



# Respect for Human Rights

A SNAPSHOT OF THE LARGEST GERMAN COMPANIES



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# Executive Summary

In 2016, the German Government set a target. By 2020 at least 50% of German companies with more than 500 employees should have policies and processes in place to identify and mitigate their human rights risks and impacts. The current coalition agreement [states](#) that if companies' voluntary implementation proves to be insufficient, the Government will *"introduce appropriate legislation at the national level and advocate [for] an EU-wide regulation."* The expectation is clear: German companies should meet basic requirements on corporate behaviour as set out in the UN Guiding Principles on Business & Human Rights (UNGPs), unanimously adopted by the UN Human Rights Council in 2011. According to the UNGPs [Interpretive Guide](#), they *"set the baseline responsibility of all enterprises as respect for human rights wherever they operate."* The German Government's assessment of companies' efforts is due in 2020.

In this context we release this assessment of the twenty largest<sup>1</sup> German companies' public human rights disclosures. We use the Corporate Human Rights Benchmark, delivered each year by Aviva Investors, Business & Human Rights Resource Centre, Calvert Investments, Eiris Foundation, Institute for Human Rights and Business, and VBDO. Here we deploy a stripped-down version to

measure whether these companies meet basic requirements as set out by the UNGPs. These 12 indicators described in the [CHRB Core UNGP Indicator Assessment](#) are applicable to companies of any sector and should be considered the 'floor' of corporate respect for human rights.

We found that:

**None of the companies achieved at least one point on every human rights indicator.** Every company scored zero on at least one of the core indicators, showing that none of Germany's largest companies demonstrate that they fully meet the UNGPs' range of basic expectations. This is the closest test as to whether the companies will meet the Government's target.

**18/20 (90%) companies failed to demonstrate how and whether they manage their human rights risks sufficiently (due diligence).** Just two companies, Daimler and Siemens, received points on all four core indicators looking at human rights due diligence processes.

<sup>1</sup> By worldwide turnover in the business year 2017/2018

**The highest scoring company was Siemens, scoring 14.5/24 points (60%).**

The average score was 10.1/24 (42%) and 6.0/24 (25%) the lowest.

This study assesses information publicly disclosed by the companies themselves (companies' websites, their formal financial and non-financial reporting and other public documents referenced therein).<sup>2</sup> Corporate transparency is a fundamental condition of the UNGPs and the CHRB methodology aligns with this. Companies were scored between zero and two across the 12 core indicators. A score of one means they met the basic requirements of the indicator, and two means they went beyond the basic requirements.

While it is welcome that all companies made a public commitment to respect human rights in general, major shortcomings were found in companies' disclosed human rights due diligence processes. Most human rights risk assessments did not prioritise the most severe potential harms to people (as defined through the concept of 'salience' in the UNGPs and Interpretive Guide) but appeared to focus on potential damage for the company, e.g. loss of reputation. Moreover, the identification and assessment of human rights risks often happens at a very general level as part of a 'materiality' assessment of sustainability topics and without consultation with potentially affected stakeholders. Assessment of risks and impacts identified was one of the three lowest scoring indicators overall, with **17/20 companies scoring zero.**

Access to remedy in case of harm is one of the weakest areas. **Only 3/20 companies, Bayer, Metro and Thyssenkrupp, have a public commitment to provide remedy.**

While all companies have grievance mechanisms in place that allow employees to submit concerns or complaints, only ten make sure, at a basic level, that this is also available to workers of suppliers and only one of those specifies this for potentially affected individuals and communities in supply chains.

The results are clear: None of Germany's largest companies were assessed to have met a basic level of respect for human rights, as none achieved points on every indicator. All these companies are large global businesses, many with highly complex supply chains where evidence shows the risk of human rights abuses is high and endemic. As the largest in Germany, these firms have the resources and incentives to lead the way on respect for human rights. Therefore, there is no reason to assume that the wider group of German companies being assessed by the government would score higher with the method applied in this snapshot study.

<sup>2</sup> As of spring 2019





# Introduction

In June 2011, the UN Human Rights Council unanimously adopted the UN Guiding Principles on Business and Human Rights (UNGPs).<sup>3</sup> It marked the first time a globally accepted consensus on the human rights responsibility of companies was reached. The UNGPs rest on three pillars: the state duty to protect human rights, the corporate responsibility to respect human rights, and access to remedy for victims of abuse. States are the primary duty-bearers under existing international human rights law; their obligations are defined in relevant treaties and conventions. As part of their responsibility to respect human rights, companies should avoid infringing on the human rights of others and address human rights harm they are involved in. This responsibility applies to a company's entire value chain, regardless of where potential human rights abuse takes place, and to all internationally recognised human rights.<sup>4</sup> The third pillar incorporates both states' responsibility to provide access to remedy for victims of corporate abuse, and the corporate responsibility to prevent and remediate any negative human rights impacts they contribute to.

Under the UNGPs, companies are required to address (potential) human rights abuse by exercising **human rights due diligence**. Human rights due diligence consists of four key steps. Companies should identify and assess their salient human rights issues. For any (salient) risks and potential harm they should take appropriate measures to prevent or mitigate them. Companies should have in place appropriate procedures for remedy and where harm does occur, companies have a responsibility to provide remedy. They should also review the effectiveness of these measures and communicate them to the public.

The UNGPs do not create new international law but rather clarify the roles of states and companies regarding their obligations to protect and respect human rights. Although the corporate responsibility to respect human rights exists independently of states' duty to protect human rights, states are called upon to adopt measures encouraging corporate respect for human rights. As early as 2011, the European Commission called on the governments of EU member states to implement the UNGPs by drawing up National Action Plans on Business and Human Rights (NAPs).

<sup>3</sup> United Nations (2011): [Guiding Principles on Business and Human Rights. Implementing the United Nations "Protect, Respect and Remedy" Framework](#). New York and Geneva: Office of the High Commissioner for Human Rights.

<sup>4</sup> At the minimum to those expressed in the International Bill of Human Rights (Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights with its two Optional Protocols and the International Covenant on Economic, Social and Cultural Rights as well as the ILO's core labour conventions as specified in the Declaration on Fundamental Principles and Rights at Work)

Since their adoption, the UNGPs have strongly influenced the development of both legislation and voluntary standards. In France<sup>5</sup> and the Netherlands,<sup>6</sup> for example, central elements of human rights due diligence have been enshrined in legally binding regulation. In 2011, the OECD had revised its Guidelines<sup>7</sup> to include due diligence and in 2018 published separate guidance<sup>8</sup> on the subject.

