Social transformation feedback report 2020

A summary report of the consultation process and review of the draft social transformation methodology

November 2020
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1 Background

Achieving the Sustainable Development Goals (SDGs) requires large-scale and profound transformations of the systems that drive environmental and social pressures, particularly in developing countries. The World Benchmarking Alliance (WBA) 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 measure and compare corporate performance 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. The social transformation aims to transform the role of business in society such that businesses respect human rights, promote equality and empower people to ensure that no one is left behind.

On 2 June 2020, WBA published the draft methodology for the social transformation. The draft methodology sets out the proposed approach to assess the 2,000 most influential companies globally on a social element. It includes the draft indicators that WBA proposes to use to assess these companies on core societal expectations. It was the result of WBA’s continuous stakeholder engagement process, building on the work of the Corporate Human Rights Benchmark (CHRBB), EIRIS Foundation, ShareAction’s Workforce Disclosure Initiative and the Business and Human Rights Resource Centre, as well as the Columbia Center on Sustainable Investment, KnowTheChain, Oxfam, the Global Child Forum and Transparency International.

At the same time as the publication of the draft methodology WBA launched its public consultation phase, inviting all interested stakeholders to provide feedback on the draft methodology over a 14-week period (2 June to 7 September 2020). This report summarises the feedback received and key takeaways during the consultation period, setting out the likely changes we will make to the methodology.

Overall, there was very positive and thoughtful engagement from a broad set of stakeholders, ranging from companies and civil society organisations, to multi- and bi-lateral organisations, financial institutions and academics. A full list of the organisations that engaged with us as part of the consultation can be view in the ‘Summary of engagement’ section below. We would like to thank all stakeholders for their feedback to help shape the social transformation approach and methodology.

We would also like to thank WBA’s funding partners for their support, without which none of our work would be possible. A full list of WBA’s funding partners is set out here. We would like to give a special thanks to the German Development Agency (GIZ) for the support provided that has enabled us to develop and pilot the core social indicators, conduct the consultations and prepare this feedback report.
2  Summary of engagement

While we initially had plans to hold in-person consultation roundtables, due to the COVID-19 pandemic we decided to hold our consultation conversations virtually. During the consultation period, we held:

- 12 WBA roundtables that were attended by more than 150 participants;
- Two roundtables organised by CRT Japan that were attended by 40 participants;
- One roundtable organised by the International Trade Commission Technical Working Group that was attended by 15 participants;
- One roundtable organised by Business Fights Poverty that was attended by 272 participants;
- One roundtable organised by the European Commission that was attended by 8 participants; and
- Over 26 bilateral calls.

We also received specific written feedback from over 20 organisations.

A list of the organisations whose staff provided input and engaged with us is provided below. There was a strong mix of investors, keystone companies, academia, civil society, industry initiatives, consultancies, government linked and international organisations including:

- Anheuser-Busch InBev
- ABN Amro
- Adidas
- Aberdeen Standard Investments
- Aviva Investors
- B Team
- Banka Bioloo
- BASF
- Brodie
- Burberry
- Business and Human Rights Resource Centre
- Columbia Center for Sustainable Investment
- CEMEX
- CIVICUS
- CIVIDEIP India
- Consumer Goods Forum
- Covestro
- Danish Institute for Human Rights
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
- Ecodes
- EIRIS Foundation
- Engagement International
- Eni
- Ethical Screening Initiative
- European Commission
- Fitch Ratings
- Future-Fit
- Global Alliance for Banking Values
- Global Business Initiative
- Global Child Forum
- Global Real Estate Sustainability Benchmark
- Global Sustainable Seafood Initiative
- Good Business Charter
- Heifer International
- Hermes Investment Management
• HP
• IAU Office of Astronomy for Development
• IDH-The Sustainable Trade Initiative
• Impact Investing Institute
• International Organisation of Employers
• International Trade Centre (ITC)
• International Trade Union Confederation (ITUC)
• KnowTheChain
• KPMG
• Kudos Africa
• Lake Advisory
• Living Wage Foundation
• London School of Economics
• Loughborough University
• Next
• Norges Bank Investment Management
• On-Up LLC
• Petronas
• Predistribution Initiative
• Repsol
• Responsible Business Alliance
• Responsible Business Initiative for Justice
• Samsung Electronics
• ShareAction
• Shift
• Shell
• Social Practice Forum
• Sustainability Accounting Standards Board
• SustainoMetric
• Teijin Limited
• Themis Consulting
• The Good Economy
• The Partnership on AI (PAI)
• Tony’s Chocolonely
• Total
• Transparency International UK
• Twenty Fifty
• United Nations Conference on Trade and Development
• United Nations Development Programme
• United Nations Forum on Sustainability Standards
• United Nations Children’s Fund
• Unilever
• United Nations Global Compact
• United States Council for International Business
• University of Oxford / British Academy Purpose of the Corporation Project
• University of Pittsburgh
• UPM
• Vigeo EIRIS
• Vodafone
• Warwick IER UK
• Wikirate
• World Wide Generation
• ZF Friedrichshafen AG
3 Refining the concept of the social transformation; a new model

‘What is the social transformation?’ A key question asked in the consultation was what shape ‘the social transformation’ could take as an overarching concept and what new benchmarks we could develop. While there were several specific recommendations including living wage, justice, job growth, resilient economies, corporate purpose, inclusion and race, an underlying theme was the role of social transformation in terms of businesses tackling inequality. One participant suggested we rename the social transformation as the inequality transformation. A useful question was posed which really helped us to think through this issue:

What is it that prevents us from achieving a society that works for everyone...and what is the role of business in preventing us from achieving better wellbeing? With that in mind, how do the SDG2000 companies evolve to best support society?

During the consultation period, the discussion that companies don’t act to best support society was aligned with the ongoing debate around shareholder and stakeholder capitalism, with the idea that short-term shareholder interest models were preventing us from achieving better wellbeing. If business’ purpose – its role in society – is misaligned with what is required to achieve a society that works for everyone, then the role of business in society is what needs to be transformed under the social transformation. The endpoint would be economies where businesses respect human rights, promote equality and empower people to pursue the opportunities and choices they value.

This shifts the emphasis away from broad social objectives as framed in the 2019 WBA Seven Systems Transformation Framework (“...achieve universal human development by respecting human rights, promoting equality and empowering people...”) to concentrate on the role of business within society. This rests on the twin ideas that companies should first act responsibly then positive impacts can follow, and that responsible business conduct is a foundational element of any transformations which aim to leave no one behind.

The endpoint would be economies where businesses respect human rights, promote equality and empower people to pursue the opportunities and choices they value. Too many companies today are not responsible actors and their role in society is to maximise shareholder value with minimal regard to wider stakeholders. Calls to reset or reinvent capitalism have been given a strong push by the events of 2020. But WBA recognises that the wheel does not need completely reinventing; we just need companies to meet the pre-existing societal expectations of responsible business conduct. To support the achievement of this endpoint, we will set out reframe the social transformation as follows:

WBA’s social transformation aims to incentivise companies to meet societal expectations of responsible business conduct so that companies leave no-one behind. By respecting human rights, providing decent work and acting ethically, companies can support the SDG transformations, address inequalities and contribute to a sustainable future for all.

Revised framework elements. In the draft methodology, we described three levels to the social transformation – core social indicators for all companies, transformation specific social indicators
per benchmark and spotlight benchmarks for deep dives on certain topics. Following the consultation we have refined this approach to pursue the revised view of the social transformation.

The final framework will set out a series of high-level societal expectations on responsible business conduct and a series of core-social indicators which signpost towards these expectations. These core social indicators will form the bedrock of embedding ‘leave no one behind’ in all transformation methodologies and will be applied to all 2,000 companies. They will be supported by specific social indicators for each transformation that will make ‘leave no one behind’ approach specific to the context. The core social indicators will inform our work on specific ‘social spotlight benchmarks’ which will incentivise business to work towards meeting societal expectations on specific issues, focusing on three overlapping areas of responsible business conduct. This can be viewed as follows:

‘A’ social transformation vs social transformations. Looking at the broad range of topics across responsible business conduct – stakeholder capitalism, business and human rights, inclusion and diversity, peace and justice, decent work, tax (basically anywhere society and business intersect) – there is not necessarily a single ‘social transformation’, rather multiple transformations that need to take place.

The social transformation must prioritise and pick some focus areas to avoid becoming lost. We must recognise the limits of what we can achieve in terms of our own activities as well as the limits placed on us by taking a global approach to benchmarks. This may mean that some areas of responsible business conduct which need improving are not given a heavy focus. However, this does not prevent WBA from driving change in those areas. By working with Allies and third parties who already have a strong focus on those areas, we can work to reinforce impact. This is especially relevant where benchmarks already exist and that can be built on, rather than duplicated.

We can group the high-level societal expectations into three overlapping categories:
1. Respecting human and labour rights (the master key to unlocking responsible business conduct and the bedrock of the second and third categories);
2. Providing decent work; and
3. Acting ethically (e.g. approaches to tax, lobbying, corruption, data).

Between the high-level expectations and the core social indicators is the space where we can use spotlight benchmarks to drive change in specific areas. For example, there is a market failure around respect for human rights (the first category listed above) and companies are neither penalised by the market for poor human rights performance or sufficiently rewarded for good behaviour. The Corporate Human Rights Benchmark works on the idea that benchmarking can introduce a competitive environment for human rights through a mix of regulatory and non-regulatory pressures, and companies can be moved from the current (very poor average) performance to the end state where implementing the UNGPs is ‘business as usual’. The Corporate Human Rights Benchmark is therefore a key element of the social transformation.

Elements of the Corporate Human Rights Benchmark assessment are incorporated into the core social indicators to provide insight into the readiness of companies to respect human rights (but not their performance or effectiveness in managing human rights risks and impacts).

Based on the feedback from the consultations and our considerations of where we could have most impact, we plan to initially focus on two mini-transformations: respect for human rights (via continuation of the Corporate Human Rights Benchmark) and gender equality (through the expansion of our apparel focused Gender Benchmark). Drawing on our 2021 research and input from our allies and the social expert review committee, we will consider other priority areas such as living wages (as part of decent work), or a ‘transformation of corporate purpose’. Wherever possible, we will work with Allies to avoid re-inventing the wheel and will try to build on pre-existing initiatives.

This approach will allow us to focus on a manageable number of topics, but will naturally mean we are not focused on other important areas. We hope that the findings from the core social indicators will provide us with sufficient data to have meaningful engagements with third parties who can use the findings to support their own work and drive improvements towards the high-level expectations without needing to create more and more benchmarks; the idea is to create enough information to enable informed decision making.

**Core vs basic vs minimum indicators.** The general concept of separating out some of the more core social requirements from subsequent transformations was generally well received and time was devoted to discussing the appropriate framing (core social, minimum expectations, basic requirements, etc). There were mixed views around the framing, with the following key considerations raised:

- Basic vs complex – While human rights due diligence is a universal expectation on companies, as per the UNGPs, the process of properly doing it is in no way ‘basic’ as it is a complex topic.
• Minimum vs aspirational – While all workers should be paid a wage that enables them to look after themselves and their dependents (living wage as a minimum expectation), for many companies, the payment of a living wage is an aspiration (if they agree with the concept at all).

• Minimum vs legal – The potential clash between labelling something as a minimum when it was above the legal standard was raised, with suggestions to assess all companies against their own local laws, rather than against an international / WBA standard.

Moving forward we will use ‘WBA Core Social Indicators’ as the name for the assessments conducted against each company. We will review the draft methodology and remove most references to ‘minimum’ in relation to the indicators. We recognise that multiple initiatives (like GRI, WEF metrics, IPIECA) already use ‘core’ to define a mandatory set of reporting requirements and we will map and understand where WBA’s core social indicators align with these frameworks.

This mapping will likely take place in the first quarter of 2021 and will be periodically updated. Being grounded in international norms, new frameworks should hopefully not contradict the core social indicators, but we will pay particular attention to the revised GRI standards and the developments in the EU regarding non-financial report etc. The aspiration is to have mapping at several levels. Firstly, the background sources for the indicators (i.e. justification in terms of alignment with UNGPs etc). Secondly, in terms of reporting (i.e. if a company reports against this part of GRI/SASB etc then the right type of information should be available for WBA to make an assessment). Thirdly in terms of equivalence to other assessments (i.e. where indicators or data points from the core social could feed into other benchmarks like CHRB, KnowTheChain, Workforce Disclosure Initiative etc).

Commitment vs process vs performance. The difference across indicators, in terms of looking for a company commitment, demonstration of process, disclosure of key data or ‘performance’ was mentioned several times. Indicators like living wage were noted for being very tough in terms of performance (for example expecting all employees to be paid a living wage), and this was in stark contrast to indicators which made a policy commitment to respect a specific human right. We understand the different values placed on commitments and disclosures by various stakeholders – and the potential disconnect with actual performance on the related topics.

During the consultation we discussed the difficulty of assessing social performance, particularly in a way that is comparable across multiple sectors. We also confirmed that the draft social indicators were never set up to be a stand-alone benchmark with deep-dive assessments on performance, which would require too much depth for all 2,000 companies. As such, we recognise that the indicators are generally starting points that allow us to distinguish between companies who are on the path towards meeting high level expectations and those who are not. Sometimes those indicators may act as useful proxies for performance.

An early idea for the core social indicators was to apply a type of negative screening; rather than saying that companies who met the core social indicators were likely to do well in the topic, we emphasise the thought that companies who fail to meet the social indicators were very unlikely to be doing well in that topic. This comes with its own risks, for example companies claiming competence in an area where they have barely left the starting block. It also reflects the understanding that while the absence of things like policies, processes, targets and disclosures can
be an indicator that a company fails to recognise and address key social issues, the presence of these things is not necessarily a good indicator of whether the company is effectively managing risks to people and/or creating positive impact.¹

Moving forward we will start from the idea that we are looking at ‘core social indicators’ that ‘signpost towards meeting the social expectations on companies’. The core social indicators will also represent the starting point for embedding the ‘leave no one behind’ principle in the transformations for the food, finance, urban, circular, digital and decarbonisation and energy systems. Indicators like living wage are likely to be scaled back to have greater alignment with the other indicators in terms of commitments, processes or performance levels.

**Social transformation vs social benchmark.** We realise from the consultation that we need to be clear about the role of the core social indicators and discussions about ‘a social benchmark’. Different people define a benchmark in different ways. WBA uses a benchmark to show the comparative ranking of companies against a specific methodology (such as a transformation pathway); companies doing better on the ranking are doing more on the transformation. Elsewhere, including in the recently released UNGC SDG Ambition, ‘benchmark’ has been used to describe a target or level of performance, (e.g. gender pay equality).

The core social indicators represent a ‘line in the sand’ below which we question both a company’s ability to contribute to the SDG transformations and whether it can be seen as a responsible business. All companies should meet all the core social indicators (i.e. no one should fall under the line).

