



## **CHRB 2020–2021 methodology review**

Second public consultation

May – June 2021

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## Introduction: Why a methodology review?

The Corporate Human Rights Benchmark (CHRB), part of the World Benchmarking Alliance (WBA), has been assessing the human rights disclosures of some of the largest global companies since 2017. By ranking these companies on their policies, processes, practices, as well as how they respond to serious allegations, CHRB aims to create a race to the top through which companies strive to fulfil their responsibility to respect the human rights of the individuals and communities that they impact.

In 2020, the CHRB team started a process of reviewing the CHRB methodology, with a planned publication of the revised methodology in 2021.

This overview document outlines some of the key proposed changes to the methodology. To see all the proposed changes, including at indicator level, please consult the accompanying Excel consultation document on the [WBA website](#) which presents all the suggested edits, placing side-by-side the current indicators (as per the 2020 CHRB Methodology) and the proposed revised indicators.

The review process has three key objectives:

- It is an **opportunity to reflect on the past four years of applying the CHRB methodology** and to gather feedback from a diverse range of stakeholders with a view to strengthening the CHRB's approach going forward. The purpose of the review is not to fundamentally change the CHRB's methodology and approach. Rather, in a spirit of continuous improvement we seek to strengthen it and ensure it remains up-to-date and relevant, based on learnings, stakeholder inputs as well as evolving international and industry-specific standards on human rights and responsible business conduct.
- Additionally, the review process is an opportunity to **increase alignment and coherence with other benchmarks** in the business and human rights and broader sustainability landscape. This includes ensuring alignment with other benchmarks produced by WBA, both in terms of the benchmarking process, as well as indicator requirements (for further information, see section 3(a) of this document).
- Finally, the CHRB methodology review seeks to **respond to the needs and gaps highlighted by the coronavirus pandemic**. This review process comes at a time when the health and economic impacts of the pandemic are not fully known but are being borne disproportionately by the poorest and most vulnerable in society. The CHRB conducted a [separate study](#) in 2020–2021 to identify how companies responded to the increased human right risks and impacts associated with the COVID-19 crisis. Insights from this study have been considered during the review process, particularly in areas where increased accountability is most urgently needed, such as supply chains (for further information, see section 3c(v) on aligning purchasing decisions with human rights).

## 1. Literature review

The CHRB team reviewed relevant materials published or updated since the original CHRB methodology was developed. This consisted of desk-based research and informed the revision of existing indicators as well as the development and inclusion of new topics and indicators within the revised methodology. Types of sources consulted during the literature review include, but are not limited to:

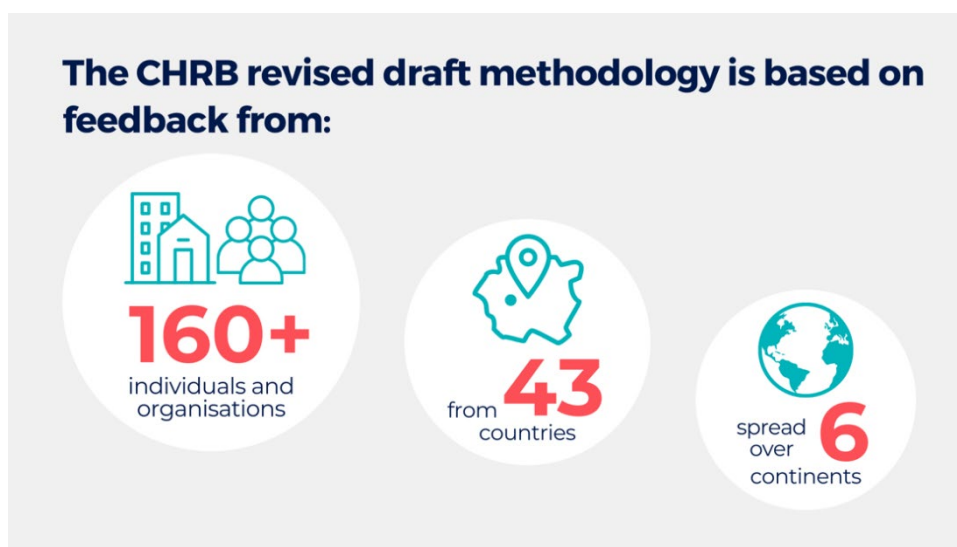
- international and industry-specific standards and guidance
- NGO reports and academic literature
- assessment criteria of other human rights benchmarks/reporting mechanisms.