The German Federal Government adopted a NAP in 2016.<sup>9</sup> It expects *“all enterprises to introduce the process of corporate due diligence [...] in a manner commensurate with their size, the sector in which they operate, and their position in supply and value chains.”* In terms of transparency and reporting, companies are expected to *“keep information at their disposal and communicate it, where appropriate, to external recipients in order to demonstrate that they are aware of the actual and potential impact of their corporate activity on human rights and are taking appropriate steps to address the situation.”* Between 2018 and 2020, the Government will review on an annual basis to what extent companies are meeting these expectations, and thus implementing the UNGPs. If by 2020 less than 50% of German companies with over 500 employees are implementing human rights due diligence, the Government will consider further steps, including legislative measures.

In this context, it is of great interest to know how and to what extent German companies are already meeting these expectations. This study aims to contribute to this understanding. Based on a set of 12 UNGP Core Indicators developed by the Corporate Human Rights Benchmark (CHRB), it examines how the 20 largest German companies by turnover report and communicate to the public regarding their human rights responsibilities. The indicators are taken from the full CHRB methodology which has been used to publicly rank global companies in high risk sectors since 2016, and for each indicator there is a scoring system between Score 0 and Score 2 (see chapter 4). They are designed to give a snapshot of whether companies are implementing the relevant requirements of the UNGPs. They cover three themes: Governance and Policy Commitments (Theme A, four indicators), Embedding Respect and Human Rights Due Diligence (Theme B, five indicators), and Remedies and Grievance Mechanisms (Theme C, three indicators). Similar assessments based on this adapted set of CHRB indicators have been undertaken before and/or are underway for other countries.<sup>10</sup>

<sup>5</sup> [LOI n° 2017-399 du 27 mars 2017 relative au devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre.](#)

<sup>6</sup> On 14 May 2019, the Dutch Senate voted in favour of the adoption of the 'Wet Zorgplicht Kinderarbeid', which requires companies to determine whether child labour occurs in their supply chains and to draw up an action plan to combat it ('Child Labour Duty of Care Act').

<sup>7</sup> OECD (2011): [OECD Guidelines for Multinational Enterprises](#). OECD Publishing.

<sup>8</sup> OECD (2018): [OECD Due Diligence Guidance for Responsible Business Conduct](#). OECD Publishing.

<sup>9</sup> The Federal Government (2016): [National Action Plan: Implementation of the UN Guiding Principles on Business and Human Rights 2016 – 2020](#). Berlin: The Federal Foreign Office on behalf of The Interministerial Committee on Business and Human Rights.

<sup>10</sup> Cf. Government Offices of Sweden (2017): [Annual report state-owned enterprises 2016](#).

ACCA (2017): [Human rights and Australian listed companies](#). Australasian Centre for Corporate Responsibility.

# Results at a Glance

Table 1 shows companies in percentage bands by their total and theme scores. Thirteen out of the largest 20 German companies score under 50%, eight under 40%, and four between 20 and 30%. One company leads the way and scores slightly above 60% (14.5 out of 24). No company, however, scores above 61%. The gap between those that lead and those in the lower scoring bands highlights both a disparity in how transparent these companies are about their approaches to respecting human rights and the substance of the approaches disclosed.

**Table 1:** Banding table with total and theme scores of all 20 companies

COMPANY	SECTOR	BAND	TOTAL (OUT OF 24)	THEME A (OUT OF 8)	THEME B (OUT OF 10)	THEME C (OUT OF 6)
Siemens	Technology	60–70	14.5	5.5	5.5	3.5
Daimler	Automotive	50–60	13.5	4.5	6.0	3.0
Deutsche Telekom	Telecom	50–60	13.5	4.0	6.0	3.5
Metro	Retail	50–60	13.0	4.0	6.0	3.0
Thyssenkrupp	Steel	50–60	13.0	4.5	4.5	4.0
Bayer	Chemistry	50–60	12.5	4.5	4.5	3.5
BASF	Chemistry	50–60	12.0	4.5	2.5	5.0
Continental	Automotive	40–50	11.0	2.5	5.5	3.0
Bosch	Technology	40–50	10.5	2.5	4.5	3.5
E.ON	Energy	40–50	10.5	4.5	4.5	1.5
BMW	Automotive	40–50	10.0	4.5	4.0	1.5
Volkswagen	Automotive	40–50	10.0	3.5	3.0	3.5
RWE	Energy	30–40	8.5	2.5	2.0	4.0
Munich Re	Finance	30–40	8.0	3.5	3.5	1.0
Allianz	Finance	30–40	7.5	3.5	3.0	1.0
Uniper	Energy	30–40	7.5	3.0	3.5	1.0
Deutsche Bahn	Logistics	20–30	7.0	2.0	2.0	3.0
Deutsche Post DHL	Logistics	20–30	7.0	4.0	2.0	1.0
ZF Friedrichshafen	Automotive	20–30	7.0	2.5	2.0	2.5
Deutsche Bank	Finance	20–30	6.0	1.5	3.5	1.0
Average (% of maximum/theme score)		40–50	10.1 (42%)	3.6 (45%)	3.9 (39%)	2.7 (44%)

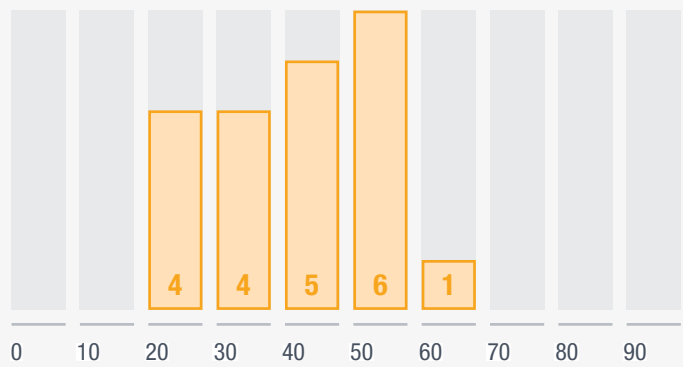
Twelve indicators applied to 20 companies equal 240 individual scores. Seventy-nine times out of those 240, companies scored below one, and every company scored zero at least once, almost all of them even several times. The average score across all companies was 42%.