In framing the indicators this way, we recognised the need to articulate what the social transformation will try to actually achieve. We think that framing a set of high-level societal expectations (such as ‘all employees are paid a living wage’, ‘all companies commit to respect human rights, undertake due diligence and ensure the provision of remedy for impacted individuals’, etc) will complement the core social indicators. The core social indicators can then be used to signpost towards meeting the high-level societal expectations. The gap between current performance and the high-level expectations represents the space for transformation, where a spotlight benchmark or transformation-specific social indicators may be able to drive change on a specific topic.

Because of this framing, it will be important for WBA to be clear that the core social assessment of 2,000 companies should not be viewed as ‘the social transformation benchmark’ – rather a baseline from which to understand whether companies are willing and able to contribute to subsequent transformations. It should not be blindly used to compare the relative performance of companies. The only ‘performance’ which really counts is where companies are meeting their core social indicators and achieving a full score. All those falling below this line should be seen as failing to meet core societal expectations on responsible business conduct.

4 Summary of supplementary activities

To supplement the stakeholder feedback we received during the consultation period, we also tested the core social indicators. The purpose of the testing was to:

- Ensure that the indicators and related requirements are broadly applicable to the different sectors covered by the SDG2000 list;
- Ensure that the indicators and related requirements are applicable to companies headquartered in developing and developed countries;
- Ensure that there is sufficient publicly available information to meaningfully distinguish between companies;\(^2\)
- Understand the types and amount of information that is publicly available;
- Understand the resources required and technical difficulty in using the indicators; and
- Provide data for modelling different scoring and weighting approaches

The following activities were conducted:

1. Our Digital Inclusion Benchmark team tested the core social indicators on 30 of the companies that fall within the scope of the digital transformation. This largely provided insights into the guidance needed to support the indicators during research. As it was early in the Digital benchmark research, we could only compare draft core-social scores against draft digital inclusion scores. There did seem to be a broad correlation between the core social and draft digital rankings, with a few outliers who were ‘doing well on the social but poorly on digital inclusion’ or vice versa.

The chart plots the rank (1\(^{st}\) to 20\(^{th}\)) for core social scores against draft digital scores. If there was perfect correlation, the core social indicators would add little to the debate. Conversely, if there was no correlation, it would cast doubt on the idea that responsible business practice underpins and enables SDG transformations.

The pattern we see indicates that in general, more socially responsible companies will also be doing better on the digital transformation. The companies furthest from the line speak to companies who are ‘responsible’ but not part of the transformation, or are

\[\text{Figure 1. Digital companies ranked on core social indicators vs draft ranking on digital transformation}\]

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\(^2\) i.e. where no company fails, or conversely passes, an indicator, it could be argued that the lack of differentiation between companies on a topic provides little incentive to drive change in that there are no leaders or laggards.
potentially engaged in green-washing (looking good on transformation but not doing it in a way so as to leave no one behind).

2. The Columbia Center for Sustainable Investment (CCSI) tested the indicators focused on corporate taxation, lobbying and corporate political influence, and anti-corruption on 40 multinational enterprises headquartered in China, India and Mexico. They looked at companies’ disclosure against every single element of the relevant indicators to get a full picture of data availability, drawing on data concerning 2018 and reported in 2019 and 2020. Certain topics, like responsible tax approaches, country by country reporting, corruption risk-assessments, third party lobbyists and political contributions, showed virtual no relevant disclosures that met the indicator requirements. The worst scoring companies were consistently the financial services companies in China, but in general anti-corruption policies and whistle-blower mechanisms were two areas that most companies scored points. A report summarising the findings will hopefully be made public soon and we are keen to continue working with CCSI on some of these topics for the SDG2000.

3. We used a consultancy, SustainoMetric, to test the core social indicators on 30 automotive companies that fall within the scope of the decarbonisation and energy transformation. This sector was chosen for our main piloting efforts as we had the 2019 dataset for the decarbonisation benchmark to use as a test for different scoring models. We also used a third party to test how easily an external group could apply the methodology (and to test how much guidance was needed to support the assessment).

To test companies on each indicator, researchers collected publicly available information on the indicator requirements. Where there was no information publicly available on any of the requirements for a particular indicator, the indicator was considered to be ‘not met’. Where there was information publicly available on some of the requirements (but not all the requirements) for a particular indicator, the indicator was considered to be ‘partially met’. Where there was information publicly available on all the requirements for a particular indicator, that indicator was considered ‘fully met’.

In order to score each company, the following model was used: where an indicator was ‘not met’, a company would score 0 for that indicator; where an indicator was ‘partially met’, a company would score 1 for that indicator; and where an indicator was ‘fully met’, a company would score 2 for that indicator. Accordingly, across the 15 core social indicators, the maximum score that a company could attain was 30 (i.e. a score of 2 for each of the 15 indicators). Several companies were researched initially and reviewed by WBA staff to ensure a consistent interpretation of the indicators.
The research conducted showed that on average a company scored 11 out of 30 points on the core social indicators, with 44% of indicators being not met, 38% of the indicators being partially met, and 17% of the indicators being fully met. A summary of the anonymised results is set out in the image below. As the aim for the core-social indicator is for all companies to eventually meet the requirements of all indicators, the 17% figure was concerning and suggest that in terms of distinguishing between ‘the haves and the have-nots’, the core indicators might be overly demanding. The overwhelming failures on governance, living wage, lobbying and tax indicators reinforce this finding and have prompted us to look at revising the level of difficulty in meeting those indicators in particular.

In comparing the rankings based on the core social indicators and the 2019 decarbonisation benchmark for the auto sector, we again see that ‘the good do better’, while there is much more variation in the lower end of the ranking. Of note were those companies to the far-right of the line, who were seen to be failing quite badly against core social requirements but were doing relatively well at decarbonisation; a situation that is unlikely to result in a just-transition that leaves no-one behind.

*Figure 2. Comparing rankings based on core social scores and decarbonisation scores for automotive sector*
Overall, the core social indicator testing showed us that:

- Some of the language used in the indicator requirements is difficult to interpret and understand and therefore difficult to research.
- Some of the language used in the indicator requirements is too specific resulting in companies not meeting requirements due to the presence or lack of presence of certain words.
- Some of the indicators and related requirements were too aspirational and therefore did not allow us to distinguish between those companies that are taking steps towards meeting core societal expectations and those that are not.
5 Scoring indicators

Background. Once the core social indicators are finalised, they will need to be scored in a way that provides relevant information to the other transformations, as well as supporting the broader messaging and engagement for the social transformation. They also need to be simple to understand for companies and allies. Several options were proposed, including binary met/not met scores, as well as a three level or five-level scale for each indicator and various other combinations. In addition, the weighting of each individual indicator was discussed.

Points vs pass/fail. The core social indicators could be framed as core requirements that all companies must meet. As such, they could be scored on a simple met/not met basis. Alternatively, they could be scored on a three-level scale (with 0, 1, 2 points available per indicator) five level scale (with 0, 0.5, 1, 1.5, 2 points available per indicator) as is done for the indicators in the Corporate Human Rights Benchmark methodology. With 15 indicators in the draft methodology, companies could therefore score a maximum of 30 points on the core social indicators.

Using a scale with various levels for each indicator provides more detail as to the extent to which a company is meeting an indicator requirement and allows a company to see where they can progress over time. However, it also hides the key messages. For instance, a company that scores 14 out of 30 may be in the middle of the pack and therefore look ‘ok’ compared to its peers in that it appears to be meeting almost half of the indicator requirements. In reality, however, it may not be fully meeting any of the indicator requirements – in other words only partially meeting the 15 core social topics.

There were some comments that having a points-based approach would enable a better distinction between leaders and laggards. This creates a risk for the core social indicators: While we in WBA are saying that the core social indicators set ‘the benchmark/standard’ (in that anyone not meeting the requirements is failing to meet the standard), a points-based approach lends itself better to a ranking with companies appearing to be good, average, bad (i.e. appearing somewhere on a benchmark/ranking).

Moving forward the core social indicators are likely to be scored on a 0 to 1 point scale. This scoring data can then be integrated into the scoring for the other transformations. As we are looking at greater alignment with the pre-existing indicators for CHRB, the aim is to have matching scoring (e.g. a score of 1 on CHRB indicator A.1.1 is equivalent to core social indicator 1).

Core social indicators will be represented by three levels: met, partially met and not met (corresponding to scores of 1 (met), 0.5 (partially met) and 0 (not met). This can be represented as a simple traffic light scheme (e.g. 0 is represented by red, 0.5 is represented by amber, and 1 is represented by green). When communicating on broad themes, this will enable us to discuss the number of companies failing to meet, partially meeting, and fully meeting the requirements of specific indicator topics, rather than getting lost in discussions around points.
Integration vs standalone. There was discussion around how the data for 2,000 companies could best be used. There were some pushes for non-integration of the core social scoring into the other transformations, while others thought it could be fully integrated.

Moving forward we will try and have the best of both worlds. Core social indicators will be integrated into the other transformation methodologies over time. In addition, we will house and display the findings of the core social assessment in a separate place. The idea is that once a company has been benchmarked, their core social data can be shown in a separate format. Over time, we would like to show the core social performance of all 2,000 companies in one place using a ‘traffic light’ system as well as their total scores. However, we do not envisage calling this the ‘Social Transformation Benchmark’ as the core social indicators cover a broad range of topics and do not look at the pathway/transformation performance for each topic.

Weighting of indicators. The original plan was to have 15 equally weighted indicators, with some topics expanding into multiple indicators to give greater weight to certain social issues. For example, implementing the United Nations Guiding Principles (UNGPs) was split out into three separate indicators and respecting labour rights was split out into four separate indicators. While there was some support for weighting indicators if they were ‘more important to a particular transformation’, much of the focus was on taking a simple and easy to understand approach to weighting. It was also pointed out that it is more important to be transparent about how each indicator is assessed individually rather than worrying too much about their relative weightings.

Moving forward, we will consider all the elements of feedback concerning the need to remove or add topics, the relative importance of human rights due diligence as a foundational (and therefore ‘more important’ topic) and the desire for a simple approach to scoring.

6 Weighting core social within other transformations

Background. The draft core social indicators were developed to be integrated into, or have an impact on, the benchmark rankings of the other six transformations (food, finance, urban, circular, decarbonisation and energy, digital). There were various possible ways to use the outputs of the core social indicator research, which can be split into four main approaches: separating, embedding, weighting and limiting scores. (In all cases it is envisioned that the sector/transformation-specific social issues and performance metrics would be embedded as part of the transformation methodology, regardless of the decision around the core social indicators).

- **Separating** would mean the core social indicators would be assessed apart from the transformation and would have no impact on the final ranking of each company.
- **Embedding** would mean the core social indicators would form part of the transformation methodology, integrated as a measurement area within the transformation methodology itself. The proportion of the methodology devoted to core social is a key question that arises in relation to this approach.
• **Weighting** would mean the original ‘transformation score’ (i.e. the methodology excluding the core social indicators for a specific transformation) would be adjusted based on performance against the core social indicators. The types of weighting approaches (e.g. 100% of a company’s final score being dependent on its core social score vs 50% vs a sliding scale) is a key question that arises in relation to this approach.

• **Limiting** would mean a company would be unable to achieve above a certain final score if it didn’t meet certain social criteria (e.g. a company that receives a ‘good’ transformation score could have its score limited to 30% if its core social performance was ‘bad’). Exactly what the limits would be is a key question for this option.

In discussing and choosing which approach to take, the unifying philosophy to bear in mind is that the private sector’s contribution to the SDGs and the systems transformations rely on businesses that are responsible business actors. Fully meeting all the core social indicators should provide a level or reassurance that companies are able to contribute to SDG transformations while embedding the ‘leave no one behind’ principle into their activities. As such, meeting the core social indicators should underpin and enable the other transformations, while companies who do not meet the indicators could be seen to be green/SDG washing, and undermining their contribution to the SDGs. The core social indicators therefore need to ‘mean something’.

The following sections go through each approach in more detail, with proposed decisions at the end of the chapter.

**Separating.** The initial methodology didn’t suggest this approach, but it is included here because of the strong recommendation from one investor to keep the scoring separate and input from the Japanese roundtables.

The investor suggested that the separating approach would provide investors and other stakeholders with the flexibility to combine the core social and transformation scores as they see fit depending on their own focus areas. While we believe that it is important to give stakeholders the flexibility to apply their own focus based on disaggregated data, we must stress the importance of the ranking as the first thing people see; this being a key element in our Theory of Change concerning a competitive environment for positive impact/SDG transformation. For example, having a ‘climate score’ and a ‘social score’ in parallel, particularly where they are in contradiction, could potentially cause confusion for stakeholders.

Secondly, social issues do not have limited bearing on the transformations. All transformations have a strong social element which should be part of their methodology. We believe that there is a core group of indicators that represent the sector-agnostic parts of that social element – which can be separated out for simplicity, providing us with an additional data set to use. The core social indicators are crucial to embed the ‘leave no one behind’ approach in each transformation. By separating the social elements out, we will legitimise and encourage companies who are leaving people behind in the transformation. This will exchange ‘unsustainable development’ for ‘unethical transformations’.
The input from the Japanese roundtables focused on the importance of the (overall) social transformation and the need for that to be evaluated individually, with a concern that it might not or should not affect the other six transformations, without a clear explanation. We believe the ideas about subsequent ‘social transformations’ that will be addressed separately (like living wage) and our reasoning for integrating the revised core social indicators detailed in these sections covers these concerns.

Moving forward we will support data disaggregation, but we will also showcase the importance of responsible business conduct to the transformations by including the core social data in the final rankings in some way.

**Embedding.** There was strong support for embedding the core social scores, particularly within the WBA teams responsible for the other transformations. Provided that the core social indicators are not ‘lost’ – i.e. they form a significant enough part of the transformation methodology score – we can argue that they are given considerable weight within the transformation. A 20% figure for integration of the indicators was initially proposed (e.g. for the Digital Inclusion Benchmark, the core social would make up 20% of the methodology, with the remaining 80% being made up of the pre-existing methodology).

A downside to this approach is that a company who is very strong on the ‘systems’ side of the transformation but is very weak on the social side of the transformation could theoretically still score very well overall – indeed better than a company who is doing well on the transformation and is doing it ‘better’ on the social side:

Company A scores 95% on the digital transformation and meets zero out of 15 on core social:
\[0.95 \times 80] + [0/15 \times 20] = 76\]

Company B scores 75% on the digital transformation and meets ten out of 15 on core social:
\[0.75 \times 80] + [10/15 \times 20] = 73\]

The flipside is a company who does very well on the social side (15 out of 15) but is not part of the transformation at all would (0% on digital inclusion for example) would still score 20% on the final transformation ranking. Depending on the score distributions, we could give the impression that companies are part of the transformation when they are merely ethical. This would be particularly noticeable if the core social indicators made up a larger part of the final ranking (e.g. 30–50%).

