

HUMAN RIGHTS REPORT

EXECUTIVE SUMMARY



AUSTRALASIAN
CENTRE FOR
CORPORATE
RESPONSIBILITY

ABOUT THE REPORT

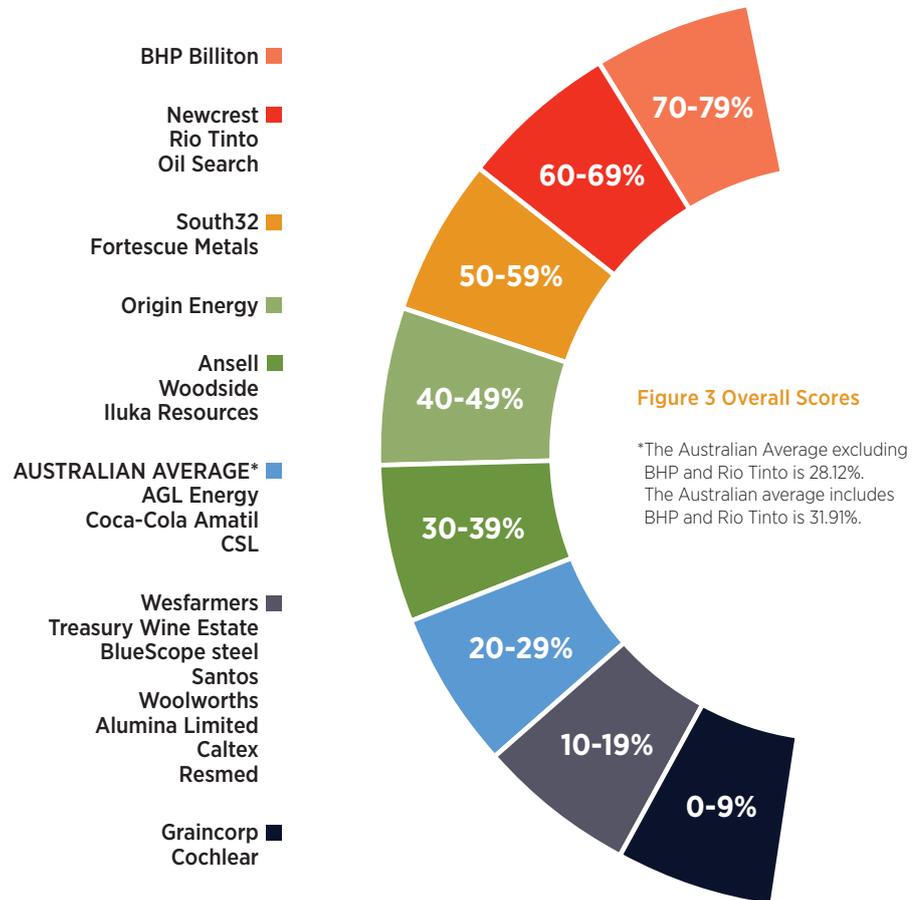
Understanding how companies identify and address human rights risks in their value chains may provide investors with insights into broader cultural, governance and strategic issues within a company.

This report demonstrates, with few exceptions, a low level of understanding of human rights risk and engagement with leading practices on risk management, across the Australian companies surveyed. It is quite possible, if not highly likely, that at least some of the companies surveyed have human rights controversies lurking in their value chains of which they are simply unaware.

This report aims to further develop investors' understanding of human rights issues for Australian companies, and increase their appetite for positive stewardship through results-driven engagements with companies on human rights.

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METHODOLOGY

The report draws upon the work undertaken by the **Corporate Human Rights Benchmark (CHRB)** in their pilot benchmark published in March 2017.

The research commissioned by ACCR evaluates a set of 23 large, listed Australian companies against internationally-accepted human rights indicators, based on the UN Guiding Principles on Business and Human Rights¹ (UNGPs), as well as other relevant norms and initiatives depending on the sector. The CHRB methodology offers the advantage of comparability with a larger, international data set allowing company-to-company, business size, sector and geographical comparisons to be made.

