Social Transformation Baseline Assessment 2022

Are companies contributing to systems transformations that leave no one behind?

January 2022

World Benchmarking Alliance

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Foreword from the Social Transformation Team

There is increasing interest in the 'S' in ESG, the systemic risks from social inequality, and business and human rights – all issues relating to **people**. This may seem natural; companies are collections of people whose decisions and actions impact other people: employees, workers in the value chain, communities and consumers. COVID-19 is demonstrating the fragility of our global economies, exacerbating social inequalities and highlighting companies' roles in ending or entrenching them. It might therefore seem logical for companies to put people at the heart of what they do. Unfortunately the reality is that people are often a secondary consideration for businesses.

If businesses are to contribute to sustainable development without leaving people behind, and address the systemic risks posed by climate change, biodiversity loss and social inequality – in a way that is 'just' – then a significant change is needed. For this reason we have placed the 'social transformation' at the heart of our own systems transformation model, ensuring people are not left behind as we incentivise and hold companies accountable for their contribution to the sustainable development agenda.

To support equitable and resilient economies we need companies to demonstrate socially responsible conduct by respecting human rights, providing decent work, and acting ethically. Living wages enable workers to weather crises and escape poverty. Paying the correct taxes at the right time and place enables governments to support and develop their people in the form of infrastructure and social protection. Human rights due diligence enables impacts to be identified, avoided or remediated. At the same time, acting responsibly and managing social risks and impacts enables long term value creation for the company.

This report sets our 'social baseline', providing a global state of play focused on three themes of respect for human rights, decent work and ethical conduct, looking at 1,000 key companies across more than 60 countries. The findings are sobering – 99% of companies fail to demonstrate the fundamentals of socially responsible business conduct. But they also move us to action: for each step needed there are companies displaying good practices, showing that this transformation is not just necessary, but also possible.

We can all contribute to ensuring that action happens at scale. From 2022 the World Benchmarking Alliance will drive change through a collective impact coalition, working with Allies from different stakeholder groups to coordinate action on the catalytic issue of corporate respect for human rights. We also invite companies, civil society organisations, investors, policymakers and academics to engage with us and use this report to drive transformation in their respective capacities.

We understand the urgency and we know the baseline and what needs to be done. The remaining question is: when will we do it?

WBA's seven systems transformations put people at their heart

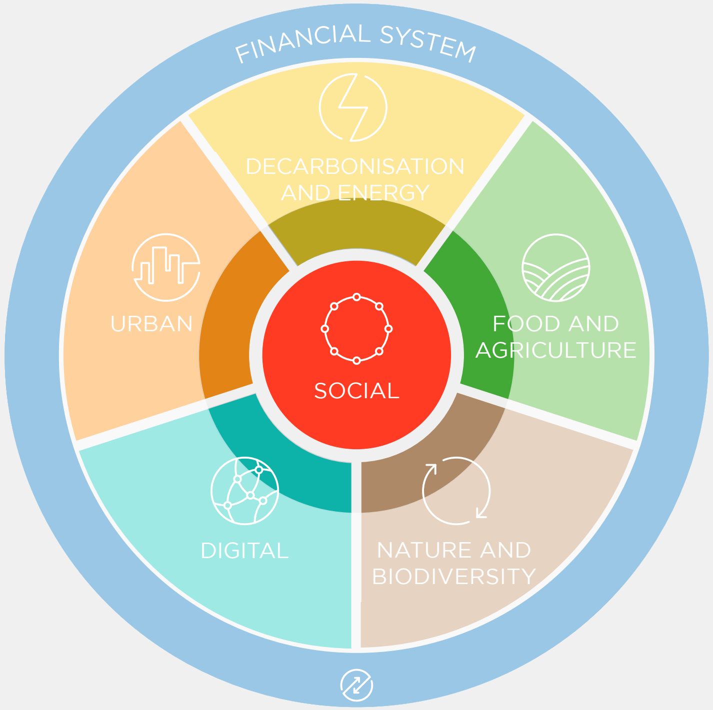
The World Benchmarking Alliance (WBA) develops free and publicly available benchmarks that measure and incentivise company contributions towards the SDGs and Paris Agreement. Our benchmarks are grounded in the seven transformations needed to put our society, planet and economy on a more sustainable, equitable and resilient path. WBA has identified the 2,000 keystone companies (SDG2000) with the greatest potential to contribute to these transformations and positively influence the SDGs. We will benchmark all 2,000 companies in one or more of these transformations by 2023.

Following the SDG's core promise to 'leave no one behind', **the social transformation sits at the heart of WBA's seven systems transformation model**, underpinning and enabling the food, energy, nature, digital, urban and financial systems transformations.

At a global level, social transformation means achieving universal human development by respecting human rights, promoting equality and empowering people to pursue the opportunities and choices they value.

In order to support this broader transformation, WBA developed its social framework, which aims to **incentivise responsible business practices that underpin inclusive and equitable economies and enable systems transformations that leave no one behind**. To ensure that all transformations embed this principle, we integrate social aspects into all transformation methodologies and benchmarks.

FIGURE 1 SEVEN SYSTEMS TRANSFORMATIONS



Our social transformation framework explains in greater detail how we do this. It sets out a series of high-level expectations that all keystone companies should meet if they aspire to help tackle the systemic risk of social inequality and be part of transformations that leave no one behind. These expectations are grounded in companies' responsibility to **respect human rights**, their role in **providing and promoting decent work** and their **ethical conduct** regarding issues such as lobbying and tax.

Our core social indicators (CSIs) point towards the achievement of these expectations and can be seen as fundamental requirements below which responsible companies should not fall. As such, the CSIs form part of the **foundation** on which companies can build positive impact, sustainable development and people-centred transformations.

This report sets out our social baseline for the SDG2000, presenting the findings from and analysis of an initial assessment of 1,000 of the most influential companies globally against the CSIs. It provides insights into:

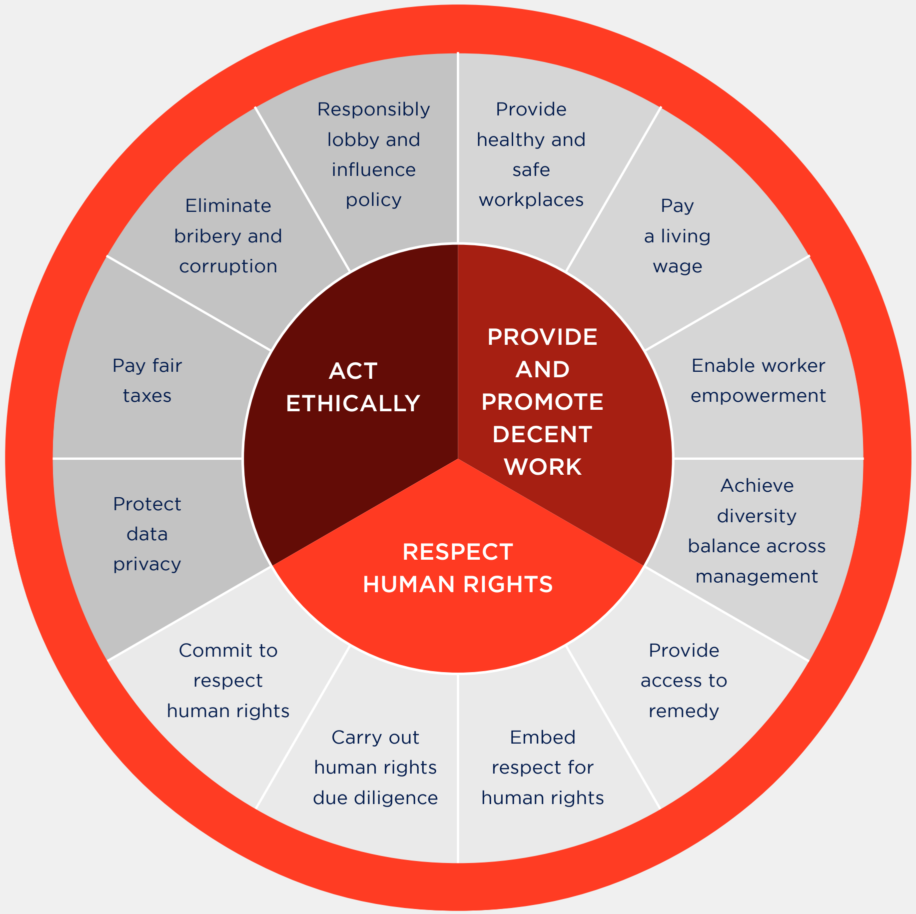
- the ability of companies to contribute to systems transformations in a way that leaves no one behind
- the level of implementation of global norms in relation to socially responsible business conduct
- the size of the gap that needs to be closed for businesses to demonstrate they are contributing to just and equitable societies.

Following the introduction, the first section presents five key findings, outlining the assessment's principal insights and trends.

The second section presents a more detailed analysis of the findings in each of the three measurement areas, namely human rights, decent work and ethical conduct, and their respective CSIs.

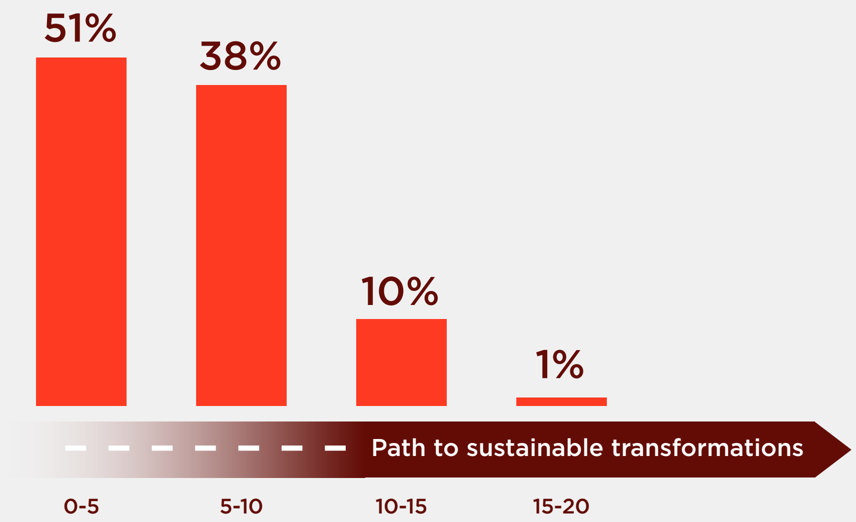
The third and final section discusses the implications of these findings in the context of recent policy developments and outlines how WBA, in collaboration with allies and other stakeholders, intends to take action.