It was suggested that it might be better to wait until the analysis on a benchmark has all been done to then set the levels and weightings. It was also pointed out that in the food, finance, urban, circular, digital and decarbonisation and energy transformations, the focus should be on a transformation that leaves no one behind. But it starts with the transformation. Therefore it was recommended we focus on adjusting a transformation score based on the core social scores (e.g. lose a maximum of 20% and highlight this), rather than suggest a company is not taking part in a transformation at all (a potential consequence of the 100% weighting approach).
As part of the core indicator pilot testing, we used the 2019 decarbonisation and energy data for the automobile sector. The 2019 ranking, based on their glide-path to alignment with the Paris agreement, provided a transformation data set that can be used to test the indicators. The graph below shows the impact on the rankings when the social scores – based on the draft indicators – were used to make up 20% of the final ranking score. If a dot is ‘on the line’ it means the company has not changed ranking. We found that the top five companies remained the same while there was some significant movement amongst the remaining companies.

Using a third party to test the indicators also helped understand weaknesses in the methodology and where the indicators were over or under ambitious. The graph shows that even when it is only 20% of the mark, the core social indicators can have a strong impact on the final ranking, which is the desired effect. It should also be noted that the top five companies all scored more than 50% on the core social indicators, while three companies scored 0% and the average score was just over 33%. One of the concerns for WBA is the outliers where companies are ‘very good’ at the transformation but ‘bad’ on the social aspects (or vice versa). So far, these outliers haven’t been found, although the sample size is still relatively small. In every approach, there are compromises being made.

**Weighting scores.** Depending on the approach, weighting and limiting could have very similar impacts and there are many models that could be used. A ‘social first’ model would apply a 100% weighting so that a company scoring zero on core social would score zero on the whole transformation. This option didn’t get much support and the idea that a company who is actually taking part in the transformation – even if in a way that leaves people behind – but scores zero, doesn’t tie in well with WBA’s broader Theory of Change to incentivise companies to contribute to the achievement of the SDGs. It would, however, have made the critical nature of responsible business conduct impossible to ignore.

The two images below show what would happen if two different weighting models were used. The x-axis represents the ‘old’ score. The y-axis represents the ‘new’ score which is based on the weighting model.
The first model looks at a case where ‘up to 50% of points at risk’ based on their performance on social indicators: A company who scores zero against the core social indicators would be limited to the red line, dropping from 100% to 50% if they were brilliant on the transformation but terrible on the core social.

The second model looks at ‘increasing points at risk’. The model was built on two concepts. The first, that a portion of the transformation score was ‘reserved’ (i.e. the first 25% of the transformation score was not at risk). Companies who score 25% or less on the transformation are only setting out on that transformation, so there is less focus on whether it is a ‘good’ transformation that leaves no one behind. It also means that a company who is part of the transformation but does poorly on social doesn’t lose all its marks. Above 25% on the transformation score, an increasing proportion of points are at risk, rising from zero to three quarters of the score above the 25% reserved score mark. This reflects the second idea, that the ‘more transformative’ a company is, the more important it is for it to the transformation to be conducted responsibly and in a way that leaves no one behind. This model could create more
ranking changes for higher scoring companies, but realistically any company scoring under 50% on the transformation would be unlikely to be impacted by their failures on the core social indicators.

Perhaps unsurprisingly, the model of increasing points at risk was found to be difficult to understand and the feedback showed a preference for simple models over clever narratives. It was also pointed out that if we use a weighting model, we might need to wait for all the data to determine the final approach (i.e. if a transformation methodology scored all companies relatively poorly, their performance on the core social indicators wouldn’t impact their ranking in any significant way).

This was demonstrated when we applied the increasing points at risk model to the automotive sector’s climate results. The graph below shows the ‘increased point at risk above 25%’ model described above, with old rankings on the x-axis and new rankings on the y-axis. The only impact was that the 7th and 8th ranked companies changed place demonstrating that it is not a good way to showcase the importance of the core social indicators. As such, we decided that it might be better to focus on a less complex but more impactful model.

It was also noted that while nice and simple, the weighting within each transformation was likely to be contested by stakeholders interested in that transformation and this could result in a lack of uniformity in the approach taken across the transformations. A uniform approach would make things easier to understand. As such, there was significant support for a weighted approach, but less consensus on how it might actually look in practice. As a side note, when a simple 50% weighting was applied, the revised ranking was quite similar to that produced by making the core social 20% of the overall score.
An additional consideration discussed related to the nature of the core social indicators themselves. If they were to be framed as ‘minimum criteria’ which all companies had to meet, then it would make more sense to take a firm line and increase the ‘points at risk’ or even exclude companies from a transformation ranking entirely if they failed to meet the grade. But, if the final framing of the core social indicators landed at the higher expectation/performance level, the inverse could be true.

One participant pointed out that while weighting does signal the importance of the social indicators, it made it potentially more likely that companies would try to game the system by focusing on specific core social indicators that would help get the most points. Of course, if the core social requirements truly are critical, gaming the system is not necessarily a problem if it means companies actually meet the expectations by substantively changing their policies, practices and public disclosures.

An advantage of the weighting (and limiting) approach is that it catches outliers who are doing well on system transformation points but doing poorly on the core social indicators. A disadvantage is that the issues captured by the core social indicators are not seen as being ‘part of’ the transformation, but external.

In terms of different weighting models, further discussions centred around the relationship between the core social topics and the elements of each transformation. For example, a ‘just transition’ in the energy sector will be highly dependent on the companies’ abilities to understand and navigate social risks, employee relationships and lobbying issues. Those same issues may be argued to be less relevant to the transformation of the financial system. If some transformations are more – or less – dependent on the responsible behaviours of companies, this would require a different approach per transformation, which is at odds with the strong feedback for consistent and simple approach across the WBA.
Limiting scores. The final option of limiting scores on the transformation based on the core social indicators was supported by some participants. The general idea, that a company who doesn’t meet core societal indicators should not achieve highest marks in the transformation benchmark (capping the score), made sense to most and could have the same impact as the weighting, while being easier to explain by acting as a hurdle or pre-condition for high scores.

A downside to the limiting score was the potential to lose the nuance of the core social indicators as it could make each indicator a binary assessment (i.e. if a company is limited to 50% of a transformation score if it meets less than three quarters of the social transformation). Another downside is that this could be quite a blunt approach if a company transformation score is limited by only one or two social metrics, such as the number of core social indicators met. This may in turn reduce the detail of the transformation ranking by dropping multiple companies back to the same score.

An option was proposed where the final score and ranking would incorporate the limiting factor, but the companies could be given credit for their contribution to the transformation – even while losing the points because of the limiting effect. But this could also be quite difficult to understand or explain.

In testing the limiting factor we found that a stepped model (i.e. if a company’s social score is < x, its transformation score is limited to y) generally lowered the overall scores but didn’t have a huge impact on rankings, particularly at the top of the table. A ‘chunky’ model (where we limit companies on the number of fully met indicators – 0, 5, 10 or 15 out of 15) had the effect of heavily reducing the scores and bringing multiple companies back to the same point, regardless of their efforts on a transformation (i.e. if the top five automotive companies on the climate ranking scored 75, 70, 65, 64, 62 on climate, but none of them fully met the 15 core social indicators, they could all be dropped down to 60% in the final combined ranking). This detrimentally impacts the ability to distinguish between companies and doesn’t give credit to their transformation contribution.

A final point is that there has been a general correlation between transformation and core social scores, particularly at the ‘top end’ of the rankings. While the sample sizes have been small, this suggests that the ‘outlier problem’ is potentially less of an issue than feared (i.e. where a company is excellent on a transformation but terrible on core social). As we see, most changes in rankings were driven by mid-low transformation companies who took significantly different approaches to human and labour rights etc.

Human rights framework. Feedback during the consultation period exposed the tensions in certain models regarding the core social indicators acting as ‘hurdles’ for companies to overcome, versus the fundamental nature of things like human rights due diligence to contributing to the SDGs and driving systemic change. We agree that respect for human rights is not some box that is ticked before positive impact is created. But we also note that if companies are not fulfilling their core expectations, this will undermine their contributions to the SDGs and
the systems transformations that need to happen in order for the SDGs to be achieved (and therefore it is useful to be able to separate out the core social data).

It is also true that by focusing on human rights due diligence and keeping the core social indicators separate from the transformation methodologies, it may appear that we are drawing a ‘do no harm’ line around the core social indicators – a framing we do not want to encourage. Integrating the core social into the transformation methodologies would go some way to addressing this issue, by reinforcing their role in the transformation itself.

**Final choice.** Choosing a final model has proven difficult, not least because of the lack of consensus, but also in trying to strike a balance between the desire for simple, consistent approaches and ones that result in the performance on the core social indicators having a meaningful impact on the transformation rankings – such that over time keystone companies are pushed to improve on the social expectations which underpin and enable the SDGs. An additional complication is that for the digital and decarbonisation and energy system transformations, this approach will have to be retrofitted to their existing models, which is not a straightforward imposition and must be acceptable to the stakeholders involved.

Moving forward, we believe the best compromise is to have a measure of WBA consistency in approach, while also allowing for some discretion within each transformation. This supports the aims of having meaningful impact from success/failure on core social, allows recognition for company efforts towards transformations, and supports the idea that different transformations are dependent on the core social expectations to a greater or lesser degree.

As such, we propose the following:

- Core social indicators will make up a minimum of 20% of the final ranking scores for the food, finance, decarbonisation and energy, urban, circular and digital systems as a general principle.
- For those methodologies that have already been launched, we aim for an integrated ranking for all systems from 2022. In 2021, we aim to demonstrate and report on the core social scores alongside the transformation ranking, but it does not have to be integrated immediately in all systems. For new methodologies, we aim for integration from the outset (i.e. the food system in 2021).
- We will enable disaggregation of core social data, but we will push the message that responsible business conduct is intrinsic to SDG impact and transformations.
- Where elements of the transformation are more dependent on criteria in the social indicators being met, specific benchmarks may increase the weighting of the core social indicators, but only reduce the weighting below 20% by exception.
7 Additional topics to add as core social indicators

Given the broad nature of the question ‘What else could we add?’, there was quite a lot of feedback on this topic, although after some initial conversations we tried to steer the conversations to a couple of specific areas that had resonated with several stakeholders. The proposals received were sometimes too context specific (i.e. had a regional or sectoral focus that was at odds with our universal SDG2000 approach) or went ‘beyond social’ by bringing in a broader set of considerations that were argued to give a more complete picture. The following sections cover the key feedback points and our thinking on incorporation (or not) into the social transformation framework. Our thinking on additional areas of work will develop over time and we envisage greater collaboration with our allies to support work on those issues that are perhaps too contextual for WBA to address alone.

Proposed addition: Corporate Purpose. The topic with the most resonance was the inclusion of corporate purpose. It was recognised that many companies do not/cannot ‘act responsibly’ because of the way they are set up, with shareholder primacy models providing justification for acting in ways that prioritise profit over all other considerations. We discussed the concept that if the social transformation needs to shift companies towards modes of operation that consider and provide value to a broader set of stakeholders, then the role of business in society itself may need to be transformed. In this context, corporate purpose was seen as a lens to apply to the SDG2000. In researching the topic further, we also engaged with the Test of Corporate Purpose (TCP) project and The Future of the Corporation programme and discussed what a corporate purpose indicator might look like with several stakeholders.

The topic is complex and while it could be relatively simple to include an indicator that focuses on corporate purpose statements, the findings from the TCP project suggests that current corporate purpose statements are ‘less informative about a company’s future performance on social and human capital issues than other indicators’. Not only are corporate purpose statements frequently not signed off at the board level, but those who have committed to a broader ‘stakeholder model’ may actually treat their (non-financial) stakeholders worse than companies without a strong purpose statement. In addition to our fears that many corporate purpose statements are an exercise in greenwashing, the corporate purpose conversation may be arguably too western-centric.

An additional study showed that companies scoring high on corporate purpose metrics outperformed lower scoring companies on measures of financial performance, market value and shareholder value creation. While the potential ‘shareholder value’ of purpose is being championed by the Chief Executives for Corporate Purpose (CECP) coalition, it doesn’t speak to the disconnect between companies with ‘good purpose statements’ and ‘bad social outcomes’. Unfortunately, the methodology was not disclosed so we don’t have an insight into how corporate purpose statements were ranked by the CECP project.

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There is a broad range of definitions and interpretations of ‘corporate purpose’. The Business Roundtable made waves with their ‘Statement on the Purpose of a Corporation’ which looked to deliver value to all stakeholders, while defending the free-market system. Conversely, the Council of Institutional Investors and others advocate a corporate purpose tailored entirely towards maximising shareholder value. The team behind ‘The New Paradigm: A Roadmap for an Implicit Corporate Governance Partnership Between Corporations and Investors to Achieve Sustainable Long-Term Investment and Growth’ proposed the following definition:

The purpose of a corporation is to conduct a lawful, ethical, profitable and sustainable business in order to create value over the long-term, which requires consideration of the stakeholders that are critical to its success (shareholders, employees, customers, suppliers, creditors and communities), as determined by the corporation and the board of directors using its business judgment and with regular engagement with shareholders, who are essential partners in supporting the corporation’s pursuit of this mission.

In terms of what society needs from business in order to achieve the 2030 Agenda, we liked the very simple framing by Professor Colin Mayer, the academic lead for the Future of the Corporation programme, who defined the purpose of a business as:

Profitably solving the problems of people and planet, and not profiting from creating problems.

If companies had such a central purpose embodied in everything they did, the world would already be in a very different place. This framing also aligns with our own thinking around ‘doing good, without doing harm’ that is underpinned by responsible business conduct. As the TCP project has shown, while some companies may be publicly committed to a form of stakeholder capitalism or long-term value creation, their actions actually demonstrate a short-term shareholder prioritisation model, so there are doubts around the value of crediting purpose statements.

Moving forward, we will look to include Corporate Purpose as an additional topic within the high-level social expectations framework, articulating the world we want to see in terms of: businesses having a strong social purpose which is placed at the heart of the business; where performance is measured against the fulfilment of corporate purposes; and where profits are measured net of the costs of achieving them. This in turn may push WBA to look at ‘a transformation of corporate purpose’ as one of our spotlight benchmarks in the future.

By setting corporate purpose as one of the high-level expectations, it would make sense to include a core social indicator in the same topic. But as we have seen, a commitment to a

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6 https://corpgov.law.harvard.edu/2020/05/27/on-the-purpose-of-the-corporation/
7 https://corpgov.law.harvard.edu/2020/05/27/on-the-purpose-of-the-corporation/
social purpose may only distinguish between those companies who have a meaningless public statement and those companies who do not. This is not to belittle the companies who genuinely have a strong social purpose embedded in their business, rather a recognition that at this stage, we do not feel confident in being able to accurately separate the two when limited to a single simple indicator applied equally to 2,000 companies across more than 70 countries.

Instead, we will consider including a non-scoring indicator that reflects one part of the purpose equation: If the purpose of business is ‘profitably solving the problems or people and planet, and not profiting from creating problems’ we can split this into three parts:


Other organisations are well placed to determine if a company is profitable or not, so we will discount 1. For 2, we will start with the idea that assessment against the seven transformations across social, food, finance, digital, urban, circular and decarbonisation and energy systems reflect some of the key contributions of companies to solving the critical problems of people and planet.\(^8\) This leaves us with 3, ‘not profiting from creating problems’.