**Overall, this suggests that none of the companies assessed are demonstrating that they meet the UNGPs’ basic expectations.**

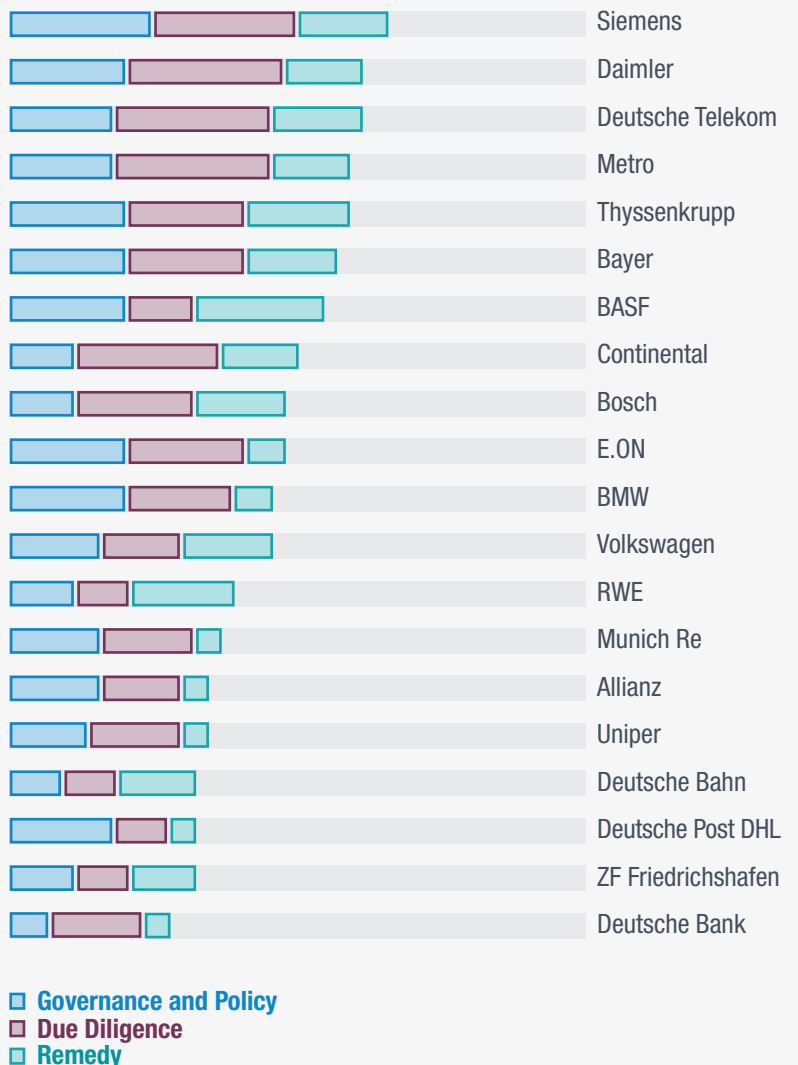
All companies fall in a band range between 20% and 70% (see Figure 1). There are no extremes, i.e. there are no companies in the two lowest bands, but no companies with very high scores either. It is concerning that none of the largest 20 German companies score above 61%, given that they have the resources and face sufficient external pressure to lead the way. At the same time and for the same reasons, the lack of a low scoring tail is not surprising.

Figure 2 shows the scores per company, based on their scores for Theme A, Theme B and Theme C.

**Figure 1:**  
Distribution of companies among the score bands



**Figure 2:**  
Scores for all 20 companies, consisting of the partial scores for themes A, B and C





# Methodology Overview

The present study covers the 20 largest German companies by net sales/turnover for the 2017/2018 financial year (see [Annex 1](#)). Selection by turnover rather than (stock) market capitalisation has the advantage that it includes large unlisted companies and also tends to be less subject to fluctuations than market capitalisation.

The 20 companies were assigned to nine sectors: Automotive (car manufacturers and suppliers; five companies), financial services (banking and insurance; three companies), energy (generation and transmission; three companies), chemical (two companies), logistics (two companies), technology (two companies), wholesale, telecommunications, and steel (one company respectively).

Companies were assessed based on the CHRB Core UNGP Indicators.<sup>11</sup> These Core Indicators are extracted from the full CHRB methodology and apply to all sectors. They allow for a quick overview of a company's approach to human rights management and whether it is implementing the relevant requirements of the UNGPs.

CHRB only assesses human rights information publicly disclosed by companies and invites companies to provide additional information on its public disclosure platform as part of its assessment process. The present study did not follow this approach. Rather, it is based on the assumption that large companies can be expected to publicly communicate and make information regarding the essential elements of their human rights approach easily accessible. This approach is in line with the UNGPs, which require companies to be transparent especially vis-à-vis affected stakeholders and investors.<sup>12</sup>

Therefore, only information publicly available on companies' own websites during the data collection period (29/03/2019 to 24/05/2019) was used for the present analysis.

Table 2 gives an overview of the indicators and scores available for each indicator. For each indicator, companies may score between zero and two across the 12 core indicators. A score of one means they met the basic requirements of the indicator, and two means they went beyond the basic requirements. Thus, if a company fails to meet all requirements for Score 2, it may still score 1 and, depending on the indicator, also 0.5 or 1.5. This approach, including the award of (partial) scores for (partially) fulfilled indicators, follows the methodology used for the full CHRB 2018 benchmark data.<sup>13</sup>

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<sup>11</sup> CHRB (2019): [Core UNGP Indicator Assessment for Companies in all Sectors. Corporate Human Rights Benchmark](#). April 2019.

<sup>12</sup> "The responsibility to respect human rights requires that business enterprises have in place policies and processes through which they can both know and show that they respect human rights in practice. Showing involves communication, providing a measure of transparency and accountability to individuals or groups who may be impacted and to other relevant stakeholders, including investors." (UNGPs, p. 24 f.)

<sup>13</sup> See [corporatebenchmark.org/download-benchmark-data](https://corporatebenchmark.org/download-benchmark-data)

The only deviation from the publicly available CHRB Core Indicators concerns indicator B.2.5 “HRDD Reporting: Accounting for how human rights impacts are addressed.” This indicator focuses on public transparency regarding human rights policies, processes and practices and is particularly relevant for studies that include company-internal information. As the present study is exclusively based on information routinely communicated by companies, this indicator was not included.

The indicator assessment does not take into account allegations of human rights abuse made against the companies.