FIGURE 2 BUSINESS CONDUCT EXPECTATIONS TO ACHIEVE SOCIAL TRANSFORMATION



1. Social baseline: Weak foundations of responsible business conduct make it hard to build back better

FIGURE 3 **NUMBER OF COMPANIES PER SCORE BAND**



How feasible is 'building back better' when the fundamentals of protecting people do not seem to be in place?

WBA's CSIs assess if companies are meeting fundamental expectations of socially responsible business conduct. Meeting all the CSIs, across human rights, decent work and ethical conduct topics, would suggest a company has a solid foundation on which to build positive impact and sustainable outcomes – while avoiding harm to people. However, the results of the 1,000 companies assessed show that **only 1% are meeting the majority of these fundamental expectations** and scoring above 15 points (out of a maximum of 20). Half of all companies scored disappointingly low (between 0 and 5 points). Overall, the baseline shows companies, across many countries and industries, are not demonstrating the fundamentals of socially responsible business conduct.

Despite the low scores, there is reason for hope. **Each of the CSI requirements was met by at least one company in full**. This means that for each one of these fundamental expectations, we found companies that demonstrate examples of good practice. The average score was 5.2 out of 20, and many companies are meeting some of the requirements across some of the expectations. Additionally, we found that the leading companies tend to score points across the varied topics covered in the social indicators, showing a link between scoring higher than peers and taking a holistic approach to respecting human rights, providing decent work and acting ethically.

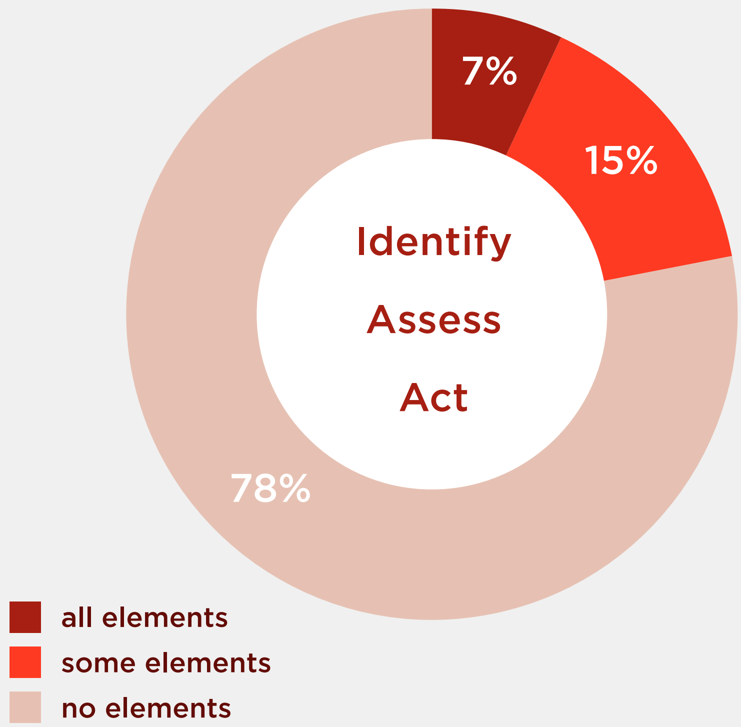
A conservative estimate[1] suggests these 1,000 companies have a combined turnover of around USD 25 trillion - more than one quarter of global GDP, collectively employ over 56.5 million people and impact many millions more through their value chains. The pandemic has exposed the fragility of complex global supply chains and pre-existing economic inequalities, where those most vulnerable are often the least protected. Building back better is about recovering after a shock. But we see that 'business as usual' was not a place from which to start a recovery.

Without solid foundations of responsible business conduct, we can not 'build back better'. We will only ever return to a pre-pandemic world where negative social impacts are not accounted for and where workers and communities are the last stakeholders that businesses consider. To truly build back better and start addressing the systemic inequalities to which companies are linked, businesses must do more to demonstrate they are meeting societal expectations around responsible business conduct.

1 The employee figures are estimates based on annual reports and data reported by companies in 2019–2020, where available.

2. Human rights: The time for voluntary approaches has passed; mandatory measures are needed

FIGURE 4 COMPANIES DEMONSTRATING THREE INITIAL STEPS OF HUMAN RIGHTS DUE DILIGENCE



The Human Rights Council unanimously endorsed the UN Guiding Principles on Business and Human Rights (UNGPs) in 2011. More than ten years later, this global standard for how business should respect human rights has driven some positive change. However, the 'smart mix' of measures envisaged has not yet seen a critical mass of companies embed the guidelines throughout their operations and value chains.

Business respect for human rights underpins companies' ability to provide decent work, contribute to the SDGs, eliminate discrimination and inequality, and address both salient and material social risks. As part of 'knowing and showing' how they respect human rights, businesses are expected to carry out human rights due diligence (HRDD) in order to identify, prevent, mitigate and account for how they address their impacts on human rights. This process is a key element of the UNGPs and sits at the heart of any good approach to managing human rights risks.

However, we found that over three quarters (78%) of the 1,000 most influential companies, across 68 countries and 26 industries, scored zero on all three of WBA's HRDD indicators. **While 55% of companies are publicly 'committed to respecting human rights', less than half of these demonstrate that respect through tangible actions like HRDD**. It is clear that voluntary approaches are not moving the needle fast enough.

Some sectors have greater inherent risks than others, which is why WBA assesses sectors considered to be high risk for negative human rights impacts through our in-depth Corporate Human Rights Benchmark (CHRB). The 2020 CHRB findings revealed a similarly worrying trend, in that even among those high-risk sectors (i.e. agricultural products, apparel, extractives, ICT manufacturing and automotive manufacturing), **46% of companies scored zero on indicators for HRDD**.

These results should also be of interest for those who want to direct funds and efforts towards sustainable activities if, for example, an investment taxonomy defines sustainable activities as those which comply with a minimum safeguard of implementing the UNGPs. Where the vast majority of companies do not disclose sufficient information to reasonably assess their implementation of the UNGPs, the status of 'sustainable activities' will be impossible to judge.

The limits of market-based and non-legislative approaches to improve corporate respect for human rights are clear, and mandatory HRDD is necessary to close the accountability gap. For companies to compete on a level playing field, equivalent due diligence legislation should be implemented as soon as possible in most major economies, with requirements extending into companies' full value chains (including both up-stream suppliers of products and services and down-stream customers and business relationships) and reaching all countries.

3. Decent work: Living wages are a priority to achieve decent work and address social inequality

FIGURE 5 4% OF COMPANIES ARE DEMONSTRATING DECENT WORK FUNDAMENTALS

Many companies say their workers are their greatest asset and yet decent work is the weakest of the three measurement areas on which we assessed the 1,000 keystone companies. **On average, companies achieved only 20% of the total score for the decent work indicators**, demonstrating a significant gap to be closed before companies can credibly claim to value their workers so highly.

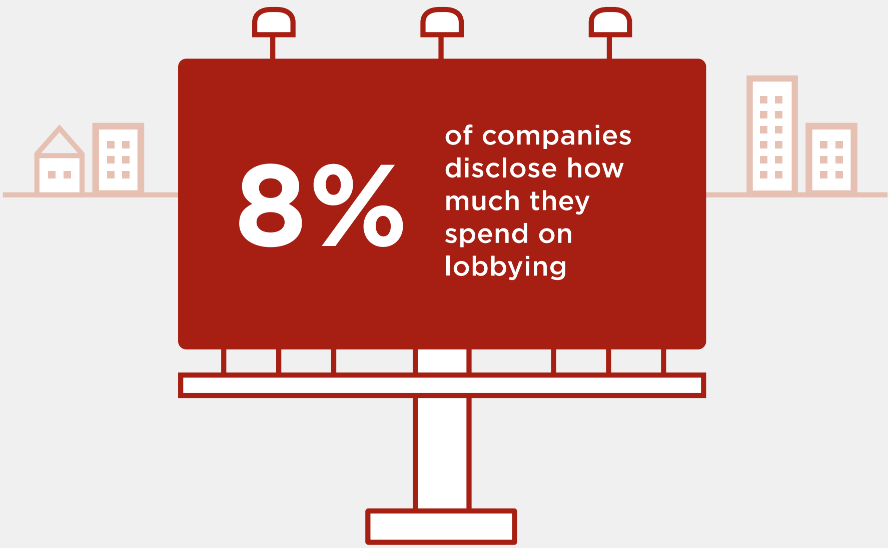
WBA sees universal living wages as critical to decent work, an enabler for multiple SDGs and a key issue for companies that want to help address the systemic risk of social inequality. A living wage covers a worker's basic needs, does not require excessive hours and is based on equal pay for equal work. **However, only 4% of companies had targets, or claimed to pay workers a living wage already. In addition, only 4% of companies limited working hours, and only 4% of companies showed they understood pay inequalities by disclosing gender pay gaps for employee categories**. No company did all of these things.

The COVID-19 pandemic, linked to over 100 million job losses globally by January 2021, has laid bare the lack of decent work, the precarious nature of work for many, including 'essential workers', and the absence of resilience in many economies. There has been much attention given to living wages and incomes in the supply chains of specific sectors. However, the absence of evidence of how companies provide and support decent work suggests, at best, that these companies *have not* adequately demonstrated their value to society and, at worst, that these companies *cannot* demonstrate their value to society, beyond a narrow group of stakeholders (i.e. owners).

The pandemic has reversed progress and thrown millions of people back into poverty, widening pre-existing inequalities. Resilient economies need people who can withstand economic shocks – an impossibility on a poverty wage or income. The lack of decent work (seen through the lens of a lack of living wage or income) harms sustainable development and is a global issue, not just 'out of sight' in the supply chain. To help address the systemic risk of social inequality, companies must pay their workers a living wage and should work to ensure that living wages are paid throughout their value chains.

4. Ethical conduct: Big corporate influence with little accountability is eroding stakeholder trust; transparency is crucial

FIGURE 6 **COMPANY DISCLOSURE OF LOBBYING EXPENDITURE**



Multinational companies play an important role in providing jobs and services for society. However, they also increasingly have an outsized influence on the structure and functioning of national economies and international trade. Lobbying to affect legislation and supporting governments via corporate taxes are two primary ways that companies can exert this influence, which can be either a critical enabler of, or pose a substantial risk to, sustainable development.