Elsewhere we have been encouraged in the consultations to highlight where companies are implicated in severe negative impacts through controversies, allegations, legal judgements, etc. There was mixed feedback on the desire to score impacts, or company responses to allegations, but our experience from the Corporate Human Rights Benchmark shows us that this can be very time consuming. There was a general preference (but not consensus) for red-flagging incidents related to the core social indicators on the basis that it could provide a good insight into the on-the-ground reality (i.e. whether companies are putting their commitments into practice) and a ‘buyer beware’ caution to anyone using the core social data.

Accepting that it is incredibly difficult to understand, quantify and rank positive social impacts across different company contexts, we can look instead at where outcomes appear to contradict claims of responsible practice/positive social impacts. For example, a company may claim a positive impact through employing 100,000 people and paying their national insurance contributions. However, if those employees are on poverty wages and the company uses tax havens to avoid paying corporation tax, it could be seen as not embodying a corporate purpose as defined above.

As such, we will look to add a non-scored indicator which provides a commentary on the ‘do no harm’ element of corporate purpose by examining the allegations, controversies and judgements raised against companies across the core social topics. This will be a significant undertaking so we will look to our Allies as well as third parties who can help support this approach. Examples which might raise red flags include labour exploitation, union busting,

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\(^8\) Recognising that there will be specific social transformation snapshots like the Corporate Human Rights Benchmark, Gender Benchmark, etc and also that the core social indicators signpost towards company behaviours that underpin the seven systems transformations.
health and safety failures, tax evasion, bribery and corruption cases, lobbying against progressive climate policies, land grabs, and significant layoffs timed with share buybacks.

It should be noted that in the consultation, some stakeholders took a very firm stance on negative impacts. For example, one participant suggested that if a company is implicated in child labour, then it should be given no credit for any contribution to transformations in the food system. We cannot answer the question about whether companies should be ‘excluded’ from transformation benchmarks in the case of serious incidents here, but we will aim to help inform the discussion with our red-flagging approach on the core social indicators.

Proposed addition: Engagement. In the draft methodology, ‘engagement’ as a topic was excluded as we had placed it (similar to the World Economic Forum (WEF) metrics set out in the Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation report (WEF Common Metrics report)) alongside the general governance indicators. However, several people pointed out engagement as a glaring omission. It should be pointed out that the human rights due diligence indicator has a specific requirement that potentially and/or actually affected stakeholders are consulted during the process. Further elements of engagement are touched on in the whistle-blower mechanisms in the corruption indicator, in the grievance and remedy indicator and in relation to worker-relations in the freedom of association and collective bargaining indicator. But it is true that the underlying principle of stakeholder engagement to inform company decision making was not included in the draft core social indicators.

Beyond a call for ‘more’ on stakeholder engagement, there was also a push for greater focus on demonstrations of engagement, rather than just company commitments. Considering the broad range of stakeholders which a company can feasibly engage with, we feel the focus for the social transformation should be on three groups: workers in the value chain, communities who have or may be adversely impacted by a company’s activities, and those affected by the use or misuse of the company products and services.

In terms of high-level expectations on companies, long-term value creation which balances the needs of all stakeholders will depend on ensuring those stakeholders are identified, consulted and that they have meaningful agency (i.e. an impact on business decision making). The Global Reporting Initiative (GRI) disclosure requirements on stakeholder engagement leaves it up to the companies to determine which categories of stakeholders should be engaged, asking companies to disclose what stakeholders they engage with, how they are identified, the purpose of engagement, and how meaningful engagement is ensured. This engagement is key to developing the company’s list of material topics as part of the due diligence process.

As WBA we would expect that potentially impacted stakeholder groups are identified that engagement is actually happening, and that weight is given to their voices. What would signpost towards all this?
Moving forward, it is likely that we will focus on a company’s approach to and engagement with potentially affected stakeholders, borrowing from the Corporate Human Rights Benchmark’s indicator. We are likely to look at whether a company has identified affected and potentially affected stakeholders and whether a company has engaged with those stakeholders in the last two years. This will likely be aligned with the language in the Corporate Human Rights Benchmark indicator B.1.8 on engagement.

This assumes a company will have conducted both a stakeholder analysis and a materiality assessment (using the latest GRI definition of materiality focused on external impacts). Philanthropic activities or Corporate Social Responsibility initiatives not linked to the business activities and impacts would not be seen to count towards this.

Proposed addition: Diversity and inclusion. In the draft methodology, non-discrimination was the key focus for issues of diversity, taking the ‘do no harm’ perspective. Gender equality and empowerment was called out as a specific topic which was universal to all companies and was distinct from many other indicators in that the core social indicators featured time-bound targets on equality and empowerment. It was pointed out in the consultation that other key areas of discrimination could benefit from similar treatment and that WBA could look to introduce indicators around inclusive workplaces.

This was initially left out as we anticipated difficulties in creating a set of universal indicators that would be meaningful, would not leave out a key focus area, and would also not run into difficulties because of geography. For instance, we had difficulty approaching racial inequality in a way that would go beyond discrimination, while coping with contrasts (e.g. the caste system in India versus racism in north America) and wouldn’t fall foul of different approaches to data (e.g. French or German restrictions on the collection and reporting of data on ethnicity).

If, as discussed elsewhere, the indicator elements of the International Labour Organization’s (ILO) Core Labour Standards – including non-discrimination – are condensed, we have a potential opportunity to increase our focus on inclusive workplaces which go beyond mere non-discrimination and aim to address inequalities of opportunity and outcome. Some of these topics are highly contentious and politicised – for example, the Black Lives Matter movement versus the rejection of critical race theory by the US administration – but that doesn’t mean WBA should shy away from addressing them.

Moving forward, we will look to include greater reference to inclusive workplaces in the high-level expectations, recognising that addressing inequalities requires much more effort from companies than just a non-discriminatory approach to business. Because of the heavily context-specific nature of many of these issues outlined above, WBA will still find it difficult to develop appropriate spotlight benchmarks as we are focused on global approaches. However, we think there are opportunities to work with our Allies and third parties to support regional spotlights, or collaborate with pre-existing initiatives, to try and drive change on these important issues.
For the core social indicators, we need to signpost towards diverse, equitable and inclusive workplaces. As a starting point, we think that companies who are serious about addressing inequalities within their own business will be able to demonstrate that they understand the situation and the levels of diversity in their organisation. As such, we will consider adding requirements on disclosures for:

- The percentage of a company’s total direct operations workforce by race or ethnicity (Workforce Disclosure Initiative 4.3)
- The percentage of a company’s total direct operations workforce in leadership positions by race or ethnicity (Workforce Disclosure Initiative 4.5)
- The ratio of basic salary and remuneration for each employee category by priority areas of equality (including at least minor to major ethnic groups) (taken from the WEF metrics and disclosures list)
- Company targets for diversity, equity and inclusion (excluding gender)

We do not think we will add requirements around disclosures relating to disability, sexuality or other potential areas of discrimination at this stage. Nor will we set indicator requirements around policy commitments to diversity and inclusion, supply chain expectations or board representation.

**Proposed addition: Governance and Environmental Indicators.** In the consultation we asked whether it was ‘right’ to have a focus on core ‘social’ indicators, without also focussing on core environmental and/or core governance indicators. Generally, participants agreed that for the social transformation it made sense to have this focus, particularly as the social element of ESG has been historically neglected and shown, through this pandemic, to be in need of much greater attention. There was a broader question for WBA in terms of the need to assess all 2,000 companies on the ‘basics’ of environmental and governance issues and what impact it should have on subsequent transformations.

Currently, this topic is under discussion internally, while each transformation benchmark is approaching environmental and governance issues where they are most relevant to the specific transformation.

**Proposed addition: (Criminal) Justice** – The Responsible Business Initiative for Justice (RBIJ) provided some very interesting feedback on the role of business in relation to justice and recommendations on the integration of criminal justice issues into the social transformation framework. In terms of business roles, feedback focused on businesses who are not discriminating against formerly-incarcerated and justice-involved individuals and driving broader reform of the criminal justice system; ultimately helping to transform a system that entrenches pre-existing inequalities while improving prospects for labour force growth and productivity.

Justice issues are frequently overlaid with racial issues and RBIJ proposed a new core social indicator for ‘Justice and Equality’ and provided a full description, rationale and requirements, with linkages to the SDGs. The requirements were as follows:
Core criteria are fulfilled by meeting (a) and one or more of (b), (c) or (d):

a) The company has a public commitment to advocate for fairness in criminal justice systems, and for policies and practices that seek to reduce incarceration and criminalization of vulnerable communities, while investing in positive resources and systems in their place.

b) The company’s policies and practices do not discriminate against those with criminal records with respect to employment, retention, promotion, and leadership opportunities. The company actively recruits from Black communities and formerly incarcerated talent pools.

c) The company eliminates and prohibits the use of prison labour from its supply chain and direct business activities.

d) Institutional investors have a publicly available set of standards by which they assess portfolio companies, including but not limited to all of the above.

On reviewing the topic and proposed indicator, we felt that it goes too far beyond the core social indicators (in terms of the requirements on companies to be advocates in the space of criminal justice, as well as context specific elements such as a focus on prison labour and recruitment from Black communities).

Moving forward, we will not incorporate an additional core social indicator focussing on justice. While not exclusively a Western issue, we think that the intersections of justice, race, geography and company operations make it hard to include a high-level expectation on Justice and Equality in the overarching framework. But this is not to downplay the issue or to suggest there is no role for benchmarking. We will look to continue dialogue with RBIJ and others with a focus on racial justice in North America and what role WBA could play in supporting third parties through the core social assessments. We will also consider the extent to which these issues can be incorporated into our “red flag” approach.

**Proposed addition: Job growth.** The Good Economy (TGE) provided specific feedback on the social transformation approach, with a focus on ‘job quantity’ to complement the current focus on ‘job quality’. TGE recommended that we introduce ‘inclusive job growth lens’ as part of the social transformation, either as a stand-alone spotlight benchmark, or as part of the core social indicators. They pointed out a risk – that in not integrating an inclusive job growth lens, companies could outperform peers by offering better conditions for a shrinking workforce. This contrasts with the jobs transformation that needs to happen if people are to maintain access to decent work opportunities where populations are growing.

From the core social perspective, we think that requirements on job creation go beyond the signposting idea. Across more than 30 sectors and 70 countries, it is not reasonable to demand every company demonstrates how they are driving job growth. However, the need for new and decent jobs, particularly in countries with growing populations, is a missing piece of the social transformation puzzle and may be much more relevant to specific sectors, such as those linked to a just-transition to a low-carbon economy.
Moving forward, we will look to add elements to the high-level expectations regarding the creation of decent jobs/inclusive job growth, leaving the door open for future work with our Allies or for spotlights on these issues. Initially though, we will retain our focus on decent jobs rather than their creation, with the understanding that there can be no offsets for human rights. We would not want to encourage or reward the creation of low-quality jobs built on precarious work or exploitation.

**Proposed addition: SDG 16 – Peace, Justice and Strong Institutions.** Peace Nexus engaged with us to discuss the role the private sector has to play in SDG 16, with a particular view on multinationals doing business in areas of conflict and insecurity, or being linked to conflict or insecurity. While we agree that companies do have a key role in this issue and see the respect for human rights and proper due diligence as fundamental to addressing issue of conflict and insecurity, this is not necessarily an issue which relates to every one of the SDG2000 companies in scope.

Moving forward, we will look to link in with initiatives like the UNGC Action Platform for Peace, Justice and Strong Institutions, but will not at this stage add requirements to the core social indicators.
8 Indicator 1 – Commitment to respect human rights

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.

‘All human rights’. There was some interesting feedback on the framing of the indicator, in terms of companies making a ‘commitment relating to all internationally recognised human rights’, and what this meant. The question was raised as to whether we should require company policies to reference the Universal Declaration of Human Rights, the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, more specifically.

Currently, commitments to respecting the ILO core labour standards are embedded within the indicators related to discrimination, forced labour, child labour, and freedom of association and collective bargaining. Recommendations that we collapse all these policy level commitments to respect human rights into one place have merit – but will also mean that a lot of detail will reside in one indicator.

Moving ahead, we will likely re-draft the indicator(s) to move as many of the policy commitment elements (regarding respect for human rights) into one or two places. We will continue to align as much as possible with the Corporate Human Rights Benchmark. In terms of international standards, we will continue to reference the UNGPs, specifically Principle 16 on Policy Commitment, which requires companies to express their commitment to meeting their responsibilities to respect human rights through public policy statements, which are approved at the most senior level of the business.9

We will also make the alignment between the core social requirements and the Corporate Human Rights Benchmark requirements more explicit by explaining the score-equivalence for indicators and citing key explanatory information from the Corporate Human Rights Benchmark methodology, an example of which is shown in the excerpts below.

9 The most senior level is envisaged to be the board of directors.
### Policy Commitments

**What do the UN Guiding Principles on Business and Human Rights expect?**

A policy commitment is a statement approved at the highest levels of the business that shows the company is committed to respecting human rights and communicates this internally and externally.

**Note:** The term “statement” is used to describe a wide range of forms a company may use to set out publicly its responsibilities, commitments, and expectations – this may be a separate human rights policy or human rights commitments within other formal policies, or provisions within other documents that govern the company’s approach such as a company code, business principles, etc.

**Why is this important?**

A policy commitment sets the “tone at the top” of the company that is needed to continually drive respect for human rights into the core values and culture of the business.

It indicates that top management considers respect for human rights to be a minimum standard for conducting business with legitimacy; it sets out their expectations of how staff and business relationships should act, as well as what others can expect of the company. It should trigger a range of other internal actions that are necessary to meet the commitment in practice.

### Research Note on Commitment Language

Because of this, whenever a CHRB indicator requires a policy commitment, the CHRB researchers will look for an explicit commitment or any form of promise that companies will uphold the specific rights, instruments and/or standards listed in the indicator description. This means that language that is ambiguous, vague or weak will be considered insufficient to qualify as a clear expression of commitment.

### The examples listed below would typically be accepted by the CHRB analysts as a clear expression of commitment:

- The company commits to respect X
- The company is committed to respecting the rights under X
- The company adheres to X
- The company upholds X
- The company endorses the principles enshrined in X
- The company follows the principles of X

### By contrast, the examples listed below would be considered insufficient:

- The company’s commitments are consistent with X
- The company’s commitments are in line with / aligned with X
- The company’s commitments are informed by / based on X
- The company strives to ensure X is respected
- The company recognises the principles of X

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**Figure 8. Excerpt from CHRB Methodology**

**A policy level commitment to implement the UNGPs?** Consultation question E1 asked whether a policy level commitment to implement the UNGPs or the Organisation for Economic Co-operation and Development’s (OECD) Guidelines for Multinational Enterprises (OECD Guidelines) could be sufficient to demonstrate that a company has made a policy level commitment to respect human rights in line with the UNGP principles. There was very mixed feedback to this question, with no clear consensus and the equivalence between the OECD Guidelines and UNGPs.

