



# INVESTOR TOOLKIT ON HUMAN RIGHTS



**INVESTOR ALLIANCE  
FOR HUMAN RIGHTS**  
AN INITIATIVE OF ICCR

## ABOUT THE INVESTOR ALLIANCE FOR HUMAN RIGHTS

The [Investor Alliance for Human Rights](#) is a collective action platform for responsible investment that is grounded in respect for people's fundamental rights. It is a membership-based, non-profit initiative focusing on the [investor responsibility](#) to respect human rights, [corporate engagements](#) that drive responsible business conduct, and [standard-setting activities](#) that push for robust business and human rights policies. The Investor Alliance for Human Rights is an initiative of the Interfaith Center on Corporate Responsibility (ICCR).

The Investor Alliance's membership is currently comprised of over 170 institutional investors, including asset management firms, trade union funds, public pension funds, foundations, endowments, faith-based organizations, and family funds. Members currently represent a total of over US\$4 trillion in assets under management and 19 countries. Along with civil society allies, [our team](#) equips the investment community with expertise and opportunities to invest responsibly so as to avoid risk to both investments and the individuals and communities affected by them.

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*Disclaimers: The Investor Alliance for Human Rights does not endorse the various case studies highlighted throughout the Toolkit. Rather, it offers these examples as illustrative of promising practice in the area of investor respect for human rights. The Investor Alliance is also aware that responsible investment is a rapidly growing field and that a plethora of initiatives and guidance materials already exist in this space. This Toolkit incorporates many of these existing efforts and resources so as to avoid duplication. However, unintended gaps and overlaps are certain to remain. The Investor Alliance offers this Toolkit as a starting point upon which further guidance, tools, and case studies can be further developed.*

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# 1. INTRODUCTION: A CALL TO ACTION

Among countless severe consequences, the current international COVID-19 emergency has created a global financial crisis of a scale rarely encountered in modern history. Systemic economic and social inequalities across societies are being laid bare and exacerbated, and the precarious foundation that recent financial markets have relied upon is evident now more than ever. While business models and corporate cultures have in many ways contributed to the vulnerability of societies in responding to unprecedented situations such as the current pandemic, responsible companies are already experiencing the positive effects of putting people first.

**In this globally challenging time, financial actors have a tremendous opportunity to support recovery and positively contribute to new systems that embed respect for human rights – what every individual is entitled to in order to live a life of fundamental welfare, dignity, and equality.**

## THE ROLE OF INSTITUTIONAL INVESTORS

By fueling economies, institutional investors in particular have a systemic influence over financial markets and the behavior of companies within them. Recognizing this, governments around the world are increasingly seeking to activate the resources and unique leverage of investors to drive sustainable economic development, calling on the investment system to help achieve the ambitious vision laid out by the 2030 Sustainable Development Agenda.

## THE REGULATORY LANDSCAPE

The current situation comes as a new era of socially responsible and sustainable business has taken shape and continues to build momentum. **A wave of legal requirements and normative expectations is impacting financial markets across the world, with responsible business regulations already in place or quickly coming down the pike.**

In particular, the European Union (EU) has taken on a global leadership role in redefining the roles and responsibilities of institutional investors as financial actors by seeking to embed environmental, social, and governance (ESG) considerations at the heart of the region's financial system. In 2019, the European Parliament and Council adopted 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. Under this regulation, which entered into force in December of 2019, EU member states will have until May 2021 to fully implement these rules, which will apply to all investment advisors who sell products in Europe and thereby cover all large investment advisors worldwide. Moreover, as of March 2020, the minimum safeguards under the EU Taxonomy – which set performance thresholds under new legal obligations for European financial market participants – are based in internationally recognized human rights standards.

## 1. INTRODUCTION: A CALL TO ACTION

### THE BUSINESS CASE

**Respect for human rights is strongly associated with value chain resilience and a stable business operating environment. In parallel, investors are increasingly aware of and concerned about the significant operational, financial, legal, and reputational risks portfolio companies might face when they fail to manage human rights risks.** These business risks include potential project delays and cancellations, lawsuits and other legal risks such as noncompliance with emerging human rights-related regulations, scrutiny from national-level grievance mechanisms such as OECD National Contact Points (NCPs), significant fines, productivity and recruitment challenges, and negative press coverage. Investors also have increasingly recognized fiduciary duties to assess and act upon longer-term risks such as human rights risks in making and managing investments.

**At the same time, investors are now more exposed to human rights risks than ever.** This is a result of, for example, the rapid expansion of investment capital and shareholder corporate ownership structures in recent decades, the increasing globalization of business and investment accompanied by the expansion of investment value chains to contexts far from where investors are headquartered, and the rapid development of technology exposing individuals and societies to new and previously unforeseen risks.

### THE CAPACITY CHALLENGE

In the midst of this context, a growing number of institutional investors are aiming to integrate environmental, social, and governance (ESG) factors into how they make and manage their investments across asset classes. Despite rapidly growing activity in the world of ESG investing, however, **most investors do not have a mature understanding of how human rights are a necessary component of any responsible and financially sustainable investment strategy.**

### THE HUMAN RIGHTS FRAMEWORK

**Institutional investors, as business actors, have a responsibility to respect human rights in line with the UN Guiding Principles on Business in Human Rights.** Unanimously endorsed by the United Nations (UN) Human Rights Council in 2011, the UN Guiding Principles represent the authoritative global framework for addressing business impacts on human rights. The framework clarifies the respective duties and responsibilities of governments and businesses in tackling human rights risks related to business activities.

**The responsibility to respect means that business enterprises are expected to formally commit to respect human rights, have in place human rights due diligence processes, and, where appropriate, ensure that victims of human rights abuses have access to remedy.** This responsibility exists independently of whether or not governments fulfill their human rights obligations. Businesses should comply with national laws while at the same time seeking to honor the principles of internationally recognized human rights when faced with conflicting requirements.

The scope of this business responsibility extends to all internationally recognized human rights – understood, at a minimum, as those expressed in the International Bill of Human Rights and the core conventions set out by the International Labor Organization (ILO).

## 1. INTRODUCTION: A CALL TO ACTION

Since their adoption, the UN Guiding Principles have been integrated into global standards and initiatives relevant to business and human rights, including the [OECD Guidelines for Multinational Enterprises](#). In 2017, the OECD provided additional relevant guidance in [Responsible Business Conduct for Institutional Investors](#).

**Institutional investors, even those with minority shares in a company, may be connected to adverse impacts on human rights caused by, contributed to, or linked to portfolio companies as a result of their ownership or management of stakes in those companies. Investors therefore need to know the risks to people connected with their investment activities and show how they take action to manage those risks.**

A distinctive characteristic of institutional investors is that they often hold investments in a wide and diverse range of entities and asset types, often across many sectors and different regions. This increases the possibility that they may be connected to a wide range of human rights risks and impacts. In addition, as government-supported investors, [public pension funds](#) such as the [California Public Employees Retirement System \(CalPERS\)](#) and the [Government Pension Investment Fund \(GPIF\) of Japan](#) have a heightened duty to ensure portfolio companies respect human rights, in line with UN Guiding Principle 4 on the “State-business nexus.”

While investors, in most cases, are not responsible for directly addressing adverse impacts that portfolio companies are involved with, they are expected to consider risks throughout the investment lifecycle, including prior to investment decision-making, during investment decision-making, and throughout investment stewardship. They are also expected to use and maximize their leverage to facilitate and incentivize portfolio companies and other influential actors to prevent, mitigate, and where appropriate address harms.

### THE CALL TO ACTION

Respect for human rights is no longer a ‘nice-to-have’ proposition for institutional investors. This is the moment that investors need to get the ‘people part’ of ESG right or risk missing the mark with disastrous consequences for people, sustainable development, and the sustainable finance movement as a whole.

## 1.1. BACKGROUND AND CONTEXT

Socially responsible investors have been engaging companies on human rights issues since the 1970s, with asset owners such as pension funds and faith-based groups such as ICCR driving divestment campaigns against the apartheid regime in South Africa. In the 1990s, research firms and ratings agencies emerged to provide investors with social and environmental data on publicly listed companies. At the same time, frameworks for sustainability reporting were developed to guide corporate non-financial disclosures, and the UN-backed [Principles for Responsible Investment \(PRI\)](#) were launched in 2006 and now have over 2,300 signatories. Environmental, social, and governance (ESG) investing grew out of these developments, rising in **2018 to US\$30 trillion in assets under management**.

While a growing group of mainstream investors are integrating ESG criteria into their investment activities, many institutional investors are still far from doing so. Moreover, assessing and addressing risks

## 1.1 BACKGROUND AND CONTEXT

to people in investments remains widely neglected and underestimated within the investor community, even among those that do integrate current ESG considerations into their policies and practices.

Compounding this problem, ESG ratings criteria and relevant frameworks are far from being uniform and aligned with human rights standards. At the same time, 'human rights' are too often characterized by institutions as 'niche' or only relevant to active investment strategies, rather than understood as an embedded across a wide range of ESG-related concerns and all forms of investment.

On the other hand, the integration of the UN Guiding Principles into other leading responsible business conduct standards such as the OECD Guidelines for Multinational Enterprises has helped raise awareness and understanding of corporate human rights due diligence processes, providing an approach to pragmatic and meaningful governance processes that support all ESG-related activities.



### **SPOTLIGHT: The OECD Guidelines for Multinational Enterprises**

The UN Guiding Principles are complementary to, yet fill a critical human rights gap within, existing good practice management systems for environmental and governance risks and impacts. In 2011, the OECD incorporated the UN Guiding Principles into the OECD Guidelines for Multinational Enterprises, applying the framework to social, environmental, and governance (ESG) concerns. The OECD further solidified this connection in the context of investors in its 2017 guidance document [Responsible Business Conduct for Institutional Investors](#).