To match this influence and ensure trust in their commitments, these companies need to be held accountable for their actions. To achieve this, transparency is crucial. While business is regarded as a relatively trustworthy institution, a lack of transparency risks eroding that trust. Furthermore, the disproportionate impact that businesses have in the systems in which they operate, means they have a responsibility to be ethical actors by enabling – and not hindering – positive transformation. The baseline assessment looks at some fundamentals of ethical conduct, including requirements related to tax and lobbying.

We found that transparency is often the exception rather than the rule. Only 20% of companies publish a high-level approach to lobbying and **only 8% of companies disclose how much they spend on lobbying and influencing legislation**. Similarly, public tax strategies were not found for 75% of companies, while only **9% of companies disclose the amount of tax paid for each jurisdiction where the company is resident for tax purposes**.

Much of the transformation needed to achieve the SDGs and address social inequality is linked to the provision of or access to adequate services (such as healthcare and education). These services are reliant on a functioning economy where companies pay the right taxes, at the right time, in the right place. Failing to do so undermines local economies and companies' own positioning as responsible or ethical enterprises.

In most relationships, trust has to be earned and occasionally regained. But how much trust is possible when corporate influence is veiled in secrecy? The lack of disclosure regarding lobbying and tax must be addressed if companies are to rebuild or retain trust with all stakeholders, and to prove that they are positively contributing to sustainable development. Transparency, as expected in best practice norms and WBA's social framework, is a starting point and pre-requisite for accountability.

5. Data gap: Accountability rests on consistent and reliable sustainability disclosures, but many companies still say nothing meaningful

FIGURE 7 **MANY COMPANIES ARE NOT DISCLOSING MEANINGFUL DATA**

Comparable financial data is essential for assessing companies' performance against their peers, and the same can be said for sustainability disclosures. Without this information, businesses cannot be held accountable for their role in the systemic transformations needed to build a world that works for all.

The social baseline assessment draws on publicly available data and engagement with companies in WBA's transformation benchmarks. It reflects what companies say about what they do. Some companies may say more than they do, and some may do more than they say. The truth likely lies somewhere in between, but across the 1,000 companies assessed, the absence of meaningful disclosures on social issues is startling.

The most common score across the sample is 0 points out of 20, with 116 companies out of 1,000 failing to meet any requirements on any of the 18 indicators. If we assume it is unlikely that nearly 12% of the most influential companies in the world are doing nothing meaningful regarding respect for human rights, decent work and ethical conduct, it must follow that there are significant gaps in voluntary disclosures.

The mean average score for the 1,000 companies was 5.2 out of 20 points. Three quarters of the companies are publicly listed and scored an average of 6.2 points out of 20. The remaining non-listed and state-owned companies scored 2.5 points out of 20. Even with the limitations of focusing on English-language disclosures, we are confident that the lack of mandatory comparable disclosure standards is significantly harming the ability of third parties to make informed decisions and to hold companies accountable for their actions.

Substantial efforts are underway to harmonise sustainability disclosures through the creation of globally aligned standards, both in the voluntary space (see the Impact Management Platform) and regulatory space (such as in the European Union and the IFRS Foundation). WBA welcomes and actively supports these developments. However, many jurisdictions are still focused on climate-related disclosures, with the 'S' in ESG (environmental, social and governance) criteria seemingly only an afterthought. This approach is problematic as people will likely act to prevent transformations that disadvantage them. For example, limiting global warming to well below 2 degrees Celsius requires a just transition to a green economy which leaves no one behind if it is to be successful. Social issues must be integral to transition plans, not an afterthought.

Our findings demonstrate that listed, non-listed and state-owned enterprises all need an effective - and almost certainly legislative - push to achieve greater transparency on their social performance. Harmonised disclosure standards which reflect minimum societal expectations, rather than metrics based on peer performance, will help support transparency, accountability and just-transitions.

The core social assessment: 1,000 companies

The core social indicators (CSIs) reflect fundamental expectations – drawn from pre-existing tools and frameworks – that detail how businesses should respect human rights, provide and promote decent work and conduct their business in an ethical manner.

The CSIs represent a line below which a company's ability to contribute meaningfully to the SDG transformations could be questioned, along with whether the company can be seen as a responsible actor within a well-functioning ecosystem. The assessment against the CSIs shows where companies are on the path towards meeting these fundamental expectations.

There are 18 CSIs, mapped under three broad measurement areas, namely:

- respect human rights
- provide and promote decent work, and
- act ethically.

Figure 8 opposite shows the average score by percentage within the dark red segments for each measurement area. The light red space represents the 'social gap' companies need to fill through improved social performance and disclosure.

Analysis of the CSIs was carried out using publicly available information published in English within the last three years. For 680 of the 1,000 companies, the assessment was carried out as part of a WBA benchmark in which the company was assessed during the 2021 benchmark cycle, specifically the Food and Agriculture Benchmark – 350 companies; the Digital Inclusion Benchmark – 150 companies; and the Climate and Energy Benchmark (forming part of the Just Transition Assessment) – 180 companies.

Figure 10 on page 20 breaks down the 1,000 companies geographically, showing the number of companies per region and country.

FIGURE 8 RESULTS BY MEASUREMENT AREA

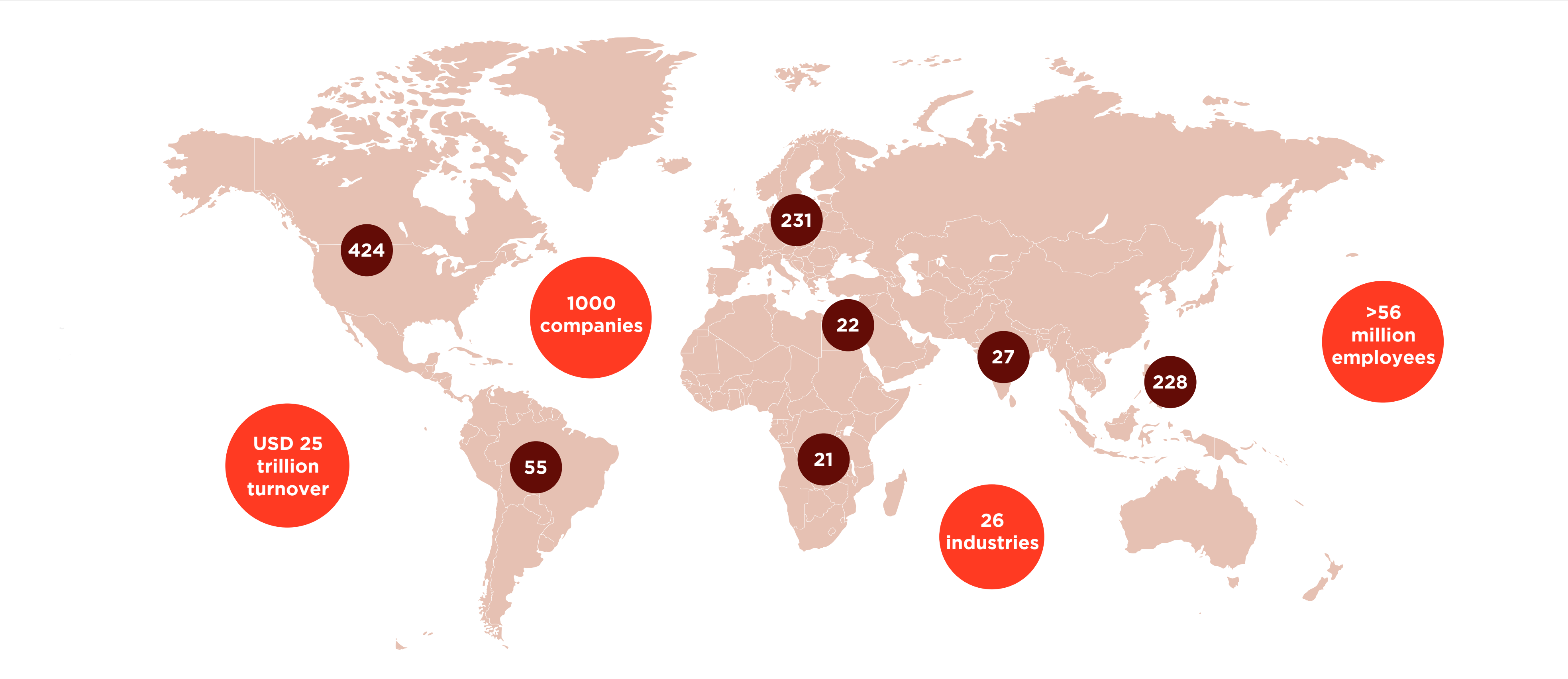
FIGURE 9 **MAPPING OF WBA SYSTEMS TRANSFORMATIONS TO INDUSTRIES**

	Social	Nature and Biodiversity	Decarbonisation and energy	Digital	Financial	Food and agriculture	Urban
Agricultural Products	●	●				●	
Apparel & Footwear	●	●					
Asset Managers	●		●		●		
Automobiles & Components	●	●	●			●	●
Banks	●				●		
Capital Goods	●	●	●	●		●	●
Chemicals	●	●	●			●	
Conglomerates	●	●	●			●	●
Construction & Engineering	●	●	●				●
Construction Materials & Supplies	●	●	●				
Containers & Packaging	●	●					
Electronics	●	●	●	●			●
Food & Beverage	●	●				●	
Hotels	●						●
Insurance	●				●		
IT Software & Services	●	●		●			●
Logistics	●	●	●				
Metals & Mining	●	●	●				
Oil & Gas	●	●	●				
Paper & Forest Products	●	●					
Passenger Transport	●	●	●				●
Pension Funds	●				●		
Personal & Household Products	●	●				●	
Pharmaceuticals & Biotechnology	●	●					
Real Estate	●		●	●			●
Retail	●	●				●	
Sovereign Wealth Fund	●				●		
Telecommunications	●			●			
Tyres & Rubber	●	●					
Utilities	●	●	●				●
Waste Management	●						●

Through inclusion in these benchmarks, the assessed companies were invited to engage with and provide feedback on their scores against the 18 CSIs. The CSI scores for these 680 companies are therefore being made publicly available. An additional 320 companies were assessed against the 18 CSIs independently of a WBA benchmark. While these scores have been used for the collective analysis and insights shared in this report, the results will not be publicly attributed to individual companies until they have been engaged during a benchmark cycle.

