INVESTOR ALLIANCE FOR HUMAN RIGHTS
AN INITIATIVE OF ICCR

Summary Note:

Workshop on the Investor Responsibility to Respect Human Rights

June 20, 2019, 9:00am – 4:30pm

475 Riverside Drive, Suite 1020 Board Room, New York, NY 10115

Meeting objectives and participation

On June 20, 2019, the Investor Alliance for Human Rights hosted a 1-day workshop in New York with its members and key allies. The focus of the workshop was the investor responsibility to respect human rights and how investors can engage with this responsibility in practice.

The aims of the workshop were to:

1. Build the capacity of participants on the steps involved in engaging with the investor responsibility to respect human rights.
2. Identify and discuss existing tools for and practices of investors carrying out these steps.
3. Provide an opportunity for strategic planning for next shareholder season.

The workshop also served as a consultation on the Alliance's sector-wide and company-specific tools, as well as its development of an Investor Toolkit on Respect for Human Rights.

The meeting was designed to provide a platform for an interactive and collaborative exchange between investment groups and human rights organizations. Over 40 participants attended in person and approximately 12 participants joined by phone.

Key discussion themes

1. Human rights policies and governance for investors

A critical step in investor engagement with the responsibility to respect human rights is establishing a clear commitment at the institutional level to conduct business in a way that avoids negative impacts on people and enables the provision of remedy when impacts do occur. That commitment is then expected to be implemented through robust governance structures and processes that embed respect for human rights across business functions and throughout all aspects of the institution's decision-making.

Participants engaged with this aspect of the responsibility to respect human rights by breaking into groups to review and evaluate various investor human rights policies, drawn from several real-life examples from asset managers, asset owners, and public pension funds. In reviewing these examples, participants were asked to assess the strengths and weaknesses of these policies and any governance structures outlined therein from a human rights-perspective. Based on this exercise, participants discussed the following criteria as key in analyzing "good practice" in investor human rights policy development and governance:

- Explicit commitment to respect all internationally recognized human rights frameworks, most notably the UN Guiding Principles on Business and Human Rights, the International Bill of Rights, the ILO Core Conventions, and other relevant standards (for example, international humanitarian law);
- Commitment at the institutional level to respect human rights in line with the above standards, in addition to an expectation that investees respect human rights as such;
- A clear articulation of the institution's approach when local legal requirements are weaker than or directly conflict with international standards;
- Indication of thorough stakeholder (i.e. rights-holder) engagement to determine priority issues and mitigating actions, as well as engagement across business partners (e.g., minority owners);
- Strong governance content, from senior-level oversight to day-to-day management of implementation (incl. delineated management responsibilities, board accountability, value chain management, assessment of and communication with asset managers and research analysts);
- Cross-functional implementation and dissemination plans;
- Clear communication of evaluation approach and examples of outcomes;
- Openness about challenges and the institution's approach in overcoming those challenges;
- Outline of the institution's approach to enabling remedy and any grievance mechanisms.

Participants discussed the strong need for clarification when it comes to good practice in this area and provision of examples that institutions can draw from and adapt according to their specific business.

2. *Identifying and engaging companies on salient human rights risks and impacts*

Identifying salient portfolio risks and impacts is an important aspect of investor human rights due diligence. Yet, in practice, investors face a number of challenges in engaging with this critical step of the responsibility to respect human rights. International human rights standards have not been effectively integrated into most corporate reporting frameworks, but even in cases where company reporting on human rights takes place, it is inconsistent, lacking in comparability, and often focuses on policies and processes rather than real-world impacts and outcomes. Yet, data providers continue to rely heavily on these corporate disclosures and media reports. At the same time, meaningful stakeholder engagement with those most affected remains a challenge.

Representatives from the Corporate Human Rights Benchmark (CHRB), KnowTheChain, Ranking Digital Rights (RDR), and Shift joined participants in an interactive discussion on how to effectively evaluate corporate human rights practice by sharing the latest findings from their work. While challenges still remain, CHRB, KnowTheChain, RDR, and the UNGPs Reporting Framework are valuable tools that support investors in their efforts to identify and assess gaps in companies' human rights policies and processes, as well as understand and prioritize the most severe risks to people in their portfolios.

Recognizing the importance of building a holistic picture of a company's human rights performance for investors, speakers shared the latest findings of the benchmarks by each focusing on the same individual company's performance. Noting some of the limitations of these tools when it comes to evaluating the effectiveness of these due diligence efforts in practice, the discussion also touched on the Valuing Respect Project led by Shift, which aims to develop tools and insights to help companies, investors, and other stakeholders focus their resources on actions that effectively improve outcomes for people.

