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Executive summary

The World Benchmarking Alliance (WBA) is generating a movement to increase the private sector’s impact on a sustainable future for all. It is guided by the United Nations’ 2030 Agenda for Sustainable Development, which encompasses the 17 Sustainable Development Goals (SDGs) and their 169 associated targets. Besides governments and civil society, the 2030 Agenda envisions a significant role for the private sector. However, a systematic approach to track companies’ efforts to drive achievement of the SDGs has so far been missing.

WBA aims to fill this gap by developing free, publicly available benchmarks that measure and rank the 2,000 most influential companies on how they contribute to the SDGs across seven critical systems transformations. These are decarbonisation and energy, food and agriculture, circular, digital, urban, financial and social. The social transformation sits at the heart of WBA’s model, underpinning and enabling all the other systems. It focuses on respect for human rights, equality and empowerment, without which none of the SDGs can be fully achieved.

Human rights and human development are interrelated and interdependent. When human development and human rights advance together, they reinforce each other, protecting people’s fundamental rights and freedoms while expanding people’s capabilities. As such, human rights and human development should be at the core of corporate sustainability action. For this reason, WBA will assess all 2,000 companies on a social component.

This report sets out WBA’s proposal to assess all 2,000 keystone companies on a social component. It includes a novel approach using a set of core social indicators that will act as a minimum requirement ‘floor’ for companies, thereby recognising the basic societal expectations that all companies need to meet. Those that fail to meet these basic criteria will see knock-on effects in their scores under the relevant system transformation. Conversely, companies that do meet the basic criteria will be rewarded for their contribution to the 2030 Agenda, with the aim of further incentivising and accelerating their efforts.
Background and context

The global challenges we face, from the climate crisis to inequality, unsustainable food systems to digital exclusion, are interconnected and affect us all. A perfect storm is brewing, and there is growing pressure to deliver on the SDGs in the next decade. The 2030 Agenda envisions a significant role for the private sector in achieving the SDGs, but a systematic approach to track, incentivise and accelerate companies’ efforts has so far been missing. That’s why WBA has set out to develop free, publicly available benchmarks by 2023 that assess the progress and compare the performance of the 2,000 most influential companies on their contributions to the SDGs.

The benchmarks will be backed by the best available science while leveraging existing international norms and standards, framed by a model of seven critical systems transformations that must take place to realise the 2030 Agenda. They are: decarbonisation and energy, food and agriculture, circular, digital, urban, financial and social. The social transformation sits at the heart of the model, underpinning and enabling all the other systems.

Alongside the 2030 Agenda, WBA recognises the basic responsibility of all companies to act in the interests of their stakeholders, not just their shareholders. As the coronavirus pandemic has served to highlight, the need for companies to demonstrate corporate social responsibility by paying a living wage, providing social protection, understanding and, if necessary, remedying the consequences of their actions on workers and communities is crucial if they are to maintain a social license to operate.

Consequently, the benchmarks aim to empower all stakeholders, from consumers and investors to employees and business leaders, with key data and insights that encourage sustainable business practices across all sectors. The benchmarks’ methodologies will also be free to use and continually improved through an ongoing and open multi-stakeholder dialogue. More information about WBA can be found here.

This report sets out WBA’s thinking regarding the social transformation within the wider WBA approach to benchmarking the keystone companies, and an initial proposal for how such a social assessment will be carried out.
The 2030 Agenda requires us to challenge our current thinking and actions. Business as usual or incremental progress will not deliver the change needed to achieve the SDGs. We have also learned over the course of global stakeholder consultations involving more than 10,000 people that we cannot assess progress issue by issue, SDG by SDG, given that all areas are interrelated. Similarly, it has become clear that we cannot evaluate individual companies or even individual industries; there are simply too many, and with just a decade left to realise the SDGs, the clock is ticking. WBA has identified seven systems transformations we believe are vital to put our society, economy and planet on a more sustainable and resilient path to accomplish the 2030 Agenda:

1. **Social transformation**
   Achieve universal human development by respecting human rights, promoting equality and empowering people to pursue the opportunities and choices they value.

2. **Food and agriculture transformation**
   Produce healthy and nutritious food to feed a growing world population while staying within planetary boundaries, and offer farmers, fishers and their families a decent standard of living.

3. **Decarbonisation and energy transformation**
   Provide universal access to modern energy services while significantly reducing the world’s dependency on carbon-based energy.

4. **Circular transformation**
   Decouple consumption and production from natural resource use and design out waste and pollution.

5. **Digital transformation**
   Harness the potential and benefits of digital technologies for all while managing risks, including safeguarding against undesirable effects.

6. **Urban transformation**
   Create sustainable, inclusive and connected cities that are safe, resilient and clean.