**At the international level, a 2018 report by the UN Working Group on business and human rights – mandated by the UN to promote the effective and comprehensive dissemination and implementation of the UN Guiding Principles – specifically called on investors to “implement human rights due diligence as part of their own responsibility under the [UN] 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.”**

**While most evidently relevant to the 'S' in ESG, the UN Guiding Principles provide a management system approach, replicated by the OECD, that can assist investors with systematically assessing and addressing a broad range of ESG risks and impacts.** This approach allows investors to more appropriately focus on credible processes and outcomes rather than often impractical and inefficient 'issue-by-issue' or 'sector-by-sector' approaches.

## 1.1 BACKGROUND AND CONTEXT

**By threading the UN Guiding Principles throughout ESG practices, investors are able to:**

- Ground ESG practices in a globally authoritative and credible reference point;
- Facilitate comparability between investments based on consistent standards and benchmarks;
- Scale up responsible business conduct globally; and
- Enable proactive, rather than only reactive, approaches to managing human rights risks.

Yet, most institutional investors are underequipped with practical tools, tailored to the realities of their roles and day-to-day activities, to carry out the investor responsibility to respect human rights in alignment with the UN Guiding Principles. As a result, engaging with the responsibility to respect human rights remains particularly challenging for the institutional investor community.

## 1.2. OBJECTIVES, TARGET AUDIENCE, AND SCOPE

**This Toolkit provides practical guidance for institutional investors in applying the UN Guiding Principles throughout their risk management systems to assess and address risks to people involved with their business, with a primary focus on investment activities.** In doing so, the Toolkit breaks down each step in this human rights risk management approach, providing tools and case studies along the way. All tools are provided in the 'Toolkit Annex' for ease of reference.

**The Toolkit targets two main audiences:**

- **Asset owners**, who have the legal ownership of assets, such as pension funds (for private, public, and third sector employees), insurance funds, sovereign wealth funds, churches, charities, foundations, family offices, multi-family offices, and providers; and
- **Asset managers**, who act as investment agents on behalf of asset owner clients.

In order to focus its scope, the Toolkit is further tailored for ownership investments as opposed to lending investments. Ownership investment in a company entails investors owning a share or stake in a company, which is expected to increase in value over time but is not guaranteed, while company or project lending involves loan repayments and consequences for non-repayment. **The scope of the Toolkit covers equity ownership investments in both public and private companies, as well as both active and passive investment strategies.**

The Toolkit is primarily focused on minority shareholders with investments in public equities and limited partners (LPs) in private equities. At the same time, majority shareholders in public companies and general partners (GPs) in private companies will also benefit from much of the guidance, resources, and tools in the Toolkit.



## 1.2 OBJECTIVES, TARGET AUDIENCE, AND SCOPE

Minority shareholdings represent the largest proportion of assets under management by institutional investors. In most cases, minority shareholders do not cause or contribute to human rights abuses, but rather are directly linked to actual or potential harms through investments. As such, the Toolkit focuses on situations where shareholders are directly linked to human rights risks through investment activities.

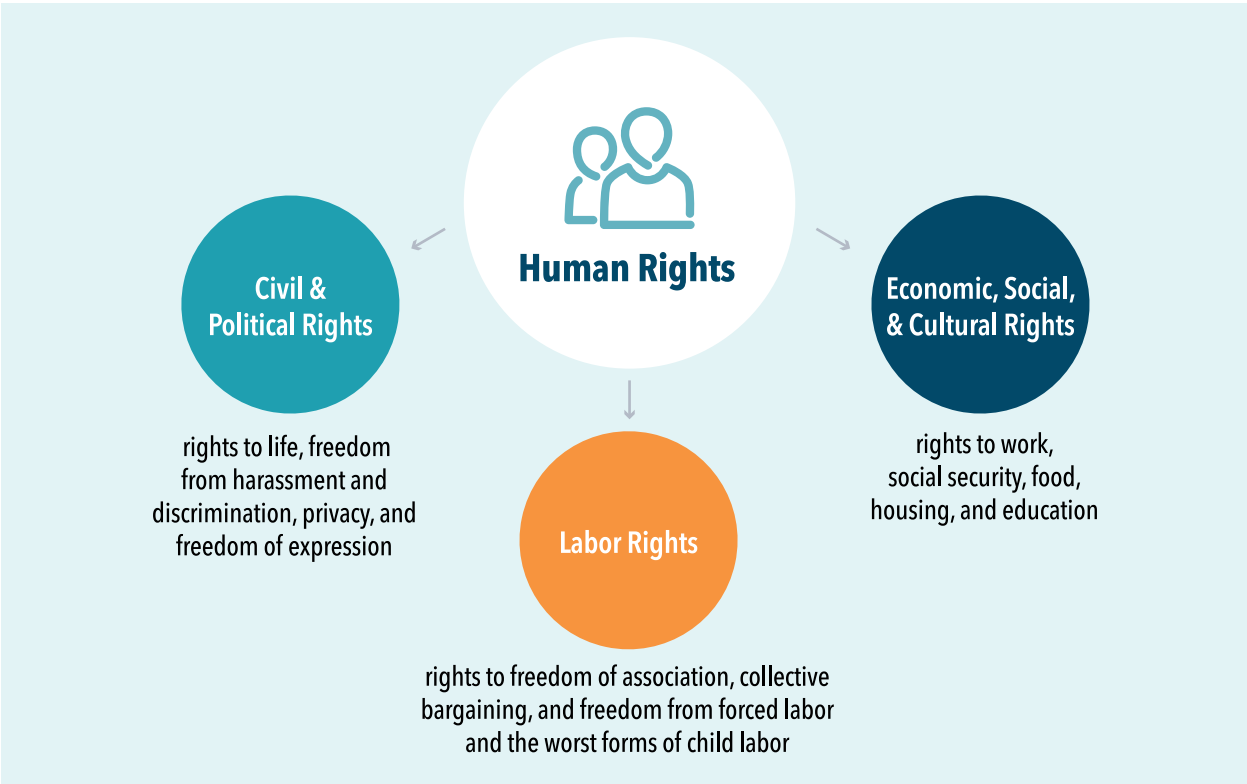
The Toolkit also supports civil society organizations, governments, international and regional organizations, and others in their efforts to promote responsible investment and facilitate investor accountability for human rights risks and impacts involved with investment activities.

## 1.3. KEY CONCEPTS

### WHAT ARE HUMAN RIGHTS?

**Human rights are rights inherent to all human beings, regardless of nationality, place of residence, sex, national or ethnic origin, color, religion, sexual orientation, language, or any other status.** As affirmed by the [UN Office of the High Commissioner for Human Rights \(OHCHR\)](#), universal human rights are all inalienable, interrelated, interdependent, and indivisible.

**In general terms, human rights are what every individual is entitled to in order to live a life of fundamental welfare, dignity, and equality.** They include civil and political rights such as the rights to life, freedom from harassment and discrimination, privacy, and freedom of expression; economic, social, and cultural rights such as the rights to work, social security, and education; and labor rights such as the rights to freedom of association, collective bargaining, and freedom from forced labor and the worst forms of child labor.



### 1.3 KEY CONCEPTS

International human rights law outlines the duties of governments in protecting, respecting, and fulfilling human rights, including in the context of business activities. Universal human rights are outlined in:

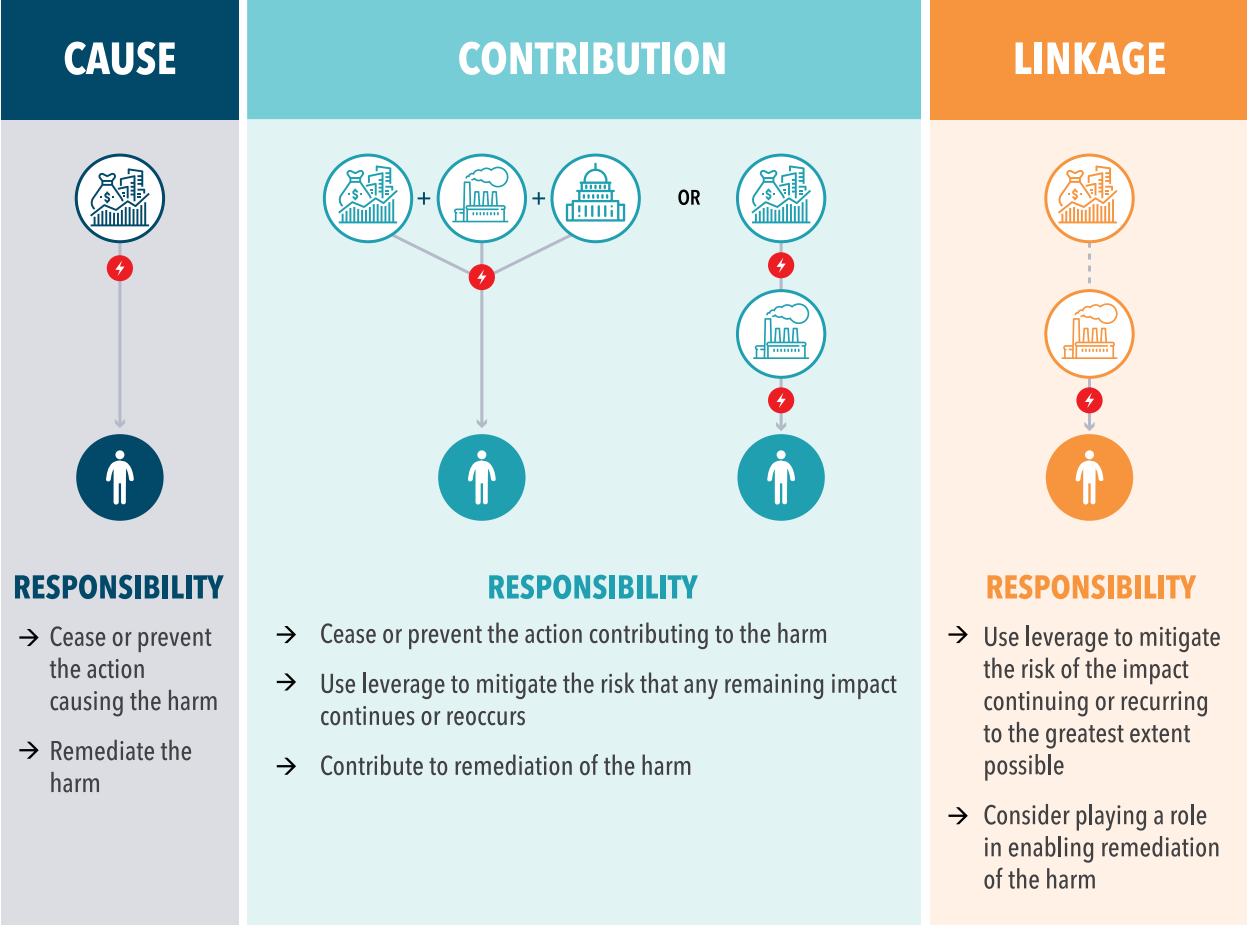
- The [International Bill of Human Rights](#), which includes the Universal Declaration of Human Rights (UDHR), the International Covenant on Civil and Political Rights (ICCPR), and the International Covenant on Economic, Social, and Cultural Rights (ICESCR);
- The [International Labor Organization \(ILO\) core conventions](#);
- [Other international human rights instruments](#), such as the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD) and the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW); and
- [Regional human rights instruments](#), such as the African Charter on Human and Peoples' Rights, the American Declaration of the Rights and Duties of Man, the ASEAN Human Rights Declaration, and the European Convention for the Protection of Human Rights and Fundamental Freedoms; and
- National human rights laws that codify international and regional human rights instruments.