Anyone seeking further information or data on the CSIs should contact info.social@worldbenchmarkingalliance.org

FIGURE 10 **DISTRIBUTION OF THE 1,000 COMPANIES ASSESSED BY GEOGRAPHY**



Northern America

15	Canada
409	United States

Latin America and Caribbean

17	Brazil
4	Chile
12	Colombia
1	Ecuador
5	Argentina
1	Jamaica
12	Mexico
2	Peru
1	Venezuela

Europe and Central Asia

1	Austria
1	Azerbaijan
2	Belgium
1	Czech Republic
9	Denmark
4	Finland
36	France
37	Germany
2	Greece
1	Hungary
3	Ireland
13	Italy
1	Kazakhstan
4	Luxembourg
25	Netherlands
7	Norway
2	Poland
3	Portugal
15	Russian Federation
9	Spain
7	Sweden
15	Switzerland
3	Turkey
1	Turkmenistan
3	Ukraine
26	United Kingdom

Middle East and North Africa

1	Algeria
3	Egypt
1	Iran
1	Iraq
1	Israel
2	Kuwait
1	Libya
1	Morocco
2	Oman
2	Qatar
4	Saudi Arabia
3	United Arab Emirates

Sub-Saharan Africa

1	Angola
1	Kenya
4	Nigeria
1	Senegal
14	South Africa

South Asia

27	India

East Asia and Pacific

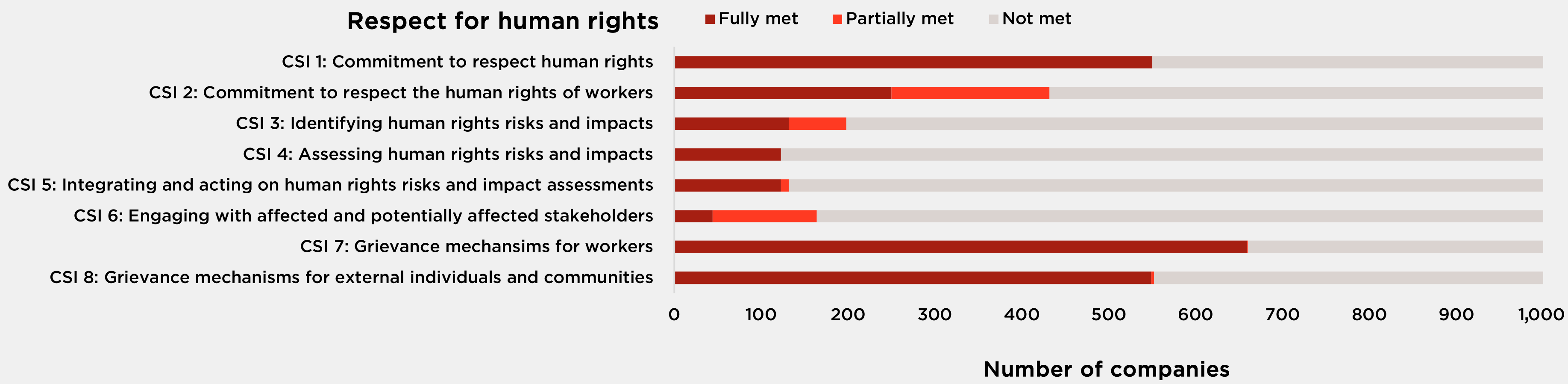
15	Australia
75	China
5	Hong Kong, China
6	Indonesia
67	Japan
5	Malaysia
3	New Zealand
5	Philippines
17	Republic of Korea
7	Singapore
10	Taiwan, China
11	Thailand
2	Vietnam

Regional grouping based on World Bank classification

This section of the report shows aggregated data for 1,000 of the most influential companies against each of the 18 CSIs. The findings by indicator have been grouped under their respective measurement areas of human rights, decent work and ethical conduct. Case studies of companies demonstrating good practice by meeting the requirements of certain indicators can be found throughout this section.

Each measurement area has a summary table, showing whether the relevant core social indicators have been fully, partially, or not met by the 1,000 companies in scope. The eight core social indicators in the respect for human rights measurement area are detailed below. The full methodology, including the individual requirements within each indicator are publicly available at WBA's website.

FIGURE 11 RESULTS BY INDICATOR (RESPECT FOR HUMAN RIGHTS)



Human rights are inextricably linked to the SDGs, with over 90% of the SDG targets directly connected to international and regional human rights instruments and labour standards. Corporate respect for human rights, as outlined by the UNGPs, is a necessary condition for all systems transformations. It is the motor that powers responsible business conduct, and it underpins the realisation of decent work and ethical conduct. In reinforcing the connection between the UNGPs and SDGs, the UN Working Group has previously observed that 'implementing the Guiding Principles in itself has tremendous potential to contribute towards positive change for the hundreds of millions of the poorest and most marginalised people across the world'.

Companies scored 29% on average for the human rights measurement area overall. The grey bars in Figure 11 represent the hundreds of companies who are failing to meet the fundamental expectations set out in the core social indicators. **While companies scored fairly well on having a corporate policy commitment to respect human rights (55%) and on providing workers with a channel to report grievances (66%)**, the following section provides further detail on how companies struggle to translate these commitments into comprehensive human rights due diligence.

Commitment to respect human rights and the human rights of workers

A policy commitment approved at the highest level of the business sets the ‘tone at the top’, indicating that senior management consider respect for human rights to be a minimum standard for conducting business. Such a commitment should trigger a range of internal actions necessary to meet that commitment in practice; on its own, it can only be considered as the start of a company’s journey towards responsible business conduct.

From a glass half full perspective, we found that more than half of companies assessed (55%) do meet this expectation and have a public commitment to respect internationally recognised human rights across their activities. Even more companies reference human rights in their policies or statements, but without actually committing the company to respect human rights – a critical difference.

All things considered, it is clear that some progress has been made since the UNGPs were endorsed in 2011. However, when looking at more specific commitments to workers’ rights, such as those outlined in the International Labour Organization’s (ILO) fundamental principles and rights at work, the numbers start to drop. Only 33% of companies have a publicly available policy commitment to respect the human rights that the ILO has declared to be fundamental rights at work. Greater numbers of companies commit to specific elements of the ILO core labour standards outside of this, with as many as 68% having policy statements on discrimination and 51% having statements against forced and child labour. However, the most common failure point is a commitment to respect freedom of association and collective bargaining, which only 27% of companies have in place.

When looking beyond the companies’ own walls, 35% have a publicly available policy statement that expects their business partners (such as suppliers of goods and services) to commit to the ILO’s fundamental principles and rights at work. Strikingly, 29% of these companies do not explicitly commit to respecting these rights themselves. It is vital that companies get their own house in order and lead by example, otherwise they risk undermining their expectations of their business partners.

The ILO Declaration on Fundamental Principles and Rights at Work covers the following four fundamental principles and rights at work, laid out in eight conventions:

- freedom of association and the effective recognition of the right to collective bargaining (Convention No. 87 & No. 98)
- elimination of all forms of forced or compulsory labour (Convention No. 29 & No. 105)
- effective abolition of child labour (Convention No. 138 & No. 182)
- elimination of discrimination in respect of employment and occupation (Convention No. 100 & No. 111).

Human rights due diligence

To effectively implement their commitments to respect human rights, it is imperative that businesses have robust human rights due diligence (HRDD) processes in place. This concept, as outlined in the UNGPs, requires businesses to identify, prevent and mitigate their adverse impacts and to account for how they address them. It is integral to the proactive management of any potential or actual human rights impacts that a business might ause, contribute or be directly linked to.

Our indicators focus on the **initial steps** of the due diligence process, namely how companies identify and assess human rights risks and impacts and integrate and act on their findings, across both their own operations and relevant business relationships. We found that over three quarters (78%) of companies scored zero on all three of our HRDD indicators, with only 7% of those assessed meeting all requirements. Because the UNGPs expect companies to communicate externally on each of these steps as part of 'knowing and showing' that they understand where their risks and impacts lie, and how they are being addressed, our assessments focus only on what companies share publicly. It is possible that adequate HRDD is being carried out by organisations who subsequently decide not to report on it, although it is not clear why they would make this choice.

Case study: Human rights due diligence | VF Corporation (United States)

VF Corporation states that it identifies and prioritises its most significant human rights risks to individuals throughout its value chain. In partnership with human rights experts Shift and Article One the company says it determines which human rights risks are most salient, by considering scale, scope and remediability. In its Human Rights Report, it discloses its salient risks and describes the actions it takes to prevent, mitigate or remediate these risks. For example, VF Corporation highlights how empowering women throughout the global supply chain is a key focus. It describes how, in 2019, it partnered with the International Center for Research on Women (ICRW) to review and prioritise strategies for advancing women's rights within its supply chain. The ICRW helped it identify three priorities, including addressing gender-based violence and sexual harassment in the workplace. Following this, VF Corporation finalised a five-year gender-based violence and harassment (GBVH) strategy for its supply chain to proactively tackle this often systemic issue. Care International, an international humanitarian organisation, provides technical assistance for implementing the company's GBVH strategy. In 2021, the organisation developed GBVH operational guidance for VF Corporation and its suppliers to respond to GBVH cases, in alignment with survivor-centred principles and approaches. For its own employees, the company says it introduced harassment and prevention training, with specific emphasis on sexual harassment prevention. This program is complemented by its Commitment to Eradicating Gender-Based Violence and Harassment.

With rising social pressures such as poverty and inequality – exacerbated by the COVID-19 pandemic – greater urgency is unquestionably required. Companies must proactively work to understand and manage the impacts their operations and supply chains have on people. The current lack of voluntary action, exemplified by 775 of the companies we assessed, reinforces the growing recognition worldwide that there is a critical need to introduce mandatory HRDD for business.

A further breakdown of our HRDD findings can be found below.

Identifying and assessing human rights risks and impacts

The first step to meaningful HRDD is identifying how a company may impact on people's human rights and then assessing and prioritising which risks and impacts should be the focus for mitigation and remediation. It is important that companies are transparent about this, as it provides visibility into how and why a company is choosing to concentrate on specific risks and impacts at certain moments in time. It is reasonable that companies cannot act on every risk, everywhere, at all times (although this does not limit their overall responsibility to manage all adverse human rights outcomes over time). It is therefore important that companies have an assessment and prioritisation process in place to ensure risks that will cause the most harm are addressed as a priority.

Our assessment found that 17% of companies describe their process to identify the human rights risks resulting from their direct operations, and 17% describe the process to identify the human rights risks they could be linked to as a result of the activities of their relevant business relationships; 14% do both. These numbers are worryingly low. If companies do not have a process to identify which human rights are potentially or actually at risk from their business operations (which includes the risks that are upstream and downstream in the value chains on which they rely), there is very little chance the companies will be carrying out any mitigation measures or remediation.