7. **Financial system transformation**
   Reorient the flow of resources and exercise good stewardship to accelerate the economy’s transition towards long-term sustainable development.

These seven systems transformations provide a framework for understanding companies’ contribution to the SDGs. More details on the systems can be found here.
WBA has applied systems thinking to the SDGs to identify ‘the who’ – the 2,000 companies globally that will have a disproportionate influence on meeting the SDGs and whose actions are vital for wider, systemic transformation.

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

From industries to keystone companies
After identifying relevant industries, WBA built on leading academic research that identified the idea of keystone actors, informed by the concept of ‘keystone species’ in ecology to illustrate that the most influential companies in a given industry can operate similarly to keystone species in ecological communities, meaning that they can have a disproportionate effect on the structure and system in which they operate. Inspired by this concept, WBA developed the idea of ‘keystone companies’. Five principles were drawn on to identify the keystone companies:

1. The company dominates global production revenues and/or volumes within a particular sector.
2. The company controls globally relevant segments of production and/or service provision.
3. The company connects (eco)systems globally through subsidiaries and supply chains.
4. The company influences global governance processes and institutions.
5. The company has a global footprint, particularly in developing countries.

The list of keystone companies was first published as the ‘SDG2000’ in January 2020 and will be updated on an annual basis. More details on the selection methodology for the SDG2000 is available here.
The social transformation underpins and enables the six other systems transformations. It focuses on respect for human rights, equality and empowerment, without which none of the SDGs can be fully achieved. For this reason, WBA will assess all the keystone companies on a social component.

Human rights and human development are interrelated and interdependent. When human development and human rights advance together, they reinforce each other, protecting people’s fundamental rights and freedoms while expanding people’s capabilities. As such, human rights and human development should be at the core of corporate sustainability action.

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

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

The SDGs place people first. At their core, the SDGs promote a people-centred agenda that envisions a world where ‘all life can thrive’ by seeking ‘to realize the human rights of all and to achieve gender equality and the empowerment of all women and girls’. For this to be possible, human rights must be respected, basic human needs met and the current societal structures that constrain people from living a self-determined life must be transformed. These changes are captured most profoundly in the following SDGs:

While cutting across multiple SDGs, the social component is relevant to all industries, as represented in WBA’s mapping of systems transformations to industries in Figure 1.
### FIGURE 1: MAPPING OF SYSTEMS TRANSFORMATIONS TO INDUSTRIES

<table>
<thead>
<tr>
<th>Industry/Segment</th>
<th>Social</th>
<th>Circular</th>
<th>Decarbonisation and energy</th>
<th>Digital</th>
<th>Financial</th>
<th>Food and agriculture</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural products</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td>●</td>
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<tr>
<td>Apparel &amp; footwear</td>
<td>●</td>
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<td></td>
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<tr>
<td>Asset managers</td>
<td>●</td>
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<tr>
<td>Automobiles &amp; components</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>Banks</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>Chemicals</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>Construction &amp; engineering</td>
<td>●</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>Construction materials &amp; supplies</td>
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<tr>
<td>Containers &amp; packaging</td>
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<td>●</td>
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<td>●</td>
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<tr>
<td>Electronics</td>
<td>●</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>Financial services</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>Food &amp; beverage</td>
<td>●</td>
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<td></td>
<td>●</td>
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<tr>
<td>Heavy machinery &amp; electrical equipment</td>
<td>●</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>Heavy transportation</td>
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<tr>
<td>Hotels</td>
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<tr>
<td>Insurance</td>
<td>●</td>
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<tr>
<td>Logistics</td>
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<td>●</td>
</tr>
<tr>
<td>Metals &amp; mining</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>Oil &amp; gas</td>
<td>●</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>Paper &amp; forest products</td>
<td>●</td>
<td>●</td>
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<td></td>
<td>●</td>
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<tr>
<td>Passenger transport</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>Pension funds</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>Personal &amp; household products</td>
<td>●</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>Real estate</td>
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<tr>
<td>Retail</td>
<td>●</td>
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<tr>
<td>Software, IT services &amp; platforms</td>
<td>●</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>Sovereign wealth funds</td>
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<td></td>
<td>●</td>
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<tr>
<td>Telecommunications</td>
<td>●</td>
<td></td>
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<td></td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>Tyres &amp; rubber</td>
<td>●</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>Utilities</td>
<td>●</td>
<td>●</td>
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<td></td>
<td></td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>Waste management</td>
<td>●</td>
<td>●</td>
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<td></td>
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<td>●</td>
</tr>
</tbody>
</table>
Beyond respect for human rights and the links to the SDGs, the root causes of social, political and economic issues must be addressed globally if the 2030 Agenda is to be achieved. Key among these is addressing the needs of marginalised and disadvantaged populations and reducing the inequalities that negatively impact human development.