### HOW CAN INVESTORS BE INVOLVED WITH HUMAN RIGHTS IMPACTS?

As described in the UN Guiding Principles, there are three distinct ways in which a business enterprise, including an investor, may be involved with adverse human rights impacts:

- **Causing** an adverse human rights impact through its own actions or omissions;
- **Contributing** to an adverse human rights impact through its own activities, either alongside other entities or through external entities, such as clients or customers; or
- Being **directly linked** to an adverse human rights impact through its operations, products, or services via a business relationship, such as a portfolio company.

1.3 KEY CONCEPTS



**A key difference in the scope of responsibility under cause, contribution, and linkage is the expected role of the business in providing remedy to those harmed.** This includes “apologies, restitution, rehabilitation, financial or nonfinancial compensation, punitive sanctions (whether criminal or administrative, such as fines), as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition.” Where a business causes or contributes to adverse impacts, it should play a role in providing remedy. In cases of linkage, while the scope of responsibility does not extend to the provision of remedy, the business may still play a role in enabling remedy from where it sits and may have a range of reasons for doing so, including reputational considerations.

As highlighted by Professor John Ruggie, the author of the UN Guiding Principles, **“There is a continuum between contribution and linkage.** A variety of factors can determine where on that continuum a particular instance may sit [including] the extent to which a business enabled, encouraged, or motivated human rights harm by another; the extent to which it could or should have known about such harm; and the quality of any mitigating steps it has taken to address it.”

For example, a 2017 [discussion paper](#) published by the British Institute of International and Comparative Law (BIICL) and the Principles for Responsible Investment (PRI) highlights that, “depending on the investment strategy of a private equity (PE) fund, and the typical investment stake taken in the company, a PE firm may have a controlling stake which creates the expectation to cease or prevent any harm caused. Even minority stakeholders would still be seen as having a high level of influence, particularly as PE firms usually have a seat on the portfolio company board.” In this context, law firm Hogan Lovells

### 1.3 KEY CONCEPTS

notes that private equity funds may be considered liable for human rights abuses of portfolio companies, adding that liability hinges on “what the fund says publically and the extent to which it takes responsibility for supervision and control of the activities of the portfolio company which give rise to a harm.”

#### WHAT IS THE RELATIONSHIP BETWEEN MATERIALITY AND SALIENCY?

Investors are mandated by law to generate financial return from their investments, and any risks that may harm the prospects of a risk-adjusted return on investments – defined here as **material risks** – should be managed alongside compliance with fiduciary duties under applicable hard laws. In contrast, the investor responsibility to respect human rights under OHCHR’s interpretive guide to UN Guiding Principles is centered on a **saliency approach**, meaning its entry point and prioritization is risk to people, not business.

An enterprise’s salient human rights issues should be identified based on the **severity** of the impact (determined by its *scale, scope, and remediability*) and the **likelihood** of the impact occurring (determined by the *business context, relationships, and activities*, as well as the *presence of vulnerable groups*). Severity is weighted higher than likelihood, meaning that highly severe impacts with even a low likelihood should be prioritized as salient.

#### **Unmanaged severe human rights impacts often converge with material risks to business.**

As the OECD has clarified in the context of institutional investors:

**“By carrying out due diligence in line with the OECD Guidelines, investors will not only be able to avoid negative impacts of their investments on society and the environment, but also avoid financial and reputational risks, respond to expectations of their clients and portfolio companies and contribute to global goals on climate and sustainable development. Increasingly, failing to consider long-term investment value drivers, which include environmental, social and governance issues, in investment practice is seen to be a failure of fiduciary duty.”**



#### **CASE STUDY:**

#### **Convergence between salient human rights risks and material risks**

A study by First Peoples Investment Engagement Program (FPIEP) titled Social Cost and Material Loss: The Dakota Access Pipeline examines how Energy Transfer Partners (ETP), the U.S. Army Corps of Engineers, and investors failed to identify the social risks linked to the Dakota Access Pipeline (DAPL) project. Lack of consultation with the Standing Rock Sioux Tribe to discuss opposition to DAPL led to intensified social conflict and ultimately resulted in material losses. The study provides a comprehensive assessment of the material costs – to ETP (falling stock prices), banks (account closures and reputational damage), and local community stakeholders (including taxpayers) – that stemmed from unaddressed social risks. ETP and other firms with ownership stake in DAPL incurred no less than US\$7.5 billion in costs. The study concludes that companies and financial institutions must recognize human rights through inclusive and rigorous due diligence processes if they are to avoid material losses linked to social conflict.

### 1.3 KEY CONCEPTS

**The Sustainability Accounting Standards Board (SASB) Materiality Map identifies a number of human rights risks that are deemed to likely affect the financial condition or operating performance of business.** This includes labor practices that do not ensure “basic human rights related to...workers’ rights.” Recognizing the relationships between material and human rights risks, in April 2020, two shareholder proposals asking companies to publicly disclose labor-related material information as defined by SASB received historically high majority votes on resolutions filed with Fastenal (61 percent) and Genuine Parts (79 percent).

**There is also increasing evidence that ESG portfolios, including those that embed respect for human rights into investment decision-making, are performing better in the current COVID-19 crisis.** For example, a paper from Harvard Business School Professor George Serafeim and State Street Associates found that companies with proactive and positive human capital, supply chain, and operating crisis responses to the 2020 COVID-19-induced market crash demonstrated higher institutional investor money flows and less negative returns than their competitors. Guides by the Business & Human Rights Resource Centre and Semilla Consultores, as well as Löning – Human Rights & Responsible Business, also demonstrate how businesses that already have a human rights due diligence procedure in place are better able to react in a more effective and faster manner.

#### WHAT DOES STAKEHOLDER ENGAGEMENT MEAN FOR INVESTORS?

A core expectation of the UN Guiding Principles is that all business actors regularly engage impacted stakeholders throughout their human rights risk management activities. This means that investor action on human rights should be informed by the lived experiences of those directly affected.

Traditionally, businesses have most often considered stakeholders to include their investors, employees, customers, business partners such as suppliers, regulators, and others. In August 2019, the Business Roundtable updated its statement on the purpose of a corporation to define stakeholders as customers, employees, suppliers, communities, and shareholders.

**In the context of the business responsibility to respect human rights, key stakeholders should be understood as rights-holders, their credible representatives, and expert organizations.**

At the investment level, asset owners and managers are typically far removed from the individuals and communities most severely affected by the activities of portfolio companies. As such, it is most often impractical for investors to directly engage with adversely impacted rights-holders. **Investors in most instances should seek to engage with human rights organizations, experts, and credible representatives of rights-holders, such as global trade unions, to meaningfully inform institutional understanding of human rights risks and impacts involved with investment activities, gaps in business practice around human rights, and recommended actions to address those gaps.** Direct investor engagement with affected communities may be appropriate where there are extremely severe potential adverse impacts or allegations, or where the opportunity presents itself, such as when impacted communities are on speaking tours or participating as proxies at shareholder meetings.

