



Speakers

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Introduction



Webinar outline

Methodology

Key findings

1. **Automation:** Rise in worker exploitation predicted as robots revolutionise jobs market
2. **Human rights defenders:** Business is facing growing pressure to protect campaigners
3. **Compliance:** Despite multiplying laws and standards, a common approach is emerging
4. **Certification:** Collaboration is key to make schemes more effective and rebuild confidence
5. **Social impacts:** Investor community expects business to up its game

Conclusion



Methodology

Our approach

- **Expert-led** analysis based on forward-looking thought leadership and practical work with companies across multiple sectors
- **Consultation** with internal sector and country analysts; and external stakeholders
- **Data-driven** insights drawing on our country, industry and commodity risk data
- **Systematic analysis** and categorisation of issues

Sector impact		Value chain impact		Business risk	
ICT	✓	Manufacturing	✓	Reputational	✓
Financial	✓	Retail	✓	Litigation	✓
Extractive	✓	Production	✓	Operational	✓
Manufacturing	✓	Transport	✓		
Retail	✓				

Categorising our strategic risks:

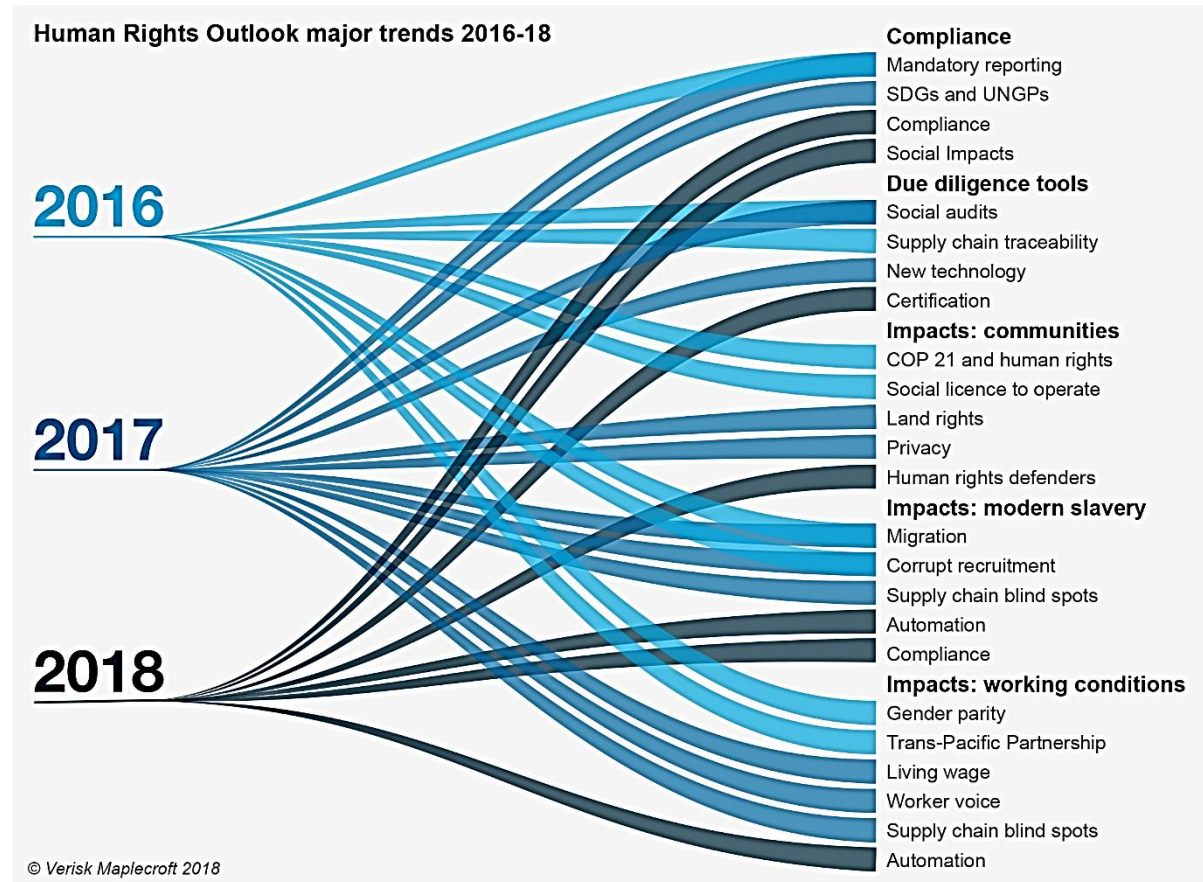
- ✓ structure (laws, standards),
- ✓ tools (audits, certification),
- ✓ emerging risks (communities and workers)
- ✓ likelihood and severity
- ✓ scope and time-frame of impact