## 2. First consultation (May-July 2020)

### a) Multi-stakeholder consultation

In order to gather feedback from a variety of stakeholder groups and their representatives, the CHRB team held a series of roundtables for specific regions and stakeholder groups (Asia-Pacific, Europe, Africa and Middle East, South America, North America, UN Asia-Pacific Virtual Forum on Responsible Business and Human Rights, UNGC Local Network Australia, investor-focused roundtable) as well as bilateral calls with key stakeholders. To facilitate these conversations, participants were invited to download [this framing document](#) (also available in [French](#) & [Spanish](#)), which highlighted topics and questions we were keen to receive input on. These were meant to facilitate discussions but were not intended to be seen as an exhaustive list, as we welcomed comments and suggestions on any additional topics. In addition to the roundtables and bilateral calls, all interested stakeholders were invited to respond to an online questionnaire which was publicly accessible on the CHRB website.

Figure 1 – Stakeholders' feedback





In total, more than 160 individuals and organisations from 43 countries and 6 continents participated in the consultation. Participants represented a diverse spectrum of interests and stakeholders, including civil society organisations, investors, companies, academics, governments, consultants and industry groups.

## b) Key feedback received during the first consultation

This section outlines the main trends that were identified through the literature review and first round of multi-stakeholder consultations. This should not be considered as an exhaustive list of topics. The CHRB team's proposed decisions in response to these suggestions are outlined in section 3 of this document.

- **Extent of changes** – When asked about the extent of the changes to be made, the majority of participants agreed that whilst the review was an opportunity to implement changes to reflect the evolution of the business and human rights landscape in the past few years, the framework did not need to be fundamentally altered and should retain some level of familiarity and comparability with previous years.
- **Frequency of publication** – During the consultation, we received a wide range of feedback regarding the possibility of transitioning to a two-year benchmarking cycle. Arguments in favour of a two-year cycle included a reduction of the so-called reporting burden on companies, an increase of time to implement changes internally, a potential increase in sectors to be assessed by CHRB, and the opportunity for investors to engage more extensively with companies on a consistent data set. Arguments for maintaining an annual benchmark cycle included a consistent pressure on companies to improve their performance and increase their level of disclosure, the provision of up-to-date data for use in shareholder resolutions, and the possibility for companies to integrate CHRB data into their annual planning. Overall, the majority of participants indicated there was no fundamental issue with publishing sector results on a bi-annual basis, especially with the prospect of WBA assessing 2,000 companies on a set of core social and human rights metrics on a regular basis in the coming years.
- **Getting closer to performance** – Several stakeholders suggested that the assessment should give more attention to **company impact and performance** on the ground, beyond policies and processes. While there was no consensus between participants on how to achieve this, suggestions included increased collaboration with other sector initiatives and the use of more third-party sources. Additionally, participants suggested identifying elements that signal whether good/bad practices are present – such as a company's purchasing practices, contract types, and work force composition. Another suggestion included increased engagement with labour unions and civil society organisations that have a presence on the ground, to ensure their voices were reflected in the assessment. However, there was no consensus on how this could be achieved at scale.

