



# Human Rights Accelerator

Biannual Report – September 2022

Executive Summary – *Approved for public disclosure*

## EXECUTIVE SUMMARY

The goal of the Human Rights Accelerator (**HRA**) thematic engagement is to push companies further on their journey to set and implement effective human rights due diligence (**HRDD**) as per the United Nations Guiding Principles on Business and Human Rights (**UNGP**). Ultimately, the impact we seek is improvement in the livelihood of workers, farmers and local communities directly involved in our focus sectors – electronics, mining, and cocoa. To this end, companies need to implement robust HRDD that considers the operating context and root causes of their salient human rights risks.

Three “disruptors” – climate change, technology and pandemics - have played out in a big way in recent years. We have experienced individually or watched others go through terrible climate related catastrophes. Technology is automating some of what we used to do and the way we used to do it and that automation and reliance on technology has accelerated during COVID.<sup>1</sup> While some people may come out stronger out of a disruption, some are left behind. We are not all impacted in the same way by these events. This is exemplified by the additional 75 to 95 million people that could be living in extreme poverty in 2022 compared to pre-pandemic projections.<sup>2</sup> At the same time, **Oxfam reports** that billionaires’ wealth has risen more in the first 24 months of COVID-19 than in 23 years combined. Companies have felt the crises too, having had to shift and adapt to make their business more resilient – and, arguably, more sustainable.<sup>3</sup>

It is in this context that there is an acceleration of legislations mandating human rights due diligence. HRDD, as per the UNGPs, has been applied and implemented unevenly across companies and reporting has been inconsistent, of poor quality, and unreliable.<sup>4</sup> This is where this engagement brings value. We will strive to go beyond disclosures, taking a holistic approach to HRDD and having a look at the cogs behind the commitments. For example, understanding how practically a company has integrated human rights considerations within its ERM and internal risk controls through the UNGPs lens.

### Update on our engagement efforts since April 2022

Since the baseline report in March 2022, to date, four companies are active in this engagement. In this period, Sustainalytics reached out to 23 companies, held three engagement calls, and five introductory calls. We also exchanged 114 emails.

Starting to engage with companies has been more difficult than expected. This may be because human rights are a complex and often politicized topic that can be difficult to engage on for many companies, particularly in some geographies. We also see the multiplication of legislations on HRDD pushing the agenda to companies’ legal department, which could restrict the occurrence of open dialogues for the risk they may present. For the companies that did not yet respond, we

<sup>1</sup> <https://www.eurofound.europa.eu/data/digitalisation/research-digests/covid-19-and-digitalisation>

<sup>2</sup> Pandemic, prices, and poverty ([worldbank.org](http://worldbank.org))

<sup>3</sup> <https://www.mckinsey.com/capabilities/risk-and-resilience/our-insights/resilience-for-sustainable-inclusive-growth>

<sup>4</sup> [https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/files/CRI\\_WP\\_79\\_Final.pdf](https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/files/CRI_WP_79_Final.pdf)

will continue to push for dialogue and, where necessary, we will seek to escalate, using tools like investors letters and collaborating with the ESG Voting Policy Overlay team.

The goal of the HRA is to push companies further on their journey to set effective HRDD that align with the UNGP. Although most companies would have some commitment to human rights (or equivalence), it is not always clear from disclosures how embedded those considerations are within policies and management systems. We consider the processes and tools used by a company to implement its commitment (e.g., human rights impact assessments vs single materiality assessment, resources allocated for audits, who is given access to complaints hotline...etc.) to gauge how far a company is on its journey.

We expect companies that do not currently have HRDD systems in place to be getting ready to comply with upcoming legislation and so to show increased sophistication in their understanding and implementation of HRDD during the lifetime of the engagement. Our goal is to push them as far as we can towards meaningful implementation (rather than tick the box approach) and to support them in finding and creating innovative ways to measure effectiveness of their HRDD to mitigate potentially adverse impacts and positively impact on identified opportunities. It is our focus in the HRA to ensure companies' strategies are putting rights holders at the center and that progress is monitored and disclosed. This will be important in all sectors. For example, in the mining sector, the demand for cobalt is growing because of the move towards a low carbon economy.<sup>5</sup> The question is "how do we navigate the transition ahead for cobalt – in a way that ensures people are not harmed in the process?".<sup>6</sup> Companies will need robust HRDD systems to enable a just transition (see box on left for more details). During our engagement with companies that form part of the just transition in the electronics and mining sectors, we will push for greater alignment with the UNGP, help companies question the effectiveness of their HRDD and their ability to provide fair and decent work that workers and communities can benefit from, and discuss the role of large-scale mining in supporting the formalization of artisanal small-scale mining.

There is no perfect HRDD but there are front-runners in terms of approach and disclosure. Our intent is to push companies further and encourage continuous improvement. We can see that in the HRA, the cocoa sector outperforms both the electronics and mining sectors on paper.

### HRDD for a Just Transition

In 2020, 161 investors representing US 10.2 trillion in AUM signed a statement expressing their commitment to take action to support a "Just Transition" by integrating the workforce and social dimension in their climate practices and expecting the same of their investees" ([Cobalt Institute](#)).

Cobalt is essential to the green transition. In 2021, the cobalt market showed unprecedented growth in demand of 22%. This upward trend is expected to continue, rising by about 13% per year for the next five years. The Democratic Republic of the Congo remained the largest source of cobalt supply (74%) while China remained the largest refiner of cobalt (72%).

<sup>5</sup> <https://www.cobaltinstitute.org/resource/state-of-the-cobalt-market-report-2021/>

<sup>6</sup> Anna Triponel, Human Level <https://www.cobaltinstitute.org/news/green-equitable-and-just-transition-cobalts-role-in-transitioning-to-a-net-zero-world-in-a-rights-respectful-manner/>



## Looking ahead

In the second half of the HRA's first year, we want to focus on engaging with companies, and establishing personal relationships with stakeholders. By the end of the first year, we want to have had engagement calls with all 23 companies (or report on escalation tools leveraged for the most reticent ones). This means that the engagement calendar for the investors will bring a mix of engagement calls with companies that are both experienced in engaging with the team (particularly the companies in the cocoa sector) and ones that are newer to the engagement.

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