



## *Toolkit on the Investor Responsibility to Respect for Human Rights*

### Concept Note

#### CONTEXT

Investors, like all business actors, have a responsibility to respect human rights and should act with due diligence in line with the [UN Guiding Principles on Business in Human Rights \(UNGPs\)](#), the [OECD Guidelines for Multinational Enterprises](#), and the 2017 OECD guidance document [Responsible Business Conduct for Institutional Investors](#).

In practice, this means that investors need to *know* how they are connected with risks to people throughout their investment activities; *take action* on the most salient (i.e. severe) risks identified; and *show* their efforts to prevent, mitigate, and address those risks through public disclosure. At the same time, a distinctive characteristic of institutional investors is that they traditionally hold investments in a wide and diverse range of entities and asset types, often across many sectors and different regions, elevating the possibility that they may be connected with a wide and diverse range of human rights risks. Moreover, investors should consider these risks throughout the investment lifecycle, including across investment decision-making and throughout engagements with investees. Engaging with the responsibility to respect human rights is therefore particularly complex and challenging for the institutional investor community.

Investors are also increasingly aware of and concerned about the significant operational, legal, and reputational risks their investees might face when they do not take adequate steps to manage human rights risks, including project delays and cancellations, lawsuits and other legal risks such as non-compliance with emerging human rights-related regulations, significant fines, productivity and recruitment challenges, and negative press coverage.

Indeed, ESG investing has increased exponentially in recent years, [estimated at over \\$30 trillion in AUM in 2018](#). However, while a growing group of mainstream investors are integrating ESG criteria into their decision-making, many institutional investors are still far from doing so. And despite the growing awareness of and commitments by investors and the broader business community regarding the responsibility to respect human rights, human rights risks remain widely neglected or underestimated within the investor community, even among those that do integrate current ESG considerations (which are not yet uniform) into their policies and practices.

In response, a [2018 report by the UN Working Group on business and human rights](#) specifically calls on investors to “implement human rights due diligence as part of their own responsibility under the Guiding Principles, more systematically require effective human rights due diligence by the companies they invest in, and coordinate with other organizations and platforms to ensure alignment and meaningful engagement with companies.”



There has also been a flurry of [regulatory activities to promote mandatory human rights due diligence](#) for investors and companies alike, particularly in the European context. For instance, the European Parliament and Council reached a political agreement in March 2019 on a [new set of rules](#) requiring European investors to disclose the steps they have taken to address the adverse impact of their investment decisions on people and the planet.

Yet, most institutional investors remain unequipped with practical tools, tailored to the realities of their roles and day-to-day activities, to carry out this responsibility in a meaningful way across their institutional policies and practices.

## PURPOSE

The purpose of the *Toolkit on the Investor Responsibility to Respect for Human Rights*, a project of the [Investor Alliance for Human Rights](#), is to help fill this gap by providing institutional investors with ready-to-use guidance, practical tools, and illustrative case studies to support implementation of their responsibility to respect human rights throughout the investment lifecycle. The Toolkit will:

- Make the case (with examples and other evidence) for why all investors can and should integrate respect for human rights across their investment activities and relationships;
- Outline specific steps that investors can take to prevent, mitigate, and address adverse human rights impacts connected with their investment activities, with a clear indication of how the steps relate to different types of investors and/or asset classes; and
- Offer analytical tools, checklists, templates, key questions, and case studies for investors to use, learn from, and apply in practice.

## AUDIENCE

In order to focus the scope of the project, and given the Alliance's role of expanding capacity across the wider investment community, the primary audiences for the Toolkit will be asset managers and asset owners. Short "snapshots" embedded throughout the Toolkit will be relevant for additional investor audiences.

The Toolkit will also aim to support civil society organizations, governments, international and regional organizations, trade unions, and others in their various efforts to ensure that investors are actively engaging with their responsibility to respect human rights and are accountable for their engagement with that responsibility.

## SCOPE

The investor responsibility to respect human rights also applies to investors’ own operations and supply chains. However, given that there already exists a plethora of guidance materials that are applicable to this area of investors’ business, the Toolkit’s scope is focused on investment activities.

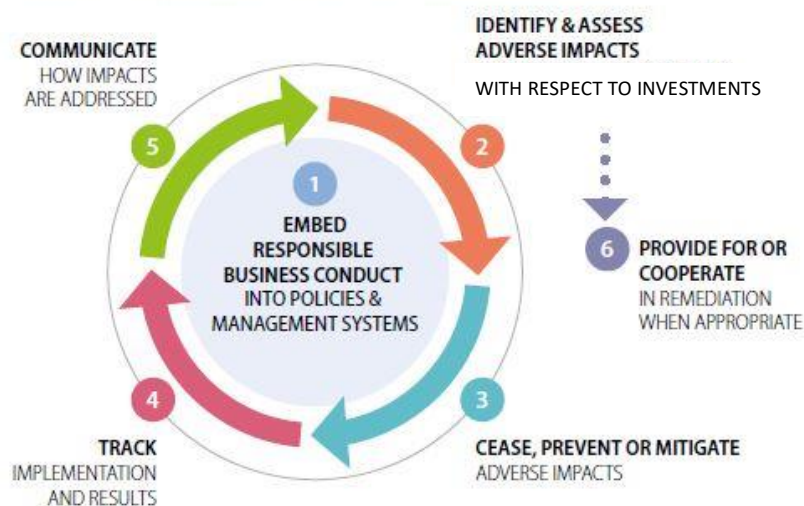
The Toolkit will also primarily focus on public equity, but will include short “snapshots” for other asset classes integrated throughout, such as private equity, bonds, and sovereign wealth, and index funds. Depending on resources, the Investor Alliance may develop targeted tools in future for specific asset classes. The Toolkit aims to be a starting point only.