While many social, political and economic issues may initially be viewed as areas of government concern (such as education and healthcare), this overlooks the role of companies, which exist, as market actors, within the current system and are partly responsible for creating, driving and benefitting from the system.

Companies are not politically neutral in that they support, oppose and operate within the myriad political systems that are linked to both the root causes of inequality and the principal drivers of development. Choices made in terms of business model (including worker social protection and contract security, shareholder versus stakeholder primacy, extended and outsourced supply chain oversight, political influence and tax arrangements) all have material impacts on a company’s contribution to the SDGs. As such, the social transformation may need to assess, reward and push for business models that address broader social, political and economic issues.

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

**Proposed Approach**

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

---

**Figure 2: Seven Systems Transformations**
By applying a social lens to every transformation assessment, we can understand whether the transition from the current to the desired system is a ‘just transition’ that manages social risk and leaves no one behind while creating a better future.

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

With this in mind, WBA does not plan to publish a separate Social Transformation Benchmark for all 2,000 companies, as this would duplicate work at the transformation level. It would likely also prove impossible to compare and contrast the social contributions across dozens of industries. Instead, WBA proposes a framework that allows an understanding of a company’s approach to meeting basic societal expectations as well as its contribution to the relevant aspects of the social transformation.

To achieve this, WBA will first aim to assess whether companies are meeting basic societal expectations, such as respecting workers’ rights, paying a living wage and taking a responsible approach to lobbying and taxation. This minimum requirement ‘floor’ (or social license to operate) will provide the foundation from which to understand a company’s impacts on the other transformations and the SDGs. WBA will then be better placed to give credit to, or raise awareness of, actions that support or hinder progress towards the SDGs and the transformations, with companies in each system having transformation-specific social issues that need to be addressed. Where necessary, WBA will publish ‘spotlight assessments’ on specific social topics to provide insights that can only be reached through deep-dive assessments.

Beyond the basic expectations and transformation-specific social aspects, WBA may also investigate broader narratives on the role of business in society and business models that may be at odds with long term sustainable economies.

As a key takeaway, WBA could frame the approach to embedding the social transformation within the other transformations as follows:

There are six key systems transformations that WBA identified as being critical to achieve the 2030 Agenda: digital, circular, food, energy, urban and finance. WBA will apply a social lens to every transformation assessment, so that we can understand whether the transition from the current to the desired system is a ‘just transition’ that manages social risk and leaves no one behind while creating a better future.
The social transformation

The proposed approach can be summarised through three types of assessment as follows:

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

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

3 **Spotlight social assessments**
   Specific issues deserve deeper analysis (e.g. gender equality and women’s empowerment in the apparel industry, or a human rights benchmark in high-risk sectors). Selection of these ‘spotlight issues’ will be supported by the understanding provided by the core social assessment across the keystone companies. Conversely, spotlights will help WBA learn how to scale up elements of the core social assessment. Spotlights will also help demonstrate the utility of the core social indicators, by checking the correlation between the ‘basic but broad’ core social assessment and ‘detailed but targeted’ spotlight assessment. Spotlights will help WBA learn, remain credible, stay relevant and scale the lessons learnt. See the Corporate Human Rights Benchmark (CHRB) website for an insight into one of WBA’s spotlights.
An example of a combined transformation assessment of a company is shown in Figure 3.

*Performance on core social indicators could either provide a weighting or score limiting factor to a company's score on a transformation's benchmark.
Core social overview

In seeking to understand companies’ contribution to the SDGs, WBA could integrate all social components into the broader transformation assessment methodologies. However, we believe that this approach would not recognise the basic societal expectations that all companies need to meet. Companies who do not meet these basic expectations will undermine any contribution to the SDGs and fail to demonstrate they operate responsibly. This should not be ‘lost’ within broader assessments of contributions to systems transformation. As such, WBA’s proposed approach is to identify a set of core social indicators that act as a minimum requirement ‘floor’ for all companies. These indicators can be assessed separately and viewed as a ‘hurdle’ that companies must overcome. Those that fail to meet the basic criteria will see knock-on effects in their transformation scores.

As an example, a straightforward ‘meets/partially meets/does not meet’ assessment could be conducted for each core social topic. Based on a company’s overall score on the core social topics, a weighting could be applied to the company’s transformation score. As an example, a company that scores 80% on a financial system transformation assessment but only meets seven of the 15 core social topics could lose, for example, 30%; reducing its final score to 50%.

This approach will have several implications:
• Assessments on meeting basic societal expectations will not necessarily reflect company performance within a topic. Rather, it will allow companies to be given credit subsequently for their
contributions to the 2030 Agenda. This is analogous to having a driving license before being allowed to compete in a race.