Of the companies that do identify their human rights risks, 12% explain they prioritise their 'salient' human rights risks and impacts. Salient human rights risks are those that will have the most severe negative outcome for the most people and will be most challenging to remediate. 11% of companies describe their process for assessing their human rights risks and disclose what they consider to be their salient human rights issues. This description includes how relevant factors are considered, such as geographical, economic and social. Only 2% of companies disclose the results of their assessment (for example in a human rights impact assessment report).

This data suggests that most companies still respond to human rights violations on a case-by-case basis, when under pressure to do so. There is a systemic lack of evidence that companies are actively identifying and assessing how their activities could be intrinsically linked to human rights abuses. The approach appears to be to put out fires (i.e. respond to serious allegations) as they emerge, rather than preventing them from happening. Although many companies undertake materiality assessments, these largely assess 'risk to business'. This mindset is flawed when assessing human rights, which must consider risk based on the seriousness of the impact on people.

While these findings do not leave much room for optimism when it comes to transformations that leave no one behind, we are encouraged that a high level of transparency is feasible, as shown by those companies that do disclose their salient risks. Despite this disclosure not being a legal requirement in most countries, 124 companies actively disclose their salient human rights risks or issues, from the perspective of harm to people. These companies are headquartered across 31 different countries and 93% of them are publicly listed.

Integrating and acting on human rights risks and impacts

Understanding which risks are salient to a company is an important first step, and a necessary pre-condition for being able to prevent, mitigate and remediate risk or actual harm.

Access to remedy is a human right in and of itself, and therefore a core part of respecting human rights. Unless a company actively engages in the remediation of adverse impacts it has caused or contributed to, it cannot fully meet its responsibility to respect human rights. Where a company identifies that it has caused, contributed or is directly linked to negative human rights impacts, it should provide or cooperate in the provision of remedy through legitimate processes. With such a low number of companies identifying and assessing human rights risks and impacts, it is unsurprising that so few (12%) have evidence of how they take appropriate action to prevent, mitigate or remediate their salient human rights risks and impacts. Only 8% of companies describe their global system to take action and describe how this global system applies to their supply chain. Even fewer (5%) provide a clear example of the specific conclusions reached and actions taken (or to be taken) on at least one of their salient human rights issues, as a result of their assessment process in the last three years.

If companies are failing to integrate the findings of their assessments of human rights risks and impacts into relevant internal functions and processes, they will certainly fail to take appropriate action on their salient human rights risks and impacts. Unless more systemic and holistic due diligence approaches are adopted, companies are at risk of perpetually reacting to, rather than preventing, disasters when they occur, with the consequences of the harm often borne by those most vulnerable.

Case study: Engaging with affected and potentially affected stakeholders and implementing a grievance mechanism | Thai Union (Thailand)

Thai Union identifies and discloses the categories of stakeholders who are impacted by its activities (own employees; children; indigenous people; migrant labour; third-party contracted labour; local communities; consumers; suppliers' employees; suppliers' contractors). In 2019, Thai Union partnered with the International Transport Workers' Federation to co-host a health and safety training workshop for more than 70 fishers in Chumphon, Thailand. Participants received a range of guidance, including first aid and basic medical techniques such as CPR and how to respond to a potential life-threatening situation while at sea. Each fisher also received a medical kit containing supplies to use while on board vessels. Thai Union also partnered with the Issara Institute, an NGO tackling human trafficking and forced labour – issues to which the company has previously been linked, to improve conditions for workers in Thailand. In 2015, it provided workers with access to the Issara helpline, which is free of charge and available in five languages to accommodate migrant workers. Anyone can raise concerns or submit requests for help independently of Thai Union management. Details of the helpline are provided on posters at factories and at the ports in which Thai Union operates. The company further discloses that it has actively addressed key issues uncovered through this grievance mechanism.

Engaging with affected and potentially affected stakeholders

For companies to truly meet their responsibility to respect human rights, those that are impacted must be at the heart of corporate commitments and management processes. To achieve this, it is paramount that companies carry out effective stakeholder engagement. This involves listening to all stakeholder voices and factoring them into company decision-making. Human rights policies, impact assessments, management plans, grievance mechanisms and remediation efforts should all be informed by relevant stakeholder engagement to be legitimate, effective and avoid creating negative impacts. While many companies allude to conducting stakeholder analysis and engagement, only 15% actually disclose the categories of stakeholders whose human rights have been or may be affected by their activities. Even fewer (4%) provide at least two examples of their engagement with those stakeholders in the last two years.

Affected and potentially affected stakeholders must be a priority for engagement. If companies fail to consult those affected by their operations, products or services when they are conducting risk assessments or designing mitigation or remediation plans, even with the best intentions, they are likely to get it wrong. It is, for example, fairly obvious that organisational plans created to remedy harm inflicted on a local community should not be designed from an office on the other side of the world, with no dialogue with those who have been impacted.

Grievance mechanisms for workers and external individuals and communities

Regardless of how well a company embeds its commitment to respect human rights across its management systems and processes, negative human rights impacts may still occur because of the complexity of activities and business relationships involved. As companies do not have ears and eyes everywhere, they need to have effective mechanisms in place for people to sound the alarm if human rights violations occur as a result of company activities. This can be done by establishing or participating in operational-level grievance mechanisms. These mechanisms should be open to everyone to report concerns, including workers, communities, human rights defenders and anyone that may be a witness to company wrongdoing.

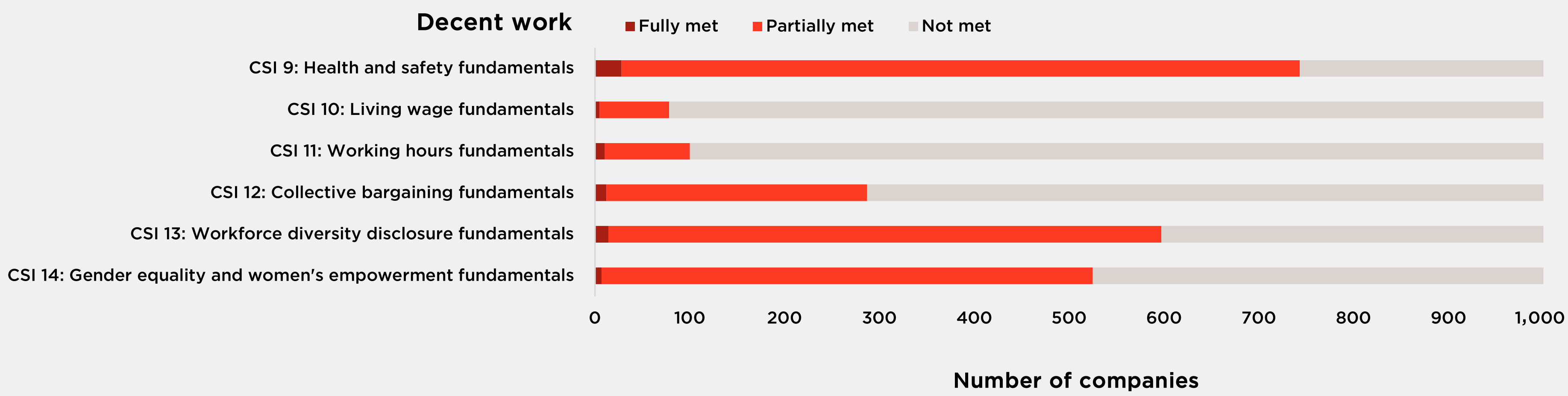
Our assessment found that 66% of companies have at least one channel through which their own workers can raise complaints or concerns, including relating to human rights violations. This is one of the highest performing indicators across the baseline assessment. Over half of the companies (55%) also have a channel through which all other parties, such as impacted communities or other external stakeholders who may be adversely impacted by the company, such as workers in the supply chain, can raise complaints or concerns.

While these high numbers are very positive, it must be emphasised that the presence of a grievance mechanism does not guarantee the provision of effective remedy. Instead, a grievance mechanism should be considered as an essential tool to identify harm. Companies then have a responsibility to investigate, manage and remedy any human rights concerns raised via such a mechanism.

When we talk about business, it is easy to forget that we are really talking about people. Companies are collections of people, whose decisions and actions impact other people: employees and their families, surrounding communities, workers in companies' supply chains as well as people who use and buy the companies' products and services. Companies rely heavily on the labour of people, both within their own operations and throughout their, often global, supply chains. The provision of decent work to these people is integral to the 2030 agenda, with SDG 8 focusing on sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Ensuring decent work involves providing secure, safe and healthy jobs, for which people are fairly and equally remunerated, where workers have a meaningful say in decision-making, where discrimination is not just eliminated but the barriers to equal treatment have been removed, and where all people are enabled to pursue the opportunities and choices they value. **Despite the importance of providing and promoting decent work, the average score in this measurement area, 20% of the total points, is the lowest out of the three.** While companies demonstrate a higher level of disclosure on health and safety and workforce diversity, their performance on other indicators relating to decent work, such as living wages, working hours and collective bargaining, is poor.

FIGURE 12 RESULTS BY INDICATOR (DECENT WORK)



Health and safety fundamentals

All people have a right to healthy and safe working conditions. These include not only physically safe environments but also mental health and well-being as critical elements. Nevertheless, the ILO estimates that 6,000 people die every day as a result of work-related accidents and diseases. This is in addition to over 340 million work-related accidents and more than 160 million work-related illnesses annually.

Companies have the ability to impact hundreds of millions of workers through their operations and supply chains as well as a responsibility to ensure these impacts are positive. Therefore, WBA assesses whether companies publicly commit to respecting the health and safety of their workers and disclose relevant quantitative data. We also assess whether companies place health and safety expectations on business relationships and monitor their performance.

Likely reflecting the long-standing efforts to drive workplace health and safety, two thirds of companies recognise their responsibility by publicly committing to respect the health and safety of workers. Some 62% of companies place this expectation on business relationships. A further 43% disclose how they monitor the health and safety performance of those business relationships – suggesting a significant gap in turning the expectations in codes of conduct into meaningful action.

However, transparency around actual corporate health and safety performance is lagging. In contrast to the high level of commitment, only 4% of companies disclose detailed quantitative information on health and safety for their workers by reporting on fatalities, high-consequence injuries, the main types of injuries and the number of hours worked. At face value, such low levels of disclosure are worrisome, as effective monitoring and reporting are a precondition for ensuring and, where necessary, improving health and safety outcomes in the workplace. However, within the sample there are notable differences between industries, likely reflecting the extent to which a company may consider health and safety as a material risk, thereby affecting its disclosures on the topic.