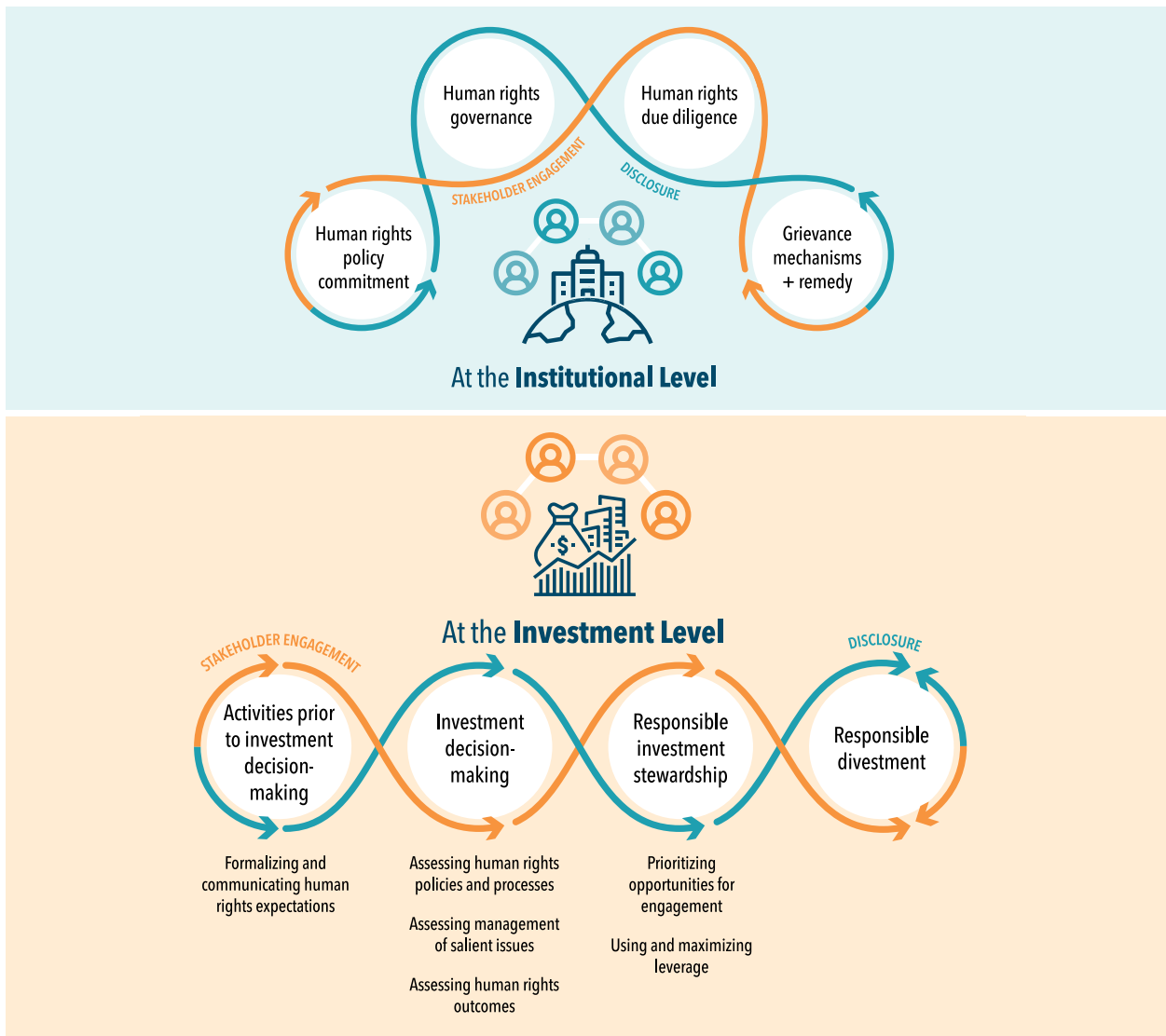
**In addition, investors should build institutional capacity to effectively evaluate the alignment of corporate disclosure regarding stakeholder engagement with standards laid out in the UN Guiding Principles.** A key resource for equipping investors to do this is Shift’s report Dissecting Human Rights Disclosure: A Tool for Investors.



## 2. PUTTING THE INVESTOR RESPONSIBILITY INTO PRACTICE: A ROADMAP FOR ACTION

This Toolkit sets out the below framework to guide investor action on human rights at (1) the institutional level and (2) the investment level. The following sections and corresponding case studies and tools in the Toolkit Annex provide a menu of resources for institutional investors to engage with at each recommended step under these two overarching areas. The Toolkit aims to be comprehensive rather than prescriptive, meaning that investors should focus on where they might most practically advance their human rights work in the short-, medium-, and long-term rather than attempting to operationalize the entirety of the Toolkit at once.

### PUTTING THE INVESTOR RESPONSIBILITY INTO PRACTICE





## 2.1. AT THE INSTITUTIONAL LEVEL

The UN Guiding Principles provide the basic elements of a proactive and credible human rights risk management process for asset owners and managers' operations and business relationships.

### To meet their human rights expectations, all institutional investors should have in place:

- **A policy commitment to respect all internationally recognized human rights;**
- **Human rights governance structures;**
- **Human rights due diligence processes;**
- **Effective grievance mechanisms enabling remediation of adverse impacts caused or contributed to; and**
- **Comprehensive and meaningful human rights disclosure.**



### GOOD PRACTICE TIP: An ounce of prevention is worth a pound of cure

The intention of the UN Guiding Principles is that businesses prevent adverse impacts on human rights *before* those impacts occur and *before* unmanaged adverse impacts escalate. Escalations may lead to situations that can disrupt business operations, jeopardizing investments.

For example, most companies have management systems in place to deal with risks to the right of workers to safe and healthy working conditions. Many companies apply a 'near-miss' approach to these management systems, encouraging employees to report incidents that could have ended with adverse impacts on an employee's safety or health in order to ensure that risks are prevented before an accident occurs. A similar approach should be extended to managing risks related to all human rights, focused on identifying, preventing, and mitigating potential risks to people early on rather than only responding to impacts after they occur.



### WHO'S INVOLVED?

#### Asset owners

- Senior leadership
- Investment decision-makers
- Engagement specialists
- Asset manager relations
- Communications
- In-house portfolio management teams (where applicable)

#### Asset managers

- Senior leadership
- Portfolio managers
- ESG risk management
- Engagement specialists
- Client relations
- Communications



### **TOOL ALERT:**

#### **Tool #1: Checklist for investor human rights policy commitment**

See Toolkit Annex,  
[pp. 36-37](#)

## **HUMAN RIGHTS POLICY COMMITMENT**

The investor's policy commitment to respect human rights at the institutional level should be aligned with the key expectations in UN Guiding Principle 16:

- Be approved at the most senior level of the institution;
- Be informed by relevant human rights expertise;
- Describe its human rights expectations of all business relationships;
- Be made publicly available and actively communicated, both internally and externally; and
- Be embedded throughout the business, including within other policies and procedures.



### **TOOL ALERT:**

#### **Tool #2: Checklist for investor human rights governance**

See Toolkit Annex,  
[p. 38](#)

## **HUMAN RIGHTS GOVERNANCE**

In order to operationalize their institutional level human rights policy commitment, investors should also have in place robust governance structures and processes. Some key characteristics of good practice in this area include:

- Embedding the human rights policy commitment into other institutional policies and governance systems, including those related to ESG risk management;
- Allocation of responsibility and accountability for implementation of the human rights policy commitment to specific functions;
- Oversight by the Board of Directors;
- Adequate resource allocation;
- Capacity building across all functions (e.g., internal portfolio managers, research analysts, engagement specialists, line managers); and
- Clear procedures for selection, engagement, oversight, and review of all business partners (e.g., externally commissioned managers, portfolio companies, ratings and rankings agencies, index fund providers (in the context of passive investment), LPs and GPs (in the context of private equity), placement firms (in the context of private equity), research firms, consultants, and other service providers).





### CASE STUDY:

#### Institutional level human rights policy commitment and governance

AP2 is one of five funds within the Swedish pension system. Through its [Human Rights Policy Statement](#), AP2 seeks to implement the UN Guiding Principles in its operations. The policy references international human rights law and standards and states that AP2 has “processes in place to be able to identify and manage any negative impacts on human rights of the Fund’s activities.” The Fund commits to sharing information on the implementation of its policy and to promoting human rights in the finance sector. All AP2 employees are trained on the policy, and suppliers, business partners, and portfolio companies are expected to respect human rights in their business operations. The policy also details how human rights issues are governed, from the Board and senior management levels downwards. AP2 is currently undertaking risk assessments and plans to implement a human rights due diligence process into its internal systems and processes.

## HUMAN RIGHTS DUE DILIGENCE

For investors, the due diligence process is two-pronged: (1) the investor should identify and manage risks of causing or contributing to potential or actual adverse impacts, and (2) the investor should seek to prevent or mitigate adverse impacts that the investor is directly linked to. For guidance regarding the first area of an investor’s human rights due diligence, where an investor may cause or contribute to an impact, the Toolkit refers investors to [Doing Business with Respect for Human Rights](#) and the [European Commission’s guide on human rights for small and medium enterprises \(SMEs\)](#).



### GOOD PRACTICE TIP:

#### Practice what you preach

Investors benefit from ‘practicing what they preach.’ When an institutional investor can document to a portfolio company how it engages with its own human rights responsibilities, its engagements with that company are based on a more credible, applied approach. In addition, peer learning can take place, where best practices and challenges can be shared, learned from, and mutually built upon.

## GRIEVANCE MECHANISMS

At the institutional level, an investor should have its own grievance mechanism(s) to support the provision of remedy when it has caused or contributed to a situation where someone’s human rights are adversely impacted, such as in the context of its own employees. Chapter 3.8 of [Doing Business with Respect for Human Rights](#) provides guidance on how to best develop a system for receiving and addressing complaints from employees, contractors, and other stakeholders affected by an investor’s operations.

### HUMAN RIGHTS DISCLOSURE

**Like their portfolio companies, investors are expected to formally disclose how they address severe human rights risks and impacts.** Asset owner disclosure provides information to beneficiaries regarding how human rights considerations are integrated into investment decision-making. In turn, asset manager disclosure provides asset owners with key information regarding how human rights are embedded in the making and managing of investments. Investor human rights reporting is also a key public good in holding investors accountable for how they manage risks to people in connection with their investment activities, and, as previously noted, investors are increasingly required to disclose human rights information.