## STRUCTURE

The Toolkit will begin with an introduction that provides a brief overview of what human rights are and how companies and investors specifically can impact human rights. The introduction will also clarify the context for the publication, communicate its scope and main objectives, share the project’s research and consultation methodology, and briefly outline the project’s recommendations.

The Toolkit will then be structured around the six main steps for implementation of the investor responsibility to respect human rights, as outlined in the graphic below:

**FIGURE 1. DUE DILIGENCE PROCESS & SUPPORTING MEASURES**



*Adapted from the [OECD Due Diligence Guidance for Responsible Business Conduct](#), p. 21*

At each of these six steps, the Toolkit will provide explanations of the types of actions that investors can take to fulfill that step alongside tools and templates for carrying out those action. Along the way, the Toolkit will incorporate stakeholder engagement strategies (the seventh step of the investor



responsibility) and share detailed examples of the various recommended actions, in the form of either actual case studies from existing investor practice or hypotheticals drawn from real-life scenarios.

Key questions that the Toolkit will aim to answer and provide practical tools around include:

- What policies should investors have in place that promote respect for human rights?
- How should investors embed human rights across business functions, from senior leadership to compliance officers to portfolio managers, engagement specialists, and research analysts?
- How should investors screen companies or sectors, via indicators or otherwise, throughout the investment lifecycle to identify human rights risks, including in cases where portfolios may include a wide range of companies and sectors?
- How should investors prioritize which sectors and issues to focus on, and when?
- How should investors act on assessment findings (e.g., direct company dialogues, shareholder resolutions, proxy voting, divesting or temporarily divesting, exclusionary policies, advocacy with companies or governments, collaborative approaches to address systemic risks)?
- How can investors track the effectiveness of their due diligence efforts, either via portfolio company actions (including green flags and red flags) or at the level of investment institution?
- What can investors best communicate their human rights efforts, internally and externally?
- What responsibilities do investors have with regard to remedy?
- What does meaningful and continuous stakeholder engagement look like for investors?

## PROJECT LEADS AND ADVISORS

In addition to all members of the Investor Alliance’s [Steering Committee](#), a group of leading investors based across a diverse range of countries and representing a variety of investor types are providing ongoing feedback and advice on the Toolkit as **Project Leads**.

In addition to all members of the Investor Alliance’s [Advisory Committee](#), a group of civil society organizations, trade unions, investor associations, international organizations, benchmarks, national human rights organizations, and research organizations based across a diverse range of countries are providing ongoing feedback and advice on the Toolkit as **Project Advisors**.

## TIMELINE

DATE	ACTIVITIES
May to July 2019	<ul style="list-style-type: none"> <li>• Terms of Reference developed and internally reviewed</li> <li>• Project Leads and Advisors identified and confirmed</li> <li>• Terms of Reference reviewed by Project Leads and Advisors</li> <li>• Terms of Reference revisions made based on initial feedback</li> </ul>



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	<ul style="list-style-type: none"> <li>• First round of <a href="#">survey on current investor practice</a> among Investor Alliance members; gathering of initial data and case studies</li> <li>• Workshop on the Investor Responsibility to Respect Human Rights serves as first project consultation; <a href="#">workshop summary published</a></li> </ul>
<b>August to October 2019</b>	<ul style="list-style-type: none"> <li>• Initial outline of Toolkit developed and internally reviewed</li> <li>• Review of initial outline of Toolkit by Project Leads and Advisors</li> <li>• Initial outline revisions made based on feedback</li> <li>• Second round of <a href="#">survey on current investor practice</a> among Investor Alliance members; gathering of additional data and case studies</li> <li>• Investor Alliance strategy sessions, capacity-building sessions, and consultations in early October and late October serve as round of project consultations; summaries to be published</li> </ul>
<b>November 2019 to January 2020</b>	<ul style="list-style-type: none"> <li>• Draft Toolkit developed with desk-based research, findings from investor practice surveys, inputs from consultations, and case study interviews</li> <li>• Development of communications and dissemination strategies</li> </ul>
<b>February to April 2020</b>	<ul style="list-style-type: none"> <li>• Review of draft Toolkit by Project Leads and Advisors</li> <li>• Draft Toolkit revisions made based on feedback</li> <li>• Final Toolkit developed and designed for print and online access</li> <li>• Progression of communications and dissemination strategies</li> </ul>
<b>May to July 2020</b>	<ul style="list-style-type: none"> <li>• Toolkit launched (exact date TBD)</li> <li>• Roll out of communications and dissemination strategies, in coordination with Project Leads and Advisors</li> <li>• Follow-up: direct capacity building with investors on use of Toolkit (within and outside of Investor Alliance membership), coordination with civil society, dissemination via other strategic engagement opportunities</li> </ul>
<b>August 2020 onwards</b>	<ul style="list-style-type: none"> <li>• Tracking of investor uptake of the Toolkit: challenges and opportunities identified, strategies for highlighting good practice and ensuring accountability developed</li> <li>• Depending on resources, Toolkit updated and/or spin-off tools developed for additional investor types and/or asset classes</li> </ul>

## CONTACT

Sara Blackwell, Associate Director, Investor Alliance for Human Rights  
 E: [sblackwell@iccr.org](mailto:sblackwell@iccr.org) | O: +1.212.870.3039 | M: +1.202.758.8209  
 475 Riverside Drive, Suite 1842, New York, NY 10115