

## UNGPs Next 10 Years Project

### Input from a study underway by the Global Reporting Initiative (GRI), Danish Institute of Human Rights and Centro Vincular from the Pontificia Universidad Católica de Valparaíso

Companies affect human rights every day in their interactions with employees, suppliers, consumers, partners and communities. Yet the integration of human rights considerations into business decision-making processes and actions continues to be slow. Some of the obstacles companies face include a rapidly changing regulatory landscape and enhanced expectations and scrutiny from stakeholders, which when coupled with a lack of internal awareness and leadership, makes it even more important to scale up and speed up the business and human rights agenda and provide concrete examples and support to companies committed to making progress.

One of principal weak points in human rights management in companies continues to be a lack of transparency and communication of their efforts, progress, outcomes and challenges. This is evident in results from studies such as the Corporate Sustainability Assessment (SAM, now a part of S&P Global), the Corporate Human Rights Benchmark (World Benchmarking Alliance), the Responsible Mining Index (Responsible Mining Foundation) and various other benchmarks, studies and analyses.

The Global Reporting Initiative (GRI), the Danish Institute of Human Rights (DIHR) and Centro Vincular-PUCV are currently collaborating on a study titled **“Shining a light on human rights - Progress on corporate human rights performance disclosure”**. The aim of the study is to assess progress made on corporate human rights performance disclosures in the mining and metals, energy and financial services sectors since the first version of the study was published in 2016<sup>1</sup>.

The second version of the study will aim to identify trends and potential improvements on human rights reporting in these three sectors as well as an in depth analysis of the challenges companies face in order to be more transparent on this topic. The study will not only look to the past and the information that companies report on in their latest sustainability report but will also look to the future. It will analyze how well prepared companies are for the revised GRI Universal Standards<sup>2</sup> to be launched in 2021, which apply to all organizations that disclose their impacts through GRI. These Standards are being revised to incorporate reporting on human rights and environmental due diligence in line with authoritative intergovernmental instruments, including the UNGPs.

Efforts to undertake large scale qualitative analysis of company reports are limited by the resource intensive nature of the review, requiring manual review of company reports which provide relevant data in often quite different formats. This makes qualitative analysis of this kind a resource intensive exercise which can be challenging to scale up. In our view, it is possible to supplement qualitative analysis through big data analysis assisted by an algorithm.

The data analysis methodology for this project consists of qualitative analysis drawn from a manual review of company reports, supported by the application of technology developed by the DIHR to analyze human rights related information disclosed in sustainability reports published between

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<sup>1</sup> [https://media.business-humanrights.org/media/documents/files/documents/Shining\\_a\\_Light\\_on\\_Human\\_Rights\\_2016\\_report.pdf](https://media.business-humanrights.org/media/documents/files/documents/Shining_a_Light_on_Human_Rights_2016_report.pdf)

<sup>2</sup> <https://www.globalreporting.org/standards/standards-development/review-of-the-universal-standards/>

2011 and 2016, using algorithm assisted analysis. The study is in the initial development stage, with work still being carried out on the development of the algorithm. To develop the algorithm, we have had access to a database of sustainability reports<sup>3</sup> maintained by GRI until December 2020, which contains links to around 27,000 company reports in the years 2011-2016. We were able to download and read only 9,685 of the reports due to either broken links or links not leading directly to the reports. Out of the downloaded reports, 3,918 of the reports are in English and are included in the analysis from companies in 38 sectors. This corresponds to 14 % of the original database. To use the reports with the algorithm, we have converted the pdf-files to txt-files and split the reports into text snippets, which are then classified by reference to a set of human rights indicators.

In this first stage, sustainability reports published between 2011 and 2016 were analyzed by the algorithm to identify human rights topics. It is important to bear in mind that the preliminary findings shown below do not include reports published beyond 2016, but it does give an idea of the value of the algorithm and how we will be able to analyze the data for the full study during 2021 and beyond.

### **Preliminary findings**

Where has progress taken place in UNGPs implementation over the course of the last decade?

#### Human rights policy:

Very low transparency, but evidence of a positive trend. An increase from **5,6% to 10,3%** of reports overall (2011 to 2016) showed evidence of reporting on their human rights policies. We hope to see this percentage increase significantly in the more recent years due to greater uptake of the UNGPs.

#### Human rights due diligence:

Over the first 5 years of the implementation of the UNGPs, corporate transparency on due diligence processes was extremely low, with only **3%** of the reports published in 2016 including information on this topic. We do hope to see a marked increase in reporting on due diligence in the analysis of reports from 2017 to 2021, in parallel with the introduction of legislations mandating human rights due diligence or due diligence related to certain human rights issues in a few countries.

The financial services, mining and energy services are the 3 industries with the highest rate of reporting on human rights policies and due diligence processes. This supports the reason we will continue to focus the research on these 3 industries, as developed in the 2016 version of the report, in order to see whether there is transparency on the implementation of these policies and the due diligence processes.

#### Human rights topics:

The preliminary analysis of specific human rights topics, such as equality and non-discrimination; data privacy; indigenous peoples and freedom of association, amongst others, all show a positive trend in the number of reports including information on these topics between 2011 and 2016. However, overall the percentage of reports showing information on these topics varied between 30% and 40% in 2016, which shows that there is still room for significant improvement in reporting

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<sup>3</sup> <https://database.globalreporting.org/>

by companies. It will be essential to compare such results with the most recent reports available from 2017 to 2021.

Where do gaps and challenges remain? What has not worked to date?

Although we see great promise in big data technology to support analyses of corporate reporting, it is important to recognize the limitations of this kind of quantitative analysis. While the algorithm assisted analysis can identify whether a particular report includes text which relates to a range of human rights indicators, it is not capable of assessing the quality of the reporting. It is therefore beneficial to link quantitative analysis of this kind with qualitative analysis drawn from manual review of company reports.

A second issue which this project has highlighted is that in addition to challenges associated with assessing the substance of reporting, there are challenges in relation to the accessibility of company reports and how reported information is prepared and presented. There is considerable variation in the presentation of data on human rights issues in current company reporting, which presents difficulties when attempting to assess and compare reporting practice.

While the algorithm technology has been used successfully by the DIHR on other more standardized datasets – including in relation to a similar project using big data analysis of 145,000 recommendations from the international human rights system, which resulted in the creation of the SDG-Human Rights Data Explorer<sup>4</sup> – there have been challenges in adapting the algorithm to the company reports dataset. This has stemmed in part from the lack of standardization of reporting format. Additionally, potentially relevant information is contained in a range of formats, including tables or text boxes in picture format, which has been challenging to convert into a machine-readable format.

The capacity to easily access, analyze and compare reporting is crucial for a range of stakeholders including ESG investors and civil society groups focused on corporate accountability. However, as this project has already highlighted, corporate reports are prepared in different ways with differing formats. This lack of standardization and accessibility has a deleterious effect on the ability to assess and compare company reporting.

### Next steps

We will begin analyzing the universe of report published between 2017 and 2021 for the financial, mining and energy sectors during March and will have more detailed results to publish in time for the **10<sup>th</sup> anniversary of the UNGPs in June**. We hope our research will contribute to the debate around corporate transparency on human rights management, showing progress and gaps which need to be the focused on going forward for the next 10 years on implementation.

The final report, including qualitative analysis and perspectives on the forthcoming revised GRI Universal Standards, will be published during the **UN Forum on Business and Human Rights in November**. It will be supplanted by interviews with companies that have made progress on human rights management, selected on the level of their reporting practices, as well as other stakeholders.

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<sup>4</sup> <https://sdgdata.humanrights.dk/>