A financial services company, such as a bank or insurance firm, is far less likely to consider health and safety a material issue when compared to a mining company, for example. This is in part reflected by the findings, with companies operating in industries characterised by higher health and safety risks (e.g. metals and mining) twice as likely to disclose quantitative health and safety information compared to others. Similar conclusions can be drawn from across the different health and safety elements assessed. Of the 3% of companies that demonstrate a complete commitment to health and safety fundamentals by having all aforementioned elements in place, nearly half (42%) of these operate in the oil and gas, electric utilities and automotive manufacturing sectors, despite only representing one-fifth (21%) of the companies assessed.

Living wage fundamentals

Companies are expected to ensure their own employees receive a living wage and should support efforts to ensure workers in their supply chains are paid a living wage. There are numerous definitions of a living wage, but the core concept is to provide remuneration for a regular working week that is sufficient to afford a decent standard of living and includes some discretionary income for a worker and his or her family. A living wage has the potential to address multiple SDGs directly and indirectly as it underpins decent work (SDG 8), reducing inequalities (SDGs 5 and 10), ending poverty (SDG 1) and supporting good health and well-being (SDG 3).

As the concept of a living wage is still relatively immature, compared to health and safety for example, WBA has refrained from assessing companies against performance metrics. Rather, the 1,000 companies were assessed on whether they have set targets for paying a living wage or state they have achieved paying a living wage in their operations, what processes they use to determine a living wage and how they work with business relationships to further the achievement of paying a living wage. These indicators allow us to differentiate between those companies that have committed and started to address living wages and those that have yet to undertake significant action.

Our research suggests that companies still have a long way to go when it comes to living wage payments. Just 41 out of 1,000 companies disclose that they have achieved or set targets to pay all workers in their operations a living wage. Only 51 out of 1,000 companies demonstrate evidence of activities to support the payment of a living wage by their business relationships, either through including living wage requirements in contracts or describing how the company works with business relationships to achieve the full payment of a living wage.

Five companies fulfil all three aforementioned elements of living wage payments. Four of these operate in the food and agriculture sector and one in the energy utilities sector. Compared to other sectors, living wages in the food and agriculture sector have received considerably more attention in recent years. A living wage is a critical and potentially catalytic issue, as it can contribute to the direct and indirect achievement of a range of fundamental human rights for both workers and their dependants. WBA therefore aims to explore the issue more extensively in 2022.

Case study: Living wages | Unilever (United Kingdom)

Unilever included an ambition to pay all employees a living wage in its 2014 Framework for Fair Compensation, an ambition it claims to have achieved in 2020. The framework specifies that a living wage should be sufficient to afford a decent standard of living for a worker and his or her family with some discretionary income. Localised living wage calculations are developed in collaboration with the Fair Wage Network. In 2020, Unilever also set a target to ensure that everyone who directly provides goods and services to Unilever earns at least a living wage or income by 2030. Living wage requirements have been included in supplier contracts, and the company aims to create systemic solutions to raise living wage standards through purchasing practices and collaboration by working with suppliers and other stakeholders. The Framework for Fair Compensation stipulates that workers must be able to earn a living wage without working an excessive number of hours. Although Unilever states that all overtime hours must be voluntary and compensated at premium rates, it does not limit the maximum required weekly working hours for employees to 48 hours or 60 hours including overtime. Rather, Unilever states that working hours may not exceed country legal standards. However, the company operates in countries where no universal limit on working hours exist, meaning that some workers may still be subjected to excessive working hours to earn a living wage. Unilever's business relationships, on the other hand, are required to limit the maximum weekly hours for their workers in line with the ILO recommendation.

Unilever's living wage efforts are further supported by its activities to advance collective bargaining in its operations and supply chains. Approximately 80% of Unilever's total direct workforce is covered by collective bargaining agreements. Additionally, the company supports collective bargaining in its supply chain by directly engaging and working with trade unions and worker representatives.

Working hours fundamentals

The ILO emphasises that unhealthy and excessive working hours should not be a means of improving firms' profitability, due to the detrimental impact on a person's physical and mental well-being. A joint study published in 2021 concluded that working 55 or more hours per week is associated with an estimated 35% higher risk of a stroke and a 17% higher risk of dying from ischemic heart disease, compared to working 35-40 hours a week. In addition to these health implications, longer working hours are associated with increased occupational accidents and can impact families and communities at large by creating a poor work-life balance.

Just 4% of companies state that they do not require their workers to work more than the international standard set by the ILO of 48 hours during a regular working week, or 60 hours including overtime. 7% of companies publicly place this expectation on their business relationships. Only a small minority of companies (3%) publicly state that all overtime must be consensual and paid at a premium rate. 1% of companies meet all these elements.

Rather than the ILO standard regarding working hours, 18% of company policies align with country legal limits on working hours in their operations and/or expectations placed on their business relationships. This is problematic because there are numerous countries in which no universal limit on working hours exists, one example being the United States. In these locations, workers may need to work excessive hours to provide a living income, with negative impacts on their health, well-being and family life.

The low level of commitment to ensuring healthy working hours is reflective of a general corporate reluctance to put in place policies and practices that would truly allow workers to thrive, even if this means going beyond national regulations. Requiring excessive working hours can be seen as increasing corporate extraction of value from workers to the latter's detriment and is inextricably linked to other decent work issues, including health and safety, and living wages.

Collective bargaining fundamentals

Eliminating restrictions on workers' rights is a necessary but insufficient step to ensure meaningful worker engagement. This is especially true when it comes to freedom of association and collective bargaining, in situations where worker protections are weak and the balance of power in the employment relationship is heavily skewed in the employer's favour. It is imperative that companies actively engage with union or worker representatives and not merely tolerate their existence. Failure to do so means workers' opinions and concerns are unlikely to be integrated into business decision-making, resulting in a workplace that can never be truly inclusive.

Looking at the fundamentals, WBA assesses whether a company discloses information about coverage of collective bargaining agreements and its approach to supporting the practices of its business relationships in relation to freedom of association and collective bargaining. 28% of companies disclose the proportion of their workforce covered by collective bargaining agreements. However, only 3% of companies reported evidence of activities to support collective bargaining in their business relationships (e.g., suppliers). 71% of companies do not meet any of the aforementioned elements. Only 1% of companies fulfil all elements.

Businesses rely heavily on workers to create value. Yet these workers are also the first to be impacted by shocks in global markets, or the movement away from fossil fuels towards more greener sources of energy, which WBA's just transition assessment found many companies are not yet prepared. The apparent lack of consideration of worker voices reflected in our findings, combined with power disparities within companies, points towards a situation where the value creators are undervalued by the organisations they work for.

Workforce diversity disclosure fundamentals

Realising a diverse and balanced workplace, characterised by an equitable distribution of opportunities and resources, is linked to multiple SDGs. Achieving balance involves addressing barriers to equality of outcome and creating cultures where every person feels safe and free from discrimination, no matter their gender identity or expression, race or ethnicity, sexuality, religion, background or other characteristic.

Balanced workplaces are those where systemic issues such as a lack of diversity in company leadership and management have been addressed. To achieve this, companies must first understand the composition of their workforce before they can begin to break down the barriers and structural inequalities that might be present. To demonstrate a first step, we expect companies, at a minimum, to report on four aspects of workforce diversity, aggregated by employee category (excepting cases where companies tell us they are prohibited from disclosing certain data on race or ethnicity).

Over half (59%) of the companies assessed report on gender composition within their workforce, reflecting the long-standing focus on gender equality in the workplace. 18% of companies report on age, 17% report on race or ethnicity and 6% report on an additional marker of diversity such as disability, sexual identity, geography or marital and family status. 40% of companies fail to report on any of these workforce diversity fundamentals, while only 1% report on all.

The low level of workforce diversity reporting is problematic because, as mentioned above, the first step towards eliminating discrimination is for companies to become aware of the composition of their workforce and potential imbalances. Without corporate diversity disclosure, stakeholders may find it hard to trust that companies are adequately managing discrimination and structural inequalities in their workplaces.

Gender equality and women's empowerment fundamentals

Gender equality is relevant to all companies, across all sectors and within all geographies. Addressing gender inequalities and empowering women within the private sector will have a huge positive impact on the achievement of almost all the SDGs. As such, it is fundamental to the social transformation. While recognising the importance of achieving gender equality in all aspects of companies' value chains, WBA's core social indicators focus on gender fundamentals. These include public commitments and targets on gender equality and women's empowerment, a minimum of 30% of women on the board, and recent gender pay gap reporting for the workplace.

A quarter of companies assessed disclose a public commitment to gender equality and women's empowerment, and 28% disclose at least one time-bound target related to how they intend to support this commitment by actively working to increase gender equality or empower women, either within their own organisation or in their wider value chain. According to the World Economic Forum, the time needed to close the global gender gap increased by a generation from 99 years to 135 years, between 2020 and 2021. We therefore need to see a concerted effort to change the status quo, with all companies demonstrating real ambition and commitment, or progress will continue to plateau.

Female representation on company boards is an important step towards gender equality. Almost a third (32%) of companies do have at least

30% representation of women within the highest governance body. However, 23% of companies do not even report on the proportion of women on the board, and only 52 companies (5%) were found to have a woman chief executive officer. Truly equal representation, which would see all companies have balanced numbers (40-60%) of men and women wielding influence via board-level representation, is still a long way off.