Participants noted opportunities to better leverage these tools and be more strategic about metrics. Easy criteria to measure and implement is often at risk of being turned into a "tick-box" exercise, diluting its effectiveness. More meaningful criteria could include, for example, the Board of Directors conducting a site visit where human rights risks may be high. Participants also agreed that business models and systemic risks must also be examined and addressed as part of the assessment of human rights risks.

The Investor Alliance's company- and sector-specific tools were then circulated among participants with the goal of applying the learnings from the previous discussion. Participants broke into groups to engage with specific company profiles, developed by the Investor Alliance in partnership with its members and allies, to discuss each company's salient human rights risks and discuss engagement priorities. Each profile analyzes the respective company's:

1. Human rights commitments;
2. Assessment and prioritization of its high-risk activities and business relationships;
3. Alignment of its human rights disclosure with the UNGPs Reporting Framework;
4. Business model risks;
5. Grievance mechanisms and role in enabling remedy.

3. Promoting corporate respect for human rights in practice

Participants discussed their efforts to promote corporate respect for human rights with the goal of assessing which tactics have proven to be the most successful as well as potential challenges to consider in future human rights engagements.

Participants highlighted a number of initiatives and strategies for their success in moving the human rights agenda forward. Benchmarks like the CHRB have be able to draw the attention of a company's upper management while providing much needed data to help bolster company dialogues, shareholder resolutions and engagement with proxy advisors. Collaboration with strong allies within companies and civil society as well as the backing of proxy advisors has been critical to the effectiveness of investor efforts to promote corporate respect for human rights by portfolio companies.

Additionally, participants agreed that diversity resolutions achieve significant support and we can see an increase in the number of companies reporting on lobbying, diversity, and inclusion. Participants reasoned this may be due to main stream investors' preference for numerical markers and suggested exploring numerical markers for human rights due diligence. They noted, however, that transforming human rights into quantitative metrics proves challenging, both in terms of accuracy and capturing rights-holders' perspectives.

On the other hand, participants also remarked that large, mainstream investors are still particularly difficult to engage on human rights resolutions. Meanwhile, some investors have been known to adhere to a single strategy regarding shareholder resolutions that broadly address human rights or have defaulted to management. Thus, investors have determined their vote before resolutions have even been drafted. Monster Inc. case highlighted. Diving deeper into data on how different investors respond to these types of shareholder resolutions is therefore important and necessary to address this.

Other challenges investors face when engaging companies on human rights include the absence of human rights expertise on boards and a lack of meaningful implementation of human rights commitments. In some cases, where investors have asked companies to conduct human rights impact assessments, companies have responded by saying they already employ check-list audits that address a few select human rights (which do not correspond to any rights-based prioritization approach on saliency or risk to people).

4. Next Steps

Moving forward, participants noted several opportunities to strengthen engagements and efforts to promote the investor responsibility to respect human rights:

First, there is a need to raise awareness and build capacity among the investment community and its ecosystem about the investor responsibility to respect human rights. This should include identifying and utilizing relevant forums to engage investors outside of specific resolutions or advocacy pushes on the roles of different actors under the UNGPs and on how they should prioritize action based on salient risks to rights-holders. Raising awareness on salient issues by sector should also by a priority, one place to start may be industry specific guidance and resolutions. To be successful, building the capacity of proxy advisors is also necessary, beginning by providing them with sector- and company-level resources in digestible language.

Participants also discussed that human rights commitments and due diligence processes should be adopted by institutional investors and requested of portfolio companies. They requested template language for investor human rights policies as well as proxy voting guidelines from the Investor Alliance.

In response to challenges at the implementation stage, participants highlighted the importance of developing tailored tools that speak to specific investor types and asset classes, as well as the need to take on institutions like the Securities and Exchange Commission through lawsuits and freedom of act requests to contest the Commission's judgment and legal compliance.

Furthermore, adopting certain broad strategies could hasten positive outcomes. For example, past experience suggests that a company's failure to respond to and engage with investors on human rights concerns can be used as a tool to increase attention by the investment community as asset managers care deeply about a company's responsiveness to its shareholders. Future actions should therefore embed language regarding a company's failure to respond, including in the text of shareholder resolutions.

Lastly, participants agreed to explore opportunities to build and better leverage the Investor Alliance's network and more cohesively integrate and coordinate company engagements and investor dialogues with civil society. Relationship cultivation (during and outside of proxy season); among investors, between investors and civil society, and between investors and the company, remains critical to these efforts and should be featured prominently in any advocacy or engagement agenda.