- By linking core social indicators with deep-dive spotlight assessments on individual topics, WBA may be able to provide scaled proxies for performance to all the keystone companies.
- Core social indicators must be equally applicable to any of the keystone companies and will therefore be sector agnostic.
- As the core social topics will focus on things that all companies must do, WBA has a strong preference to assess companies against publicly available data as opposed to conducting surveys.
- A consistent approach to all the keystone companies will enable comparability and the ability to track companies annually, while providing overarching insights into business approaches to the SDGs that will support policy conversations.
- By placing basic societal expectations at the heart of the SDG assessments, the social transformation will also enable an evaluation of any ‘SDG washing’ by highlighting the gaps between what companies must do (e.g. respect human rights) and what they could do (e.g. change approaches to better support a particular SDG outcome).

Core social topics

The draft list of core social topics below was developed in 2019 and early 2020 following engagement with peer organisations within the Alliance (including EIRIS Foundation, ShareAction, and the Business and Human Rights Resource Centre) and WBA’s own internal teams (including the Corporate Human Rights Benchmark (CHRB) and Gender Benchmark teams), by mapping the indicators detailed in sources such as the Global Reporting Initiative, B Lab, United Nations Conference on Trade and Development, and the Sustainability Accounting Standards Board, as well as through additional desk-based research, including a review of the ACT 2019 Research Report on sustainability reporting. An initial list of over 100 indicators/disclosures was initially identified as relevant to the social transformation. After review, the following 15 topics were selected to draft the core social topic list:

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

The depth of analysis for these topics will be determined during the methodology development. In line with WBA’s ‘scale before depth’ approach, the core social indicators will not be designed to compare
Assessing keystone companies on a social component

compartment performance within a topic. Instead, indicators will be developed which, if not met, would strongly suggest that a company is unlikely to adequately manage a specific issue. This could be viewed as a proxy for understanding what companies ‘are not’ doing, rather than a proxy for performance based on what they ‘are’ doing.

Transformation-specific social assessments

The level and type of transformation-specific social assessments included in each benchmark will depend on the nature of the sector, its key social issues and the opportunities to contribute to the 2030 Agenda.

Having said that, each of the six other transformations is inherently ‘social’ as the transformations are inextricably linked with the 2030 Agenda (‘eradicate poverty and achieve sustainable development for all while leaving no one behind by 2030’). As such, the extent to which companies contribute to a system transformation can act as either a direct or indirect measure of their impact on society. But this on its own is not enough; it is vital to understand and account for ‘how’ companies are driving that transformation, and to ensure that the end result does not create negative outcomes for people. As people are at the centre of all the transformations, WBA will standardise the core social assessment, enabling the systems transformation benchmarks to focus on their specific contexts.

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

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

The integration of these social indicators into the overall scoring, or the score limiting/weighting approach, will depend on the transformation and the feedback from key stakeholders during consultations. Work will be ongoing throughout 2020 to test this approach, starting with the food and agriculture system transformation.

Identifying the sector-specific social topics and developing indicators for the other transformations will be a work in progress from 2021-2023, but the following issues are the types of things that may be included:

- **Decarbonisation & energy** – Just transition for workers and communities, access to energy
- **Digital** – Digital rights, artificial intelligence, adverse impacts at scale (elections, bullying, etc.)
- **Urban** – Workers rights, access to housing
- **Circular** – Waste export, labour rights in logistics chains
- **Finance** – Access to finance, screening harmful activities, access to remedy

**Spotlight social assessments**

In 2020, the Gender Benchmark baseline report and the fourth iteration of the CHRB will be launched as spotlight social assessments.

Gender Benchmark – The Gender Benchmark will assess 36 companies in the apparel sector. A baseline report will be launched in September this year followed by a full benchmark next year. The methodology seeks to demonstrate how companies can drive gender equality and women’s empowerment across their entire value chains, from their workplace to their supply chains, marketplace and community. The 2020 baseline report will be useful in determining the focus of the core social indicator(s) on gender equality and women’s empowerment and the type of data that will be available for collection and assessment.
Assessing keystone companies on a social component

CHRB – The CHRB, launching in November, will assess 230 companies in five sectors that have high risks for human rights. The full methodology allows a deep dive into corporate approaches to understanding and managing human rights risks and impacts. As several of the core social topics intersect with the CHRB assessment, the 2020 benchmark will provide useful data to evaluate correlations between the core social indicator scores and deep dives on certain topics. The CHRB methodology will be extensively reviewed in 2020, which will feed into the core social methodology development process.