Key findings

Human Rights Outlook 2018

1. Compliance mechanisms grow more diverse, but a common approach to due diligence is emerging
2. Reform is essential to make due diligence tools work for both producers and brands
3. Stakeholder engagement is increasingly important for the successful mitigation of strategic risks





Key trend #1

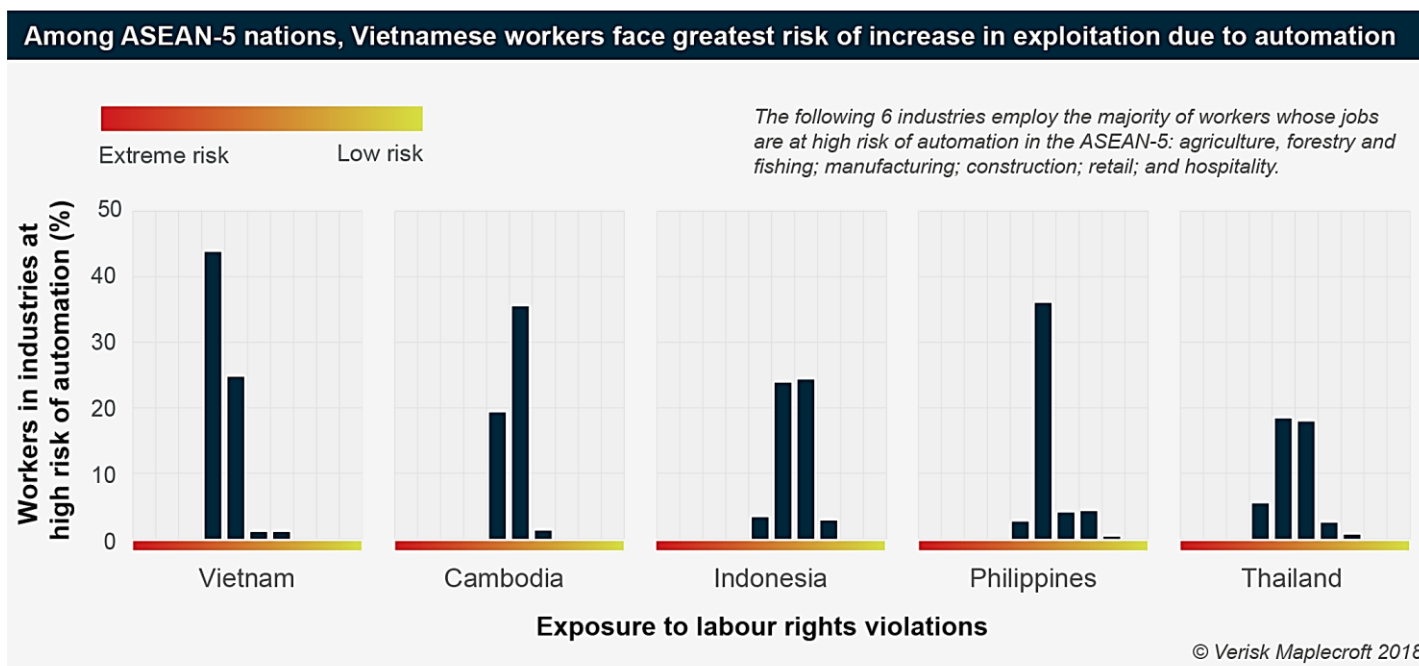
Automation: Rise in worker exploitation predicted as robots revolutionise jobs market

- Machines will replace low-skilled workers in poorer economies and labour costs will fall in richer economies.
- The ILO estimates that 56% of workers may lose their jobs in the ASEAN-5 due to automation.
- Vulnerability to exploitation will rise as workers compete for fewer jobs at lower wages.