Additionally, the likelihood of finding a policy commitment to *implement* either of the approaches – as opposed to frequently appearing comments in reports and company documents that they ‘conduct human rights due diligence in line with the UNGPs/OECD Guidelines’ – appears low. It is preferential that companies would commit to both respecting human rights and to implementing a relevant framework to embed this responsibility in their business, instead of committing to only one or the other.
Moving forward we are likely to remove this element, to remove the risk of crediting a company for a circular/hollow argument regarding policy commitments to respect human rights.  

**Linking core social indicator to SDGs?** In discussing whether the core social indicators should each explicitly reference the SDGs, the general consensus was ‘no’ and that they would be better linked to the overall framework and specific transformations. This is particularly true regarding social indicators like human rights due diligence, which can touch on so many SDGs and would add little to the detail of the indicator if all 17 SDGs are listed each time.

Moving forward we are likely to keep the SDG references outside of the specific core social indicators.

**Ease of understanding?** The indicator setup was almost, but not universally, thought to be easy to understand, with simpler and shorter sentence structures being recommended by some stakeholders headquartered in the Asian region.

Moving forward we aim to review all indicator language to ensure that it is as simple as possible to understand. We will also ensure that words or phrases with specific meanings are defined/explained.

**Policy sign-off levels.** While most companies that participated in the consultation thought there was sufficient specificity regarding sign off levels written into the indicator requirement, several research organisations pointed out discrepancies between the requirements in the indicator text (see above) and the requirements, noting that there was ‘room for interpretation’.

Moving forward we aim to include more specifics within the requirements and align with the Corporate Human Right’s Benchmark’s language above regarding policy commitments. This includes making it clear that human rights commitments do not have to reside in a single policy document, but can be covered in multiple documents, and where the ‘most senior level’ of the company actually lies (board vs c-suite).

**Value of UN Global Compact (UNGC) membership as a proxy for policy commitment to human rights?** There was general pushback against the idea that being a member in good standing of the UNGC was equivalent to a policy commitment to respect human rights. In support of this feedback, the UNGC’s own website advises the following in the explanation to Principle 1: Businesses should support and protect the protection of all internationally recognised human rights:  

*Policy Commitment*

Companies should adopt a statement of policy as a public commitment to fulfil their responsibility to respect human rights, approved by their board or equivalent. It can be

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10 The UNGPs require companies to commit to meeting their responsibility to respect human rights – while a commitment to implement the UNGPs may be hollow without the actual commitment to respect human rights.

11 https://www.unglobalcompact.org/what-is-gc/mission/principles/principle-1
a stand-alone statement or integrated into a broader corporate sustainability policy or code of conduct. Broad inspirational language may be used to describe respect for human rights, but more detailed guidance in specific functional areas is necessary to give those commitments practical meaning. The policy should stipulate the company’s human rights expectations of personnel, business partners and those directly linked to the organization’s operations, products or services. As such, it should be communicated to these parties, as well as be publicly available.

As the UNGC itself states, members should have a public policy commitment regarding respect of human rights, approved at the board/equivalent level. Therefore, it seems redundant to use UNGC membership as a proxy – especially when there is theoretically a multi-year gap between committing to the ten principles of the UNGC and being expelled from the UNGC for failing to meet expectations.

Moving forward we will liaise with the Corporate Human Rights Benchmark methodology team to encourage the removal of this indicator requirement as a proxy for a commitment to respect human rights.

**Comments on utility of policies without oversight.** There was feedback on the discrepancy between good policies/commitments and actual performance of companies, particularly in corporate supply chains. We recognise that policies are not a panacea or guarantor of good behaviour, but we do think they are a valuable starting point and avenue for engagement with companies. Spotlight benchmarks, like the Corporate Human Rights Benchmark, will be able to go deeper into the embedding of policy commitments into corporate structures and behaviours, but the core social indicators will have a more limited scope. Additional feedback that policy commitments should be paired with governance oversight to provide more useful insights was well received, and links to the feedback on draft indicator four (governance and oversight of human rights).

We considered collapsing indicators one and four into a single indicator, merging the policy commitment with the governance and oversight elements of human rights. This would deal with the issue of human rights being the ‘only’ topic given governance oversight in the core social indicators.

However, if we are to fully align with the Corporate Human Rights Benchmark methodology, collapsing these indicators would not work. Cognisant of the ongoing work concerning general governance issues within WBA and keen to have a simple aligned approach with pre-existing methodologies, moving forward we are likely to remove the high level governance indicator for human rights, relying on the requirement that human rights policies be signed off at the highest level of the organisation to provide a level of reassurance that the company has high level oversight.
9 Indicator 2 – Human rights due diligence

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.

Discrepancy between indicator text and sub-requirements. It was rightly pointed out that there was a significant gap between the indicator text (above) and the indicator requirements – which discussed the identification of and disclosure of salient human rights risks, but not the other elements of human rights due diligence.

Moving forward we will firstly rename the indicator to more accurately represent the scope of what is being looked at in the indicator requirements. This will hopefully prevent any ‘false credit’ where a company meets the requirements on risk identification and claims to have met the requirements of human rights due diligence as a whole. Secondly, we will likely expand the scope, adding in two new indicators to incorporate more elements of the human rights due diligence process, including the expectation of greater disclosure on actual risks and management plans and aim for greater alignment with the current Corporate Human Rights Benchmark indicators.

Reviewed the performance of 200 companies against the five Corporate Human Rights Benchmark indicators on due diligence, we think that the first three indicators (covering risk identification, risk assessment and action) will provide sufficient insight for the core social assessment. Very few companies were seen to meet the CHRB requirements of the fourth and fifth indicators (tracking and reporting elements of due diligence) and those companies were already meeting the first three indicator requirements. We feel relatively confident that companies who fail to meet the requirements for risk identification, analysis and action will also be failing to demonstrate the tracking, monitoring and reporting elements required under the UN Guiding Principles.

As such, we will align the new indicators with CHRB B.2.1, B.2.2 and B.2.3 score 1 requirements.

Supply chain/scope. There were valid questions on the definition of the supply chain in relation to companies disclosing their risk identification process beyond their own operations (i.e. in relation to business relationships and supply chain). The original indicator was based on the Corporate Human Rights Benchmark’s focus on own operations and upstream supply chain, but we were pressed on whether we would look at downstream risks or other elements of the value chain. Looking at the number of sectors WBA will assess, it is true that some companies’ salient impacts on human rights will be more likely to manifest in downstream, for example through the use or misuse of their products.

Moving forward we will ensure that definitions of key terms like supplier and supply chain are given more prominence. Additionally, we will look to make the scope of human rights due diligence more explicit in terms of the full value chain and will coordinate with CHRB regarding any changes to that methodology’s framing.
**UNGP Reporting Framework.** We asked whether a stand-alone human rights report that was in line with the UNGP Reporting Framework would provide sufficient evidence that a company has an equivalent approach to human rights due diligence (as detailed in the other requirements) and there was roughly a 50:50 split of yes and no responses during the consultation. As such, we will not include this as an equivalent element that would meet the requirement in the final methodology but will instead reference it as part of the evidence that researchers can look for.

**Double materiality.** Being published before the draft GRI standards were launched, we asked how specific a due diligence indicator needed to be in terms of salience, materiality and ‘double materiality’ concepts. There was no conclusive feedback, apart from a desire to define any terms used so everyone had the same understanding. The recent launch of the draft GRI standards moves the needle on ‘materiality assessments’ to be much more aligned with the concepts in the UNGPs, with a stronger focus on impacted stakeholders (rather than the company). As such, companies in the future who are conducting a materiality process in accordance with the updated GRI standards are more likely to be better aligned with human rights due diligence requirements.

Moving forward we will ensure definitions of key terms are included, update our references to reflect the latest GRI standards and provide guidance to researchers in terms of distinguishing between materiality processes that focus on risk to business versus those which understand risk to people.
10 Indicator 3 – Access to remedy

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.

Scope of the indicator. This indicator expects companies to have complaint or grievance mechanisms accessible to all workers, external individuals and communities; to disclose data on their operation including quantitative data on human and labour rights related issues; and to require suppliers to establish equivalent mechanisms. When asking whether this was sufficiently expansive, we had a mixture of feedback: ‘too much’, ‘too little’ and ‘just right’.

In terms of ‘too much’, this mostly related to the specific requirements on disclosure of human and labour rights related complaints (where companies have long established systems that only distinguish between ‘social’, ‘environmental’ etc). ‘Too little’ referred to the lack of assessment over the actual delivery of remedy and the oversight of the mechanisms themselves. Some company participants noted that examples of remedy would be useful, while other companies suggested that aggregate quantitative data was a must have.

The feedback was of course linked to the title (access to remedy) while the indicator text and requirement focused on certain key aspects of access to remedy. One suggestion was to rename the indicator as ‘grievance mechanism’ to deal with this.

Moving forward we are likely to expand on the broad expectations on access to remedy in the overarching framework for the social transformation. Within the core social indicators, we will likely reframe the indicator around grievance mechanism to better reflect the indicator requirements and to act as a signpost towards meeting the expectation of access to remedy, by removing the access to remedy indicator and replacing it with two new indicators; grievance mechanisms for workers, and grievance mechanisms for third parties, which will be aligned with the Corporate Human Rights Benchmark indicators C1 and C2 score 1 requirements.

‘Requirements’ on suppliers. During the consultation, questions were raised as to whether WBA should assess whether companies place expectations or requirements on their suppliers to have grievance or complaint mechanisms in place. Again, it was mixed response. Interestingly, companies took opposing views, with some keener on expectations and others on contractual requirements. One company explained their preference for expectation as a way of not excluding suppliers who didn’t have a grievance mechanism—but allowing them to work with the supplier to develop one, while further feedback suggested that requirements might freeze out smaller suppliers who couldn’t comply as easily as large suppliers, with subsequent impacts on topics like local-content and business development.

One research consultancy gave pragmatic advice that many companies use the words indistinctly (i.e. say one but mean the other) or introduce additional language in supplier codes or contracts that would elevate ‘expect’ to ‘require’. Additionally, the lack of clarity on whether references to
suppliers in the core social indicators refers to all suppliers in a company’s supply chain or only tier one suppliers – will need to be addressed in the final methodology.

Moving forward, we are likely to use the ‘expectation’ language, but there is a need to stay aligned with the Corporate Human Rights Benchmark to ensure a consistent approach. If there are supply chain expectations, we will ensure there is more clarity on the definitions (tier one, etc).

**Public mechanisms.** We were encouraged to be clear whether the ask is on ‘available’ versus ‘publicly available’ grievance mechanisms. We will allude to this in the guidelines provided to researchers who are assessing companies as well, particularly in relation to mechanisms that the community and broader workers need to have access to.

**Non-retaliation requirements.** The lack of non-retaliation requirements was highlighted (an element in the Corporate Human Rights Benchmark methodology).
11 Indicator 4 – Governance of human rights issues (board oversight)

The company’s board is active on human rights, has specific accountability for the company’s human rights approach and performance, and demonstrates oversight at the highest level of the company.

Governance vs governance of human rights vs governance of social issues. This topic raised a lot of issues in terms of what place governance indicators had in the core social indicator list and what separation was feasible of governance issues. The question of whether to expand governance of human rights issues to more social issues, or even more broadly to sustainability, generated significant debate.

In general, participants did not like the framing within the draft methodology. However, there was no clear consensus on where to land. Some participants felt that ‘social’ was the appropriate framing, while others pushed for more broad oversight of sustainability. The different feedback from companies as to the best approach perhaps reflects how their own board is currently setup. Evidence from the Corporate Human Rights Benchmark shows that governance oversight of human rights specifically is rarely articulated by companies, while some companies may say that human rights falls under social, which falls under sustainability, which falls under the board remit.

It was pointed out that the lack of a specific requirement for board oversight of corruption or tax issues showed an inconsistency in the approach of WBA by only having it included here for human rights. Additionally, ‘governance’ as a topic could be looked at much more broadly through several ‘core governance’ indicators.

In general, ‘governance’ as a topic was seen to be important, and while governance of each element of the core social topics is desirable, in reality it will be difficult to assess as a single metric. See core social indicator 1 for commentary on next steps.

As mentioned above, there was significant variety of opinions on this topic. Some additional points that were raised are included below:

What is vs what should be: There was some strong feedback on how challenging the requirements were, based on what companies currently do and what is ‘realistic’. There were some interesting comments from companies or industry bodies that are paraphrased below:

- ...no reason why companies should disclose at the board level...Most NGOs don’t disclose what they discuss at the board level...
- ...if a company by-law says the board is responsible for it (human rights) then this is written confirmation that the board looks at human rights so there is no need to look further and expect boards to disclose more on websites etc....
- ...we (a company) would not disclose the minutes of any board meetings...
- ...how the board actually implements its oversight of human rights issues should not be of interest to stakeholders or investors...
Many of these comments were framed around what currently ‘is’ rather than what we think ‘should be’, perhaps reflecting different assumptions about whether the current system is actually in need of changing or not. From WBA’s perspective, the gap between current broad governance oversight (e.g. the board is declared to be responsible for all company issues including sustainability) which is demonstrated by many companies and the world as it is (unsustainable companies, reduced trust in companies, abuse of human rights, environmental impacts, crisis of capitalism etc) suggests that there is a need to improve the sustainability governance within companies to support the 2030 Agenda. Further, stakeholders are increasingly, and rightly, interested in how companies are implementing their oversight of human rights issues – in part due to the lack of trust in the current models.

Moving forward we will, firstly, pursue discussions within WBA as to the need to have ‘core governance’ indicators to assess all companies. Secondly, we are likely to (following the removal of this indicator) speak to governance issues more broadly within the high-level social expectations on companies.
12 Indicator 5 – Freedom of association and collective bargaining

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.

ILO Core Labour Standards vs Specific Commitments. The draft methodology splits the four core ILO labour standards into four separate indicators around discrimination, child labour, forced labour, and freedom of association and collective bargaining. This reflected a desire to put equal weight on these topics as has been done with other topics in the core social topic list such as tax and corruption. The four indicators each have an explicit requirement for a company to commit to respect the rights in the relevant parts of the ILO core labour standards. Taking the right to freedom of association and collective bargaining, this could be demonstrated by either an explicit commitment regarding those specific rights OR a commitment to respecting the rights that the ILO has declared to be fundamental rights at work (as a group).

While each topic is important, it was pointed out that the depth the core social indicators look at for each of these topics gives the impression that each topic is a universal issue to be managed. We were encouraged to focus less on issues that ‘may’ be salient for a company and instead focus more on the human rights due diligence aspects of the assessment (which would enable a company to assess ‘if’ the issue was actually salient).

Moving forward, we will likely remove elements of the four separate indicators, to bring the indicators back to a more universal assessment of the 2,000 companies. In addition, we will look to collapsing the policy commitment requirements into one indicator for the ILO core labour standards. One downside of this is the reduced emphasis on critical issues like forced labour and the risk of squeezing too much into a single indicator. To address this, we will look to map all the relevant sectors across the WBA benchmarks and highlight those for whom there are systemic risks relating to the rights under the core labour standards.