Once all 2,000 keystone companies have been assessed on the core social indicators, patterns of poor performance in specific areas may highlight the need for additional spotlights, such as a deeper dive into living wages or taxes.
Explaining the core social topics

The following section sets out brief explanations for the inclusion of each core social topic as an assessment area. Where possible, topics are related directly to international norms and specific standards. More details will be included in the draft methodology, which will be published in the second quarter of 2020 as part of the methodology development process.

UNGP implementation (core social topics 1-3)

The 2030 Agenda aims to ‘realise the human rights of all’, and human rights are inextricably linked to the SDGs. Analysis by the Danish Institute for Human Rights shows that over 90% of the SDG targets can be directly linked to international and regional human rights instruments and labour standards. Companies play a critical role in achieving the SDGs and they have responsibilities to respect the human rights of those involved in or impacted by their operations. The UNGPS lay out how human rights standards apply to business and provide the authoritative standard on business and human rights.

As stated above, respect for human rights and the SDGs go hand in hand. The UN Working Group on Business and Human Rights noted in 2018 that: ‘Robust human rights due diligence enables and contributes to sustainable development. For businesses, the most powerful contribution to sustainable development is to embed respect for human rights in their activities and across their value chains, addressing harm done to people and focusing on the potential and actual impacts.’
Explaining the core social topics

WBA recognises both the need for companies to respect human rights to avoid harms and the positive elements of the UNGPs that are relevant to the SDGs.

As such, a key focus of the core social indicators is ‘respect for human rights’, articulated through the UNGP expectations that companies:

1. Publicly commit to respect human rights
2. Conduct human rights due diligence
3. Provide access to remedy

The CHRB has spent several years developing and using indicators that focus on UNGP implementation. Scores using the ‘CHRB core UNGP indicators’ correlate very well with overall human rights scores using the full methodology. The CHRB indicators will be used to support the creation of several of the core social indicators, especially for core social topics 1 to 3. Moreover, the CHRB provides a good initial cross-check for UNGP implementation as it covers 10% of the keystone companies.

1. Commitment to respect human rights

WBA will assess a policy commitment (i.e. one approved at the highest level of the business) that shows a company is committed to respecting human rights across its activities, in line with the expectations of the UNGPs. A policy commitment sets the ‘tone at the top’ that is needed to embed respect for human rights in the company’s core values and culture. It indicates that senior management considers respect for human rights to be a minimum standard for conducting business with legitimacy; it lays out expectations for how staff and business relationships should act as well as what others can expect of the company. It should trigger a range of other internal actions that are necessary to meet the commitment in practice.

It must be clear that the commitment relates to all internationally recognised human rights, rather than selected rights the company has cherry-picked. This commitment could take the form of a formal commitment to the ten principles of the UN Global Compact (principles 1 and 2 explicitly relate to the protection of human rights), the International Bill of Rights and/or the Universal Declaration on Human Rights. It could be strengthened by a commitment to implementing the UNGPs and/or the OECD Guidelines for Multinational Enterprises.
Explaining the core social topics

2 Human rights due diligence

Human rights due diligence (Figure 4) provides the ‘backbone of the day-to-day activities of a business enterprise in translating into practice its responsibility to respect human rights’\(^\text{10}\). Companies should identify, prevent, mitigate and account for how they avoid and address negative human rights impacts they cause, contribute to or which are linked to their activities through business relationships. It is critical that companies engage in this process in order to ‘proactively manage the potential and actual risks of adverse impacts on the rights and dignity of people’\(^\text{10}\). WBA will assess companies on elements of their practical application of a human rights due diligence approach, in line with the expectations of the UNGPs.

3 Access to remedy

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 impacts it has caused or contributed to, it cannot fully meet its responsibility to respect human rights. Negative human rights impacts may occur despite a company’s best efforts, given the complexity of activities and business relationships involved. Companies need to be prepared for this, so they can respond quickly and effectively.

Where a company identifies that it has caused or contributed to negative human rights impacts, it should provide for or cooperate in their remediation through legitimate processes. Companies should
Explaining the core social topics

establish or participate in effective operational-level grievance mechanisms for stakeholders who may be negatively impacted by their activities. Remediation processes provided by the state or third-party institutions (e.g. multi-stakeholder initiatives) can provide alternative channels for affected stakeholders to raise complaints or concerns. WBA will assess companies on their approach to providing access to remedy, in line with the expectations of the UNGPs.

4 Governance of human rights issues (board oversight)

The development and implementation of a company’s approach to and aspirations regarding its contribution to the SDGs should be led from the top (i.e. the board). As such, board leadership on social issues is key to embedding purpose within the company and signalling the importance of these issues to stakeholders inside and outside the company. Social issues should be important to all companies, therefore managing them should be incorporated into relevant targets and linked to appropriate remuneration and performance targets at the most senior levels.

