, offering, accepting or requesting bribes, engaging in fraud, extortion or insider trading. Corruption is a trillion-dollar problem that is a key obstacle to sustainable development, and companies should eliminate corruption in all its forms (18). Doing so will indirectly contribute to the achievement of all the SDGs that are dependent on government funding and directly contribute to SDG 16.5 (substantially reduce corruption and bribery in all their forms).
- **Requirements:** Core criteria are fulfilled by meeting all of the requirements (a) to (e).
 - a) The company has a publicly available policy or policies approved at the most senior level of the business that prohibits bribery and corruption.
 - b) The company states or demonstrates that it includes anti-corruption and anti-bribery clauses in its contracts with third parties.
 - c) The company publicly discloses details of how it conducts anti-corruption and anti-bribery risk assessments when entering into business relationships with third parties.
 - d) The company has a confidential and anonymous mechanism in place through which both internal and external stakeholders can raise bribery and anti-corruption concerns without fear of reprisals.
 - e) The company reports data relating to bribery and corruption concerns and incidents, including the number and nature of concerns raised via whistle-blower/grievance mechanisms, the number and nature of confirmed incidents and the outcomes of investigations and disciplinary actions against employees, contractors and third parties.
- **Sources:** GRI 205-3; OECD Guidelines Part 1 VII; TI Anti-Corruption Principles 1.1, 1.2, 1.3, 1.11, 1.12, 1.13.

Consultation questions (details of indicator)

- R1** Where companies are clearly implicated in corrupt practices, how should this impact their assessment under the social transformation?
- R2** Would a requirement that 'the company has not been found guilty of corrupt practices in the last 24 months' be useful?
- R3** With respect to requirement (c), should the minimum expectation extend to requiring a company to carry out a risk assessment when it enters into a transaction in a country in which it has not previously conducted business?
- R4** Principle ten of the ten principles of the UN Global Compact states, 'Businesses should work against corruption in all its forms, including extortion and bribery.' If a company is a member in good standing of the UN Global Compact (which implies a board-level commitment to the ten principles), is this sufficient to meet requirement (a)?
- R5** Should disclosure of a company's ultimate beneficial owners be assessed as a minimum expectation in this indicator or in the corporate taxation indicator?

15. Lobbying and corporate political influence

- **Indicator:** The company demonstrates a responsible approach to lobbying and political influence activities that includes board-level oversight, and controls on and transparency around these activities.
- **Rationale:** Companies can use a range of tools to influence the political process, including donations to political actors, political engagement, advertising and public relations, but also mobilising influencers like trade associations and advocacy groups (19). Lobbying, meanwhile, has the potential to determine the policy environment. As such, lobbying and political influence may indirectly contribute to the achievement of all the SDGs. Conversely, these activities may undermine the 2030 Agenda. In addition, the activities themselves carry the risk of bribery, corruption, conflicts of interest and financial and reputational damage. As such, companies should demonstrate responsible practices in these areas.
- **Requirements:** Core criteria are fulfilled by meeting all of the requirements (a) to (e).
 - a) The company publishes a board-level policy or policies setting out its approach to lobbying and political influence/engagement.
 - b) The company requires third-party lobbyists to comply with its lobbying and political engagement policy/policies.
 - c) The company specifies it does not make political contributions. If a company allows them by exception, it clearly reports contributions in every country where it operates, whether or not it is a legal requirement.
 - d) The company discloses details of its lobbying and political engagement, including activities (what it engages on, where, how and any links to the SDGs), membership of all third-party trade associations or lobby groups, and all monetary and non-monetary contributions to third parties (political parties, political campaigns, industry associations, lobbyists etc.).
 - e) The company is not credibly implicated in lobbying or political activities that will actively undermine the 2030 Agenda.
- **Sources:** CDSB REQ-02; TI Political Engagement Principles, Definitions and Recommendations; UNRISD Reporting Recommendations.

Consultation questions (details of indicator)

- S1** Should board-level accountability (i.e. board or board committee is named as being accountable for a company's political engagement) be a basic requirement?
- S2** Is the requirement (d) breakdown of SDG-relevant lobbying too demanding for a minimum requirement?
- S3** Is requirement (e) a practical indicator?
- S4** WBA is using the framing of activities as set out by Transparency International (forms of corporate political activity – see Figure 8). Do these definitions have broad acceptance?