- Scope of the benchmark** – There was strong support from participants to maintain the current CHRb approach of looking at upstream impacts in areas of manufacturing and production. Participants in favour of this highlighted that, for the current CHRb sectors, these are the areas where the most salient human rights risks exist. Additionally, it was observed that with the resources required to assess downstream impacts, it would instead be preferable to expand the CHRb assessment to other sectors. Participants in favour of including downstream impacts argued that downstream impacts, such as the misuse of technology, are growing in prominence, and that to be fully aligned with the UNGPs, the CHRb should assess companies across their full value chain.
- Responses to serious allegations** – The most polarising element of the CHRb benchmark is **Measurement Theme E**, which assesses company responses to allegations of severe human rights impacts. Many participants expressed a strong **desire to give a voice to affected stakeholders**, with some observing that there exists an asymmetry of power between the communications capacity of a company compared to the affected stakeholder(s). However, there was broad recognition of the challenges and sensitivities associated with liaising with affected stakeholder groups, and no clear solutions as to how these barriers could be overcome.
- Major catastrophic events with negative human rights impacts** – The CHRb assessment provides a snapshot in time, looking at a company’s human rights performance over the course of a benchmarking cycle, and its current methodology is not always equipped to adequately address major catastrophic events with negative human rights impacts. In 2019, following the Brumadinho Dam Disaster, the CHRb suspended Vale from the benchmark, on the basis that it would be inappropriate to continue to rank the company in the higher performance bands in the wake of such a tragedy. More recently, in 2020, following the destruction of a 46,000-year-old Aboriginal heritage site by Rio Tinto at Juukan Gorge, the CHRb decided to append a statement referencing the severe impact as a complement to the company’s latest CHRb results. During the review process the CHRb asked for suggestions on how to address such severe impacts. There was no consensus from participants as to how the CHRb should address these situations. Suggestions ranged from capping the potential score of a company, to not benchmarking the company for a period of two years and developing a set of corrective action criteria as a condition of their re-entry. While recognising the challenges in developing further robust criteria for temporary suspension, there was agreement that the revised methodology should attempt to capture and reflect these severe incidents as much as possible.
- Measurement Theme F** – This theme seeks to measure the level of transparency and the quality of disclosures of a company and currently accounts for 10% of a company’s overall score. The CHRb had suggested removing this theme on the basis that transparency is already measured throughout the assessment, as the research is based exclusively on publicly available information. The majority of participants agreed that Theme F was redundant and could be removed, with some suggesting that the 10% be added to the performance focused themes.
- New topics** – The CHRb invited suggestions on topics deemed important enablers for ensuring respect for human rights that were either not included in the current methodology or deserved

more prominence. Participants cited a diverse range of topics, the most common of which were: business model risks; diversity & inclusion; and insecure work. Ensuring coherence between the Social Transformation in WBA and CHRB on topics considered to be sector agnostic was also raised as an important point.

### 3. Proposed changes

#### a) Criteria for implementing changes

At the end of the multi stakeholder consultations, the CHRB team collated all the feedback received, including general observations as well as indicator-specific comments and suggestions.

The CHRB team then held a series of internal workshops, drawing on expertise within WBA and the CHRB Methodology Committee, to process and incorporate the feedback gathered during the multistakeholder consultations as well as through the literature review.

When determining which changes to implement, we took into account a variety of factors. These included:

1. Maintaining alignment with the requirements and spirit of the UNGPs and other international instruments as well as reflecting the evolution of the business and human rights landscape in the past few years.
2. Retaining a level of comparability with the existing CHRB methodology in order to track progress overtime.
3. Ensuring alignment and coherence with other benchmarks (more information on this is included below).
4. Ensuring that the criteria for assessment can be researched, in practice. In an effort to drive greater transparency, the CHRB is based on only publicly available information from company websites and documents. Whenever we considered implementing changes, we had to ensure that the new requirements could feasibly be identified in the public domain.