**Table 2:**

List of UNGP Core Indicators derived from the full CHRB methodology and used for this assessment

		AVAILABLE POINTS				
<b>Theme A Governance and Policy Commitments</b>		<b>MAXIMUM POINTS ▷ 8</b>				
<b>A.1.1</b>	Commitment to respect human rights	0	•	1	•	2
<b>A.1.2</b>	Commitment to respect the human rights of workers	0	0.5	1	1.5	2
<b>A.1.4</b>	Commitment to engage with stakeholders	0	•	1	•	2
<b>A.1.5</b>	Commitment to remedy	0	•	1	1.5	2
<b>Theme B Embedding Respect and Human Rights Due Diligence</b>		<b>MAXIMUM POINTS ▷ 10</b>				
<b>B.1.1</b>	Embedding—Responsibility and resources for day-to-day human rights functions	0	•	1	1.5	2
<b>B.2.1</b>	HRDD—Identifying: Processes and triggers for identifying human rights risks and impacts	0	0.5	1	1.5	2
<b>B.2.2</b>	HRDD—Assessing: Assessment of risks and impacts identified (salient risks and key industry risks)	0	•	1	•	2
<b>B.2.3</b>	HRDD—Integrating and Acting: Integrating assessment findings internally and taking appropriate action	0	0.5	1	•	2
<b>B.2.4</b>	HRDD—Tracking: Monitoring and evaluating the effectiveness of actions to respond to human rights risks and impacts	0	•	1	•	2
<b>Theme C Remedies and Grievance Mechanisms</b>		<b>MAXIMUM POINTS ▷ 6</b>				
<b>C.1</b>	Grievance channels/mechanisms to receive complaints or concerns from workers	0	•	1	1.5	2
<b>C.2</b>	Grievance channels/mechanisms to receive complaints or concerns from external individuals and communities	0	•	1	1.5	2
<b>C.7</b>	Remediating adverse impacts and incorporating lessons learned	0	•	1	1.5	2
		<b>MAXIMUM SCORE ▷ 24</b>				



# Results by Measurement Theme

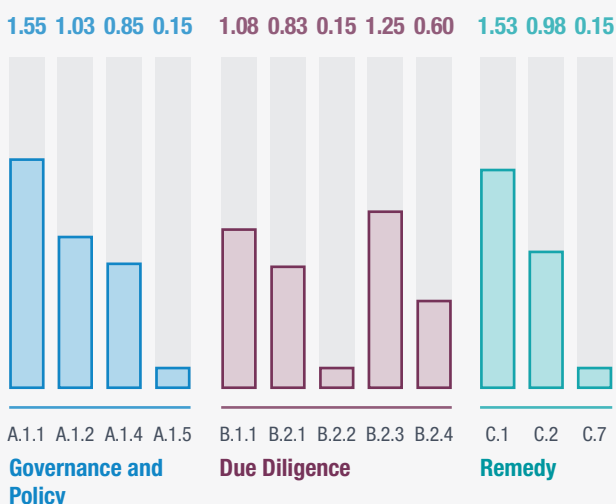
The average scores across all individual indicators vary widely (see Figure 3). In the area of **Governance and Policy Commitments** (Theme A), the majority of companies have made a general commitment to human rights (A.1.1), but far less extend this commitment to the rights of workers and to engaging with affected stakeholders (A.1.2 and A.1.4) and only three have a commitment to providing remedy in the event of damage (A.1.5).

In terms of **Embedding Respect and Human Rights Due Diligence** (Theme B), companies on average score around 1 for the allocation of responsibilities (B.1.1), the identification of human rights risks (B.2.1) and the planning of measures to address adverse impacts (B.2.3). However, planning measures is rarely based on an adequate assessment of human rights risks (B.2.2). Although human rights issues are assessed by most companies, this appears to be focused on risks for the company, rather than based on an assessment of the risks for (potentially) affected individuals and groups ('salient risks'). The concept of human rights due diligence also includes a step to evaluate the effectiveness of measures. The corresponding indicator score (B.2.4) is relatively low, indicating that only a few companies are systematically evaluating – and where necessary adjusting and improving – the effectiveness of their measures to address adverse human rights impacts.

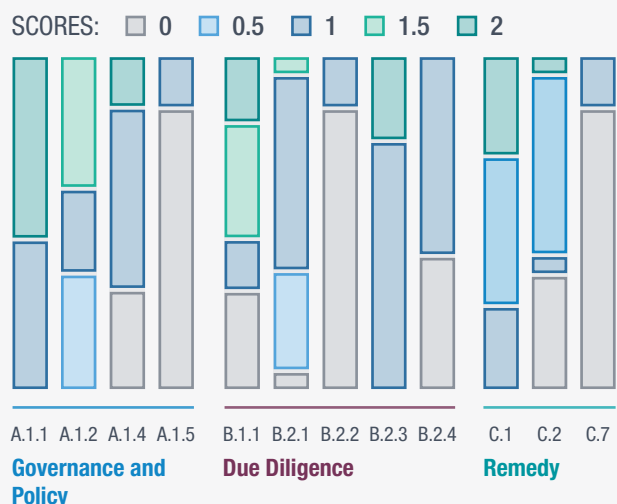
With regard to **Remedies and Grievance Mechanisms** (Theme C), it is striking that while a majority of companies disclose information on complaint mechanisms for their workers (C.1), much less information is available on comparable communication channels for external stakeholders (C.2), and information on remedying adverse impacts when they do occur is virtually non-existent (C.7). This finding corresponds to the largely lacking policy commitment to remedy (see above under A.1.5).

The distribution of scores (see Figure 4) shows that for three out of the 12 indicators, almost all of the companies do not even score 1. These are the indicators on commitment to remedy (A.1.5), assessment of salient human rights risks (B.2.2), and processes to ensure effective remedy (C.7).

**Figure 3:**  
Indicator scores on avg. across all companies



**Figure 4:**  
Distribution of scores for all indicators



## Theme A:

# Governance & Policy Commitments

These indicators aim to assess the extent to which a company acknowledges its responsibility to respect human rights, and how it formally incorporates this into publicly available statements of policy. A policy commitment is a statement approved at the highest levels of the company, showing that the latter is committed to respecting human rights and communicates this internally and externally. It sets the “tone at the top” of the company that is needed to continually drive respect for human rights into the core values and culture of the business. Such commitment indicates that top management considers respect for human rights to be a minimum standard for conducting business with legitimacy; it sets out the management’s expectations of 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.

