

MARCH 2021

SUBMISSION TO THE TARGETED CONSULTATION ON THE ESTABLISHMENT OF EUROPEAN SINGLE ACCESS POINT FOR FINANCIAL AND NON-FINANCIAL INFORMATION PUBLICLY DISCLOSED BY COMPANIES

The Danish Institute for Human Rights (**DIHR**) is an independent National Human Rights Institution established by the Danish Parliament in accordance with the UN Paris Principles. Under its legal mandate, the DIHR's main functions are to monitor human rights in Denmark and promote human rights internationally, including through engagement with non-state actors. The DIHR's Business and Human Rights Department has been working in the area since 1999 and is an internationally-recognised centre of expertise on the application of human rights norms to business actors, across all world regions and industry sectors.

We make this submission as part of the public consultation the targeted consultation on the establishment of European single access point for financial and non-financial information publicly disclosed by companies, drawing on our expertise from 20 years of working with companies, states and civil society to build a global environment in which negative impacts on human rights by business activities are minimised, including through implementation of the UN Guiding Principles on Business and Human Rights (**UNGPs**). In particular, we draw from our recent experience developing big data technology to undertake large scale qualitative analysis of human rights information disclosed in sustainability reports using algorithm assisted analysis.

HUMAN RIGHTS DISCLOSURES: ALGORITHM ASSISTED ANALYSIS

One of principal weak points in human rights management in companies continues to be a lack of transparency and communication of their efforts, progress, outcomes and challenges. Useful work has been done by the [Alliance for Corporate Transparency](#), the [Corporate Human Rights Benchmark](#) and

others to analyse both what companies report in relation to human rights as well as assess the human rights performance of companies through manual analysis of company reporting. Each of these projects has resulted in useful data on the state of company reporting on human rights capable of assisting a range of stakeholders identify trends and gaps in current company practice on human rights.

However, efforts to undertake large scale qualitative analysis of company reports are limited by the resource intensive nature of the review, requiring manual review of company reports which provide relevant data in often quite different formats. This makes qualitative analysis of this challenging to scale up. In our view, it is possible to supplement qualitative analysis through big data analysis assisted by algorithm.

The Global Reporting Initiative (GRI), the Danish Institute of Human Rights (DIHR) and Centro Vincular-PUCV are currently collaborating on a study titled “Shining a light on human rights - Progress on corporate human rights performance disclosure”. The aim of the study is to assess progress made on corporate human rights performance disclosures in the mining and metals, energy and financial services sectors since the [first version of the study](#) was published in 2016.

The data analysis methodology for second version of the study consists of qualitative analysis drawn from a manual review of company reports, supported by the application of technology developed by the DIHR to analyze human rights information disclosed in sustainability reports published using algorithm assisted analysis.

To develop the algorithm, the DIHR has had access to a [database of sustainability reports maintained by GRI](#) until December 2020, which

contains links to around 27,000 company reports in the years 2001-2016. The DIHR was able to download and read only 9,685 of the reports due to either broken links or links not leading directly to the reports. Out of the downloaded reports, 3,918 of the reports are in English and are included in the analysis from companies in 38 sectors. This corresponds to only 14% of the original database. To use the reports with the algorithm, we have converted the pdf-files to txt-files and split the reports into text snippets, which are then classified by reference to a set of human rights indicators.

CHALLENGES IN ACCESSIBILITY AND STANDARDISATION

Although we see great promise in big data technology, in addition to challenges associated with assessing the substance of reporting, there are challenges in relation to the accessibility of company reports and how reported information is prepared and presented.

The DIHR has successfully undertaken a similar project using big data analysis of 145,000 recommendations from the international human rights system, assisted by an algorithm resulting in the creation of the [SDG-Human Rights Data Explorer](#). That project was assisted by the standard format used in Universal Periodic Review and other reporting which simplified the process of extracting text for analysis by the algorithm.

However, there have been challenges in adapting the algorithm to the company reports dataset. This has stemmed in part from the lack of standardization of reporting format. There is considerable variation in the presentation of data on human rights issues in current company reporting, which presents difficulties when attempting to assess and compare reporting practice. Potentially relevant information is contained in a range of formats, including tables or text boxes in picture format, which has been challenging to convert into a machine readable format.

The capacity to easily access, analyze and compare reporting is crucial for a range of stakeholders including ESG investors and civil society groups focused on corporate accountability. However, as this project has already highlighted, corporate reports are prepared in different ways with differing formats. This lack of standardization and accessibility has a deleterious effect on the ability to assess and compare company reporting. Standardisation of reporting would greatly assist this kind of big data analysis, enabling efforts to analyse company reporting to be scaled up.

Further, as noted above, only 14% of reports in the GRI database were ultimately accessible by the DIHR. This makes it difficult to track progress in company reporting over time.

Ensuring that company reports are made accessible and digitised in a machine readable format is essential not only for big data analysis projects like the one described above, but for all stakeholders wishing to assess and compare the human rights performance of reporting companies. An official EU repository, where businesses are required to deposit up-to-date reports, is important for a range of stakeholders including ESG investors and civil society actors focused on corporate accountability.