Figure 8: Forms of corporate political activity – reproduced from Transparency International’s report *Wise Counsel or Dark Arts? Principles and Guidance for Responsible Corporate Political Engagement* (20)

Forms of corporate political activity	
Activity	Description
Political donations and expenditure	<p>Contributions made directly or indirectly to a political party or its local branches, elected officials or political candidates.</p> <p>Contributions made to an organisation or activity aligned with a political cause such as a research organisation or think tank, assisting with the drafting of legislation, carrying out funding or research.</p>
Lobbying	<p>Formal advocacy carried out by in-house lobbyists, consultant lobbyists and trade associations.</p> <p>Informal advocacy by board members, senior executives or specialists.</p> <p>Lobbying activities can include meetings, position papers, communications, administration, research, drafting proposals for legislation and providing staff resources and meeting rooms for political committees, such as UK All-Party Parliamentary Groups.</p> <p>Indirect lobbying can include building supporting constituencies and initiating and funding community campaigns (so-called ‘astroturfing’) by engaging and mobilising organisations such as research institutes, charities and action groups and initiating, funding and managing social media campaigns.</p>
Trade associations and business chambers	Memberships of trade associations and business chambers that lobby on behalf of their members.
Exchanges of people between business and the public sector	<p>Revolving door: Post-employment positions, two-way, to and from public office.</p> <p>Secondment: Long-term and short-term work experience placements in either direction.</p> <p>Associated politicians: Depending on the laws of the jurisdiction, elected politicians may be contracted as consultants to the company or appointed to the board.</p>
Political activities and the workplace	<p>Release for public office, such as carrying out duties as a local councillor.</p> <p>Unpaid leave to campaign for office.</p>

Annexes

Annex 1: WBA Guiding Principles

WBA developed a set of guiding principles to guide its work and reflect its values and mission (Figure 9). These principles were formed in collaboration with global stakeholders throughout the consultation phase and refined based on input and feedback from roundtable consultations, online surveys and expert meetings.

The principles are divided into three categories: operational principles explain how the Alliance functions; benchmark development principles address how the benchmarks are designed; and content principles cover what the benchmarks assess. Currently, the guiding principles reflect the outcomes and findings from WBA's global consultation phase. However, the world is changing rapidly, and additional insights and perspectives are likely to emerge over time. Consequently, these principles may evolve – in consultation with stakeholders – to reflect new findings and realities.