Supply chain workers in ASEAN-5

Increased risk of exploitation



Source: Verisk Maplecroft, 2018-Q2; International Labour Organization, 2017

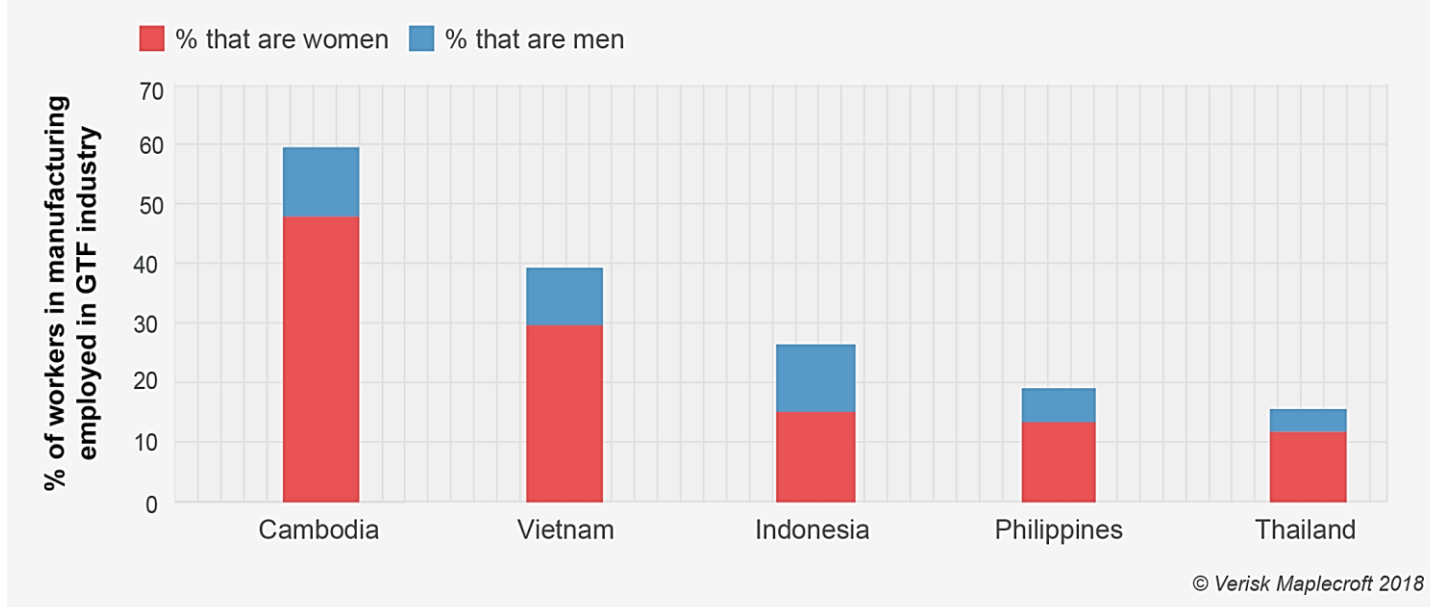
- The risk of slavery and trafficking is likely to spiral as workers compete for a diminishing supply of low-skilled and low-paid jobs.
- 67% of workers in Vietnam work in industries at high risk of automation.
- States must educate future generations to work alongside machines to ensure they find decent work.



SDG gender equality goals

Automation detrimental to low-skilled women

Jobs of low-skilled women hit most by robot manufacturing in ASEAN-5's garment, textile and footwear industry



Source: International Labour Organization, 2017

- Women in Vietnam and Cambodia are at the highest risk of losing their jobs due to automation.
- In both Vietnam and Cambodia, over 85% of GTF jobs are at high risk of automation, and over 76% of these jobs are held by women.
- With fewer women in work – or more women forced into slavery – these countries will struggle to achieve SDG gender equality goals.