Where identified, such as forced and child labour in the food and agriculture transformation, we will work with the relevant benchmark teams to include appropriate assessment or commentary within those benchmarks. As each transformation should ‘leave no one behind’, issues of child labour, forced labour, discrimination, and freedom of association and collective bargaining are likely to be part of the transformation if they are relevant for the sectors. As an example, freedom of association may be less of an issue for elements of the finance system but are likely to be crucial to ensuring a just transition of the energy sector.

Supplier expectation vs requirements. Regarding whether ‘supplier expectation’ or ‘supplier requirement’ is the right framing for the cascade of responsible business conduct into the supply chain, we received mixed responses. In general, expectation was preferred (though interestingly an investor was keen on the requirement approach). For forced labour, in particular, there was an interesting shift towards more robust requirements to be contractually placed on suppliers.
The UNGPs focus on policies that set expectations on business relationships, but with an expectation that companies use their leverage to make those expectations actually mean something. While some companies argued for a ‘requirement’ approach (such as articulating in a supplier code of conduct that suppliers ‘must respect’ certain rights), others suggested that the strong requirements would not provide companies with the opportunity to work with suppliers whose practices could potentially be improved as part of supplier development programmes. In addition, some Japanese companies expressed opinions that they could ‘not violate the principle of autonomy of [their] suppliers’.

Looking across all the feedback on expectation vs requirement language, companies were largely content that there are expectations on them to help solve issues like forced labour in their supply chain. The preference for expect vs require seems more indicative of how the company practically approaches the issue, rather than there being a substantive difference to their overall responsibility to help solve the problem. However, it should be noted that the companies taking part were those that are, or want to be known as, responsible actors. Linked to this, no company suggested the core social indicators should use more robust language (e.g. ‘ensure’), which places the onus on the contracting company to make sure contracted parties actually meet the expectations.

Regarding the occasional mismatch that has been identified in previous rankings, where companies commit to respect all the ILO core labour standards in one document, but do not have similar expectations on supplier by omitting elements such as collective bargaining – or vice versa, this will be considered in the final methodology.

Moving forward, we will coordinate with the CHRB team who are asking similar questions, to ensure alignment, but will likely tend towards ‘expectations’ language within the indicator. We will also look to ensure there are no inconsistencies in company standards for their own operations versus their supplier standards regarding the core labour standards and make such inconsistencies a point of failure in the assessment.

**Disclosing data on collective bargaining agreements and unionisation in own operations and supply chain.** In general, companies pushed back against these kinds of disclosures, while civil society encouraged their assessment. Some of the pushback concerned the difficulties for company reporting when they choose to operate, or have supply chains, in jurisdictions where the fundamental human rights to freedom of expression and collective bargaining are restricted. Linked to the previous point above, the expectations on suppliers will be meaningless without action from the companies to ensure they are met. By tracking the proportion of workers in the supply chain who are covered by collective bargaining agreements, companies can show they are actively monitoring the situation and are able to make informed decisions about engagement on the topic. However, with vast and complex supply chains, this becomes an increasingly difficult task.

Moving forward, if the policy commitment elements are collapsed into a single core-labour standard indicator, we may pull the disclosure elements into another place (perhaps concerning decent work) with a focus on own operations and workers (i.e. beyond just employees). Country-by-country reporting on unionisation, etc (an option under GRI draft disclosure SE-2) will be unlikely to be included as a requirement for this core social indicator but will be a useful starting point for certain transformation specific methodologies.
13 Indicator 6 – Forced labour

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.

Cases of forced labour. Regarding what impact on scoring there should be where cases of forced labour are identified in a company’s operations or supply chains, there were a few broadly agreed principles during the consultation:

- Transparency should be encouraged, so companies should not be discouraged from disclosing data. Likewise, identification of human rights risks and impacts by a company evidences that its human rights due diligence processes is working.
- Conversely, companies that operate in sectors where forced labour is a salient risk should not be rewarded for identifying cases of forced labour if this approach puts companies that operate in sectors where forced labour is not a salient risk at a relative disadvantage.
- Where cases of forced labour have been identified, the key issue is the provision of remedy and how successful companies have been in providing or enabling that remedy. But this information is unlikely to be publicly disclosed, particularly if the issue is ongoing.

While some companies thought the existence of cases of forced labour in operations and supply chains should result in a loss of points for this indicator, others thought that there should be no impact as it demonstrated their systems worked. The contextual nature of forced labour risks, the problem of applying a universal assessment to over 30 sectors, and the danger of appearing to reward companies for being involved in human rights abuses or their remedy suggests this issue might be better placed within specific transformation benchmarks.

Moving forward we will look to collapsing the relevant policy commitment elements into one place with the other ILO core labour standard commitments. In addition, we will look to map the sectors in WBA scope for risks of forced labour to inform the relevant transformation benchmarks. The Corporate Human Rights Benchmark will continue to have a forced labour focus in relevant sectors, and we will also look to work closer with the KnowTheChain benchmark, which specifically focuses on forced labour in the supply chain (particularly where there are cross-over companies). Finally, we will consider identifying red flags where there are allegations or confirmed cases of forced labour issues in a company’s operations or supply chains.

Disclosing human rights due diligence steps. Requirement (e) set an expectation that companies would disclose the steps they took to understand the risks of forced labour in their own operations and supply chain. It was rightly pointed out that this focused on the public reporting of one element of human rights due diligence that potentially went further than the broader human rights due diligence indicator. Feedback also said the approach appeared to pre-empt that due diligence process (i.e. it was argued that companies who carried out due diligence but found no significant risks would be unlikely to spend the time reporting on that process, especially when this went beyond the requirements of the UK Modern Slavery Act).
However, this wasn’t universal, with civil society in particular pointing out that human rights due diligence is poorly conducted globally, and that companies should identify and deal with the most severe issues first (and forced labour is definitely one of the most severe issues).

Moving forward we will look to expand the robustness of the human rights due diligence requirements in general (rather than pre-empting forced labour as a salient risk for all 2,000 companies) and therefore remove the requirement on explaining due diligence steps just for forced labour. We considered looking at how a company demonstrates an element of due diligence has actually happened, by including a requirement that a company discloses ‘an explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour’. But as this would again pre-empt these being assessed as salient issues, we are unlikely to have this requirement in the core social indicators.

Requiring the disclosure of forced labour risks. In asking whether WBA should go beyond the human rights due diligence indicator requirements to ask for a disclosure of the forced labour risks in operations and supply chains, there was general agreement, although the costs for doing so were raised by one company as being prohibitive and companies in general were less enthusiastic than civil society. A research consultancy pointed out that companies in jurisdictions where modern slavery reporting was mandatory, words like forced labour were more likely to be used, while companies in other jurisdictions might be doing good work, but would fall down as they don’t use specific ‘forced labour’ terminology.

Moving forward we are likely to, as above, avoid the inclusion of greater disclosure requirements on forced labour in the core social indicators and leave these issues for consideration in the relevant transformations.

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12 This is in line with the latest WEF Framework, which references GRI 408-1b and 409-1a (to update in line with draft GRI indicators)
14 Indicator 7 – Child labour

The company publicly demonstrates its commitment to address child labour and places clear requirements on its suppliers relating to child labour.

**Testing the indicator.** During the pilot testing of the indicators, a problem appeared with the child labour elements. The indicator, drawing on good practice like the Corporate Human Rights Benchmark requirements, was drafted with potentially too much of an assumption that child labour would be a significant issue for every company. As such, those companies with a lower risk of child labour were likely to fail the indicator, while those companies with high risks of child labour would likely pass the indicator. As the indicator was framed around the lower end of maturity, focusing on commitments and expectations on suppliers and not on actively dealing with the risk of child labour, this could result in WBA penalising companies without child labour issues and legitimising companies who have made commitments to, but aren’t dealing with, actual risks of child labour.

Linked to this point, there was feedback regarding the identification of child labour incidents (see forced labour above for similar points). Suggestions that sectoral risk mapping and only applying child labour indicators to specific sectors were received, but do not align with our principal of applying a baseline assessment to all 2,000 companies equally. Overall, the red flag approach was seen as a workable compromise that would show potential areas where child labour is an issue and where there are mismatches between the commitments and reality on the ground. But it is still not considered practical within the core social indicators to go into a detailed assessment of child labour incidents and company responses.

A suggestion was received from a research organisation to develop a database on Conventions and countries that have ratified the relevant Conventions and incorporated them into their legal systems. By then mapping the companies who only operate in low-risk sectors/countries, a reduced requirement could be established such as compliance with laws and regulations. While interesting, we think this will be difficult, primarily due to its complexity; we have already found it difficult to map the 2,000 companies by direct operations (beyond their 74 countries of incorporation) and that is before we map their supply chains which are arguably where the biggest labour issues lie.

**Demonstrating human rights due diligence.** Compared to forced labour, there was no requirement on companies to explain their human rights due diligence steps and feedback was sought on the need for such requirements in this indicator. Again, civil society and companies generally fell to either ends of the spectrum on feedback. Research organisations reinforced the idea that we would penalise companies who have not identified child labour as a salient risk if we took this approach. Several participants also recognised that the contextual nature of child labour means it is better suited to being addressed in detail in the relevant transformation benchmarks.

**Specific language.** This indicator was drafted with multiple ‘equivalent options’ that could represent an equivalent commitment to respect the right not to be subject to child labour in respect of employment or occupation. The language used (such as ‘not be complicit in or benefit from’) and the way the indicator was set out seemed to cause confusion.
Moving forward, we are likely to take the approach suggested for forced labour above and look to re-frame indicators such that the overall requirement focuses on the *intent* while the supplementary guidance on how to meet the indicator covers the broader / equivalence content (i.e. researchers will have a list of indicative options which are equivalent to meeting the requirements or exceed it). We will also stick to our general principal that core social indicators should be simple and universal – therefore not relying on any ‘if’ conditions (i.e. not having elements worded as ‘if an incident of x is found, the company does y’).
15 Indicator 8 – Discrimination

The company publicly demonstrates its commitment to address discrimination, places clear requirements on its suppliers regarding discrimination and discloses data linked to relevant issues.

Discrimination vs diversity and inclusion. There was significant push back against only framing the core social indicator around anti-discrimination, implying WBA should, even at the core social indicator level, be looking for more positive actions from companies to move beyond ‘non-discrimination’ and look at inclusive and diverse workplaces. This would reflect what WBA has already done with the gender indicator (looking towards achieving gender equality).

Minimum list of characteristics. The indicator did not list characteristics that might be discriminated against, but we recognised the issue of companies specifying a short list of characteristics which would potentially legitimise discrimination on important issues. In general, it was agreed that it would be better not to make the discrimination categories a tick-box exercise, recognising how the field changes over time and where even extensive lists like the OECD Guidelines Part V exclude topics like marital status. However, when a company does not commit to a general principle of non-discrimination and misses out key characteristics set out in the ICESCR, this should be recognised as not meeting the expectation.

Linked to the topic of characteristics, there was feedback on the difficulties of navigating multiple jurisdictions, particularly when positive discrimination arises. In some places, e.g. the UK, positive discrimination is generally unlawful but positive action is lawful – the difference being where positive action tries to make society more equal, but doesn’t negatively impact other groups. Other countries still debate the merits and legality of affirmative action, which might be seen to blend positive discrimination and positive action, while some have significant positive discrimination, but this is led by the state and companies must follow, rather than take their own approach.

Ultimately, equality of opportunity (non-discrimination) is unlikely to result in equality of outcome (an inclusive and diverse workplace where everyone is fairly and equally paid for the same work) without positive action to address entrenched inequalities. A company that unfairly hires or promotes a person with a protected characteristic in order to meet a quota would be seen as discriminatory by WBA, while a company that sets targets on gender balance and focuses recruitment advertising where more women are likely to see them would be seen as taking positive action. This distinction will hopefully help us frame our view on indicators in the future.

Moving forward, we will look to take the general commitments to non-discrimination in the workplace into the ILO core labour standard indicator. Characteristics may be listed as indicative, but not limited, in the indicator guidance, drawing on the ICESCR General Comment 20 and the OECD Guidelines for reference. The remaining elements of the indicator concerning workforce disclosures will either become part of a generic workforce disclosure indicator, or will be wrapped up in the requirements for a new indicator which ties into the expectation on inclusive and diverse workplace. The final social transformation framework will set out the high-level expectations on inclusive and diverse workplaces, while the core social indicators will be split between avoiding harm (non-discrimination) and signposting towards achieving an inclusive and diverse workplace.
16 Indicator 9 – Gender equality and women’s empowerment

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.

Beyond equality of opportunity. The gender indicator, in contrast to the ILO core labour standard indicators, goes significantly further in terms of positive actions to address inequality (or at least to signpost that companies are working toward the high-level expectations on gender equality). Gender discrimination is wrapped up in the ‘non-discrimination’ indicator thus far, and most feedback received supported the idea that we should expect all companies to drive gender equality and women’s empowerment as a minimum.

With the limited scope of the core social indicators, the requirements related to this particular indicator cannot be overly complex, but a focus on a commitment to gender equality, time-bound targets and the disclosure of key gender-disaggregated data were generally seen to provide a sufficient signpost to distinguish between those companies that are on the journey towards driving gender equality and those that are not.

Additional requirements were proposed for inclusion in this indicator, including reporting leave allowances for primary carers and the company’s gender pay gap. Both would be relevance, particularly for a more detailed look at the gender equality transformation. However, they may be too complex for the core social indicators, particularly if there were any value judgements on what ‘good’ or ‘sufficient’ performance looks like. It should be noted that the discussion on disclosing gender data polarised views in the consultation, even with opposing views from different businesses. Some businesses were very supportive of stipulating gender pay gap data (‘...of course gender pay gap data should be included’) while others, notably from the Japanese consultation, saw that it was both costly and impractical to publish gender pay gap data, and that the topic itself didn’t really make sense as they ‘do not manage employees by distinguishing men from women’.

One of the rating agency participants pointed out that the reporting of gender pay gap data is not common practice and could be seen as an aspirational pull indicator. Another complication is the geographic issue, where companies only report by country – providing a significant research burden.

Moving forward, we are likely to hold off on including gender pay gap and primary carer leave as requirements for this indicator for 2021, recognising they are included in the full gender methodology benchmark and that expanding the gender transformation to more sectors will be a key priority for the social transformation in future years.

Supply chain requirements. In asking whether the indicator should go further and assess how companies are driving gender equality and women’s empowerment in their supply chains, the majority view was that this would be too much for the core social indicator and we should focus instead on the companies themselves and their own approaches and performance.