#### **SPOTLIGHT: UN Guiding Principles Reporting Framework**

The [UN Guiding Principles Reporting Framework](#) is a comprehensive tool for businesses, including investors, to report on human rights issues in line with the UN Guiding Principles. It provides a concise set of questions to which a business should strive to have answers in order to know and show that it is meeting its responsibility to respect human rights, and it offers clear guidance on how to answer these questions. The questions address three larger themes: Governance of Respect for Human Rights, Defining a Focus of Reporting, and Management of Salient Human Rights Issues.



#### **CASE STUDY: Asset owner disclosure**

In 2019, the Swedish pension fund AP2 published its first [human rights report](#) in line with the UN Guiding Principles Reporting Framework. The report focuses on AP2's risks of being directly linked or contributing to human rights risks through its investment portfolio. The report is intended to increase transparency regarding efforts to implement the UN Guiding Principles, as well as achievements and challenges during that process. The report addresses AP2's commitment, governance, and policies on human rights issues; describes the Fund's process for identifying salient human rights risks; and details reactive and proactive management of two salient risks related to the Vale dam disaster and farmland investments in Brazil.



#### **CASE STUDY: Asset manager disclosure**

The Dutch bank ABN AMRO's [Human Rights Report](#), built around key questions from the UN Guiding Principles Reporting Framework, provides information about the bank's salient human rights issues and measures taken to address them, its integration of human rights issues into decision-making processes and actions, its engagement with stakeholders, and efforts to enable effective remedy. The information is disaggregated across business functions, taking into account the bank's role as a financial service provider, employer, lender, and investment services provider. Regarding its role as an investment manager, the report details how ABN AMRO seeks to encourage clients to invest in companies that respect human rights.



## 2.2. AT THE INVESTMENT LEVEL

In most cases, portfolio companies know their business contexts, relationships, and activities best. The role and responsibility of institutional investors is therefore to assess whether portfolio companies have robust and effective human rights policies, due diligence processes, and grievance mechanisms in place and take meaningful action based on those assessments.

**Investors should embed this approach across the whole of the investment lifecycle, including in their activities prior to investment decision-making, in their investment decision-making, and throughout investment stewardship.** The graphic on p. 14 illustrates the key steps in this human rights risk management system.

The following sections provide guidance, tools, and case studies to assist asset owners and managers in operationalizing their human rights commitments across their investments in both public and private companies, and across their active and passive investment strategies.

### ACTIVITIES PRIOR TO INVESTMENT DECISION-MAKING

#### Formalizing and communicating human rights expectations

**Investors should formally communicate their human rights expectations among all business relationships, including to potential portfolio companies, between asset owners and managers, and to other business relationships.**

#### With potential portfolio companies

**Asset owners and managers should publicly communicate their expectation that companies respect human rights and implement the UN Guiding Principles.** For example, this can be done by communicating these expectations on institutional websites and during public speaking. Whenever possible, investor expectations should also be shared directly with companies, for example, at investor meetings where companies promote their shares.



### WHO'S INVOLVED?

#### Asset owners

- Investment decision-makers
- Engagement specialists
- Asset manager relations
- In-house portfolio management teams (where applicable)

#### Asset managers

- Portfolio managers
- ESG risk management
- Research analysts
- Engagement specialists
- Client relations

## 2.2 AT THE INVESTMENT LEVEL

Stock exchanges around the world – including in Brazil, Indonesia, Malaysia, Singapore, South Africa, and Thailand – are beginning to include human rights reporting into the minimum criteria of accepting stocks for trade. However, until this is universal, it is especially important that investors individually communicate their expectations in this area.



### CASE STUDY: Human rights expectations for companies

Norges Bank Investment Management manages Norway's oil fund, the Government Pension Fund Global. Its [Human Rights Expectations Towards Companies](#) are directed at company boards and set out how Norges expects companies to address human rights issues in their business practices. In line with the UN Guiding Principles and other internationally recognized standards, the document communicates four key areas of expectations for companies, namely that they integrate human rights considerations in business strategy and planning; integrate human rights into risk management; disclose strategy and report on human rights; engage with stakeholders; and participate in grievance mechanisms. Boards should define and assign human rights responsibilities within their organizations and should guide, monitor, and review their management in carrying out these efforts.



### CASE STUDY: Human rights expectations for private equity

Based in Denmark, Polaris Management A/S is an asset manager with a [Private Equity Corporate Social Responsibility Policy](#) based on the UN Guiding Principles and the OECD Guidelines. The policy demonstrates how investment-level commitments on human rights can be applied across asset classes and how those commitments can be applied to private equity funds.



### TOOL ALERT: Tool #3: Asset owner questions for asset managers

See *Toolkit Annex*,  
[p. 39](#)

## BETWEEN ASSET OWNERS AND MANAGERS

**Both asset owners and managers should put forward human rights expectations grounded in the UN Guiding Principles framework as the basis for responsible investment.** In particular, asset owners should require from managers that assets are managed in line with the UN Guiding Principles and set out these requirements in relevant investment guidelines and policy statements, as outlined above.

In reverse, asset managers should share with asset owners the expectations that they put forward to portfolio companies and incentivize positive collaboration with asset owners on implementation of the UN Guiding Principles. This may include communication from asset managers to asset owners in quarterly meetings about human rights criteria used in making and managing investments.



### **CASE STUDY:** **Communicating human rights commitments to asset owners**

In its capacity as fund manager, the Unitarian Universalist Association (UUA) integrated a commitment to invest in companies that respect human rights in line with the UN Guiding Principles in its Investment Information Memorandum, which seeks to provide asset owners with key information to consider prior to investing in the UUA's endowment fund.

### **With other business relationships**

A code of conduct can be used to supplement the above tools in order to further communicate an investor's human rights expectations to its other business relationships, such as ratings and rankings agencies, index fund providers (in the context of passive investment), from LPs to GPs (in the context of private equity), placement firms (in the context of private equity), research firms, consultants, and other service providers.

**The investor responsibility to respect human rights extends to these business relationships as well,** and investors should work across these relationships on potential redesigns of investment strategies to avoid highly severe human rights risks and the creation of adjusted or tailored funds.

## **INVESTMENT DECISION-MAKING**

**Human rights criteria should also be considered holistically throughout the investment decision-making process. This includes, but is not limited to, when an investor is deciding whether or not to invest in a company.**

For asset owners, decisions around which asset managers and other business partners (such as research firms or consultants) to work with is part of the investment decision-making process and should therefore also incorporate human rights considerations. The same is true for asset managers in determining which business partners to work with, as well as in deciding which type of asset classes and fund structures to work with or design, and whether respect for human rights can be adequately incorporated into those investments.

Today, many socially responsible asset owners screen their portfolios and potential portfolio companies for severe human rights risks in a company's operations and value chains, and asset managers in some cases create specific financial products to offer these types of asset owners. This may involve negative screening, where an investor excludes certain securities from investment consideration based on social or environmental criteria, including human rights issues. [Typical exclusionary or negative screens](#) include tobacco, alcohol, controversial weapons, fossil fuels, and, more recently, for-profit prisons.

**While screening companies in sectors with known human rights risks or for companies operating in high-risk contexts may help ensure portfolios are free from some severe human rights harms, companies of all sectors and sizes and in all operating contexts may be connected to severe human rights impacts.**

**Investors should therefore go beyond traditional screening approaches to making investment decisions based on assessments of:**

- **The quality of potential portfolio companies' human rights risk management policies and processes;**
- **The quality of potential portfolio companies' management of salient and geographic risks; and**
- **Potential portfolio companies' human rights outcomes.**

### Assessing human rights policies and processes

**Investment decisions should involve examining the degree to which companies have processes that reflect the standards outlined in the UN Guiding Principles.**

Investors that have process-based assessment procedures in place both in relation to potential and existing portfolio companies should align such procedures to examine implementation of the UN Guiding Principles. Asset owners should further ensure that those responsible for managing their investments have adequate assessment procedures in place, whereby results reflect the maturity and quality of a potential portfolio company's human rights risk management processes and not just severe human rights risks.

**At this stage, investors should consider whether companies have appropriate human rights policy commitments, due diligence processes, and effective grievance mechanisms in place.** To assess information in relation to each of these areas, investors can refer to the questions contained in the [UN Guiding Principles Reporting Framework](#).



#### **CASE STUDY: Process-based assessment criteria**

In a discussion paper titled *Human rights and Businesses: How Can One Assess the Corporate Responsibility to Protect Human Rights?*, the asset manager [Amundi](#) developed a model for institutional investors to assess the processes used by companies to manage their human rights responsibilities in line with the UN Guiding Principles. The process-oriented approach refers to policy commitments, governance and strategy, identification and prioritization of risks, integration and action, monitoring of performance, management of grievances, and response to allegations.

Currently, meaningful corporate human rights disclosure is still the exception, not the norm. Thus, accessing this type of information and assessing companies at scale remains a challenge for the investment community.

## 2.2 AT THE INVESTMENT LEVEL

However, a growing number of initiatives and tools seek to provide investors with such information, including the [Corporate Human Rights Benchmark \(CHRB\)](#), the [UN Guiding Principles Reporting Database](#), [Behind the Barcodes](#), [Behind the Brands](#), and [BankTrack's Human Rights Benchmark](#). While these tools still only cover a small segment of the corporate universe and still have room for improvement, initiatives to significantly scale these efforts are underway, including the [World Benchmarking Alliance's](#) formal integration of CHRB across all areas of its work.



### **SPOTLIGHT:** **Corporate Human Rights Benchmark**

The [Corporate Human Rights Benchmark \(CHRB\)](#) ranks the human rights performance of 200 of the largest publicly traded companies in the agricultural products, apparel, extractives, and ICT manufacturing sectors. Companies are assessed against indicators that reflect the UN Guiding Principles, including high-level policy commitments, human rights due diligence, and access to remedy. To help measure performance, the CHRB also seeks to assess human rights practices and responses to allegations. In doing so, the CHRB can assist investors in determining whether companies have appropriate human rights risk management systems in place. The benchmark also allows investors to track corporate performance over time, direct investments to companies operating in line with international standards, and engage with those that need to improve their performance.