Key trend #2

Human Rights Defenders: Growing pressure to protect campaigners

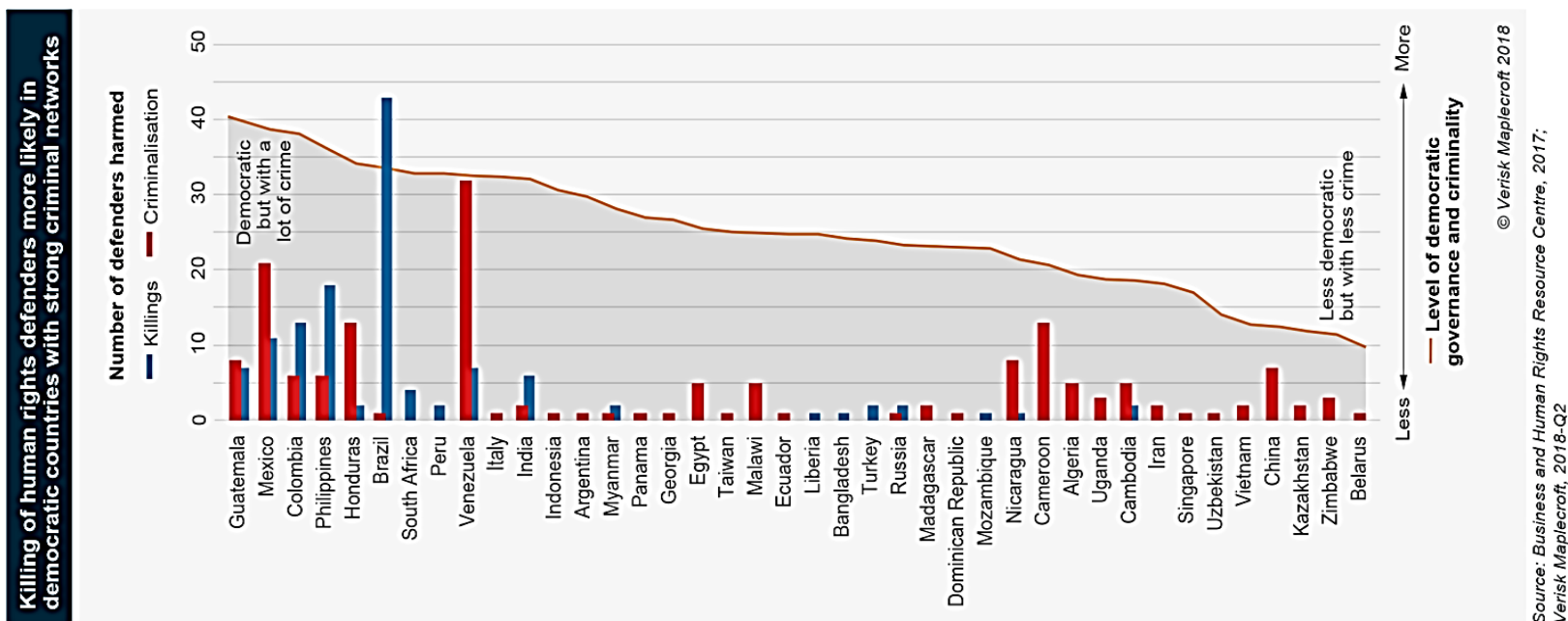
- People campaigning to defend human rights are increasingly at risk – over the last four years, there has been a 13-fold rise in those reported killed.
- Better monitoring means we know more about where, how and why activists are harmed
- Richer data is also putting the spotlight on links between cases and business activities: e.g. 1/3 of companies associated with reports of killings have HQs in the US, UK, Canada and Australia
- New UN guidelines and NGO focus will up the pressure on business to prioritise stakeholder engagement as a way to ensure defenders campaigning against their activities can do so safely



Where and why are defenders harmed?

Killings are more likely in democracies with weak rule of law

- In states that are more democratic, but have strong criminal networks, defenders are free to campaign, but weak rule of law fails to protect them.
- In states that are less democratic but relatively free from criminality, strong rule of law is misused to imprison or harass defenders through the courts.