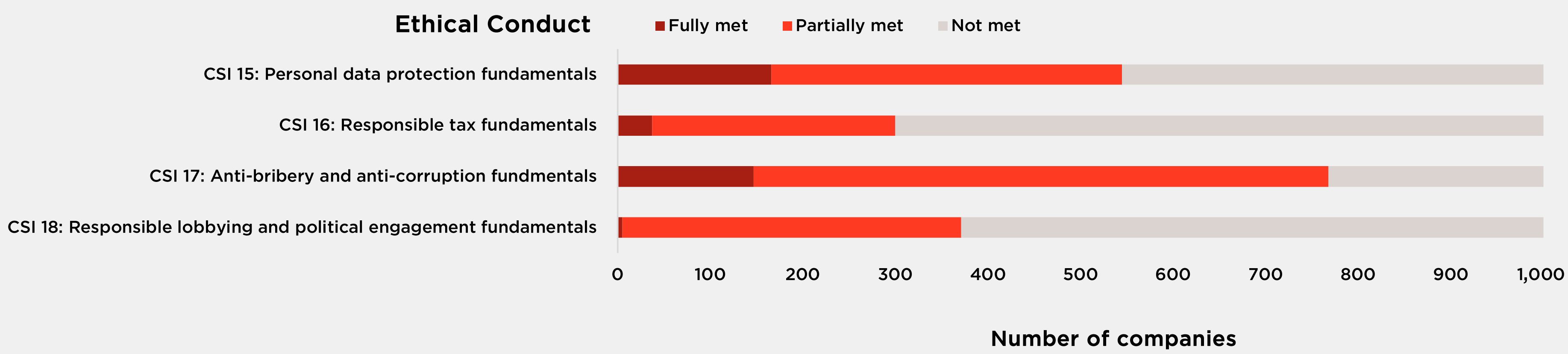
While the proportion of women among skilled professionals continues to increase, progress towards wage equality is slow. In line with other research, we found that very few companies (4%) disclose the ratio of the basic salary and remuneration of women to men in their total workforce for each employee category, within their significant locations of operation. While disclosing pay by gender is by no means the end goal, there is a clear, systemic lack of useful gender-disaggregated data being reported. The World Bank estimates that the global economy could be increased by about USD 160 trillion if women globally were earning as much as men. This is about twice the value of GDP globally. Creating transparency regarding gender pay gaps would be a significant step toward realising this potential, but failure to address these gaps will undermine any attempts to truly build back better.

Only 1% of companies meet all four gender equality and women's empowerment indicator requirements. The lack of corporate commitment to and reporting on gender equality and women's empowerment is further supported by the findings of WBA's 2021 Gender Benchmark. The benchmark, which assessed the 35 most influential apparel companies on an in-depth gender methodology, found that most companies are yet to take transformative action to drive gender equality and women's empowerment. It is WBA's intention to continue shining a spotlight on this important area.

WBA selected several ethical conduct issues as priorities for the social transformation. They are data privacy, corporate taxation, bribery and corruption, and lobbying and political engagement. While there is no single framework or universal norm, ethical conduct can be understood as going beyond the legal requirements for a company and therefore being about discretionary decisions and behaviour guided by values. Very practically, this means keystone companies that have operations and activities across many countries and jurisdictions should seek to implement global standards of (ethical) conduct to ensure consistent approaches and avoid a regulatory race to the bottom.

The expectations regarding ethical conduct are that companies should respect privacy rights, take a socially responsible approach to corporate taxation, eliminate bribery and corruption, and lobby responsibly and in a transparent manner. In addition to undermining their own reputation, companies not meeting these expectations may harm the achievement of the SDGs and the universal realisation of human rights. **The average score in this measurement area is 29%, with companies performing strongest on indicators relating to the fundamentals of personal data protection and anti-bribery and anti-corruption and weakest on indicators relating to the fundamentals of responsible tax and lobbying and political engagement**. This likely reflects the materiality

FIGURE 13 RESULTS BY INDICATOR (ETHICAL CONDUCT)



lens through which businesses have traditionally perceived these risks – with issues like corruption and data protection more commonly grounded in extra-territorial legislation when compared to issues like lobbying and taxation.

Personal data protection fundamentals

Data has been described as the oil of the 21st century and is becoming an immensely valuable asset. Companies collect and use growing amounts of personal data pertaining to their staff, customers, clients and other stakeholders. Some also facilitate the collection, use and sharing of personal data for other companies and governments. As a result, the use and misuse of personal data can have significant impacts on individuals' right to privacy (enshrined in Article 12 of the Universal Declaration of Human Rights and Article 17 of the International Covenant on Civil and Political Rights), which is important for maintaining personal security, protecting identity and promoting freedom of expression in the digital age – all aspects that are linked to the achievement of the SDGs.

For the fundamentals, WBA assesses whether a company publicly commits to protecting personal data and has a global approach to data privacy. While 52% of companies have a public commitment to protecting personal data at the global level, only 20% disclose a global privacy statement in relation to the collection, sharing and access to personal data that covers, at a minimum, customers and employees. Overall, 17% of companies fulfil both these expectations.

Data privacy rules are uneven across the globe, with some countries adopting stricter regulations while others have none. If they are to demonstrate genuine commitment to human rights, companies will need to adopt global best practices across their entire organisation, whatever the location, rather than simply arbitraging the differences between their markets of operation. Since rules are fast evolving, companies who apply similarly strong data privacy principles and frameworks globally are also best placed to anticipate future regulation.

Responsible tax fundamentals

Companies can undermine human rights and the 2030 agenda through their involvement in or connection to tax evasion and avoidance practices, which ultimately deprive states of revenue to deliver essential services such as healthcare, education and public infrastructure. Consequently, companies are expected to have a socially responsible approach to corporate taxation. This should be overseen by the highest governance body and supported by appropriate controls and transparency, which comply with both the letter and spirit of the law in the countries where companies operate, ensuring the right amount of tax is paid, at the right time, in the countries in which companies create value.

For this baseline assessment, we looked at whether a company has a public global tax approach and discloses its corporate income tax payments on a country-by-country basis. 25% of companies have a publicly available global tax strategy, which is approved by the highest governance body, while only 16% disclose a governance body or executive-level position tasked with accountability for compliance with the company's global tax strategy. Only 9% of companies disclose the amount of corporate income tax paid for each tax jurisdiction where the company is a resident for tax purposes, and 55% of companies disclose their effective tax rate. These findings are in line with similar research conducted by the UN Principles for Responsible Investment (UNPRI).

Overall, only 4% of companies meet all the requirements of the indicator by disclosing a global tax approach and their corporate income tax payments on a country-by-country basis, illustrating the level of opacity that exists among the world's most influential companies. Fundamentally, the lack of transparency regarding approaches to tax and amounts paid by keystone companies undermines trust in a global economic system that is vital for enabling governments to build back better. Such trust cannot be rebuilt if companies continue to hoard this information, and stakeholders may begin to question companies' social licence to operate as a result.

Case study: Disclosure of a global tax approach and corporate income tax payments on a country-by-country basis | MTN (South Africa)

MTN, a South African telecommunications company, published its Tax Report 2020, which outlines its tax approach, including its risk management framework, governance structure and guiding principles. According to the report, the MTN Group Board is accountable for all risks, including tax, that potentially affect achievement of the Group's strategic priorities. In addition, its tax risk management reporting is embedded within the Group's governance structures, including the Group Audit Committee, Executive Committee and Group Board. The Group Board and Group Audit Committee also provide oversight of the tax risk management framework. In the report, MTN also discloses the amount of corporate income tax paid for each tax jurisdiction where the company is a resident for tax purposes. Although the company met all of WBA's fundamental expectations relating to tax, MTN has previously come under scrutiny in Nigeria for its tax practices, with a request for the company to pay a USD 2.8 billion dollar tax bill recently withdrawn by the government. Corporate tax transparency is critical for minimising the risk of unethical business conduct and is a growing area of interest for stakeholders, particularly the investor community.

Anti-bribery and anti-corruption fundamentals

As with tax evasion and avoidance, corruption is a key obstacle to sustainable economic, political and social development, severely limiting progress towards the SDGs. With an estimated USD 1 trillion paid in bribes and a USD 2.6 trillion cost of corruption each year, the extent of the problem is staggering, particularly in countries where these sums represent money that may be used to directly undermine the realisation of the SDGs.

Of the companies assessed, 69% have a publicly available policy statement prohibiting bribery and corruption, and 53% include anti-bribery and anti-corruption clauses in their contracts with business relationships. 57% indicate that they have a confidential and anonymous channel/mechanism accessible to all stakeholders to raise bribery and corruption concerns and complaints without fear of reprisals. 26% of companies describe the process(es) to identify their bribery and corruption risks and impacts in specific locations or activities covering their own operations.

This evidence suggests that, while most companies have policies prohibiting bribery and corruption, as well as mechanisms to report the suspicion or incidence of either, only a quarter appear to disclose the procedures in place to identify risks of bribery and corruption in their own operations. Without these fundamental processes in place, companies are unable to follow through and enforce their prohibition, risking unchecked incidences of bribery and corruption throughout their operations and undermining not only sustainable development but business success too.

Interestingly, of all the indicator requirements within the social transformation framework, the greatest number of companies have a publicly available policy statement prohibiting bribery and corruption. One of the other highest scoring elements requires companies to include anti-bribery and anti-corruption clauses in their contracts with business relationships. As anti-bribery and anti-corruption legislation is common across many jurisdictions, it could be inferred that national legislation has played a key role in ensuring companies have policies and contractual obligations in place to mitigate the risk of bribery and corruption in their own operations and other business activities, which has contributed to a global standard of responsible business conduct.

Responsible lobbying and political engagement fundamentals

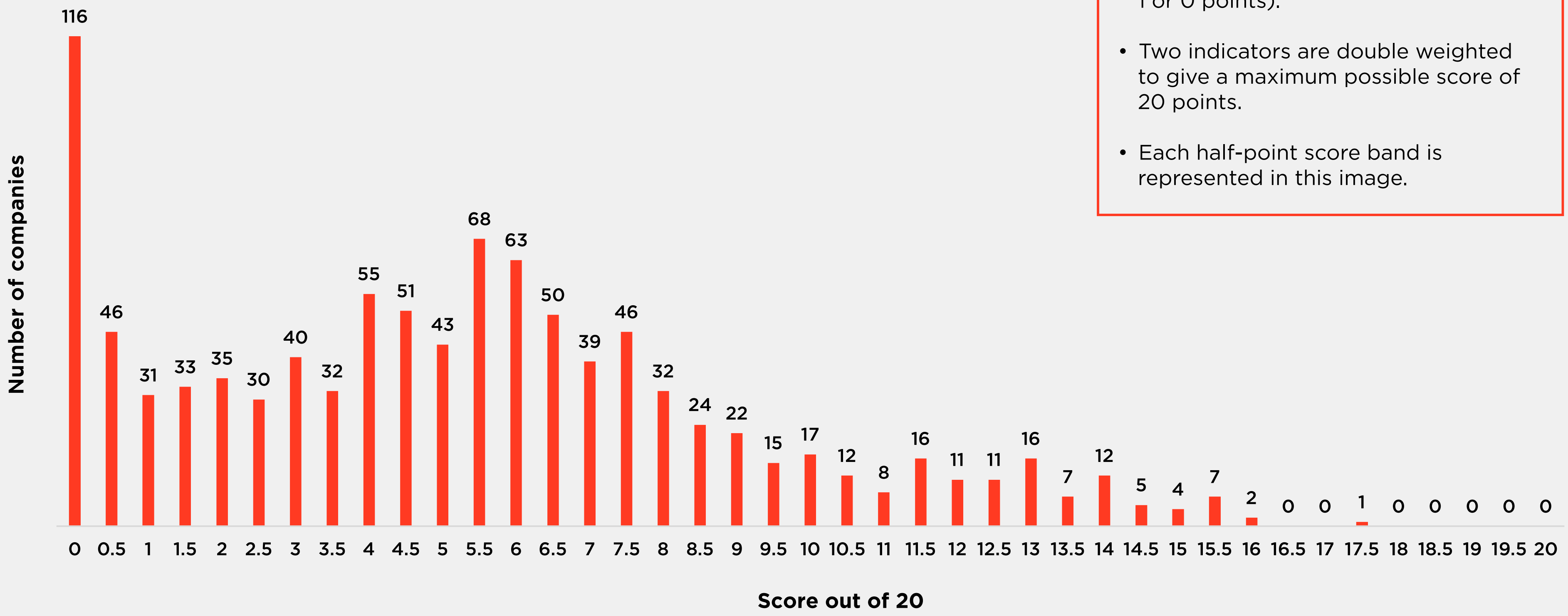
Companies can use a range of tools to influence the political process, with the outcomes of lobbying and political engagement activities potentially being critical enablers of, or risks to, the 2030 agenda and companies' contribution to it. Additionally, we know that corporate lobbying can either support, or contradict, a company's own commitments and targets. WBA's 2021 Climate and Energy Benchmark on the automotive sector found that, irrespective of their climate commitments and targets, all automotive companies except one were members of platforms that lobby against climate policies.