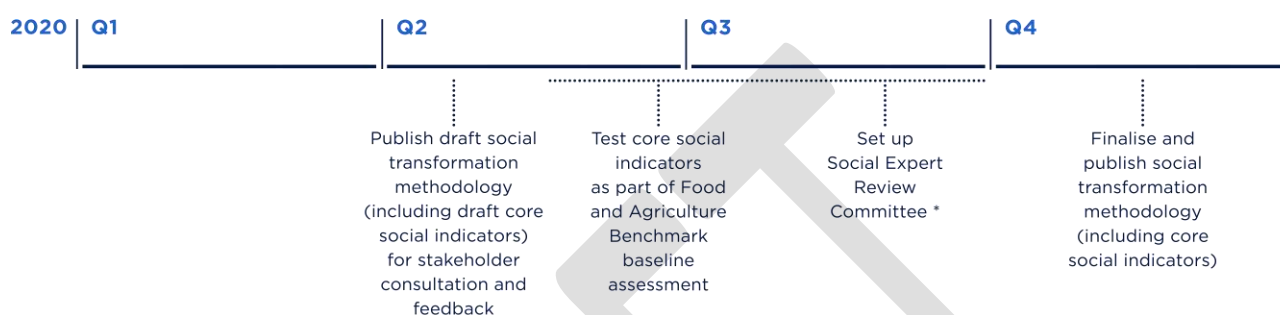
Figure 9: WBA Guiding Principles

Operational principles	
Inclusive	The WBA actively engages with and involves all stakeholders in building the Alliance and the benchmarks.
Impartial	The WBA and its benchmarks are equally responsive to all stakeholders.
Independent	The WBA and its benchmarks are independent from the industries and companies they assess.
Focused on impact	The WBA and its benchmarks promote dialogue and measure impact on the SDGs to create positive change.
Collaborative	The WBA collaborates with stakeholders and Allies to enhance alignment of corporate performance with internationally agreed sustainability objectives.
Free and publicly available	The WBA is a public good, and its benchmarks and methodologies are free and publicly available to all.
Benchmark development principles	
Relevant	WBA benchmarks focus on sustainable development issues most relevant to industries' core businesses and on the industries and companies that can make the most significant, actionable and unique contributions to these issues.
Clear in method and intent	WBA benchmarks are transparent about their methodology, development processes and results.
Complementary	WBA benchmarks build upon the work done by others, adding further value with a focus on SDG impact.
Responsive and iterative	WBA benchmarks are updated regularly to reflect evolving stakeholder expectations, policies, developments, and company performance.
Content principles	
Balanced	WBA benchmarks assess both positive and negative impacts that companies might have on the SDGs.
Reflective of societal expectations	WBA benchmarks reflect the extent to which companies' performance on relevant SDGs aligns with stakeholders' expectations.
Forward-looking	The WBA and its benchmarks engage and assess companies on their current performance on the SDGs and on exposure to sustainability risks and future opportunities.

Annex 2: Timeline for core social indicator development

The timeline below (Figure 10) outlines the development process of the methodology, next steps and expected dates towards publication of the final methodology.

Figure 10: Core social indicator development timeline



* Expert Review Committees comprise external volunteers who provide non-binding guidance to WBA

In 2021, WBA aims to assess all companies that appear in transformation benchmarks on the core social indicators. The number of companies is not yet confirmed but could be in the region of 1,000. The methodology focus in 2021 will be on supporting the development of transformation-specific social indicators.

Annex 3: Materials reviewed to develop core social indicators

• Principles and normative standards

- International Labour Organization conventions:
 - Freedom of association and the effective recognition of the right to collective bargaining (Convention No. 87 and No. 98)
 - Effective abolition of child labour (Convention No. 138 and No. 182)
 - Elimination of all forms of forced and compulsory labour (Convention No. 29 and No. 105)
 - Elimination of discrimination in respect of employment and occupation (Convention No. 100 and No. 111)
 - Occupational safety and health (Convention No. 155)
 - Working hours (Convention No. 1, No. 14 and No. 106)
- Organisation for Economic Co-operation and Development:
 - OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997)
 - OECD Due Diligence Guidance for Responsible Business Conduct (2018)
 - OECD Guidelines for Multinational Enterprises (2008)
 - OECD Inclusive Framework on Base-Erosion and Profit Shifting
- United Nations:
 - Gender Dimensions of the Guiding Principles on Business and Human Rights (2019)
 - Guiding Principles on Business and Human Rights (2011)
 - Human Rights Indicators: A Guide for Measurement and Implementation (2012)
 - International Covenant on Civil and Political Rights (1966)
 - International Covenant on Economic, Social and Cultural Rights (1966)
 - Sustainable Development Goals (2015)
 - Convention on the Elimination of All Forms of Discrimination Against Women (1979)
 - Convention on the Elimination of All Forms of Racial Discrimination (1965)
 - Convention on the Rights of the Child (1989)
 - Universal Declaration of Human Rights (1948)
- UN Global Compact:
 - Ten Principles of the UN Global Compact (2018)

• Corporate reporting frameworks or disclosure initiatives

- B-Lab SDG Action Manager
- Consumer Goods Forum Sustainability Supply Chain Initiative
- Future-Fit Business Benchmark
- Global Reporting Initiative
- KnowTheChain
- Ranking Digital Rights
- Platform Living Wage Financials
- Renewable Energy & Human Rights Benchmark Methodology
- ShareAction Workforce Disclosure Initiative
- Social and Labor Convergence Program
- Sustainability Accounting Board Standards
- UN Guiding Principles Reporting Framework

- WBA Corporate Human Rights Benchmark
- WBA Digital Benchmark
- WBA Gender Benchmark