Moving forward, the non-discrimination expectation on suppliers will be included in the ILO core labour standard indicator, but we will not look to overlay additional requirements at this stage.
Senior leadership vs management disclosures. The indicator currently requires the disclosure of the proportion of women in governance bodies and senior executive roles. Some urged us to go further, looking at promotion figures and stating that middle management is arguably more important as this is where many women ‘drop-off due to life changes’. The lack of clear definition of senior executives was also pointed out.\textsuperscript{13}

Moving forward we are likely to stick with the initial disclosure requirement for the most senior levels (board and management), which aligns with the Workforce Disclosure Initiative requirements, recognising the disclosure gap that exists and should be addressed as part of the transformation to gender equality.

Harassment within the indicator. Violence and harassment are frequently, but not exclusively, linked to gender and we knew it presented an issue by only having this element in the gender equality indicator. During the consultation, the majority view was that it should be taken out of this indicator, although there was less consensus on whether it could be part of the non-discrimination indicator or not.

Moving forward we think it is unlikely there will be space and scope to include a separate indicator on violence and harassment in the workplace, but we will consider the issue for potential inclusion in any new requirements for companies related safe, inclusive and diverse workplaces.

\textsuperscript{13} WBA will follow the GRI revised definition of high-ranking member of the management of the organization, such as the CEO or an individual reporting directly to the CEO or the highest governance body.
17 Indicator 10 – Health and safety

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 its own workers, and it demonstrates that it monitors the issue by disclosing quantitative information.

Disclosing health and safety in the supply chain. Requirement ‘d’ of the indicator put the onus on benchmarked companies to disclose quantitative data for supply chain workers regarding health and safety. This was seen to be going beyond the core expectation and there was a range of opinions on the feasibility of reporting (from companies themselves) depending on what their own processes are currently. The requirement was included as a way of proxying for health and safety oversight by companies, recognising that for many sectors, the significant health and safety risks manifest in their supply chains. It also linked to the idea that some companies have removed traditional employees from their overheads and have outsourced significant numbers of their workers to their suppliers, and there are ongoing debates about platform or gig economy models and their worker/contractor/employee/supplier relationships.

Looking more deeply at the companies who have significant processes to drive health and safety in their supply chain and their mixed approaches to disclosing this data, it seems there is a need to be more specific in language, but potentially less demanding, in this core social indicator.

Moving forward we will look to step back from a requirement to disclose supplier health and safety data, and reframe the indicator to focus on relevant worker-related disclosures in line with GRI Standard 403, which states that "an organization is expected to be responsible for the occupational health and safety of employees and of workers who are not employees but whose work and/or workplace it controls." Without putting disclosure requirements on companies regarding health and safety efforts in its broader supply chain, which would be too context dependent for the core social indicators), requirements (b) and (d) will be aligned with GRI 403-9 (a) and (b) as below.

The reporting organization shall report the following information:
a. For all employees: i. The number and rate of fatalities as a result of work-related injury; ii. The number and rate of high-consequence work-related injuries (excluding fatalities); iii. The number and rate of recordable work-related injuries; iv. The main types of work-related injury; v. The number of hours worked.
b. For all workers who are not employees but whose work and/or workplace is controlled by the organization: i. The number and rate of fatalities as a result of work-related injury; ii. The number and rate of high-consequence work-related injuries (excluding fatalities); iii. The number and rate of recordable work-related injuries; iv. The main types of work-related injury; v. The number of hours worked.

The line WBA is drawing is that all SDG2000 companies, regardless of their belief in whether health and safety is a material (and therefore priority reporting) topic, should be transparent about health and safety impacts experienced by those who work for them in their operations and supply chain.

Significant incidents. As with other topics, there is an open question about what to do when there are significant negative impacts, particularly where there is a gap between the company
commitment or goals and the outcomes. In general, the feedback suggested that looking at major cases and evaluating company responses would be a useful approach, as long as transparency itself was not disincentivised. However, adding in ‘if’ elements to the core social indicators will be problematic for resourcing and does not align with the general universal approach.

Linked to this, we posed a question on whether the proposed WEF metric regarding monetised impacts of health and safety incidents should be explored. Overwhelmingly, this was seen as not being appropriate for the core social indicators, although it was regarded with interest and a certain level of scepticism regarding the practicalities of estimating impacts on society and the utility of the data once that was achieved.

Moving forward we will look to introduce the red flag approach for this indicator to highlight where there are serious confirmed or alleged failures in company approaches to health and safety. We do not intend to apply value judgements to the response to incidents, or the relative severity of incidents themselves, but we do want to make it clear to third parties where a company has been linked to negative impacts for their workers. We will not assess companies based on whether they are estimating the ‘cost’ of incidents.
18 Indicator 11 – Living wages

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.

**Over-reach of indicator.** When drafting the indicator for the draft methodology, following initial discussions with stakeholders, the indicator included multiple elements that were linked to living wages and decent work. It was clear in the consultation that the indicator had become unwieldy and encompassed too many concepts which, while individually useful, confused things when lumped together.

The draft indicator covered:

- workforce disclosure – by contract type;
- provision of paid sick leave;
- commitments to pay employees a living wage, or declarations of already paying a living wage and how it was calculated;
- requirements on contractors and suppliers to pay their own workers living wages; and
- commitment to respect workers’ hours.

Possibly due to the breadth of the indicator, this received a large amount of feedback which ranged from ‘we don’t agree with including the living wage indicator at all’ to ‘yes, companies should be paying living wages and require contractors to pay living wages’.

The final WEF Common Metrics report and the Workforce Disclosure Initiative include living wage indicators. The UNGC SDG Ambition on Living Wage mirrors WBA’s recognition of the huge importance of all workers being paid a living wage and of course everyone has the right to enjoy remuneration which provides for a decent living for themselves and their families in accordance with the International Covenant on Economic, Social and Cultural Rights.

Moving forward, we will not exclude the living wage indicator. The final framework will articulate the expectations regarding the payment of living wages, but the core social indicator will be less ambitious than it currently is. This will align it better with the other core social indicators (whereas now it is arguably set at a much higher level in terms of performance). Learning from the Corporate Human Rights Benchmark indicators on living wage, which show over 90% of companies have failed to pay or set targets for a transparently calculated living wage, we will look to reframe the indicator to allow greater distinction between companies, allowing us to target engagement. We will consider a living wage signpost related to commitments towards living wages, rather than living wage performance (i.e. the proportion of employees being paid a living wage).

**Workforce disclosure.** The rise of the gig economy and zero-hour contracts can arguably make it easier to avoid paying a living wage by shifting the problem into the supply chain. The requirement for companies to disclose key data on its workforce was to help understand whether companies are trying to avoid their obligations by using labour-only contracting, sub-contracting and other arrangements. In other words, living wage information should be contextualised with an
understanding of workforce trends to see where there is contradictory performance. At the core indicator level, it is unlikely that WBA will be able to check and conduct secondary analysis on the actual figures disclosed by companies, but this does not mean transparency on the workforce is not important.

Moving forward, we will consider taking the workforce disclosure elements out of the living wage indicator and consider having a ‘workforce disclosure’ indicator that wraps up the current disparate workforce statistics, and includes disaggregation by issues such as geography and demographics. Where possible, we will align the language with GRI and the Workforce Disclosure Initiative questionnaire. If kept, the requirements in the Ethical Training Initiative Base Code will be spelt out more clearly within the main body of the indicator evidence, and we will consider the suggestion to address the gap in the Ethical Training Initiative Base Code concerning limits to daily hours of work e.g. by changing the language to “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”.

**Sick leave and other social protections.** Sick leave was one of the later additions to the indicator, included as one of many potential suggestions (like redundancy protection, pensions, etc) related to worker protections and given prominence by the Covid-19 pandemic. One issue with including an indicator on paid sick leave is the need for specificity in the face of huge variety in national level and company level approaches to sick leave and healthcare, and we were pushed to provide a better definition of what was required in the indicator. While WBA would like to see the provision of paid sick leave as a minimum requirement for employers as part of the payment of an overall living wage, as well as ensuring employees have adequate access to healthcare and providing meaningful pension contributions, the core social indicators should be broadly aligned in intent and in signposting towards the high-level expectations on companies. As such, we are unlikely to include sick leave, pension provision and healthcare in the final core social indicators.

**Living wage in the supply chain.** A living wage is a critical enabler for the realisation of multiple rights and will support the achievement of several SDGs. With so many companies having extended supply chains and significant leverage over supplier behaviours, the draft indicator pushed companies to require contractors and suppliers to pay their own workers living wages. There was a valid question regarding the definition of suppliers (versus those with immediate contractual relationships) as well as the framing of the own operations indicator towards ‘employees’ rather than ‘workers’ more generally.

While civil society were happy with the requirement language, most businesses preferred the use of expectations on supply chains. This is potentially linked to the poor scores in the Corporate Human Rights Benchmark for ‘living wage in the supply chain’, which shows three quarters of companies scoring zero and few companies describing how they work with suppliers to improve wages in the supply chain.

The UNGC’s SDG Ambition on Living Wage recognises the need for companies to exert their leverage to drive living wages in the supply chain, but the standard set by their benchmark only refers to employees and direct contractors. The WEF metrics set an expectation on companies to disclose the
current wage versus living wage for employees and contractors in ‘states and localities where the company is operating.’

Feedback on the supply chain element also noted that in certain sectors, like apparel, companies support collective approaches to raising living wages across the industry and this was reported as being more helpful than simple requirements in contracts or codes of conduct. Therefore, ensuring living wages in the supply chain can be highly context specific; collective approaches that ‘work’ for the apparel sector are unlikely to be appropriate for the finance sector.

Moving forward, we will set out the high-level expectations regarding living wages in the supply chain. But at the core social indicator level, we are likely to only require companies to demonstrate a level of proactive effort regarding living wage in the supply chain. This could be through requirements in contracts or codes of conduct, collective actions or specific commitments, setting out expectations on contractors and tier one suppliers regarding living wages.

**Living wage in own operations.** We were told there are multiple approaches to living wages and no universally agreed definition, but also that there was a space where it could be meaningfully defined. While many companies may not even be discussing living wages, those that are may be using one of the different methodologies, for example - the Massachusetts Institute of Technology Living Wage Calculator, the Anker Methodology, or even their own bespoke framework. As such, it would be premature for WBA to ‘set’ the methodology or definition of living wage to be used by the SDG2000.

There was strong pushback from one industry group who suggested that it was nonsensical for a company who pays five times the minimum wage to have to disclose this. In contrast, we think that if a company already knows the ratio of its pay to the local minimum wage and is confident that this more than meets a living wage, it should have no problem in disclosing this to interested stakeholders. An example study by the Fair Labour Association in Vietnam found that even though workers in factories were paid double the minimum wage, a worker would need a pay increase of almost 25 percent to achieve a living wage based on the Global Living Wage Coalition benchmark. We also feel that topics like living wages, even where a company thinks they are most relevant in their supply chain, need senior level commitment and buy-in within the company; viewed from a different angle, we doubt a company will take the living wage in its supply chain seriously if it refuses to engage with the topic for its own workers.

Other people providing feedback from the business sector also thought the living wage indicator was premature, although gaining momentum. In practical terms, it was pointed out that in the UK it could take a large company two years to get employees and contractors onto a living wage, while companies themselves have struggled to determine accurate living wages in the various countries they operate in. Conversely, it was pointed out that if there isn’t significant progress in the short term, living wages will never be achieved by 2030, so there is a need for strong, time bound commitments and action plans which are implemented by companies.

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Elsewhere, in the final WEF Common Metrics report, living wage is in the expanded metrics list (concerning the percentage of employees paid a living wage), while wage levels are in the ‘core’ metrics and disclosures list, requiring the following from all companies:

1. ratios of standard entry level wage by gender compared to local minimum wage
2. ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO.

Entry level wage data compared to local minimum wage provides a limited insight into own employee remuneration linked to living wages, with the assumption that pay will increase above ‘entry level’ and a ratio ‘greater than one’ shows legal compliance. But without knowing the relationship between minimum wages and living wages, the insight stops there.

The expanded WEF metrics ask for ‘current wages against the living wage for employees and contractors in states and localities where the company is operating.’ If companies actually reported against this metric it would imply they had established living wages per geography, and the number of employees and contractors who are paid above and below that line (i.e. the performance against the UNGC SDG Ambition on Living Wage). But based on the CHRB experience and the lack of current relevant disclosures on this topic, we do not feel including this indicator will provide much useful information at this stage.

Moving forward the core social indicator on living wage will be limited to signposting towards meeting the high-level expectation on living wage ‘performance’. There will be potential scope for a future spotlight benchmark on living wages which would bridge the gap between the core social indicators and the high-level expectation, allow WBA to explore the approach, performance and trajectory of companies, pulling in supply chain elements for relevant sectors and bringing back in key issues like workers hours.

For the core social living wage indicator element regarding own operations, we may focus on the existence of a time bound commitment to paying workers a living wage, and require an explanation of the framework the company uses to understand or set a living wage and the involvement of any trade unions (or equivalent worker bodies where the right to freedom of association and collective bargaining is restricted under law). We will also provide more background detail of recognised methodologies such as the Anker Methodology to provide at least one common reference point for companies.

**Living wage summary.** The end point for the revised living wage indicator will likely be a renamed indicator (Living wage fundamentals), which will look at three key requirements that companies disclose:

1. A timebound target for paying all workers a living wage (or an indication that all workers are already paid a living wage)
2. A description of how living wages are defined and determined by the company and
3. An expectation on direct suppliers to pay their employees a living wage (for example in codes of conduct for suppliers), or details of how the company works with suppliers to improve their living wage practices
19 Indicator 12 – Personal data protection

The company applies responsible practices for personal data in relation to data collection and data sharing.

Scope of indicator. This indicator could have been expanded to cover other ‘core’ elements of personal data management such as user access and retention of personal information, but the feedback was generally that the scope was sufficient (although some companies and investors pushed for the inclusion of more areas to bring the indicator further in line with General Data Protection Regulation (GDPR)).

Privacy policy vs statement. Regarding whether the requirement should extend to specify a privacy policy or statement in addition to the public disclosures there was a mixed response, but more people than not were supportive of a formal statement approach.

Data breaches. Data breaches were a topical issue during the consultation, and there was a push to not reward companies who were performing badly on protecting data privacy rights, with a suggestion that red flags for data breaches would be the simplest way of improving the methodology and giving recognition to disconnects from performance and commitments.

Alignment with WBA’s digital transformation. The Digital Inclusion Benchmark methodology already has a similar indicator on digital privacy and the WBA digital team are planning on integrating the core social methodology over the next two years into their benchmark methodology. As such, having two overlapping indicators will create confusion. The recommendation is that the core social indicator aligns fully with the requirements in the benchmark methodology which itself draws on the Ranking Digital Rights methodology.

Moving forward, we will look to create consistency with the Digital Inclusion Benchmark methodology. This will provide insights into 2,000 companies, create efficiencies for overlapping research topics and allow WBA to provide broad narratives on data protection (for example, commenting on elements of GDPR compliance trends by the 500 European companies in the SDG2000).
20 Indicator 13 – Corporate taxation

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.

