

Beyond Growth – Indicators and Politics for People and Planet

Discussion Paper

Theme 5: Respecting Human Rights in Business

This thematic working group explores what kind of indicators and data should guide and measure progress in corporate respect for human rights. We will also make recommendations for national and EU policy makers, as well as relevant stakeholders, on how to foster the creation and update of robust and legitimate indicators and metrics.

The globalised business networks transport goods, services, technologies and raw resources in intricate value chains crossing national boundaries. Vis-à-vis the trend of businesses exceeding states as largest economies, attention must be paid to instruments that invite businesses onboard the transition beyond the (material) growth paradigm.

One avenue gaining momentum is the protection of human rights. Since 2011, the interrelations between human rights, businesses and states have become more explicit, in line with the United Nation's Guiding Principles (UNGPs).

Respecting human rights in business can become a powerful tool for transitioning to a beyond growth economy. By making direct and indirect human rights impacts of a business venture known, investors, consumers and policymakers can make wise decisions in the markets.

Businesses and investors are key actors in transitioning towards an economy, where the aims and indicators are set on wellbeing and sustainability beyond the growth paradigm.

Policy progress on business and human rights in the EU

European policymakers have found corporate respect for human rights an increasingly important element of implementing Agenda 2030. The European Commission and several EU member states have enacted policies to encourage and oblige companies to adhere to the UNGPs and carry out human rights due diligence (HRDD). The recently formed government of Finland, for example, is committed to making HRDD mandatory.

To support this development, there is an increasing need for robust and legitimate metrics for assessing corporate adherence to the UNGP. These assessments are needed, for example, to assess the impact of public HRDD policies, to monitor progress in Agenda 2030 action plans¹, and to evaluate private sector contributions to implementing development policy goals.

¹ Especially SDG 8 on Decent work and economic growth. See <https://kestavakehitys.fi/en/monitoring> for Finnish attempts to monitor progress at national level.

The qualities of a rigorous HRDD metric

Acknowledging that not all indicators are robust or legitimate, it is important to discuss the qualities for an indicator fit to evaluate the ways business respects human rights. Some insights can be drawn from research literature², such as the indicator having a) clear conceptual framework, b) methodology open for scrutiny and c) transparency of data.

At the same time, indicators are typically developed for specific purposes that vary from one stakeholder to another. Outlining these rationales can be helpful in ensuring the uptake of any human right indicator.

Fostering the creation and uptake of sound indicators

In practical terms, an indicator for respect of human rights in business becomes valuable when it guides policy development, encourages companies to improve their performance, or guides investments to responsible businesses.

Nevertheless, the development, maintenance and use of such an indicator is laborious. It is important to consider who should bear the financial responsibility for the development of a suitable human rights indicator and the continuous data collection and analysis for it. What might be the best means to gain legitimacy and credibility for an indicator that is up for use?

Key questions for the discussion

Why do companies, investors, NGOs, consumers and policymakers need to measure progress in the corporate uptake of the UNGP and HRDD?

- What are the key characteristics of a good HRDD metric? What kind of indicators should the EU and its member states use in guiding businesses towards greater respect for human rights?
- What can we learn from the metrics currently in use, in particular, from the Corporate Human Rights Benchmark (CHRB) and the common good balance sheet designed by the initiative Economy for the Common Good?
- How can we foster, in practice, the creation and uptake of sound HRDD indicators and metrics at national and EU-levels? Which institutions (NGOs, Statistical bureaus and Ministries among others) are relevant in gathering data, funding or communicating about the indicators?

Examples of policy recommendations

- To monitor the impact of public HRDD policies and progress in Agenda 2030 action plans, the EU and its Member States should actively support the development of transparent metrics for assessing corporate adherence to the UNGP.
- Indicators for assessing corporate adherence to the UNGP must have a) a clear conceptual framework, b) methodology open for scrutiny and c) transparency of data.

² Wood, D., 1994. Business and Society, Harper Collins, New York; Carrol, A., 1999. Social Corporate Responsibility – Evolution of a Definitional Construct. Business & Society, 38(3) pp. 268–295; Hopkins, M., 2005. Measurement of corporate social responsibility, International Journal of Management and Decision Making, 6(3/4), pp. 213-203; Rasche, A., Morsing, M., Moon, J. (eds.) (2017). Corporate Social Responsibility: strategy, communication, governance. Cambridge: Cambridge University Press.

- Considering the reporting recommendations laid out in the UNGP, assessments can be based on public material that companies have posted on their websites.
- The impact of public policies must be assessed on the basis of balanced data. Thereby, the generation of data on the corporate uptake of the UNGP should be publicly funded.
- To further the universal fulfilment of human rights, the objective must be the establishment of regional and increasingly global metrics and data.
- While there's a demand for a universal metric, a plurality of assessment frameworks and rankings is natural, as consumers, civil society groups, investors and public policy makers have varied needs. A variety of such rankings may also spur the continual development of the metrics and data.
- An essential step in fostering the creation and uptake of sound HRDD metrics is that we secure increasing institutional demand among investors and officials for the information on the level of corporate adherence to the UNGP.

The event is organised by Finnish NGO platform Fingo, together with the Prime Minister's office of Finland. The track is organised by Fairtrade Finland and Felm.