The initial focus of this core social indicator will be on the oversight of human rights, rather than sustainable development. Attention to human rights issues by the board indicates that top management considers respect for human rights to be a minimum standard for conducting business with legitimacy. WBA recognises that there may be additional governance topics that should be assessed, and these will be considered in the development of each benchmark methodology (e.g. board oversight of environmental issues or gender).

5 Freedom of association and collective bargaining

Freedom of association and collective bargaining are fundamental human rights enshrined in both the International Bill of Human Rights and ILO Conventions 87 and 98, and the freedom to associate is seen as a prerequisite to collective bargaining. Upholding these rights is essential to the enjoyment of other human rights. In enjoying these rights, workers can use collective power to improve their working terms and conditions, supporting the SDGs including SDG 8 (decent work), SDG10 (reduced inequalities) and SDG 16 (accountable and inclusive institutions).
Explaining the core social topics

Companies should respect the right of all workers to form and/or join a trade union of their choice (or equivalent worker bodies where the right to freedom of association and collective bargaining is restricted under law) and to bargain collectively. Companies that actively support freedom of association and collective bargaining create an enabling environment for the protection of fundamental rights and the realisation of multiple SDGs. Similarly, without workers’ associations, the incorporation of worker voice into business decisions becomes less likely, undermining causes such as a just transition.

6 Forced labour

Forced labour refers to situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as accumulated debt, retention of identity papers or threats of denunciation to immigration authorities. Despite forced labour being prohibited under ILO Convention 29 since 1930, tens of millions of people are currently victims of forced labour in both developed and developing countries and across all types of economic activity. WBA will likely assess the practices businesses have employed in order to eliminate forced labour in their activities, including in their supply chains. The elimination of forced labour will contribute to decent work (supporting SDG8), reduce inequalities (supporting SDG 10) and assist in building sustainable economies.

7 Child labour

Child labour – work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development – is endemic, with various estimates placing the number of children (aged 5 to 17) in employment in the 100-200 million range. Tens of millions of these children are engaged in the worst forms of child labour, including labour that is hazardous to their health and safety. In the least developed countries, approximately one in four children...
(aged 5 to 17) are engaged in labour that is considered detrimental to their health and development.

Companies can be linked to child labour in various ways: Directly employing children, benefitting from the low cost of child labour in the supply chain, failing to conduct adequate due diligence (to identify child labour deep into the supply chain), failing to pay living wages (preventing parents from keeping their children in school) or incentivising child labour through setting high production targets.

Companies should eliminate the use of child labour, including in their supply chains, and adopt processes to verify the age of job applicants and workers. Doing so will contribute to the fulfilment of multiple SDGs, including SDG 4 (Quality Education), SDG 8 (Decent Work), Target 16.2 (End abuse, exploitation, trafficking and all forms of violence and torture against children), and particularly Target 8.7: ‘Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.’

8 Discrimination

WBA recognises the right of all people to secure their human rights without discrimination on any grounds, including sex, race, colour, language, religion, political opinion, national/social origin, property, sexual orientation, gender identity/status, marital status, disability or pregnancy/maternity status. Discrimination is linked to other core social issues as it may impact on remuneration, occupational health and safety and gender equality. It can negatively impact the achievement of multiple SDGs and targets including Target 8.5 (decent work for all men and women), Target 8.8 (...working environments for...migrant workers), SDG 10 (reduction of inequality, including Target 10.2; empower and promote economic inclusion of all irrespective of age, sex, disability, race, ethnicity, origin, religion, economic or other status), Goal 3 (healthy lives and well-being for all) and under SDG 5 (achievement of gender equality and ending all forms of discrimination against all women and girls everywhere).

Companies that fail to eliminate discriminatory practices in their activities should be held to account. In order to achieve freedom from discrimination, companies should both remove discriminatory practices
and promote equality of opportunity and treatment in the workplace at all stages of the employment relationship. Approaches to diversity and inclusion may support company efforts to achieve this.

9 Gender equality and women’s empowerment

WBA recognises that women’s rights are fundamental human rights and that gender equality is a necessary foundation for a peaceful, prosperous and sustainable world. However, women continue to experience various forms of discrimination and violence in all spheres of life due to discriminatory social norms, patriarchal power structures and gender stereotypes. In the workplace, gender inequality manifests itself in a variety of ways, such as low levels of women represented in leadership positions, a persistent gender pay gap, discrimination against pregnant women and new mothers, limited support for women’s reproductive health, and sexual harassment offences. Therefore, companies are uniquely positioned to drive gender equality and women’s empowerment across their entire value chains.