#### **Increasing alignment and coherence with other benchmarks**

The CHRB became part of WBA in 2019. WBA develops free and public benchmarks that measure and [rank 2,000 of the most influential companies](#) on how they contribute to the Sustainable Development Goals (SDGs). In order to do this, WBA assesses companies across seven critical systems transformations, namely: decarbonisation and energy, food and agriculture, circular, digital, urban, financial and social. Following the SDG's "leave no one behind" principle, [the social transformation](#), which focuses on human rights, decent work, and ethical business conduct, sits at the heart of WBA's model.

Figure [2] – Seven systems transformations



The CHRb is part of the social transformation and functions as a spotlight benchmark to shine a light on sectors considered to be high-risk for human rights impacts, through a deep-dive assessment of these companies' human rights policies, processes and practices. To supplement the CHRb spotlight, all 2,000 companies selected by WBA will be assessed on a set of core social indicators. The social transformation's core social indicators and CHRb are complementary, as they allow for the production of evidence at two levels: an assessment of a large number of companies on a set of core metrics (core social indicators); and a deeper evaluation of a smaller number of companies in high-risk sectors (CHRb).

When developing the core social indicators and reviewing the CHRb methodology, the social transformation team worked to ensure a strong level of alignment and coherence between the two. This is to set clear and consistent expectations for companies across the two assessments, but also to ensure their complementarity. Many of the core social indicators were developed based on insights from the CHRb. For example, the core social indicators covering the ILO Core Labour Standards, health and safety and living wage all match the corresponding CHRb requirements.

Similarly, when it comes to human rights due diligence, there is full alignment between the corresponding core social indicators and CHRb indicators. However, the core social indicators focus on the initial stages of due diligence, (identifying, assessing, integrating and acting on human rights risks and impacts), whilst the CHRb goes more in depth by covering all the stages of a due diligence process and also through more advanced requirements (under 'Score 2' for these indicators). As a spotlight benchmark, the CHRb will continue to focus on high-risk sectors that warrant a deeper analysis on certain human rights issues.



Beyond the WBA's social transformation, the CHRB also looked at benchmarks within and outside of WBA to ensure alignment and coherence where relevant, and to avoid duplicating the efforts of others. For example, we have sought to better align with the [Know the Chain Benchmark](#), with whom we share expectations related to forced labour in supply chains. We also decided not to include end-use risks in the ICT sector, in order to avoid duplicating the work of [Ranking Digital Rights](#) and of WBA's [Digital Inclusion Benchmark](#), which cover data security and customer privacy.

## b) Proposed changes to the CHRB process

### i. Publication cycle

The CHRB decided to move to a two-year assessment cycle. While the CHRB will continue to publish a benchmark annually, we will start a rotation between sectors, so that each sector is assessed every other year. This will give more time for companies to implement changes and to increase their disclosures between two assessment cycles. This change will also give more time to stakeholders who use the data, such as investors, to exploit the rich dataset produced by each benchmark and to engage in a dialogue with companies on their results, request improvements, and see these improvements implemented before the following assessment cycle.

Information on key metrics such as human rights due diligence will continue to be made available on a more frequent basis through the WBA's core social assessment described in the previous section, which will cover companies in scope of CHRB but also many more, as it will be applied to the 2,000 companies selected by WBA. As noted above, the core social indicators cover core human rights requirements, including the initial stages of a human rights due diligence process. Therefore, even if the CHRB does not benchmark all sectors on an annual basis, stakeholders, such as investors, will still be able use the data from the core social indicators to track progress on key aspects of respect for human rights annually.

### ii. Disclosure Platform

The CHRB also decided to remove the option for benchmarked companies to make additional information public through the [CHRB Disclosure Platform](#) going forward. The Disclosure Platform was initially set up as a temporary tool for companies to publish information that was not yet featured on their own websites and disclosures, with the idea that, in time, this information would be featured in the companies' own reporting. Having as much information on a company's human rights commitments, processes and practices as possible available in one place is a better guarantee of its accessibility to the various stakeholders who are interested in accessing it. On this basis, and in order to better align with the benchmarking process of other WBA benchmarks, we decided to discontinue the use of the Disclosure Platform going forward.