Companies are expected to have a socially responsible approach to direct and indirect lobbying and political engagement, overseen by the highest governance body and supported by appropriate controls and transparency, which, at a minimum, does not undermine either the 2030 agenda or international human rights frameworks. For the fundamentals, WBA assessed if a company has an approach to lobbying and political engagement and related controls in place.

21% of companies have one or more publicly available policy statement or policy setting out their lobbying and political engagement approach, and they have a publicly available policy statement that specifies that they do not make political contributions. Only 8% of companies disclose their expenditures on lobbying activities and 5% require third-party lobbyists to comply with their lobbying and political engagement policy (or policies). Overall, only 1% were seen to demonstrate an adequate approach to lobbying and political engagement, with a significant lack of transparency around lobbying activities and expenditure.

Advocacy is needed to advance the 2030 agenda, but there needs to be a significant shift in corporate transparency on lobbying and political engagement to ensure corporate influence isn't undermining the SDGs and Paris Agreement.

FIGURE 14 DISTRIBUTION OF THE 1,000 COMPANIES ASSESSED BY SCORE BANDING



- The 18 CSIs can be partially, fully or not met by companies (i.e. score 0.5, 1 or 0 points).
- Two indicators are double weighted to give a maximum possible score of 20 points.
- Each half-point score band is represented in this image.

The way forward

Even before the COVID-19 pandemic, the world was not on track to achieve the 2030 agenda. Building back better will require the mobilisation of an unprecedented amount of global capital to address systemic issues such as inequality, climate change and biodiversity loss. For companies to support the transformations needed to put our planet and society on a truly sustainable path, there must be substantial change to the way they operate – one that puts people at the heart of all decisions made. There must also be a change in the ecosystem in which companies operate, enabling them to move in the right direction through the introduction of the correct incentives and policies.

In order for companies to make a positive contribution to the SDGs they must first understand where their potential negative impacts lie within their operations and value chain. This is why carrying out effective human rights due diligence (HRDD) is so important. Not only does it help insulate companies from reputational and litigation risks, but it is also the first step towards proactively addressing risks (e.g., forced labour in their supply chains) that might arise throughout the course of operations. Despite these benefits, a voluntary approach to due diligence has not been sufficient. As highlighted by our findings, although some companies have translated their human rights commitments into robust management processes, the vast majority are still failing to 'know and show' how they have taken tangible action.

In response to this failure, investors, business associations and civil society groups have banded together in support of greater action, calling for a 'levelling of the playing field' through regulatory measures. To provide an effective legal framework, legislation must go beyond being merely a tick box exercise. Engagement – particularly with those most affected and vulnerable groups – in the development and implementation of any framework is crucial to ensure its legitimacy. Already, some governments have taken positive action towards mandatory due diligence, with countries including France, Germany, Norway and the Netherlands developing their own laws. However, to ensure coherence of expectations and avoid a proliferation of standards, it is vital that the European Union deliver on its commitment to introduce legislation on the subject.

By carrying out HRDD and engaging their employees and other stakeholders in a safe, constructive and meaningful manner, companies can begin to rebuild the trust that has dwindled in recent decades. This means going beyond legal compliance – such as basic health and safety measures, minimum wage payments and recognition of trade unions – to proactively identifying and breaking down barriers that inhibit the realisation of decent livelihoods. At the 2021 UN Climate Change Conference (COP26) in Glasgow, 16 nations and the European Union signed a declaration committing them to strategies that ensure workers, businesses and communities are supported in the transition to a greener economy. States have set the expectations, but it will be up to businesses across all sectors and industries to promote social dialogue, support reskilling and training and ensure human rights are respected within new and existing supply chains.

Another major barrier to ensuring a decent livelihood which affects all companies is the achievement of gender equality. There is an urgent need for companies to be explicit about how women, in particular, are impacted by corporate actions and what companies are doing to address those impacts. Our 2021 Gender Benchmark, which focuses on the apparel sector, revealed that many companies are only at the beginning of their journey when it comes to empowering women, with performance low across all themes including violence and harassment, health and well-being, representation and compensation and benefits. To close the gender inequality gap, companies need to make ambitious commitments, set bold targets and match these with timely and meaningful actions and dedicated resources that drive change. Given its enormous potential for enabling the 2030 agenda, gender equality and women's empowerment will remain a key focal point for WBA in the years to come.

A potential catalyst for meeting the previously outlined expectations for a decent livelihood is payment of a living wage. A living wage is one that can help close the gender pay gap by ensuring equal pay for equal work, that demands employers understand the needs of workers and their family members, and that requires companies to engage with trade unions or equivalent bodies to bargain collectively. It is also an issue that cuts across high-, middle- and low-income countries. Initiatives such as the Living Wage Foundation have made progress in the United

Kingdom by getting companies certified as living wage employers, with further expansion now happening in the United States (Living Wage for US). Furthermore, work by groups such as IDH have also pushed this objective into the supply chains of key sectors. However, there is now a need and opportunity to pursue a global agenda for living wages as a key action business can take to address inequality and rebuild trust in society.

Paying a living - rather than a poverty - wage can create benefits for workers, wider communities, companies and economies. But this contribution to society is no substitute for the payment of corporate tax. Similarly, while companies' philanthropic donations support many important causes, governments remain, by and large, the legitimate provider of essential services such as healthcare, education and public infrastructure. Deprived of tax revenue, governments are unable to carry out these functions effectively, the impacts of which are overwhelmingly felt by individuals and groups who are already vulnerable.

Recent financial scandals involving multinational companies and high-net-worth individuals have shone a light on the opaque structures used to move large sums of money to offshore jurisdictions, dubbed tax havens, due to their low or non-existent taxation rates. The methods employed, including the use of shell corporations, are often legitimate and legal (albeit accessible to a privileged few), highlighting the stark difference between what should ethically be expected of a company versus what can legally be enforced by authorities. It is estimated that between USD 21–32 trillion in financial assets are currently sitting in offshore tax havens, with approximately USD 427 billion in tax revenue lost every year as a result.

In 2021, the Organisation for Economic Cooperation and Development (OECD) announced that 130 countries representing 90% of global GDP had agreed to establish a new framework to reform the international tax system. Despite the scale of the challenge - considering the small minority of companies that report country-by-country tax figures, such an agreement demonstrates positive step toward achieving a more equitable distribution of global capital. One that can only be realised through greater transparency and accountability.

In assessing the contribution that companies are making towards achieving the 2030 agenda, it is important for disclosures to be comparable, reliable and consistent. For this reason, the announcement by the IFRS Foundation in November 2021 that it is creating an International Sustainability Standards Board is a welcome development in the alignment of disclosure expectations. It could enable different stakeholder groups, including investors, governments and civil society but also companies themselves, to understand and compare company performance, improve accountability and drive the necessary change in the private sector to achieve sustainable development. Crucially, the standards must be ambitious, guided by thresholds (social foundation and ecological ceiling), and developed through meaningful multi-stakeholder engagement with expert input. It is only through this process that we can move from assessing disclosures to evaluating outcomes, and truly measure what matters most; the realisation of the 2030 agenda.

Driving impact

The challenges humanity faces to address the systemic risks of social inequality, climate change and biodiversity loss are immense, complex and inextricably linked. People are at the heart of each issue, being either impacted by or responsible for the impacts and drivers of change, but companies have a critical role to play in driving transformations. In November 2021, the UN Working Group on Business and Human Rights published its road map for the next decade of action. As one of its eight action areas, the Working Group calls on multi-stakeholder alliances to develop collective actions founded on business respect for human rights, accountability and meaningful stakeholder engagement.

To foster this kind of collaboration, WBA has launched the first of multiple Collective Impact Coalitions (CICs). These are time-bound, global coalitions of stakeholders, including WBA Allies, companies, financial institutions, policymakers, civil society groups, academics and experts, brought together to develop solutions to specific issues crucial to achieving positive system change. CIC participants will take coordinated action to incentivise keystone companies to measurably improve their performance, using WBA benchmarks to inform and track progress. WBA will act as coordinator of the CICs, building consensus and co-creating a workplan with the participants.

Based on findings from WBA's core social assessment and CHRB, the inaugural human rights CIC will aim to expand and mainstream action in the area of human rights due diligence, so that it becomes the norm for business, systematically embedded within corporate activities. Given the current momentum and action being undertaken in this area, the CIC will build on existing efforts along with new initiatives, with the aim of effecting change in both individual companies and the broader business and human rights ecosystem. This will involve, among other things, policy advocacy, investor engagement (both individual and collaborative), the sharing of best practice and increased availability of data to support research and advocacy by academics and civil society groups.

We invite organisations interested in learning more about this initiative, and potentially joining the coalition, to reach out to us at info.social@worldbenchmarkingalliance.org.

World Benchmarking Alliance

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