Key core social issues linked with gender equality and women’s empowerment include representation and participation in the workforce, compensation and benefits and health and well-being. Violence and harassment also continue to be widespread and disproportionately affect women across a business’ entire value chain. These issues can negatively impact the achievement of multiple SDGs and targets, notably SDG 5 (achieve gender equality and empower all women and girls), SDG 10 (reduce inequality), target 10.2 (empower and promote the social, economic and political inclusion of all, irrespective of age,
Explaining the core social topics

sex, disability, race, ethnicity, origin, religion or economic or other status), SDG 8 (decent work), target 8.5 (achieve full and productive employment and decent work for all women and men ... and equal pay for work of equal value) and target 3.7 (ensure universal access to sexual and reproductive healthcare services).

Companies, while varied in their approaches and levels of commitment, can all do more to promote gender equality and women’s empowerment. WBA will look to assess the steps companies are taking to drive gender equality and women’s empowerment across their activities, drawing on insights from WBA’s Gender Benchmark.

10 Health and safety

All people have the right to safe and healthy working conditions. Even so, 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 300 million work-related accidents and over 150 million work-related illnesses annually.

Companies have the ability to impact hundreds of millions of workers through their operations. WBA will assess how companies use their significant leverage to ensure that the health, safety and well-being of workers involved in or impacted by their business are protected.

This includes companies’ own workers as well as workers in their supply chains. Key SDGs related to health and safety include SDG 3 (good health), SDG 8 (decent work and economic growth) and SDG 16 (peace and justice) and in particular these three targets:

- **Target 3.9** - By 2030 substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water, and soil pollution and contamination
- **Target 8.8** - Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment
- **Target 16.6** - Develop effective, accountable and transparent institutions at all levels
Explaining the core social topics

11 Living wages and social protection

WBA recognises that minimum wage laws are neither universally applied nor necessarily adequate to ensure a decent quality of life. As such, the payment of a living wage is seen as a critical enabler for the private sector’s contribution to the 2030 Agenda. As highlighted by the coronavirus pandemic, social protection (including healthcare, sick pay and redundancy pay) is a critical aspect of decent work.

Article 7 of the International Covenant on Economic, Social and Cultural Rights recognises the right of everyone to just and favourable conditions of work, including fair and non-discriminatory remuneration that provides for a decent living for workers and their families. A non-discriminatory living wage is particularly important because it contributes directly and indirectly to the fulfilment of several other fundamental human rights of both the workers and their dependents (such as the rights to food, water, health, adequate housing, education and family life). A living wage may also help to ensure no one is left behind by contributing to decent work (SDG 8), reduced inequalities (SDGs 5 and 10), ending poverty (SDG 1) and good health and well-being (SDG 3). It may also prevent children from having to work, supporting quality education (SDG 4) and decrease the prevalence of hunger (SDG 2) by enabling adequate access to quality food and nutrition. Accordingly, WBA will look to assess the payment of living wages throughout a company’s activities.

However, wages are only part of the story. A living wage is inextricably linked to working hours, which is a long-standing concern of labour legislation. It would not be acceptable for workers to earn a ‘total living wage’ if this is dependent on exploitive working hours or overtime. Employment models that remove worker protections and provisions (for example through zero-hour contracts, gig working, lack of social security or pension contributions) have the potential to undermine the realisation of the SDGs. As such, WBA may also assess workers’ hours and social protection alongside living wages.

12 Personal data protection

Data is playing an increasingly important role within business. Companies collect and use growing amounts of personal data pertaining to their staff, customers, clients and other stakeholders. As a result,
Explaining the core social topics

companies are at particular risk of negatively impacting the right to privacy, which is set out as a human right in Article 12 of the Universal Declaration of Human Rights and Article 17 of the International Covenant on Civil and Political Rights. As society becomes more and more ‘digitised’, companies will continue to create and collect greater amounts of data. As a result, data privacy will become even more crucial, as the consequences of infringing privacy rights become more severe.

Despite the exponential growth in data, there are still significant data gaps that need to be filled in order to understand and advance all 17 SDGs25. As such, more data is needed (e.g. data that evidences social inequalities). However, this need for data to support the achievement of the 2030 Agenda must be balanced with the protection of personal data. Accordingly, WBA will assess how companies apply responsible practices with respect to personal data. This will draw on insights from WBA’s Digital Inclusion Benchmark.

13 Corporate taxation

Tax revenues should provide the fundamental resources that enable legitimate actors (states) to support the protection, well-being and development of their people and help realise the SDGs26. Unfortunately, large amounts of tax revenues are lost because of tax avoidance and evasion. This presents a key obstacle to sustainable economic, political and social development, and by extension to the achievement of the SDGs that are dependent on government funding27. This situation is exacerbated by corruption, which is covered separately in the next topic.

