



NEWS

For Immediate Release

Corporations Launch First-Of-A-Kind Testing Of New Labor & Human Rights Supply Chain Performance Indicators

NEW YORK, NY, January 19, 2012 – Nine companies this month launched a process to test newly-developed Key Performance Indicators (KPIs) to assess reputational risks and operational shortcomings associated with labor and human rights factors in corporate supply chains. Collectively, these companies source goods from 1,755 factories that employ around 1.8 million workers in 62 countries.

Developed with the Fair Labor Association (FLA) and Harvard Law School's Pension and Capital Stewardship Project¹ with funding from the Investor Responsibility Research Center (IRRC) Institute, the KPI initiative is the first effort to create a standardized method to assess such risks. Once tested, finalized, and implemented, these standardized KPIs could allow interested parties to assess companies' progress toward reducing labor and human rights risks.

"Investors remain concerned about the labor and human rights risks of the companies they own. And companies know that public concern can inflict deep corporate reputational damage, result in boycotts or product recalls, and ultimately damage the bottom line. The IRRC Institute is involved with this labor and human rights KPI project to provide investors and companies with a method to objectively assess a significant risk factor that has commanded the concern and attention of many of the world's largest corporations and investors," said Jon Lukomnik, executive director of the IRRC Institute.

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¹ Part of the Labor and Worklife Program.

The KPIs were developed using an extensive and inclusive two-stage process. The Harvard Project partnered with the FLA, a multi-stakeholder association of non-governmental organizations, universities, and corporations on KPI development (Stage 1) and testing (Stage 2). The process also engaged investors, among them signatories to the United Nations Principles for Responsible Investment Initiative. Overall, more than 100 organizations representing more than \$8 trillion in assets were consulted.

The KPIs being tested in Stage 2 are in the following areas, with a host of detailed underlying information for each category:

- Code of Conduct – issues such as child labor, freedom of association, health and safety.
- Supplier and Managers Training on Code of Conduct
- Corporate Commitment to Code of Conduct
- Suppliers with Confidential Reporting Channels for Worker Grievances
- Suppliers Monitored At Least Annually for Code Compliance
- Suppliers Subject to Independent Verification by External Monitors
- Sourcing Countries in Which Company Consults with Civil Society Groups
- Percentage of Successful Remediations of Code Violations

The full listing of draft KPIs and underlying questions is available [here](#) in a Summary Report, or by visiting <http://www.irrcinstitute.org/projects.php>. Ongoing testing and dialogue will continue throughout 2012 at FLA events and stakeholder meetings.

“Through the FLA, affiliated companies that have participated in the KPI initiative have already committed to upholding a strict workplace Code of Conduct throughout their supply chains. The KPIs are designed to standardize assessments of company efforts to improve labor standards in their global supply chains. We look forward to working with the IRRC Institute and the Harvard Project to analyze the results and finalize the KPIs,” said Jorge Perez-Lopez, executive director of the FLA.

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“The testing of the KPI is critical milestone,” added Aaron Bernstein, senior research fellow with the Harvard Project who worked with project director Larry Beeferman on the collaboration with the FLA. “The testing demonstrates commitment by major companies to measure and make any needed improvements related to their labor and human rights supply chain practices. When the final KPIs emerge, companies, investors and others will have a much-needed common yardstick to monitor key performance areas -- from labor and human rights standards, to grievance and confidential reporting procedures, to development of remediation plans. This is an important next step toward providing consumers with an added level of confidence that their purchases are manufactured in facilities using improved labor and human rights metrics.”

This initiative follows a 2009 research report by the Harvard Project funded by the IRRCI finding that some 28% of global companies – including nearly half of those with market capitalizations of more than \$10 billion – have labor and human rights policies covering their global supply chains. The study, “Benchmarking Corporate Policies on Labor and Human Rights In Global Supply Chains,” available here analyzes corporate policies on labor and human rights as applied to global supply chains. It finds that a near majority of European companies have supply-chain policies, with the United States and Asia lagging far behind. This was the first publicly available benchmarking analysis of global labor and human rights policies, and covered more than 2,500 global companies.

About The Pensions and Capital Stewardship Project of the Labor and Worklife Program, Harvard Law School

The Pensions Project addresses issues of retirement security and pension fund governance, management, investment, and related matters.

http://www.law.harvard.edu/programs/lwp/LWPPensions_about.html.

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About The IRRC Institute

The IRRC Institute is a not-for-profit organization headquartered in New York, N.Y whose mission is to provide thought leadership at the intersection of corporate responsibility and the informational needs of investors. More information is available at www.irrcinstitute.org.

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