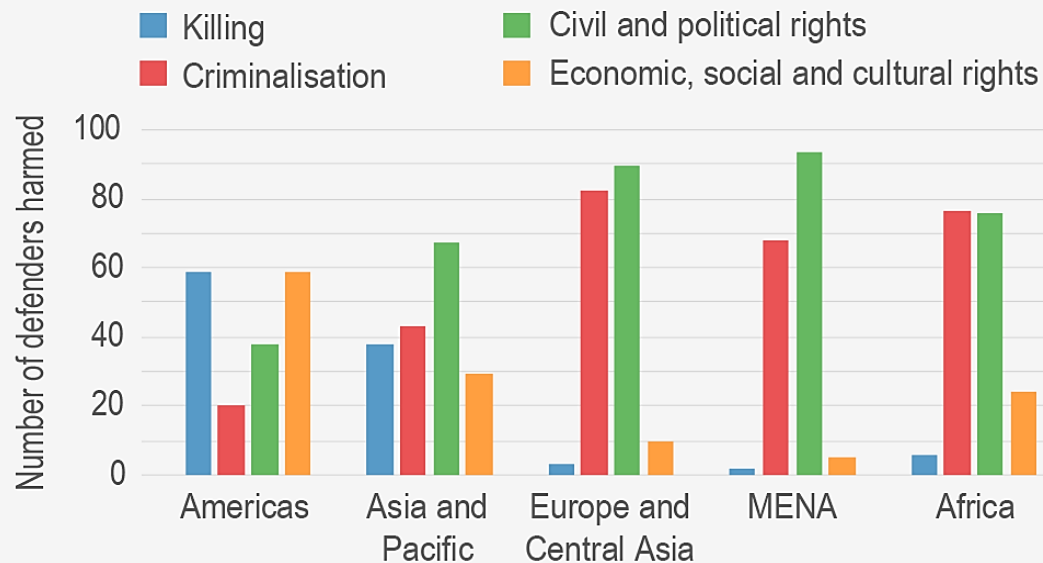


Where and how are defenders harmed?

Greatest risk of murder in the Americas

- When defenders are killed, they are more likely to be campaigning about economic, social and cultural rights, especially land rights.
- When criminalised, they are more often defending civic freedoms.

Human Rights defenders at highest risk of murder if campaigning on economic, social and cultural rights in the Americas



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Source: EU Human Rights Defender Mechanism

Key trend #3

Diverse compliance landscape, but emerging common approach to due diligence

- Focus on modern slavery laws is obscuring growing divergence and variety in the human rights compliance landscape
- Despite the variety of laws and guidelines or other mechanisms, most encourage or coerce business to take similar steps
- The bigger challenge for business is not complying with different laws, but understanding how far to go and what reasonable due diligence means
- Consensus about what 'good' looks like is going to emerge through trial and error, what business does in practice, and how effective it is judged to be by civil society, or the courts



What do disclosure and due diligence laws have in common?

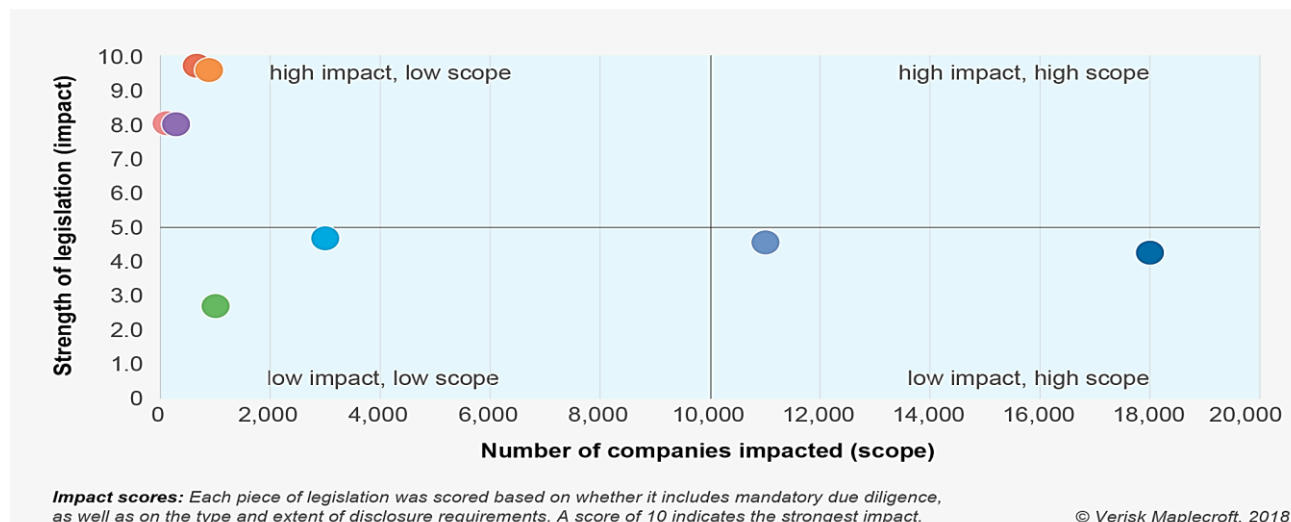
Human rights laws share common steps when it comes to compliance, but their scope and impact vary