Companies can undermine the realisation of rights and the achievement of the 2030 Agenda by their involvement in or connection with tax evasion and avoidance practices, which ultimately deprives States of critical resources. As the payment of taxes directly impacts a State’s ability to deliver on the 2030 Agenda, it has the ability to impact on all the SDGs that are dependent on government funding. In addition, tax is clearly linked to target 17.1 (strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection). WBA will assess corporate citizenship by evaluating companies’ approach to taxation, for example by looking at the transparent reporting of tax payments.
Explaining the core social topics

14 Anti-corruption

Similar to 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 $1 trillion paid in bribes and a $2.6 trillion cost of corruption each year, the extent of the problem is staggering.

Companies can undermine the realisation of rights and the achievement of the 2030 Agenda by their involvement in or connection with corrupt practices. Corruption can indirectly impact on all the SDGs that are dependent on government funding but is also clearly linked to target 16.5 (substantially reduce corruption and bribery in all their forms). WBA will assess how companies prevent corrupt practices in their activities.

15 Lobbying and corporate political influence

Companies can use a range of tools to influence the political process. These include donations to political actors, political engagement, advertising and public relations but also mobilising influencers like trade associations and advocacy groups. Lobbying, meanwhile, has the potential to determine the policy environment. The outcomes of both lobbying and corporate political influence may have positive and negative impacts on society – a positive outcome being a policy environment that supports and rewards actors that contribute to a more sustainable future. Moreover, the activities themselves carry the risk of bribery, corruption, conflicts of interest, and financial and reputational damage.

In relation to the SDGs, targets 16.5 (substantially reduce corruption and bribery in all their forms), 16.6 (develop effective, accountable and transparent institutions at all levels) and 16.7 (ensure responsive, inclusive, participatory and representative decision making at all levels) have clear links to corporate political influence. However, due to the range of activities that may relate to lobbying, any SDGs and targets that a company may impact also have the potential to be positively or negatively impacted by a company’s political engagement activities. As such, a company’s approach to corporate political influence is a critical enabler for, or risk to, their contribution to the 2030 Agenda.
Next steps

WBA has committed to assess all 2,000 keystone companies by the end of 2023. As far as possible, the social component will be integrated into the assessments of all the keystone companies, although the balance between ‘core social’ and ‘transformation-specific’ indicators will be determined in 2020 as the individual benchmark methodologies are developed. As some methodologies are already close to finalisation, the assessment of the core social indicators may be offset from the first transformation benchmark, but the aim is to have a coordinated and integrated approach moving ahead. The Food and Agriculture Benchmark (baseline assessment) in the second half of 2020 will provide a test case for the proposed approach.

Once a set of core social indicators is established, they could be applied to all the keystone companies before the transformation-specific social methodologies have been established. The timeline for this roll-out will depend on the complexity of the final methodology and the available resources to carry out the research in 2021 and 2022. In the interim, the keystone companies will be informed of the final framework WBA chooses for the social transformation.

Expert Review Committee

WBA’s model includes an Expert Review Committee (ERC) comprising external volunteers who provide non-binding guidance to WBA. While WBA has been creating transformation-specific ERCs (for example, for the digital and food and agriculture systems transformations), there are also spotlight ERCs (for example, for the CHRB and Gender benchmarks). Due to the cross-cutting nature of the social transformation, the Social ERC will play a slightly different role from the others.

WBA proposes nominating ‘social champions’ within each of the other transformation-specific ERCs. If amenable, these six people will form the core of the Social ERC. The remaining members will be drawn from a range of organisations and backgrounds. At the moment, less than half of the transformation-specific ERCs are fully formed, so in the interim, the Social ERC may also be supported by former members of the CHRB Advisory Committee.

The proposed aims and roles of the Social ERC are as follows:

- Ensure a consistent approach to integrating social aspects across WBA methodologies. This would not mean having control over other methodologies or ERCs but would mean having a consistent opinion that can be taken back to the other ERCs.
- Build an expert network of individuals who can advise on social issues; confirm the core social topics; identify missing or emergent topics that should be investigated/developed in the other transformations; and propose spotlight assessments of key social topics (such as a deep dive on living wages).
- Provide advice on creating ‘movements’ that can leverage the outputs of social research and support WBA’s Engagement, Communications and Policy teams.
- Act as advocates for WBA’s approach to the social transformation as well as an early warning system if there are weaknesses in WBA’s approach that are identified by their network of external stakeholders.
Next steps

Timeline

The timeline below (Figure 5) outlines the social transformation development process for 2020.

FIGURE 5: SOCIAL TRANSFORMATION DEVELOPMENT TIMELINE FOR 2020

In 2021, WBA aims to assess a minimum of 1,000 companies on the core social indicators and support in the development of transformation-specific social indicators.
References


References