### A.1.1: Commitment to respect human rights

To score 1 for this indicator, companies are expected to make a fundamental public commitment to respecting human rights across all their activities and to refer as far as possible to key documents such as the Universal Declaration of Human Rights. The wording of the commitment should be strong enough for a genuine obligation to be derived from it. Formulations such as “We strive to uphold human rights” would not be sufficient. It must be clear that the commitment is supported by the company's top management.

**Score 1 is met by all 20 companies.**

Seven out of the 20 companies analysed have a standalone policy statement describing their human rights responsibilities along the supply chain. For the other 13, this commitment is included in documents such as a general code of conduct, a general mission statement on sustainability or social responsibility, or the annual report.

Nineteen commit to the principles of the United Nations Global Compact, which also includes a commitment to respecting human rights.

Score 2 for this indicator requires an additional policy level statement of commitment to the UNGPs or the OECD Guidelines for Multinational Enterprises, which both include the due diligence steps of assessing risks, acting and reporting on them as well as reviewing the responses.

**This is met by 11 out of the 20 companies. The average score for this indicator is 1.55 out of 2, making it the highest scoring indicator overall.**



## A.1.2: Commitment to respect the human rights of workers

When compared to the general commitment to human rights, far fewer companies demonstrate a public commitment to respecting the human rights of workers.

For Score 1, companies are expected to have a publicly available statement of policy committing it to respecting the human rights of workers as set out in the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work (ILO core labour standards). This commitment to the ILO core labour standards should apply not only to the company's own employees (at least in the form of a general recognition of ILO standards), but should also be explicitly expected from suppliers, for example in the form of a supplier code.

**Thirteen out of the 20 companies meet this requirement.**

Score 2 for this indicator is awarded if companies explicitly commit to respecting freedom of association and the right to collective bargaining, the elimination of forced labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation (ILO core labour standards), and to adhering to working hours and to protecting the health and safety of their employees in accordance with the relevant ILO conventions, and expect the same from their suppliers.

**Eight out of the 20 companies meet this requirement partially (to score 1.5), none however fully demonstrate public commitment to the ILO conventions on working hours and health and safety or expect this from their suppliers. The average score for this indicator is 1.03 out of 2.**

All of the companies that score above 1 for this indicator achieve this with an explicit commitment to each of the ILO core labour standards.

## A.1.4: Commitment to engage with stakeholders

The UNGPs attach great importance to the inclusion of persons or communities (potentially) affected by human rights abuses. Wherever possible, companies should actively seek their opinions. By doing so, they encourage stakeholders to express their concerns and give legitimacy to their opinions. To achieve Score 1, companies are expected to have a publicly available statement of policy committing it to this type of consultation or there has to be evidence that the company regularly engages with (potentially) affected stakeholders.

**All 20 companies are committed to the inclusion of stakeholder opinions. However, only 12 explicitly mention local communities as a target group for engagement. Two companies describe examples of engagement with local communities without making an explicit commitment.**

This type of engagement is present, for instance, across the three energy companies. They are more likely to be used to consulting with local communities due to the massive local impact of their power generation plants. While such consultation usually does not focus explicitly on human rights, it naturally includes human rights relevant aspects, for example in relation to accident prevention and safety.

To achieve Score 2 for this indicator, it is expected that a company's human rights approach is discussed with (potentially) affected groups. This can be demonstrated by an explicit commitment to, or by describing examples of this type of engagement.

**Only three of the 20 companies go this far. With an average score of 0.85 out of 2, companies score lower on this indicator than on A.1.1. and A.1.2.**

### **A.1.5: Commitment to remedy**

In the event that companies cause, contribute to, or are linked to human rights abuses through business relationships, they are expected to participate in the remediation of the harm suffered by the victim or group of victims, and to ensure that similar cases are prevented in the future.

For Score 1, companies are expected to have a publicly available statement of policy committing it to remedy.

To qualify for Score 2, the statement must also include a commitment to working with business partners such as suppliers to remedy adverse impacts where necessary, as well as recognise that a company's approach to remedy should not impede access to other forms of remedy for those affected; or include commitments to collaborating in initiatives that provide access to remedy.

**Of the 20 companies analysed, only three demonstrate a general commitment to remedy and not a single company enters into more concrete commitments. The average score for this indicator is 0.15 out of 2, making it one of the three lowest scoring indicators overall (together with C.7, which deals with the concrete implementation of remedy, and B.2.2 on risk assessment).**



## Theme B:

# Embedding Respect & Human Rights Due Diligence

Human rights due diligence is a fundamental expectation of the UNGPs and is operationalised through the four steps examined by indicators B.2.1 to B.2.4. As the present study is based solely on information publicly available on companies' websites, it automatically takes into account how a company communicates about its human rights due diligence. The steps of embedding policy commitments into company culture and broader management systems, along with specific due diligence processes, ensure that a company takes a systematic and proactive rather than ad hoc or reactive approach to respecting human rights. Indicator B.1.1 looks at the responsibility and resources for day-to-day human rights functions, indicating how the due diligence process is resourced.

### **| B.1.1: Responsibility & resources for day-to-day human rights functions**

For this indicator, it is expected that companies describe how responsibility for respecting human rights is managed within the company, both in terms of senior management level responsibility (Score 1) as well as the organisation of day-to-day responsibility across relevant internal functions/units including within a company's supply chain (Score 2).

**Six out of the 20 companies analysed do not provide sufficient information on the people or bodies internally responsible for human rights, meaning a third of companies fail to demonstrate senior management responsibility for human rights.**

- Fourteen companies designate responsibilities at top management level, including individuals such as the chief compliance officer. Points were also awarded for naming executive bodies such as a sustainability committee, as long as it was clear that respect for human rights lies within its remit.
- Eleven out of the 20 companies provide further information on day-to-day responsibilities for human rights across relevant functions. These may include human resources management and line management (working conditions for a company's own workers), sales and distribution (human rights risks related to the use of products), the investment department (mitigation of human rights risks in financial services and companies' investments), or procurement (working conditions at the supplier level). Relevant information, for instance, may include that responsibility for enforcing a supplier code vis-à-vis supplier companies, including human rights relevant requirements outlined in the code, lies with the buying department.

**The average score for this indicator across all companies is 1.08 out of 2.**

## **| B.2.1: Processes & triggers for identifying human rights risks & impacts**

Human rights due diligence consists of identifying risks and impacts (B.2.1), assessing risks and impacts (B.2.2), mitigating them (B.2.3), monitoring and evaluating the effectiveness of such action (B.2.4), and communicating how impacts are addressed (no separate indicator in this study). Indicator B.2.1 is the first step in this process.