Of the Australian companies identified, three companies – Woolworths, Rio Tinto and BHP Billiton – were assessed in March 2017 as part of the CHRB pilot study. These were not newly

researched for this report. The remaining 20 ASX-listed companies targeted were researched by CAER.

The research process included a mail out to companies offering the opportunity to provide feedback to the assessment and provide additional material. The process also included quality checks to ensure the outputs are closely aligned with the methodology of the CHRB.

Out of the 20 companies researched for the ACCR, 14 responded to our mail out and feedback process, three companies responded with a decision to not participate in the survey, and three companies were non-responsive to our requests to engage.

The scores of 13 companies were revised and adjusted as companies provided additional information and clarifications during the engagement process.

¹ John Ruggie, 'UN Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework'.

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ABOUT THE AUTHORS

ACCR

The Australasian Centre for Corporate Responsibility (ACCR) is a not-for-profit association that promotes responsible investment through undertaking and publishing research to evaluate and improve the performance of Australian listed companies on environmental, social and governance (ESG) issues. We have a small portfolio of shares that we hold for the purpose of engaging with companies on ESG issues, including through the filing of shareholder resolutions. We encourage other investors to use our research to engage with companies in their portfolio.

CAER

CAER is a leading provider of independent research and services relating to the ESG and ethical performance of companies and investment portfolios. CAER is one of the oldest and most experienced ESG research houses in Australia.

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KEY FINDINGS

Overall, Australian companies perform roughly in line with their global counterparts. The highest scoring company (in both ACCR and CHRB reports) was BHP Billiton at 77%; the lowest Australian company was Cochlear at 2%.

Reflecting the pattern in the global CHRB dataset, responses of the Australian extractives sector to human rights risks are well-developed compared to other sectors, due in no small part to the serious risks of adverse human rights impacts inherent in large-scale multinational, extractives operations, and significant recent controversies in that sector.

Australian companies covered by this research perform better than the global average in relation to the establishment of grievance mechanisms through which concerns can be raised about the impact of operations on human rights. On the issue of remedy for human rights abuses identified in a company's value chain, however, Australian companies received low scores, in line with the global dataset.

Still, a significant number of large listed Australian companies lag far behind their peers in their response to human rights issues.

OTHER KEY FINDINGS

- Australian companies assessed under the agricultural sector methodology are the worst performers by sector.
- Australia outperforms their global sector peers for the extractive and agriculture industry.
- The Australian medical equipment sector companies slightly underperform when compared to the global apparel sector companies.
- On the issue of remedy for human rights negative impacts identified in a company's value chain, however, Australian companies received low scores, in line with the global data set.
- Australian companies scored poorly with regards to indicators relating to the implementation of a Living Wage across both own operations and throughout their business relationships.

RECOMMENDATIONS

FOR ASX-LISTED COMPANIES AND INVESTORS

1. Make a public commitment to respecting human rights, endorsed at board level;
2. Build capacity on human rights issues, including through appropriate internal resourcing and engagement of human rights expertise;
3. Put in place comprehensive human rights due diligence processes in respect of the company's own operations, products and services, as well its business relationships;
4. Communicate regularly and in detail with stakeholders in respect of human rights risks;
5. Commit to provide for or cooperate in remedying adverse human rights impacts which the company has caused or to which it has contributed, including through the establishment of operational level grievance mechanisms.

ADDITIONAL RECOMMENDATIONS FOR INVESTORS

6. Encourage companies to adopt the elements outlined in recommendations 1-5 above;
7. Incorporate human rights concerns into investment due diligence practices, screening tools, and corporate engagement and monitoring processes;
8. Publish data on engagements on human rights issues, including voting records on human rights issues, and publicise specific engagements where possible;
9. Consider exiting business relationships where adverse impacts are severe and unable to be mitigated though the exercise of leverage.