● **Other**

- B Team – A New Bar for Responsible Tax: The B Team Responsible Tax Principles
- Climate Disclosure Standards Board – CDSB Framework for reporting environmental and climate change information: Advancing and aligning disclosure of environmental information in mainstream reports
- Critical Resource – A Manifesto for Better ESG Data in the Resource and Energy Sector
- Danish Institute for Human Rights Indicators for Business
- Ethical Trading Initiative Base Code
- Fair Labor Association – Workplace Code of Conduct and Compliance Benchmarks
- Fair Wear Foundation Labour Standards
- Future-Fit Business Benchmark BE21 – The right tax is paid at the right time
- General Data Protection Regulation (EU) 2016/679
- Global Reporting Initiative – Discussion Paper: Corporate Reporting on Poverty
- Global Reporting Initiative – Exposure Draft of Universal Standards: GRI 101, GRI 102 and GRI 103
- Global Reporting Initiative and UN Global Compact – Business Reporting on the SDGs: An Analysis of the Goals and Targets
- Institute for Human Rights and Business – Respecting Human Rights in the Time of the COVID-19 Pandemic: Examining Companies’ Responsibilities for Workers and Affected Communities
- International Trade Union Confederation – 2019 ITUC Global Rights Index: The World’s Worst Countries for Workers
- Living Wage Foundation – The Sustainable Development Goals and the Living Wage
- Principles for Responsible Investment – Advancing Tax Transparency: Outcomes from the PRI Collaborative Engagement 2017-2019
- Shift – Leadership and Governance Indicators of a Rights-Respecting Culture
- Shift – Respecting Trade Union Rights in Global Value Chains: Practical Approaches for Business
- Social Accountability 8000 International Standard
- Social and Human Capital Coalition – Social and Human Capital Protocol
- Transparency International UK – Corporate Political Engagement Index 2018: Rating Private Sector Political Transparency
- Transparency International UK – Open Business: Principles and Guidance for Anti-Corruption Corporate Transparency
- Transparency International UK – Wise Counsel or Dark Arts? Principles and Guidance for Responsible Corporate Political Engagement
- UK Equality and Human Rights Commission – Business and human rights: A five-step guide for company boards
- United Nations Children’s Fund, UN Global Compact and Save the Children – United Nations Children’s Rights and Business Principles
- United Nations – Global Sustainable Development Report 2019: The Future is Now: Science for Achieving Sustainable Development
- United Nations Conference on Trade and Development – Guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals

- United Nations Research Institute for Social Development – Measuring Corporate Sustainability Towards Accounting Fit for the SDGs
- Women’s Empowerment Principles
- World Economic Forum – Toward Common Metrics and Consistent Reporting of Sustainable Value Creation: Consultation Draft

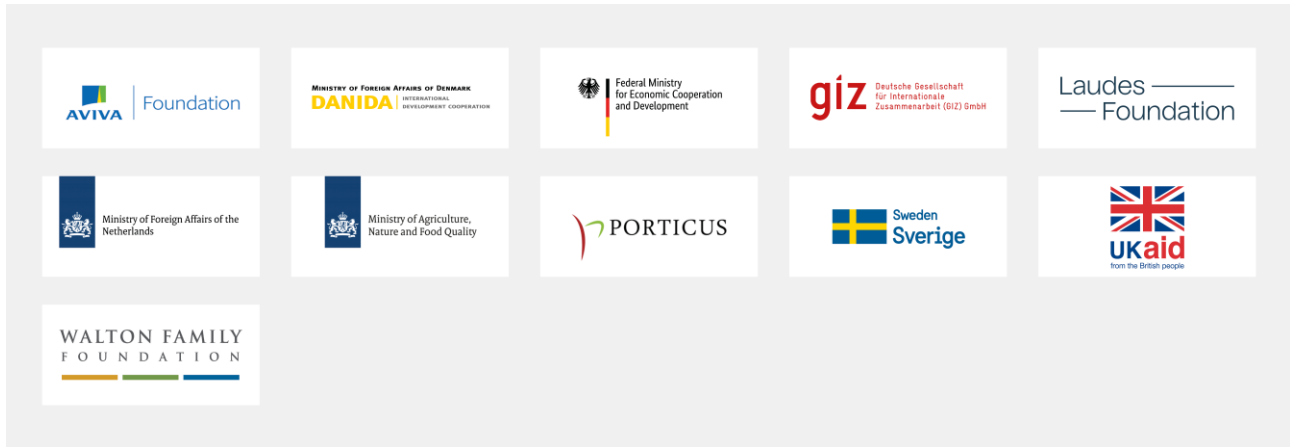
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The World Benchmarking Alliance is funded by



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