## c) Proposed changes to the CHRB methodology (overview)

### i. Getting closer to performance

In addition to adjusting the weighting of Measurement Theme D Performance: Company Human Rights Practices (increasing the weighting from 20% to 25% of the overall score), to further increase the focus on performance we have strengthened some of the Theme D indicators which focus on human rights related practices specific to each industry. For example, in order to get the full points on Score 1 we now assess whether companies include requirements, such as freedom of association and collective bargaining, and prohibition on child labour, in their contractual arrangements with their suppliers or supplier code of conduct, as well as work with their suppliers to implement such requirements. Further, some of the D indicators, such as *Aligning purchasing decisions with human rights*, now require a description of actions taken and examples of practice in Score 2.

### ii. Giving more space to stakeholder voices

Considering the feedback received on the need to better integrate stakeholder engagement as a requirement throughout the methodology, the CHRB decided to remove indicator *A.1.4 Commitment to engage with stakeholders* and integrate this topic throughout the methodology. Rather than assessing the intent to engage, the methodology now includes an integrated focus on the types of engagement undertaken at the various stages of a business' operations. For example, we have added a requirement to Measurement Theme E - Performance: Responses to Serious Allegations for companies to describe how the views of affected stakeholders or their legitimate representatives influence the actions they take to prevent re-occurrence of negative human rights impacts in the future.

To further highlight that engagement with affected and potentially affected stakeholders should be an integral part of companies' human rights approach, we have also better articulated this requirement in some of the B.2 human rights due diligence indicators. For the Score 2 of these indicators, companies will be required to describe how they involve affected or potentially affected stakeholders in the different stages of their due diligence process(es).

### iii. Special process for major catastrophic events

Following the feedback received during the consultations, the CHRB developed a special process for major catastrophic events that are caused or contributed to by benchmarked companies. Depending on the scope, scale and remediability of the human rights impacts of the catastrophic event, the CHRB may apply the following temporary measures (i) reduce companies' scores in the benchmark and (ii) establish remedial steps that must be taken to restore the company's placement and scoring in the benchmark. These measures are meant to better reflect company performance in cases of major catastrophic events and ensure that the benchmark remains a robust and credible source of data. In addition, these measures also encourage benchmarked companies to respond to such events in a

transparent manner that prioritises actions to engage with, and provide remedy to, affected stakeholders. To read the full criteria established please see tab 2 of the accompanying Excel consultation document.

#### iv. Human rights due diligence

Given the recent publications of the UN Working Group on Business and Human Rights on the steps that business should take to implement the Guiding Principles in conflict and post-conflict contexts, the CHRB decided to add a requirement to Score 2 of its human rights due diligence indicator *B.2.1 Identifying human rights risks and impacts*, asking companies to describe whether they operate in conflict-affected areas, and if so, what risks they have identified as part of a heightened due diligence process.

As one of the steps in a human rights due diligence process, companies need to communicate externally to account for how they address their impacts, particularly when concerns are raised by, or on behalf of, affected stakeholders. In line with the feedback the CHRB receive on the need to better integrate stakeholder engagement throughout the methodology, we have also strengthened indicator *B.2.5 Communicating on human rights impacts* and added a requirement to Score 2 of the indicator, asking companies to describe any challenges they have identified to effective communication and how they are working to address them.

#### v. Aligning purchasing decisions with human rights

The impact of COVID-19 has caused demand and supply shocks and disrupted global supply chains, making responsible purchasing decisions more important than ever to ensure that workers are treated fairly. The findings of the CHRB COVID-19 Study suggested a lack of responsible purchasing decisions during the crisis, which can exacerbate systemic weaknesses, inequalities, and unacceptable practices in supply chains.

Based on these findings, coupled with the feedback received during the first consultation to increase the focus on performance as well as recent publications on the topic, we decided that the CHRB's purchasing practices requirements needed to be strengthened and the relevant indicator revised.