General feedback. There was no significant pushback against the inclusion of tax as a topic, but there were two sides to the debate regarding what should be included in the core social indicator, particularly if it was framed on ‘minimum’ language. While research consultants and civil society were supportive of the inclusion of all aspects, some companies, investors and industry associations had reservations.

Moving forward we will look to reframe the indicator language to better reflect the requirements and include the responsible tax approach in the high-level expectations on companies. This will provide separation and will mean a company who meets the core social indicators can’t claim to be ‘demonstrating a responsible tax approach’ when it is merely being transparent about how it avoids paying taxes.

Low-tax jurisdictions. One investor showed support for tax transparency but they also believe ‘it isn’t appropriate to prescribe appropriate tax approaches. For example, a company should not be limited to using tax efficiencies, which are mechanisms for both governments and companies.’ We currently require a company to state it will not establish a presence in low-tax jurisdictions for non-commercial reasons. This acts to catch companies who are unwilling to commit to an approach which avoids tax avoidance. Legitimate tax efficiencies are clearly different to setting up in a low-tax jurisdiction with no relation to the company’s operations. The requirement reflects the B Team’s Responsible Tax Principles (3-b): “We do not use so-called ‘tax havens’ in order to avoid taxes on activities which take place elsewhere. Entities which are based in low or nil-rate jurisdictions exist for substantive and commercial reasons.”

On reflection, this requirement sets a high bar for many companies in terms of disclosures as it means they have to make a public statement about what they ‘won’t do’ and this may be better suited for inclusion on subsequent spotlight benchmarks.

Moving forward we will look to remove this requirement. However, we will look to understand how we can better assess whether companies are involved in controversial tax practices. As the overall indicator language expects companies to comply with both the letter and spirit of the law in the countries where it operates, a company who is evading taxes is clearly not meeting this requirement. Similarly, a company who operates in a low-tax jurisdiction without substantive commercial reasons (beyond avoiding tax) cannot be seen to be paying the right tax in the countries where it creates value. There are difficulties in understanding the tax profiles of 2,000 multinational enterprises in a compressed research timeline, but clear examples of controversial tax practices should at least result in a red flag against the company.

Effective tax rates. The option of including requirements on reporting effective tax rates and tax-gaps versus their industry norm, plus the proportion of profits attributed to tax havens were not
well supported at this stage, but were recognised as being an important piece of the puzzle. We were also interested to hear from a rating agency that an effective tax rate of less than 18% is an automatic red flag for investors. The latest efforts of the OECD to improve the global tax framework and get companies to have both an effective minimum tax rate and to apportion elements of profits to the countries where their customers are located (i.e. where value is generated) was also interesting for the consultation.

Moving forward, we are likely to not add the effective tax rate elements at this stage, but leave the option open to revise this once further progress is made on the OECD framework.

**Policy vs Strategy.** The language around tax policy was recommended to specify a global approach, with the caveat that it can be tweaked to suit local circumstances. This makes sense, particularly considering the number of companies who selectively report a tax policy for only one jurisdiction (for example in the UK) to the exclusion of the rest of their operations. The requirement to have a ‘responsible tax policy’ is potentially too demanding as many companies are struggling with being public on their general approach to tax. In asking whether there should be more flexibility around the language of ‘tax policies’ vs ‘tax strategies’ there was almost complete consensus and comments that it would also better align with the GRI tax standard.

Moving forward, we are likely to re-frame the indicator to require companies to disclose their approach to tax. This could be described in a tax strategy or in equivalent documents such as policies, standards, principles or codes of conduct. An abstract or summary of the tax strategy would be acceptable if the full strategy is not publicly available. This should reflect a global approach – it shouldn’t allow companies to ‘be responsible in some jurisdictions and not others’. Companies disclosing as per GRI 207-1 should provide enough information for us to assess this requirement.

**Governance.** A recommendation was received to make a clear requirement on the governance of the tax approach/policy which would also provide more alignment with the GRI tax standard. The B Team tax principles also require the tax strategy and principles are approved by the board and the board is accountable for the tax strategy. Requirement (a) initially had the board member or committee responsible included alongside the requirement for the policy/approach to tax.

In other indicators we discussed having governance over social issues vs governance of specific human rights topics. In this case, we consider it unlikely that companies are viewing tax as a social issue in the same way as human rights and feel that there is scope for additional requirements regarding the oversight of tax at the highest level of the company.

GRI 207-1 requires companies to disclose the governance body or executive level position within the organisation that formally reviews and approves the tax strategy and the frequency of the review. GRI 207-2 provides disclosure guidance for companies if the highest governance body in an organisation is accountable for compliance with the tax strategy and their degree of oversight.

Moving forward, we are likely to include a requirement in place of the low-tax jurisdiction commitment which instead focuses on the oversight of the company’s tax approach. It will likely set a bar in that the company’s highest governance body is clearly responsible for approving and overseeing the company’s tax approach.
Country-by-country reporting. Easily the most contentious part of the indicator was the requirement for country by country tax reporting in line with GRI 207-4, with strong pushback from US businesses/groups in particular (focused on the excessive burden on companies, the potential for this information to present a misleading picture of a multinational’s operations and the argument that the OECD country-by-country reporting regime was only intended to be used as a high-level risk assessment tool and to kick-start conversations between multi-nationals and tax authorities). They also pushed to follow the OECD framework (rather than GRI) if we did end up keeping it in against their advice.

In testing the methodology, this was one of the most failed requirements for this indicator, with very few companies even partially meeting the requirement. WBA should also consider whether we are going to make use of the data if we do find it – or whether we stop the analysis based on its presence/absence.

In response to the critique above, we feel the GRI tax standard provides an international standard that gives a generally acceptable framework for companies to demonstrate how they are meeting their obligations to society. With the demands on government in the wake of the Covid-19 crisis still growing, the importance of the tax base to society has never been clearer. We still feel that tax transparency at a country level is a vital step towards a responsible approach to tax for large companies.

With over 135 jurisdictions collaborating on the OECD Basic Erosion and Profit Shifting (BEPS) measures, the number of SDG2000 companies who are not obliged to report (even if confidentially) their country-by-country tax affairs is likely a minority. In comparing the country-by-country reporting template from OECD BEPS Action 13 and GRI 207-4, the major difference appears to be that GRI requires the reporting of reasons for the difference between corporate income tax accrued on profit/loss and the tax due if that statutory rate is applied to profit/loss before tax.

In comparison, the final version of the WEF Common Metrics report removed the country-by-country reporting requirement to be replaced with a ‘total tax paid metric to better reflect the full contribution to public finances made by a corporation.’ A tax breakdown by ‘significant locations’ has been added in as part of the expanded (and therefore unlikely to be initially picked up) metrics. The removal of the country-by-country element is disappointing as we feel it provides the basis for analysis of whether companies are paying fair taxes. The inclusion in the WEF Common Metrics report of the total tax indicator is based on GRI 201-1 which asks for aggregated data for ‘direct economic value generated’ (revenues), ‘economic value distributed’ (operating costs, employee wages and benefits, payments to capital providers, payments to governments, community investment) and ‘economic value retained’ (the former minus the latter). While providing an interesting insight into company profits, incomes and costs, we feel alignment with the WEF approach would shift us too far from the aim of the tax indicator.

Moving forward, we want this to be a meaningful indicator that helps drive tax transparency and signposts towards company responsible tax practices. But we also want it to be a bit more straightforward to research and checking all the elements of a report for alignment with GRI 207-4 requirements is time consuming. The requirement is likely to be adjusted to look for country-by-country public tax disclosures, guided by key elements detailed in GRI 207-4, but not requiring the
explanations for the difference between tax accrued and the tax due if the statutory rate was applied before tax. This means that a company reporting in accordance with the OECD BEPS framework should be able to meet the criteria. The complex area of effective tax rates and shifting companies towards paying their fair share of tax will be a potential area of future study for WBA along with interested Allies and third parties.
21 Indicator 14 - Anti-corruption

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.

Implications if involved in corrupt practices. In asking what to do when companies were implicated in corrupt practices, it was felt that, potentially counterintuitively, companies that were the best at managing corruption risks were those who had been through a scandal and were forced to deal with the issue. As such, some participants thought scoring shouldn’t be affected, but there should be red flags applied, while others felt a sliding scale of penalisation was most appropriate.

An added complication is the timescale for cases, particularly if relying on convictions or fines to guide whether a company is ‘guilty’ of not meeting the expectations. A point was also made that to mark companies down if they were recently found guilty of corrupt practices would likely penalise companies operating in more developed regulatory environments or heavily regulated sectors. Local language issues for these types of incidents also reduces the feasibility of accurately assessing corruption cases across 2,000 companies.

Moving forward we will look to add the red flag elements for core social topics which will not impact company scores on individual indicators.

New scenario risk assessments. In asking whether the requirement for disclosure on anti-corruption and anti-bribery risk assessments for new business relationships should be expanded to include new country transactions, this was generally approved, although one company pointed out that a new country could potentially be a very low level of corruption then from their perspective a due diligence related to basic transactions may not be relevant. This seemed to contradict other companies who saw the country-risk-profile as part of the overall due diligence approach.

Moving forward we are likely to include the language around new countries in the indicator.

UNGC membership. In the consultation we asked whether being a member in good standing of the UNGC (and therefore having committed to principle ten which states businesses should work against corruption in all its forms including extortion and bribery) was sufficient to meet requirement ‘a’ (company has a policy or policies approved at the most senior level of the business that prohibits bribery and corruption).

While a few companies were supportive of the equivalence, the general opinion was that the low bar of entry to the UNGC and the unlikelihood of expulsion for contravening a principle meant membership was no substitute for a policy commitment prohibiting bribery and corruption.

Moving forward, we will not accept UNGC membership as an equivalent for the policy commitment to prohibit bribery and corruption.

Beneficial ownership. Lack of beneficial ownership transparency was confirmed by participants as a core contributor to global corruption and we asked whether the requirements should include
disclosure of a company’s ultimate beneficial ownership in either the tax or corruption indicators. The question was framed ‘as a core requirement’ and several companies responded that it was going too far, but other companies, plus investor and civil society participants felt it was useful to include in the core social. For those who supported its inclusion, it was a mix of being placed in the tax or corruption indicator as it touches on both topics.

As part of WBA’s Theory of Change, we need to know where to apply stakeholder pressure to drive change. In addition to the clear corruption risks associated with opaque ownership, a lack of transparency also makes it harder to drive change.

While there is an argument for this requirement to go into the tax indicator, the tax topic focuses on ‘fair taxes’, signposted by transparency approaches to managing and disclosing tax issues. In contrast, the corruption indicator signposts towards the elimination of corruption and focuses on commitments, embedding those commitments and identifying and dealing with issues. Adding to the already complex tax indicator isn’t desirable at this stage and so if it was added, it might be better placed in this indicator rather than tax.

As one company pointed out, for large listed enterprises their interest in ultimate beneficial ownership was focused on third parties that they have relationships with, as part of their own anti-corruption measures. While not proposed by participants in the consultation, the fact that all WBA companies in score are multinationals, there may be less concern over the beneficial ownership of these entities, particularly as they are largely listed companies.

Moving forward, we are likely not to include beneficial ownership in either this core social indicator or the one focussing on tax. We will discuss within WBA how the beneficial ownership of the SDG2000 companies should be viewed in the company profiles.

**Additional requirements.** During the consultation, some additional requirements were proposed for WBA to consider including in this indicator, including:

- executive remuneration linked to anti-corruption
- training on anti-corruption; and
- the number and value of fines levied against the company.

Regarding executive remuneration linked to anti-corruption, targets around eliminating corruption may drive good practices, but conversely unrealistic or ambitious targets may encourage corrupt practices by incentivising risky behaviour to meet targets. This is potentially too complex an area to add into the core social assessment.

In relation to fines, while it is important to disclose the fines paid by a company, it doesn’t seem appropriate to ‘reward’ companies for this type of disclosure.

In relation to training, the hours of training on anti-corruption (per employee per year) could potentially be included, but we are unsure there is a positive correlation between transparency on training and a reduction in the number of corruption incidents to which companies are linked.
Furthermore, it is likely not appropriate for WBA to set a requirement in relation to training hours below which a company would fail the indicator.

Moving forward we are likely to not add in the additional measures proposed to the indicator.
22 Indicator 15 – Lobbying and corporate political influence

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.

**Senior level accountability vs board-level accountability.** There was general consensus on accountability at the highest levels of an organisation being a core requirement of this indicator. However, while some feedback noted the need for board-level accountability for corporate political engagement, other feedback noted that accountability may be delegated by the board to senior executives and therefore, this should be considered in the indicator.

Moving forward, we will look at incorporating senior-level accountability as a requirement for this indicator.

**SDG-relevant lobbying.** Requirement (d) assesses whether a company discloses details of its lobbying and political engagement, including SDG-relevant lobbying. There was mixed feedback on whether this requirement is too demanding to be included in this core social indicator. While some noted that it does go too far for a core social indicator and could easily turn into greenwashing, given there would be no way to verify a company’s actual contribution, others noted that linking reporting on lobbying practices to the SDGs would require companies to reflect on their approach. From a research perspective, given the scope of this requirement is broad, it would be difficult to comprehensively assess a company’s SDG-relevant lobbying for the purpose of their core social assessment.

Moving forward, it is likely that we will remove this requirement from the indicator.

**Lobbying undermining the SDGs.** Requirement (e) assesses whether a company is credibly implicated in lobbying or political activities that will undermine the 2030 Agenda. There was strong feedback that this requirement is not practical as it is difficult to assess, given it encompasses a broad range of activities and is subjective in nature, and verify.

Moving forward, it is likely that we will remove this requirement from the indicator. We will explore whether corporate lobbying activities that undermine the SDGs will be red flagged as a controversy.

**Relevant definitions.** There was general acceptance of the Transparency International definitions (political donations and expenditure, lobbying, trade associations and business chambers, exchanges of people between business and the public sector, and political activities and the workplace) on the basis that it is a reputable organisation, and the standards are well-consulted and cross-referenced with the approaches of other reputable organisations. Strong feedback was received from one company that noted that it cannot monitor the actions of all the associations it is part of and be accountable for the actions of those associations, particularly because it is often not involved in the positioning of those associations.

It was recommended that WBA should also have regard to the work of Influence Map and the Institutional Investors Group on Climate Change. It was also recommended that WBA should consider incorporating the four pillars referenced in Transparency International’s publication on
“Open Business: Principles and guidance for anti-corruption corporate transparency”, namely, control environment, political contributions, lobbying and revolving door.

Moving forward, we will review these additional sources in finalising the indicator and relevant definitions.

23 Next steps

This document will be shared with all participants and placed on the WBA website for future reference. We will rely on the explanations in this document to justify our final framework (i.e. we will focus content of the framework on what we are going to do for the social transformation, rather than why).

The ‘moving forward’ elements will be used to guide revisions of the draft methodology and a final Social Transformation Framework will be published in the last week of January 2021, including the final core-social methodology, which will be applied to all companies in scope by the end of 2022. For any further questions or clarifications about the social transformation, please contact us at info.social@worldbenchmarkingalliance.org.