### **CASE STUDY:** **Investors call for greater disclosure on human rights due diligence**

In an effort to improve human rights disclosure across four high-risk sectors, the Investor Alliance for Human Rights spearheaded a [letter](#) to 95 major multi-national companies asking them to improve their performance on the CHRB. The letter was signed by a group of 176 institutional investors representing \$4.5 trillion in assets. The companies were the worst performers on CHRB's indicators assessing human rights due diligence practices.



### **CASE STUDY:** **Assessing policies, procedures, and commitments**

[SDG Invest](#), a Danish investment fund, assesses companies on their human rights policies, processes, and practices prior to making their investment decisions. This includes how the company engages with suppliers to improve human rights impacts in the supply chain, whether it commits to paying living wages, whether it has initiated special procedures to combat the occurrence of child labor, and whether it has developed responsible data privacy policies. [SDG Invest's 2019 Impact Report](#) shows that the fund has seen a large increase in the percentage of companies performing human rights due diligence, while only 12% of the fund's portfolio companies have committed to paying living wages.

## 2.2 AT THE INVESTMENT LEVEL

### Assessing management of salient issues

A key element of evaluating the quality of a company's human rights risk management processes is the degree to which they address a company's salient human rights issues. **One way to do this is to consider whether companies in a given sector are taking steps to prevent, mitigate, and address known sector-wide salient human rights risks.** For example, companies in the following sectors, but not excluding others, should be able to speak to their policies, processes, and practices on the following issues:

- Information and communication technologies (ICT): privacy and data protection; freedom of opinion and expression; conflict and security; discrimination; political participation.
- Renewable energy: Indigenous Peoples' rights, including free, prior, and informed consent (FPIC); land rights; natural resource rights; human rights defenders; labor rights.
- Apparel and footwear: health and safety; forced labor; child labor; human trafficking; living wages.

Recognizing that it is necessary to understand how companies manage their salient human rights issues, [KnowTheChain](#), [Ranking Digital Rights](#), and the [Business & Human Rights Resource Centre's renewable energy benchmark](#) provide investors with valuable information on how companies manage, for example, forced labor, digital rights risks, and land rights.

**To understand the effectiveness of human rights risk management processes, investors should also assess how companies connected to high-risk geographies are preventing, mitigating, and addressing known context-specific risks.** Examples include heightened risks to religious minorities in Myanmar and the Xinjiang region of China, Indigenous Peoples in Canada and the United States, and construction workers in Qatar.

### Assessing human rights outcomes

Investors should be aware that process information is necessary to understand the ways in which companies manage human rights risks. Yet, in the context of public equity and the current state of human rights disclosure, this information is often insufficient for investors to meaningfully assess whether a company's efforts achieve the desired outcome of preventing, mitigating, and remedying human rights harms.

Data related to companies' human rights performance is hard to find, spread across different documents, and generally lacks context. The [limited amount of human rights outcomes data](#) that is disclosed by companies focuses overwhelmingly on just two areas for which disclosure is regulated: (1) health and safety, and (2) diversity and inclusion. As a result, investors are often blindfolded when trying to identify *truly* socially responsible companies from those who are skilled in saying the right things.

While much work remains to be done in order to provide investment managers with meaningful information regarding the outcomes of company efforts on human rights, especially at scale, some projects and tools are looking to measure the real-world impacts of companies on people when assessing their performance. For example, Shift's [Valuing Respect Project](#) describes how evaluation of corporate human rights performance focuses largely on inputs, activities, and outputs, whereas outcomes for people are rarely evaluated. The project is developing tools and insights that can help



## 2.2 AT THE INVESTMENT LEVEL

investors assess outcomes for people. Its six focus areas are business model red flags; indicator design; leadership, governance, and culture; behavior change; accounting for human rights respect; and stakeholder voice.

In addition to numerous publicly available reports by civil society groups around the world, detailing the real-world impacts of companies operating in their regions, a key source of information on the human rights impacts of companies is the [Business and Human Rights Resource Centre's](#) website and free [Weekly Update](#). These resources alert investors and other stakeholders to top stories and breaking news about business and human rights, drawing attention to allegations of misconduct by individual companies and offering those companies an opportunity to respond.

### RESPONSIBLE INVESTMENT STEWARDSHIP

**Once invested, an institutional investor should embed respect for human rights throughout the stewardship stage of the investment lifecycle. This includes:**

- **Prioritizing opportunities for engagement based on a human rights-based approach; and**
- **Using and maximizing investor leverage to facilitate and incentivize respect for human rights.**



#### TOOL ALERT:

**Tool #4:  
Template  
business and  
human rights  
company profile**

*See Toolkit Annex,  
pp. 40-46*

#### Prioritizing opportunities for engagement

Some investors have positions and shift positions in such a high number of companies that it would be virtually impossible to engage all portfolio companies. Assessing and prioritizing risks in investment portfolios is therefore necessary and should be guided by the following considerations:

- [Publicly available information](#) suggests that there are significant gaps in the company's human rights policy and broader implementation of the UN Guiding Principles in corporate governance and risk management systems;
- The company's [business model](#), including its value proposition, value chain, and/or revenue model, poses heightened human rights risks;
- The company has a known history of severe negative impacts on human rights which have a potential for recurring. Assessing severity is based on how grave the impact would be (scale), how widespread the impact would be (scope), and how hard it would be to put right the resulting harm (remediability);
- Respect for people's dignity and fundamental rights is not reflected in [corporate culture](#);

## 2.2 AT THE INVESTMENT LEVEL

- Company operations and/or the operations of business relationships are located in high-risk contexts, including countries with weak rule of law and conflict-affected areas; and
- Stakeholder input from civil society, trade union representatives, human rights defenders, and affected rights-holders suggests that there are significant gaps in the company's human rights performance.



### TOOL ALERT:

#### Tool #5: Key human rights questions for companies

See *Toolkit Annex*,  
pp. 47-49

### Using and maximizing leverage

Once invested, investors should build and use their leverage to ensure portfolio companies fulfill their human rights expectations. **Leverage is considered to exist where the investor has the ability to affect change in the behavior of a portfolio company connected to a harm. The responsibility of investors to effectively use leverage should not be seen as limited to screenings or direct engagement with portfolio companies.**

The [OECD](#) acknowledges that there are practical limitations in the ability of investors to effect change in the behavior of business relationships, including portfolio companies. At the same time, and in line with the UN Guiding Principles, the OECD recognizes that the degree of leverage an investor has over a company is “useful in considering *what* it can do to persuade that entity to take action, but is not relevant to considering *whether* the investor should carry out due diligence and effectively exercise any leverage it may have.”

The ability of an investor to effectively use its leverage to create change among portfolio companies is affected by a number of factors, including corporate ownership structures (e.g., whether a company is publicly held, privately owned, or primarily state-owned) and corporate governance rules. At the same time, large money managers and GPs in private equity are in especially strong positions to change business practices. Yet, seemingly simple uses of leverage such as influencing and working with peer investors, as well as posing meaningful questions to portfolio companies as a minority shareholder, can have powerful ripple effects across company functions, including senior leadership. **Investors are therefore encouraged to resist underestimating their own leverage as this can pose a real risk to scaling respect for human rights.**



### TOOL ALERT:

#### Tool #6: Key human rights questions for companies

See Toolkit Annex,  
pp. 50-53

### Investors of all types should seek to use and maximize their leverage in multiple diverse ways, including:

- **Engaging portfolio companies in constructive dialogues** to promote: (1) the adoption of human rights policies, governance, due diligence, and effective grievance mechanisms; and (2) the provision of remedy for victims of human rights abuse;
- **File shareholder proposals** that reflect the expectations of the UN Guiding Principles;
- **Develop proxy voting guidelines** that reflect a commitment to human rights, engage in proxy voting in line with that commitment to human rights, and publish a proxy voting report disclosing a list of companies invested in or at minimum a 'snapshot' of investments over a specific financial threshold;
- **Monitor voting decisions** of the institutions that vote your proxies and hold them accountable;
- **Participate in peer-to-peer and multi-stakeholder platforms** that promote responsible business conduct, and set out an expectation that portfolio companies also engage with these platforms; and
- **Engage policy-makers and standard-setting bodies** – including governments, international organizations, courts, and industry associations – to create enabling environments for responsible business conduct that is grounded in respect and accountability for human rights.



### CASE STUDY: Guidance on engaging the ICT sector on human rights

The Investor Alliance for Human Rights has developed a series of briefings to inform investors on the human rights expectations of ICT companies and provide tailored guidance aimed at improving corporate performance on some of the salient human rights issues present in the sector, namely: privacy and data protection, freedom of opinion and expression, conflict and security, discrimination, and political participation.



### **CASE STUDY:** **Proxy voting guidelines**

Through a combination of direct dialogue with companies, filing of shareholder proposals, principled use of proxy voting, and speaking out on public policy issues, Domini Impact Investments LLC has sought to drive respect for human rights in capital markets. Its [Proxy Voting Guidelines and Procedures](#) summarize Domini's positions on various issues of concern to socially responsible investors and indicate how fund shares will be voted on each issue. The public document contains detailed voting guidance for social and environmental proposals, including human rights.

The following table provides examples of asset owners and managers using and maximizing their leverage to promote responsible business conduct in line the UN Guiding Principles.