**Few companies demonstrate that their human rights risk management explicitly focuses on the potential *damage to affected individuals or communities*.**

For this indicator (B.2.1), companies are expected to explain how they proactively and continuously identify potential human rights risks (and impacts) in connection with their business activities. To score 1, the relevant processes should be described, taking into account both the company's own activities as well as risks posed by the activities of business partners such as suppliers.

It is striking that companies more frequently describe risk identification processes for their business partners/suppliers (18 out of 20 companies) than for their own activities (14 out of 20 companies). Almost all companies have human rights relevant minimum requirements for selecting new suppliers, either as part of self-declaration or audit processes, the aim being to identify human rights risks before supplier relationships are established. However, similar processes for identifying risks related to companies' own activities are barely described. Scores still awarded here were frequently related to companies' regular identification of relevant sustainability issues/risks in the context of highly abstract materiality analyses, based on Global Reporting Initiative (GRI) standards (see also B.2.2).

For Score 2 under this indicator, it has to be evident that (potentially) affected stakeholders and human rights experts are consulted as part of risk identification processes, and there needs to be information on when human rights impact assessments (HRIA) are used. HRIAs include an established methodology for a detailed analysis of human rights risks and impacts related to a company's processes, products or business areas.<sup>14</sup>

**Eleven companies were able to demonstrate that they partially fulfil these expectations, however only one sufficiently to achieve a score of 1.5, and none for a score of 2. The average score for this indicator is 0.83 out of 2.**

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<sup>14</sup> See e.g. Götzmann, N. (ed.) (2019): Handbook on Human Rights Impact Assessment. Research Handbooks on Impact Assessment series. Copenhagen: The Danish Institute for Human Rights.



## **B.2.2: Assessment of risks & impacts identified (salient risks and key industry risks)**

This indicator is about assessing and prioritising the previously identified human rights risks and impacts. For Score 1, either the process or the results of such an evaluation must be described; for Score 2, both requirements must be fulfilled.

**None of the analysed companies explicitly include potential (human rights) impacts on individuals or groups into risk assessments of this kind.**

Several of the companies analysed describe sophisticated global risk management approaches covering different risk categories such as financial risks or strategic risks. Some include risks related to non-compliance with mandatory or voluntary standards, including human rights-relevant standards. Risk management includes risk identification and risk assessment steps. However, this kind of risk assessment is exclusively based on potential damage to the company (e.g. loss of reputation).

All 20 companies analysed publish a report on so-called “non-financial” aspects of their business activities, either separately (e.g. as “Sustainability Report” or “Corporate Responsibility Report”) or integrated into their Annual Report, explicitly referring to the GRI standards. These standards stipulate that “sustainability topics” discussed in the report have to be selected according to materiality criteria, taking into account relevant stakeholder groups. Topics are usually described in an abstract way. Relevant examples include “Social standards in the supply chain” or “Occupational safety and health [of a company’s own employees]”. The version of the GRI Standards which has been in force since 2016 recommends that sustainability issues should also be assessed based on their environmental and societal impact. This brings the GRI closer to the concept of ‘salient risks’ as set out in the UNGPs and Interpretive Guide.<sup>15</sup>

With one exception, all companies describe the process and results of such a materiality analysis. However, to satisfy the requirements of this indicator, the evaluation criteria must include the (potential) impacts on affected individuals and groups, a description of how these effects are evaluated, and a sufficiently differentiated description of the salient human rights risks. This was not met by any of the companies examined, therefore none were awarded scores based on the description of their materiality analyses.

**Only three companies describe either their processes for assessing human rights risks or the results of such an assessment outside of a materiality analysis, thus fulfilling the requirements for Score 1 (Score 2 requires disclosure of both the process and the results of such assessment). All other companies scored zero points for this indicator. Based on this approach, the average score for this indicator is 0.15 out of 2, making it one of the three lowest average scores overall.**

<sup>15</sup> United Nations (2012): [The Corporate Responsibility to Respect Human Rights. An Interpretive Guide](#). New York and Geneva: Office of the High Commissioner for Human Rights.

### B.2.3: Integrating assessment findings internally & taking appropriate action

For this indicator, it is expected that companies will take appropriate measures to prevent, mitigate or remediate their salient human rights issues.

Score 1 was awarded if a company either describes an integrated systematic approach to preventing, mitigating or remediating its salient human rights issues, covering all (relevant) regions, functions as well as the supply chain, or if it provides examples of measures introduced in a relevant area of business as a result of the risk assessment process. Score 2 was awarded if both a systematic approach and examples are described.

**Nineteen out of the 20 companies score at least 1 because they describe examples of measures taken to reduce human rights risks and impacts.<sup>16</sup>**

Eighteen companies sufficiently explain how they enforce and where necessary improve human rights relevant social standards in their supply chain. With regard to suppliers, this typically includes corrective action following poor performance in a supplier audit, qualification measures such as additional training, or – if there is no prospect of improvement – the termination of the business relationship. Only six enterprises, however, embed these approaches into an integrated system involving other relevant (business) areas or functions.

## Human rights & common risk management approaches

Large companies are used to dealing with risks. At least three types of risk management are relevant from a human rights perspective:

- Companies listed on the stock exchange have to account for substantial risks to owners and investors in their annual report. Generally, this relates to events that can have a significant impact on the expected business course. None of the companies analysed discuss potential human rights abuses in the context of these kinds of risks.
- Human rights are perceived as compliance risks especially if they include not only possible violations of the applicable law, but also (non-)compliance with voluntary commitments which go beyond the applicable law, such as those often included in codes of conduct. All 20 companies have a code of this kind.
- Potential human rights abuses by suppliers or business partners are generally understood and treated as reputational risks that can have an indirect influence on the business course.

Common to all three risk categories is that companies implicitly or explicitly understand “risk” as potential damage to the company and not primarily as potential damage to affected persons or communities. However, it is precisely this change of perspective that the UNGPs demand when they outline ‘salient risks’ as the focus of human rights due diligence. While it is likely that human rights violations will indeed become a risk for companies, in most cases, this requires a minimum level of public attention. However, the UNGPs explicitly expect companies to act not only when public attention demands it, but also as a precautionary measure.