The proposed revised indicator focuses on the approach companies take when it comes to their purchasing practices. Instead of asking companies to describe how they avoid certain human rights risks associated with purchasing practices, the adjusted indicator requires companies to describe the practices and policies they have adopted to respect human rights in their supply chains through purchasing practices, such as communicating production needs ahead of time, paying suppliers in line with agreed timeframe(s) and for the amount(s) agreed. In addition, we also added a requirement to Score 2 of the indicator in which we ask companies to provide two examples of how they assessed, addressed, and made changes to their purchasing practices in cases where negative human rights risks and impacts were identified.

## vi. New topics

- **Business model strategy and risks**

Following the feedback received during the first consultation, as well as recent publications on the role of a company's board and directors' duties to ensure that processes are in place to identify business model risks, the CHRB decided to dedicate a new indicator (A.2.4) to business model strategy and risks in *Measurement Theme A – Governance and Policy Commitments*.

The new indicator will measure how companies consider the impacts of their strategy and business model on the human rights of affected and potentially affected stakeholders at the level of the board or its committees, as well as how the experiences of affected and potentially affected stakeholders inform these discussions.

Some of the feedback received also suggested that the CHRB should include the issue of insecure work in its methodology. The CHRB believes that this issue could be measured in its new *business model strategy and risks* indicator, as business model decisions could establish processes, incentives and practices such as precarious labour that increase risks to workers.

- **Recruitment fees**

The CHRB added two new indicators on the prohibition on forced labour (one for a company's own production or manufacturing operations and another for its supply chain) focusing on the issue of recruitment fees and costs. The decision to add these new indicators was based on the human rights risks and impacts of charging recruitment fees across a range of industry sectors and locations. Following bi-lateral consultations as well as recently published standards such as the Employer Pays Principle, the CHRB decided to dedicate indicators to assessing this particular issue in the context of forced labour practices.

The new indicators assess whether companies refrain from or prohibit recruitment fees or related costs being charged to job seekers and workers, and whether companies fully reimburse them if they have been required to pay any fees and related costs during recruitment. The indicators also assess whether companies prohibit such practices by suppliers or other service providers.

- **Women's rights for extractive sector**

The CHRB added women's rights as a key industry risk for the extractive sector – thereby making it a key risk for all CHRB benchmarked sectors. We also reviewed the women's rights indicator requirements, based on the WBA [Gender Benchmark](#) methodology, to include a description of how companies measure and take steps to address any gender pay gaps, as well as an analysis of their progress.

- **Diversity and inclusion**

While the CHRB methodology already includes a requirement for companies not to subject workers to discrimination, some of the feedback received was also suggested that the CHRB consider adding diversity and inclusion requirements to its methodology.

The CHRB is part of the WBA social transformation system, which developed a set of core social indicators. One of the key areas covered by these indicators is providing and promoting decent work, which includes a requirement for companies to achieve ‘balance’ across all levels of management, representative of their operating context, for all relevant diversity categories, and support efforts to achieve balanced representation in their value chains. It is signposted by core social indicator 13 (workforce diversity disclosure fundamentals) and 14 (gender equality and women’s empowerment fundamentals). As all of the SDG 2,000 companies will be assessed against these core social indicators (including those companies in CHRB), the CHRB decided not to include similar diversity and inclusion requirements in its methodology.

#### vii. Removal of theme F – Transparency

Based on the feedback received and on the basis that transparency is already assessed throughout the CHRB methodology, as we only look at publicly available information, we have decided to remove Measurement Theme F – Transparency from the revised methodology.

Following the decision to remove Theme F, we have adjusted the weighting of certain measurement themes in order to increase the focus on performance and impact, and divided the remaining 10% equally between Measurement Theme C: Remedies and Grievance Mechanisms (increasing the weighting from 15% to 20% of the overall score) and Measurement Theme D Performance: Company Human Rights Practices (increasing the weighting from 20% to 25% of the overall score). Both Measurement Themes seek to achieve a more comprehensive overall proxy measure for the human rights performance and impacts of benchmarked companies.