## 2.2 AT THE INVESTMENT LEVEL

FORM OF LEVERAGE	EFFORTS TO PREVENT AND MITIGATE ADVERSE IMPACTS ON PEOPLE
<b>USING LEVERAGE</b>	
<b>COMPANY DIALOGUES</b>	<p><b>Efforts to prevent and mitigate adverse impacts on people</b></p> <ul style="list-style-type: none"> <li>→ Asset owner members of Investor Advocates for Social Justice (IASJ) launched the <b>Shifting Gears initiative</b> in 2018 to engage with <b>automotive companies</b> on corporate policies and practices to ensure respect for human rights throughout their value chains. The engagement is based on a mapping of risks – such as child labor, forced labor, and poor working conditions – that are associated with a wide variety of inputs into car parts, such as mica, cobalt, rubber, and leather.</li> <li>→ Investor participants in <b>ICCR’s “No Fees”</b> initiative engage companies in the palm oil, seafood, electronics, apparel, and extractives industries on ethical recruitment and ensuring that workers in immediate and extended supply chains are not forced to pay for employment. The initiative asks companies to adopt three basic principles into their recruitment policies to prevent the exploitation of migrant workers: (1) employees never pay recruitment fees for jobs, (2) employees have a clear written contract, and (3) employees do not lose access to their identity documents.</li> </ul> <p><i>Note: The very nature of investor dialogues with companies mean that, in most cases, dialogues and their outcomes remain confidential.</i></p>
<b>SHAREHOLDER RESOLUTIONS AND PROXY VOTING</b>	<p><b>Efforts to prevent and mitigate adverse impacts on people</b></p> <ul style="list-style-type: none"> <li>→ <b>Human rights governance:</b> In 2020, Robeco, the international business of Federated Hermes, The Sustainability Group, NEI, and other co-filers submitted a shareholder resolution to Alphabet, requesting that the company establish a Human Rights Risk Oversight Committee of the Board that would assess how Alphabet manages the impacts of the company’s products and services on human rights and oversee its efforts to meet its human rights responsibilities. The Board was also asked to consider creating an advisory body of independent subject matter experts to advise the Committee.</li> <li>→ <b>Human rights policy:</b> In 2019, the Sisters of the Holy Names of Jesus and Mary, U.S.-Ontario Province and nine co-filers filed a <a href="#">resolution</a> requesting the Board of American Outdoor Brands adopt a comprehensive policy articulating the company’s commitment to respect human rights and including a description of proposed due diligence processes to identify, assess, prevent, and mitigate actual and potential adverse human rights impacts.</li> <li>→ <b>Human rights impact assessment:</b> In 2019, Priests of the Sacred Heart, US Province, Benedictine Sisters of Virginia, Benedictine Sisters, and Sacred Heart Monastery of Cullman, Alabama filed a <a href="#">resolution</a> requesting TJX Companies report its process for identifying and analyzing the potential and actual human rights risks of its operations and its supply chain, including risks related to recruitment and forced labor. The</li> </ul> <p style="text-align: right;"><i>continued on next page</i></p>

## 2.2 AT THE INVESTMENT LEVEL

FORM OF LEVERAGE	EFFORTS TO PREVENT AND MITIGATE ADVERSE IMPACTS ON PEOPLE
<b>USING LEVERAGE</b>	
	<p>resolution requested that the report outline the human rights principles used to frame the assessment, the frequency of the assessment, the methodology used to track and measure performance on forced labor risks, and how the results of the assessment are incorporated into company policies and decision-making.</p> <p>→ <b>Human rights due diligence disclosure:</b> In 2019, fifteen investors led by Investor Advocates for Social Justice (IASJ) filed a <a href="#">resolution</a> requesting that Tyson Foods prepare a report on the company’s human rights due diligence process to assess, identify, prevent, mitigate, and remedy its actual and potential human rights impacts. The resolution outlined that the report should identify and assess the human rights impacts of Tyson’s business activities, including company-owned operations, suppliers, and contractors, as well as plans to prevent and mitigate harm. It also requested that the report explain the types and extent of stakeholder consultation and how Tyson tracks effectiveness of its human rights due diligence processes.</p> <p><b>Efforts to enable remedy for victims</b></p> <p>→ Grievance mechanism: In 2020, the Congregation of Divine Providence in San Antonio, Texas filed a <a href="#">resolution</a> with Skechers, asking the Board to adopt a comprehensive human rights policy that includes, among other things, an effective grievance mechanism.</p>
<b>MAXIMIZING LEVERAGE</b>	
<b>PEER-TO-PEER INITIATIVES</b>	<p><b>Efforts to prevent and mitigate adverse impacts on people</b></p> <p>→ With over US\$4 trillion in assets under management represented in its membership, the <b>Investor Alliance for Human Rights</b> provides its members opportunities for investor-to-investor coordination and engagement on respect for human rights. Among other things, investor members collaborate to share best practice, collectively develop practical tools, jointly dialogue and engage with portfolio companies, and participate in various standard setting and policy-making efforts. Investor Alliance members also engage large investment management firms on their human rights policies, processes, and practices.</p> <p>→ The Investor Alliance for Human Rights developed a <a href="#">human rights risks briefing</a> to inform and assist <b>direct and indirect investors in Palantir Technologies</b>, a privately owned big data software developer with government contracts with the U.S. Immigration and Customs Enforcement (ICE). Palantir’s “mission critical” relationship with ICE enables workplace raids and poses a range of human rights risks. As a result, Rathbone Greenbank Investments</p> <p style="text-align: right;"><i>continued on next page</i></p>

## 2.2 AT THE INVESTMENT LEVEL

	<p>raised these human rights risks with Rathbone portfolio company RELX, formerly Reed Elsevier, which has a venture investment in Palantir, adding “<a href="#">They are not immune from reputational damage because it’s a venture project.</a>”</p> <p>→ Over 130 investors have signed onto the <b>Workforce Disclosure Initiative (WDI)</b>, which mobilizes investors to push for better jobs in alignment with Sustainable Development Goal 8 on <b>Decent Work and Economic Growth</b>. Signatories request that companies disclose comparable workforce information for their direct operations and supply chains, use the data to engage with companies, and draw comparisons across companies.</p>
<p><b>MULTI-STAKEHOLDER ENGAGEMENTS</b></p>	<p><b>Efforts to prevent and mitigate adverse impacts on people</b></p> <p>→ More than 70 Dutch pension funds cooperated with non-governmental organizations, trade unions, and the government to develop the <b>Dutch Pension Funds Agreement on Responsible Investment</b>. The parties to the agreement aim to prevent or mitigate negative consequences for society and the environment related to investment activities.</p> <p>→ Nine institutional investors are members of the <b>Global Network Initiative (GNI)</b>. Launched in 2008, GNI is a multi-stakeholder platform that brings together ICT companies, human rights and press freedom organizations, academics, and investors to promote human rights in the ICT sector. The <a href="#">GNI Principles</a> and accompanying <a href="#">Implementation Guidelines</a> provide a framework for responsible corporate decision making in support of freedom of expression and privacy rights.</p> <p><b>Efforts to enable remedy for victims</b></p> <p>→ Investors involved in the Dutch Pension Funds Agreement on Responsible Investment included <b>guidance on remedy in the agreement’s corresponding Toolbox</b>, outlining that, in situations where investors are linked to adverse impacts, they “would not be expected to provide remedy, but they should seek to encourage the investee company to do so.”</p>
<p><b>ENGAGING WITH REGULATORS, POLICY-MAKERS, AND STANDARD-SETTING BODIES</b></p>	<p><b>Efforts to prevent and mitigate adverse impacts on people</b></p> <p>→ 105 investors representing US\$5trillion in assets under management signed <b>The Investor Case for Mandatory Human Rights Due Diligence</b>, a call to governments to develop and enforce mandatory corporate human rights due diligence requirements. This effort followed a previous investor statement, <a href="#">Making Finance Work for People and Planet</a>, signed by investors representing US\$1.9 trillion. That statement called on governments to require investors to consider human rights throughout the investment lifecycle, which is best achieved if companies and investors conduct human rights due diligence.</p> <p style="text-align: right;"><i>continued on next page</i></p>

## 2.2 AT THE INVESTMENT LEVEL

	<ul style="list-style-type: none"> <li>→ Institutional investors representing a total of US\$1.2 trillion in assets submitted recommendations to the most recent <b>review process of the Equator Principles</b>. The recommendations call for alignment across the Equator Principles and accepted business and human rights standards, including the UN Guiding Principles.</li> <li>→ Investors are participating in the RightsCo Lab project, <u>Harnessing Big Data for Investor-Led ESG Standards to Improve Corporate Human Rights Practice</u>, which is engaging with the <b>Sustainability Accounting Standards Board (SASB)</b> to develop and define a strengthened set of disclosure standards that investors can use to persuade companies to improve labor rights for both direct employees and supply chain workers.</li> </ul> <p><b>Efforts to enable remedy for victims</b></p> <ul style="list-style-type: none"> <li>→ In July 2019, institutional investors including BlackRock were among the 206 major businesses that signed a <b>"friend of the court" brief</b> filed by the <u>Human Rights Campaign</u> and four other NGOs with the U.S. Supreme Court. The brief related to a trio of cases that may determine whether LGBTQ people are protected from discrimination under existing federal civil rights laws that prohibit sex discrimination in contexts ranging from the employment to housing, health care and education. The landmark brief has more corporate signers than any previous business brief in an <b>LGBTQ non-discrimination case</b>.</li> <li>→ On the sixth anniversary of the Rana Plaza Building collapse, a group of 190 investors led by the Interfaith Center on Corporate Responsibility representing over US\$3 trillion in assets under management <u>released a statement</u> calling on the government of Bangladesh and the Bangladesh Garment Manufacturers and Exporters Association to negotiate an agreement allowing the <b>Accord for Fire and Building Safety in Bangladesh (Accord)</b> to continue its work protecting the safety of garment workers and providing remedy for the impacts of the collapse.</li> </ul>
<p><b>CIVIL SOCIETY ENGAGEMENTS</b></p>	<p><b>Efforts to prevent and mitigate adverse impacts on people</b></p> <ul style="list-style-type: none"> <li>→ Following the catastrophic <b>tailings dam failure</b> at Vale's Brumadinho mine in Brazil, the Church of England Pensions Board and the Swedish Council of Ethics of the AP Funds led the formation of the <b>Investor Mining &amp; Tailings Safety Initiative</b>. The objective of the initiative is to allow institutional investors active in extractive industries to engage with impacted communities, international experts, government representatives, and company representatives. Among other things, investors are asking companies to disclose information on tailings storage facilities. The Initiative is also calling for an international standard on tailings dams.</li> </ul>

Other useful examples can be found in the Leverage Practice Matrix of the Lichtenstein Financing against Slavery and Trafficking (FAST) Initiative.