<sup>16</sup> The one company that does not provide such an example scores 1 because it instead fulfils the requirement of an integrated system.

**Only five companies provide a description of both examples and an integrated system. The average score for this indicator is thus 1.25 out of 2.**

### **B.2.4: Monitoring & evaluating the effectiveness of actions to respond to human rights risks & impacts**

Here companies are expected to (track and) regularly review the effectiveness of their approaches to mitigating human rights risks and impacts for (potentially) affected individuals and groups.

Score 1 was awarded if companies described a system to regularly evaluate their human rights approach as a whole, or parts thereof. For example, some companies describe a “management review process” for their entire sustainability approach, including human rights. Alternatively, examples of changes or improvements to a company’s human rights approach as a result of this kind of review also count towards Score 1.

**Twelve companies meet the requirements for Score 1.**

Eleven out of the 20 companies describe elements of an effectiveness review regarding human rights relevant issues. Examples include the evaluation of measures taken by stakeholder groups in the form of ratings, the review of improvement plans on an annual basis in combination with regular monitoring of progress or monitoring the effectiveness of measures, in particular at higher-risk units and in supply chains that are at a high risk of human rights abuses. Often, these evaluation activities are not specific to human rights but apply to the whole range of sustainability measures. Only one company provides examples of evaluation-driven changes to its human rights approach.

Score 2 means that companies describe both the evaluation process and examples of improvements derived from it.

**None of the companies analysed were able to meet this requirement. The average score for this indicator is 0.60 out of 2.**



## Theme C:

# Remedies & Grievance Mechanisms

These indicators focus on the extent to which a company is able to/and provide(s) remedy to address actual adverse human rights impacts. It covers a company's approach for providing or cooperating in remediation efforts when human rights harms – actual human rights impacts – have occurred. The indicators aim to assess the extent to which a company has appropriate processes in place so that grievances may be addressed early and remediated directly where appropriate.

### C.1: Grievance channels/mechanisms to receive complaints or concerns from workers

Employees should be able to report concerns regarding possible violations of human rights and social standards to the company without having to fear negative consequences. Suitable complaints mechanisms are independent ombudswomen or -men, internal or external telephone hotlines, web-based systems, or a specially designated contact person such as a compliance officer.

Score 1 means that companies provide information on an appropriate complaints mechanism which is accessible to all employees.

**All 20 companies analysed meet this requirement.**

Usually, the complaints mechanism is part of a compliance management system designed to ensure that all employees comply with applicable legal provisions and voluntary commitments, such as a code of conduct. If compliance-related complaints mechanisms also covered human rights relevant standards, companies were also awarded points for this score.

For Score 2 under this indicator, three additional conditions must be met: details of the complaints mechanism's functioning must be disclosed, including data on its use (number of complaints received or dealt with); it must be clear that the complaints mechanism is available in all relevant languages; and it must be clear that employees of suppliers can also voice their concerns. This can be ensured either through a channel within the company itself, or by the company requiring its suppliers (at least in tier 1) to establish their own appropriate channels for employees.

**Nine companies meet the requirements for Score 2 partially (to score 1.5) and another five completely. The average score for this indicator is 1.53 (out of a maximum of 2), making it the second highest scoring indicator.**

## C.2: Grievance channels/mechanisms to receive complaints or concerns from external individuals and communities

In addition to employees in a company's value chain, other potentially affected individuals and communities should be able to raise concerns about possible human rights abuses. Appropriate channels should be made available by the company, especially for situations or regions with high human rights risks.

**Thirteen out of the 20 companies examined meet this requirement.**

Most claim that the communication channels established for employee complaints can also be used by external interest groups, and unless there were immediate restrictions, this was accepted to count towards the indicator.

Two additional requirements need to be met for Score 2. Firstly, it must be specified how the mechanism is accessible to potentially affected external stakeholders at the company's own operations, including in local languages. **This condition is met by twelve companies, at a basic level.** Secondly, it must be explicitly ensured that external stakeholders can also submit complaints related to the supply chain, either to the supplier or to the company itself. **This condition is only met by one out of the 20 companies. The average score for this indicator across all 20 companies is thus 0.98 out of 2.**

## C.7: Remediating adverse impacts and incorporating lessons learned

This indicator follows on from commitment to remedy in the event of damage (see indicator A.1.5). For Score 1, companies are expected to describe how they would treat any claim for remedy, or to describe a specific case where remedy was provided.

**Only three companies publish appropriate information.**

Score 2 requires companies firstly to demonstrate how precautionary measures have been or would be taken following a concrete case of damage in order to prevent recurrence. Secondly, companies should assess whether the precautionary measures (the grievance channels/mechanisms) introduced are actually effective.

**None of the companies examined provide any information in this respect. The average score for this indicator across all 20 companies is 0.15 out of 2, which makes it one of the three lowest-scoring indicators overall.**

# Key Findings

**None of the companies achieved at least one point on every human rights indicator.** Every company scored zero on at least one of the core indicators, showing that none of Germany's largest companies demonstrate that they fully meet the UNGPs' range of basic expectations. This is the closest test as to whether the companies will meet the Government's target.

■ **18/20 (90%) companies failed to demonstrate how and whether they manage their human rights risks sufficiently (due diligence).** Just two companies, Daimler and Siemens, received points on all four core indicators looking at human rights due diligence processes.

■ **The highest scoring company was Siemens, scoring 14.5/24 points (60%).**  
The average score was 10.1/24 (42%) and 6.0/24 (25%) the lowest.

The sections below summarise the most important results along the three themes and respective indicators.

## Theme A:

### Governance & Policy Commitments

**A.1.2:** Companies' own codes of conduct as well as expectations addressed to suppliers usually include vague statements on freedom of association and the right to collective bargaining, the elimination of forced labour, the abolition of child labour and the prohibition of discrimination in respect of employment and occupation. However, they rarely explicitly require compliance with the corresponding ILO conventions, and even fewer require this in the areas of working hours and occupational safety, suggesting a lack of effective leverage to enforce workers' rights throughout the supply chain.

**A.1.4:** Almost all companies make a general commitment to stakeholder consultation and show how they communicate with influential stakeholders such as investors, customers, employees or non-governmental organisations. Fewer, however, also apply such a commitment to groups of people directly (potentially) impacted by company operations, as required by the UNGPs, thus removing an important information channel to become aware of human rights risks that are not (yet) widely discussed in public.