Compliance:	Map suppliers	Adopt policies	Assess risks	Manage risks	Track risks	Monitor impact	Penalties
Mandatory due diligence laws							
● Dodd-Frank Act, Section 1502 (USA)	✓		✓	✓	✓	✓	**
● EU Conflict Minerals Regulation (EU)	✓	✓	✓	✓	✓	✓	*
● Devoir de Vigilance (FR)			✓	✓	✓		***
● Child Labour Due Diligence (NL)			✓	✓	—	—	***
Mandatory disclosure laws							
● Modern Slavery Bill (AU)	✓	✓	✓	✓	✓	✓	**
● Modern Slavery Act (UK)	✓	✓	✓	✓	✓	✓	*
● Non-Financial Reporting Directive (EU)	✓	✓	✓	✓		✓	***
● Transparency in Supply Chains Act (USA)		✓	✓	✓			*

✓ Recommended or required step — Not finalised * Injunction or court order ** Public list *** Fine

- Five out of eight laws include all but one of the due diligence steps
- All laws require companies to assess and manage risks

Scope and Impact:



- Due diligence laws have a higher potential impact on a limited pool of large companies.
- Disclosure laws have a lower impact on more companies, though their scope varies

Key trend #4

Crisis of confidence in certification schemes

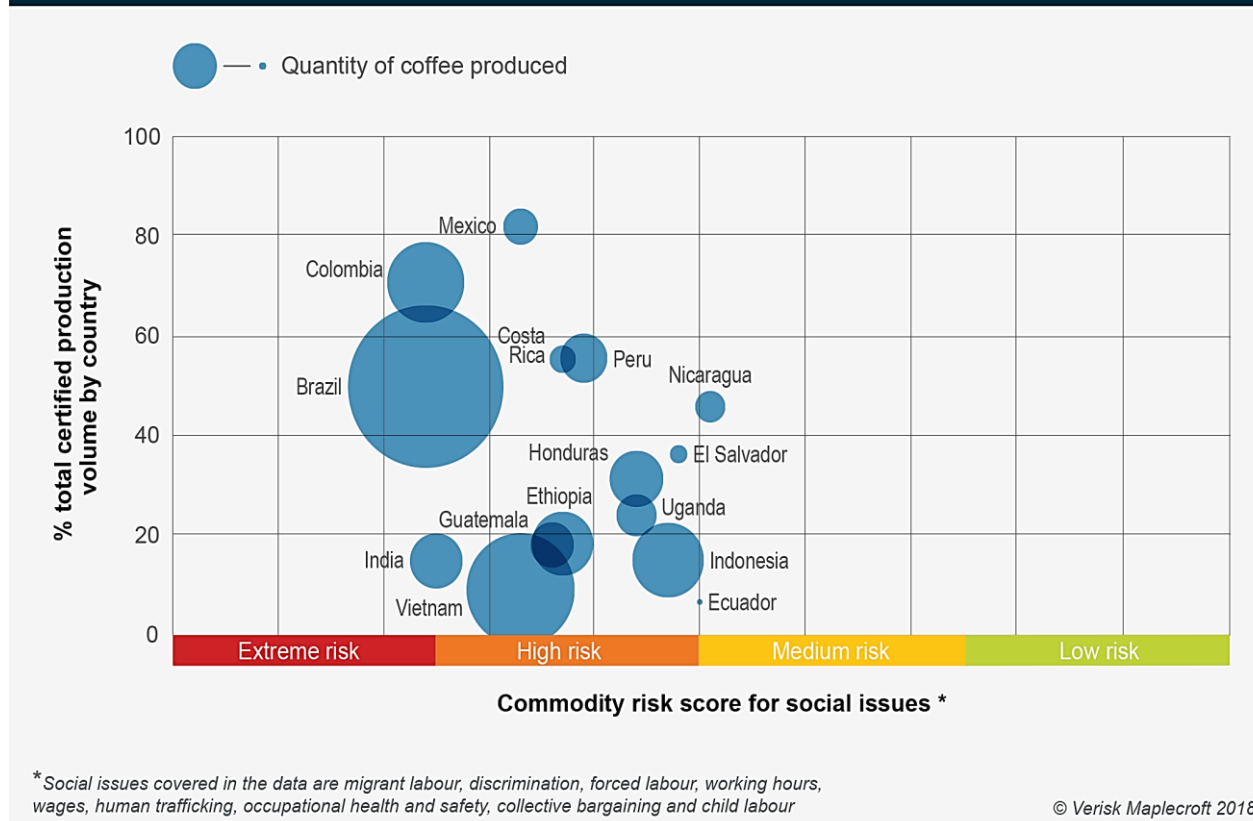
- Demand for certification is growing rapidly to satisfy the need among companies and investors to conduct adequate due diligence.
- Confidence in certification schemes has been shaken by media reports of labour violations occurring on certified plantations and farms.
- Restoring credibility is essential as certification is one of the fundamental tools for monitoring and improving ethical standards in supply chains.
- Certification schemes must therefore adapt and improve the compliance-based approach is failing to drive change and they must report systematic, transparent data.