#### viii. Calculation of score – Measurement Theme E

Previously in Measurement Theme E, companies who reportedly either caused, contributed or were linked to a serious allegation (s) of negative impacts on human rights would be assessed on their response to the allegation, including: the public statement they made (E.1), the policies they had in place (E.2), and the actions(s) they had taken (E.3). Depending on the quality of this response, a company with at least one serious allegation could score the maximum 20% overall on Measurement Theme E. Alternatively, a company with no serious allegations received a proxy score of theme E (that is, their average score across the other themes).

Based on the feedback received, the CHRB has proposed that a company with at least one serious allegation will now have their maximum score on Theme E capped at its average score across the other themes, depending on its response. A company with no serious allegations will continue to receive a proxy score for Theme E (that is, their average score across the other themes). This change in calculation has been made to ensure companies with at least one serious allegation would not have an advantage in potential scoring compared to companies with no serious allegations that meet the relevant CHRB severity threshold.

#### ix. Scope of the benchmark



A few stakeholders noted that downstream impacts, such as the misuse of technology for ICT companies, are growing in prominence and that the CHRB should assess companies across their full value chain (upstream and downstream) to be fully aligned with the UNGPs.

The CHRB team decided not to expand the scope of the benchmark to include risks and impacts linked to the distribution, retail, end-use or consumption of products and services and to maintain the CHRB's focus on the production end of the value chain of each industry.

While identifying and assessing human rights risks related to end-use is an important part of a company's human rights due diligence process, the CHRB decided to maintain the current scope in order to prioritise activities identified as presenting the highest human rights risks, but also to avoid duplicating the work of [Ranking Digital Rights](#) and of WBA's [Digital Inclusion Benchmark](#), which cover data security and customer privacy.

The decision to retain the current CHRB scope to upstream impacts is also in line with the majority of the feedback received which highlighted that these are the areas where the most salient human rights risks exist for the sectors benchmarked.

#### x. Other changes

This overview document outlines some of the key proposed changes to the methodology as well as themes that cut across many of the measurement themes and indicators. To see all the proposed changes, including at indicator level, please consult the accompanying Excel consultation document which presents all the suggested edits, placing side-by-side the current indicators (as per the 2020 CHRB Methodology) and the proposed revised indicators. More information on this document and on how to participate in the second consultation to send feedback is available in the next section.

## 4. Second consultation and next steps

### a) Sending comments on the proposed changes

The second consultation of the CHRB methodology review will be open for six weeks (17 May – 25 June). Unlike the first phase of consultations, during which we sought open-ended feedback, this second consultation phase aims to gather more targeted feedback on the wording and framing of the proposed new and revised indicators in the draft methodology. Once finalised, this methodology will be applied from the next iteration of the CHRB onwards.

An Excel document with the proposed new and revised indicators is now available on the WBA website, along with this overview document to provide context on the methodology review process and changes proposed.

### b) Next steps

During the six-week second consultation period, we will welcome feedback from stakeholders on the proposed changes while simultaneously testing the revised requirements to ensure that they can be easily researched using public sources in line with the CHRB's approach.

At the end of the consultation period, we will again process the feedback and make any necessary adjustments to finalise the methodology.

The revised CHRB methodology is set to be published in August 2021. Afterwards, the CHRB team will take some time to socialise the revised methodology and explain the changes implemented to benchmarked companies and other stakeholders, including investors, to ensure that these are understood by all relevant and interested groups.

The CHRB will only begin its next research cycle after the revised methodology is published and the changes are explained to benchmarked companies. We will communicate more about the timeline closer to the time, but the next research cycle will not start before September 2021 for the publication of the next CHRB benchmark in 2022.

## Acknowledgements

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