**A.1.5:** See [C.7](#).

## Theme B:

# Embedding Respect & Human Rights Due Diligence

**B.1.1:** Six out of the 20 companies do not explicitly identify a person or body responsible for human rights. It remains unclear whether the departments or individuals within these companies who are responsible e.g. for sustainability or CSR are also in charge of looking into human rights issues.

**B.2.1:** With one exception, all companies report that they identify human rights risks in their own operations and supply chains (13) or at least in one of these two areas (six). None, however, fulfil the key process requirements as formulated in the UNGPs (risk identification as an ongoing process; in consultation with (potentially) affected stakeholders; in consultation with human rights experts; triggered by new circumstances; in recognition of HRIAs for specific areas).

**B.2.2:** Risk assessment processes related to human rights are present in all companies. Most commonly, these involve enterprise risk management systems or materiality analyses related to sustainability reporting according to the GRI standards. In terms of the expectations set out in the UNGPs, however, both approaches bear shortcomings in two major ways: (1) They do not sufficiently specify human rights risks but rather refer to general issues such as “human rights in the supply chain”, without detailing which human rights are at stake where in the supply chain or in which country; (2) the criteria used in these risk assessment processes usually neglect the concept of ‘salience’ that is crucial to the UNGPs. Instead of focusing on (potential) adverse impacts on affected individuals or groups, companies appear to assess their risks based on potential damage to the company. Seventeen out of the 20 companies therefore fail completely to score on this indicator, the remaining three fulfil the basic requirements for Score 1 of 2. Without a proper risk assessment process however, there is a danger that companies are not setting the right priorities for the subsequent steps in their due diligence process (action planning and evaluation of effectiveness).

**B.2.3:** All companies have processes and measures in place to mitigate human rights risks, although, as highlighted above, it is often not evident that they address the right issues. The most common approaches are systems to enforce social standards including human rights related requirements along supply chains, integrated into procurement processes. Only a few companies go beyond these common practices and include other relevant (business) areas or functions into an integrated human rights action plan.

**B.2.4:** Eleven of the companies analysed disclose reviewing their human rights approach on a regular basis to evaluate the effectiveness of processes and practices in place. However, real learnings and improvement measures derived from evaluations, demonstrating their meaningfulness, are only disclosed by one company.



## Theme C:

# Remedies & Grievance Mechanisms

**C.1:** Grievance channels designed to receive complaints or concerns from workers are present among all companies analysed. However, the mere existence of a grievance mechanism does not guarantee its effectiveness. Only seven companies disclose the number of complaints received or dealt with and can thus demonstrate how grievance mechanisms are used. This takes them one step closer to demonstrating that they are effectively capturing and addressing grievances.

**C.2:** Fewer companies explicitly invite external individuals and communities to submit complaints and have appropriate communication channels for this in place. Bar one, none of the 20 companies describe how they ensure stakeholders of suppliers can raise concerns. This is surprising, given that the majority of companies identifies the main risk of human rights abuses as being at the supplier level and focuses action on their supply chain rather than their own operations (see indicator B.2.3).

**A.1.5 & C.7:** Access to remedy in case of adverse impact is one of the weakest areas analysed although such impacts do occur.<sup>17</sup> Fifteen out of the 20 companies make neither a commitment to remedy for victims of an abuse that they cause, contribute to or are linked to through business relationships, nor do they disclose any processes or practices on how they would treat a claim for remedy. This suggests that the commitments and systems needed to provide adequate and effective remedy in case of adverse impact, one of the three pillars of the UNGPs, are virtually inexistent in the policies and practices of Germany's 20 largest companies.

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<sup>17</sup> See e.g. Wilks, S./Blankenbach, J. (2019): [Will Germany become a leader in the drive for corporate due diligence on human rights?](#)

# Annex 1:

## List of Companies

Below is a list of the largest German companies by turnover in the fiscal year 2017/2018 (in millions of US dollars). The data is taken from The Fortune Global 500 list.<sup>18</sup> The data refers to financial years ending on or before 31 March 2018. The turnover figures include the turnover of subsidiaries and reported turnover from discontinued operations but exclude excise taxes. For banks, the figures show the sum of interest income and non-interest income (both gross). For insurance operations, numbers include premium and annuity income, investment income, realised capital gains or losses and other income, but they do not include deposits. The statistics only include those companies that publish financial data and report part of or all their figures to a government authority.

**Table 3:** List of analysed companies with industry sector and annual turnover

COMPANY	INDUSTRY SECTOR	TURNOVER IN MILLION USD
Volkswagen	 Automotive	260,028 
Daimler	 Automotive	185,235 
Allianz	 Financial Services	123,532 
BMW	 Automotive	111,231 
Siemens	 Technology	91,585 
Bosch	 Technology	87,997 
Deutsche Telekom	 Telecom	84,481 
Uniper	 Energy	81,428 
BASF	 Chemistry	72,677 
Deutsche Post DHL	 Logistics	70,545 
Munich RE	 Financial Services	70,143 
Bayer	 Chemistry	51,933 
Continental	 Automotive	49,608 
Deutsche Bahn	 Logistics	48,124 
RWE	 Energy	47,832 
Thyssenkrupp	 Extractives	47,389 
Deutsche Bank	 Financial Services	46,511 
E.ON	 Energy	42,795 
ZF Friedrichshafen	 Automotive	41,080 
Metro	 Retail	40,957 

<sup>18</sup> Fortune. (n.d.). [Largest German companies by turnover in fiscal year 2017/2018 \(in millions of US dollars\)](#). On Statista – The Statistics Portal.

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## Business & Human Rights Resource Centre

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Business & Human Rights Resource Centre is an international NGO that tracks the human rights impacts (positive & negative) of over 8,000 companies in over 180 countries making information available on its eight-language website. We seek responses from companies when concerns are raised by civil society. The response rate is around 70% globally.

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The ZHAW School of Management and Law is the largest of the eight schools of Zurich University of Applied Sciences (ZHAW). The business school offers advanced, interdisciplinary education programs at a demanding academic level in the areas of management, economics, and business law. Rigorous theoretical research and practically oriented consulting contribute towards the development and innovation of private enterprises as well as government and nonprofit organizations, both in Switzerland and worldwide. The Center for Corporate Responsibility is one of the University's research units with a special focus on corporate responsibility management, business and human rights as well as sustainability innovation.

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For summary reports in English and German, company scoresheets and comments as well as further resources, visit the briefing page: <https://www.business-humanrights.org/en/german-snapshot>



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