Commodities at risk for social issues

Coffee producers

- Certification schemes face criticism for not effectively improving respect for human rights at producer level.
- Coffee production in Brazil, Colombia and India is extreme risk for social issues. Certification schemes face a challenging environment, with issues such as forced labour likely to occur.
- Given that Colombia certifies 70% of its crop, but is still extreme risk, this could indicate that certification is failing.

Extreme social risks in key coffee producers may indicate failure of certification schemes



Sources: Verisk Maplecroft, 2018; FiBL, IISD and ITC

Key trend #5

Social impacts: Investor community expects business to up its game

- Investors are demonstrating growing interest in business' social responsibility, as an indicator of prospects for long-term growth
- Stock exchanges, including in high-risk jurisdictions, are promoting ESG reporting, including in high risk jurisdictions
- Meanwhile, relations between banks and civil society may deteriorate if they fail to align sharply differing views on financial institutions' responsibility for human rights impacts
- Social performance indicators remain narrow and limited in scope. For the financial sector to drive change, innovative work needs to be done to turn business human rights actions and policies into meaningful data points

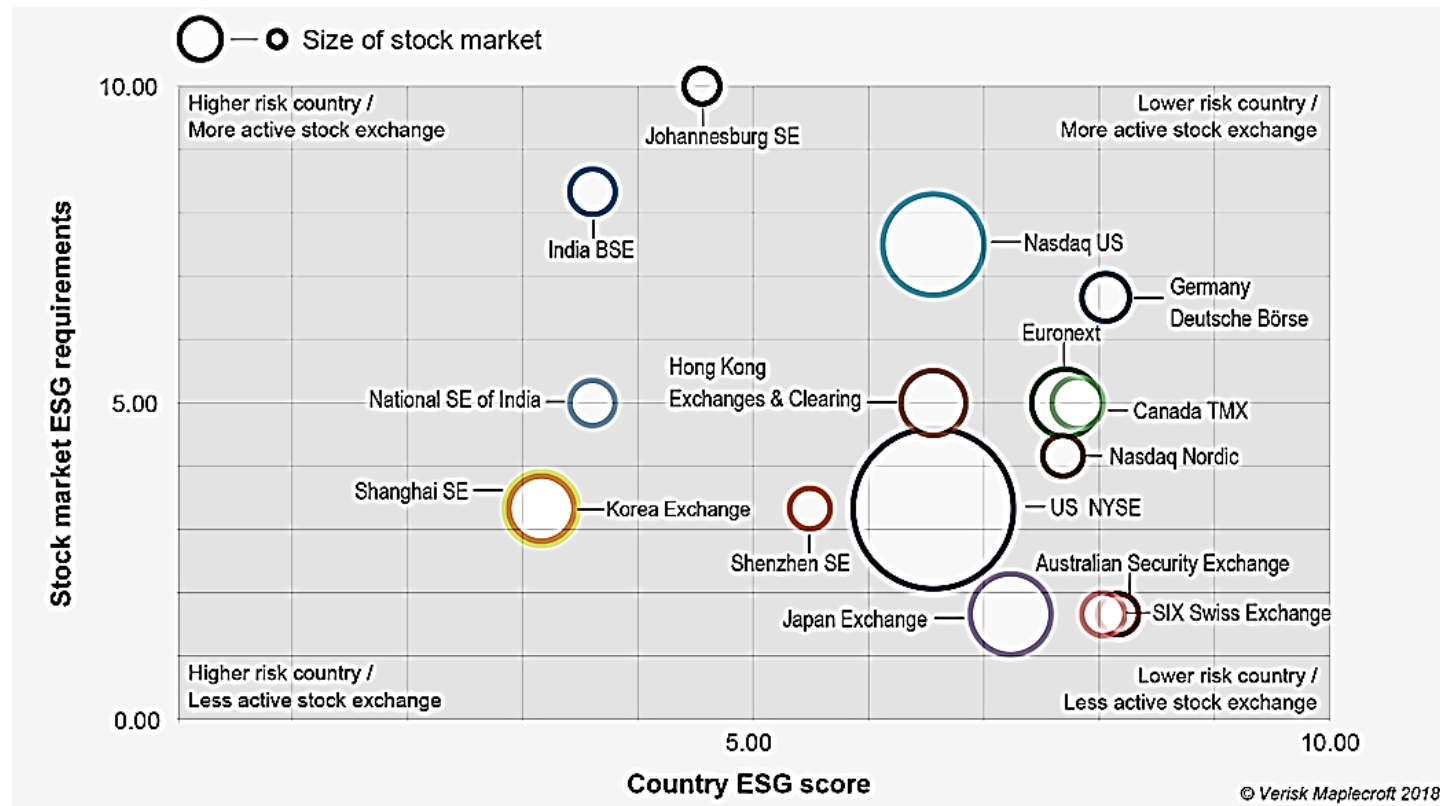


Top 16 stock exchange ESG risks

Stock exchanges as drivers of ESG reporting

- Johannesburg SE and India BSE exchanges - two of the biggest stock exchanges in high-risk environments - are the most active in promoting ESG reporting for listed companies.

Assessing the ESG risks of stock exchanges valued over 1 trillion dollars shows a mixed picture



Source: Verisk Maplecroft 2018-Q2; UNCTAD; Sustainable Stock Exchanges Initiative

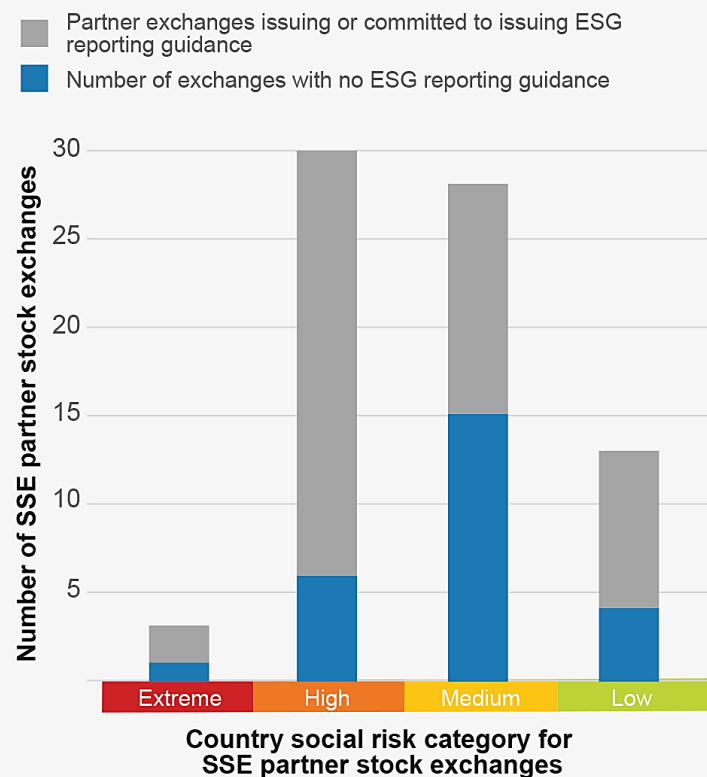


ESG guidance promotion by SSE exchanges

Most active in high- to extreme-risk environments

- 74 out of 95 stock exchanges are members of the Sustainable Stock Exchanges Initiative, and 39 of these publish ESG reporting guidance
- Over 2/3 of stock exchanges promoting ESG reporting guidance operate in a high- to-extreme risk environment

Over two thirds of SSE exchanges in extreme or high risk social contexts promote ESG guidance



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Source: Verisk Maplecroft, 2018; Sustainable Stock Exchanges Initiative

Conclusion

- Engaging early on with suppliers and governments to mitigate the impacts of automation will help to reduce modern slavery and trafficking risks in business supply chains
- Consulting and engaging with stakeholders from the start of commercial activities will help business to ensure that human rights defenders are not at risk when they campaign about social impacts linked to their business
- Establishing a robust due diligence process, in line with the UN Guiding Principles, is the best way to ensure compliance with diverging compliance laws and standards
- Certification houses, NGOs and business need to collaborate to strengthen the effectiveness of certification schemes
- Innovating better ways to turn business actions to respect human rights into social indicators will help to ensure that investors, stock exchanges and banks play a role in encouraging social responsibility as a key element of business growth.



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