## 2.2 AT THE INVESTMENT LEVEL

### RESPONSIBLE DIVESTMENT

**The UN Guiding Principles clarify that, in situations where an enterprise lacks the leverage to prevent or mitigate adverse impacts and is unable to increase its leverage, the enterprise should consider ending the relationship.** The [OECD](#) elaborates on this point for investors by stating that, while divestment should in most cases be a last resort or reserved only for the most severe adverse impacts, divestment from a company may be an appropriate response after continuous failed attempts at mitigating the harm, where mitigation is unfeasible, or because of the severity of the adverse impact warrants it.

The OECD also provides the following factors for investors to consider when deciding if divestment is an appropriate response:

- Investor's leverage over the company;
- How crucial the relationship is to the investor;
- The severity of the impact; and
- Whether terminating the relationship with the company would result in adverse impacts.

Investors should also take into account and prioritize the desired outcomes of the most adversely affected stakeholders (i.e. affected communities) and what type of investor action they see as most meaningful.

**Those who divest from a company are advised to issue a press release explaining why, thereby imposing greater pressure on the company and creating leverage for others who have not divested.** This can take place either before or after divestment has been completed.



#### CASE STUDY: Responsible divestment

After the tailings dam collapse in Brumadinho that killed at least 249 people in 2019, the [Church of England](#) divested from [Vale SA](#) after applying its Ethical Exclusion Process. It stated it would only consider reinvestment pending the outcome of investigations and evidence that the company has done all it can to compensate the community. The Church of England makes divestment decisions based on a combination of ethical and financial considerations.



#### CASE STUDY: Responsible divestment

In December 2019, the Danish pension fund [ATP](#) decided to divest from the mining company [Grupo Mexico](#) after eight months of failed attempts to engage with the company over a new tailings dam. The new dam, which is to be located at the Buenavista copper mine, the site of an environmental disaster in August 2014, poses a danger to the environment and people of the state of Sonora. According to ATP, the fund normally engages with companies on ESG matters, rather than divesting. However, ATP expressed concern that an investment in Grupo Mexico would not allow the fund to live up to its commitment to the OECD Guidelines for Multinational Enterprises.



### **CASE STUDY: Responsible divestment**

Norges Bank Investment Management (NBIM), the world's largest sovereign wealth fund, divested its holdings of US\$12.3 million from Peru's largest consumer goods company, Alicorp S.A.A., after it was revealed that the company was acquiring palm oil from a plantation linked to serious violations of Indigenous Peoples' land rights and deforestation in the Peruvian Amazon.



3.

## CONCLUSION: A TIME TO ACT

Business activities around the world continue to result in severely negative impacts on people's fundamental welfare and dignity every day and in a wide variety of ways. By providing the capital that fuels much of these activities, institutional investors have a critical role to play in changing this reality and fostering business that benefits individuals, communities, and broader societies.

This role for investors in engaging with human rights is no longer a 'nice-to-have' proposition, as authoritative frameworks and standard-setting bodies at international, regional, and national levels have laid out the expectation that all business actors, including institutional investors, have a responsibility to respect human rights throughout their activities. Developments such as those in the European context, where investors will be required to report on how ESG, including human rights, factors are integrated throughout investment decision-making, signal a growing wave of expectations in this arena, and financially prudent investors concerned with sustainable returns will embrace their human rights responsibilities in a proactive way.

This Toolkit provides a roadmap for action to help investors meet these growing expectations and tackle the challenge of cultivating responsible and sustainable economic systems that help, rather than hurt, people. It aims to provide a practical set of ready-to-use tools and illustrative case studies that can be tested by investors and refined along the way. The authors hope that the Toolkit spurs concrete investor action on human rights and stand ready to continue supporting investors and allies in this regard.



# TOOLKIT ANNEX



## TOOL #1

### Checklist for investor human rights policy commitment

See relevant guidance on [p. 16](#)

→ **Approved at the most senior level of the institution.**

- *Tip:* Have the policy signed by the Chair and Chief Executive Officer.
- *Tip:* Keep the minutes of the Board meeting approving the policy readily available.

→ **Informed by relevant human rights expertise (e.g. human rights organizations, business and human rights experts, internal human rights expertise, etc.).**

- *Tip:* Make sure that the policy expresses a commitment to respect all internationally recognized human rights (at a minimum, the International Bill of Rights and the ILO core conventions).
- *Tip:* Make sure that the policy distinguishes between legal compliance and human rights compliance. The policy may briefly state that the investor commits to comply with law; however, the focus should be how the investor manages its human rights risks in alignment with the UN Guiding Principles. The policy may also state that if local law mandates actions that may lead the investor to cause or contribute to adverse impacts, the investor will seek to prevent and mitigate such impacts to the extent possible, while complying with the law.

→ **Describes what the investor expects of all business relationships in terms of human rights.**

- *Tip:* The international community has not defined what it means for individuals to 'respect human rights,' only what it means for businesses. The investor can expect employees to assist the investor in respecting human rights.
- *Tip:* A Code of Conduct for Employees may become helpful in further explaining the investor's expectations to employees.
- *Tip:* When sharing expectations of business relationships, such as externally commissioned managers, ratings and rankings agencies, research firms, consultants, and other service providers, a Code of Conduct for Business Relationships may assist the communication. At a minimum, the investor should expect from its business relationships that they respect all internationally recognized respect human rights and demonstrate respect for human rights in line with the expectations outlined in the UN Guiding Principles.



### → **Public and actively communicated, both internally and externally.**

- *Tip:* Make sure that the policy is easily accessible through the investor's website.
- *Tip:* When sharing expectations of employees such as internal portfolio managers, research analysts, engagement specialists, line managers, and other personnel to assist the investor in meeting its responsibility (i.e. the dissemination of the human rights policy commitment), the investor may find it useful to develop training and concrete interventions in support of the policy.
- *Tip:* In communicating the policy to stakeholders, the investor may consider sharing information on who to contact with inquiries, human rights concerns, or similar information.

### → **Embedded throughout the business, including within other policies and procedures.**

- *Tip:* The policy may describe how the investor will implement its human rights policy commitment via its own human rights governance, including senior-level oversight and day-to-day management of implementation (see Tool #2: Checklist for Investor Human Rights Governance in Investment Procedures).
- *Tip:* The policy may describe how other policies, including those related to environmental, social, and governance (ESG) risks and impacts, are aligned with the human rights policy commitment.
- *Tip:* The policy may describe how the investor assesses, engages, and holds accountable portfolio companies based on the quality of those companies' human rights policy commitments, human rights due diligence processes, and, where appropriate, role in enabling access to remedy for business-related human rights harm.



## TOOL #2

### Checklist for investor human rights governance

See relevant guidance on [p. 16](#)

- Approach is grounded in the institution's human rights policy commitment that covers all internationally recognized human rights (see Tool #1: Checklist for Investor Human Rights Policy Commitment).
- Human rights governance is embedded into other institutional governance systems, including those related to ESG risk management and other relevant management systems.
- Day-to-day responsibility and accountability for implementation of the human rights policy commitment is assigned to specific functions, with integration of performance incentives as appropriate.
- Ultimate responsibility and accountability for implementation of the human rights policy commitment is assigned to senior leadership and/or an institution-wide committee.
- The Board has oversight of and receives regular updates on implementation of the human rights policy commitment from senior leadership.
- Resources are allocated for implementation of the human rights policy commitment.
- Procedures to identify human rights risks and impacts prior to investment decisions are in place, reviewed at least on an annual basis, and responsive to emergent human rights risks and impacts.
- Procedures to assess existing investments for alignment with the UN Guiding Principles are in place, reviewed at least on an annual basis, and responsive to risks and impacts as they become known.
- Capacity building on human rights takes place across all functions within the institution (e.g., internal portfolio managers, research analysts, engagement specialists, line managers).
- Clear procedures for embedding human rights into the selection, engagement, oversight, and review of all business partners (e.g., externally commissioned managers, portfolio companies, ratings and rankings agencies, research firms, consultants, and other service providers) are in place.



## TOOL #3

### Asset owner questions for asset managers

See relevant guidance on [p. 20](#)

The following questions should be used by asset owners in assessing potential asset managers to work with, as well as throughout the owner-manager relationships for regular and ongoing assessment. Expectations of manager performance against these questions should also be communicated in investment policy statements.

- Does the firm have an institution-wide human rights policy commitment in relation to investment activities, either stand-alone or incorporated into investment guidelines or other relevant policies?
- Does the firm assess its investments based on meaningful human rights due diligence processes and outcomes? If so, what research tools does the firm use in doing so?
- Does the firm set out an expectation that its portfolio companies respect human rights in alignment with the UN Guiding Principles? How does the firm follow up on this expectation? Does the firm provide guidance/expertise/advice for portfolio companies on implementation?
- Are human rights incorporated into the firm's proxy voting guidelines across all issue areas? Does the firm report its voting record on human rights resolutions? How are portfolio companies otherwise held accountable for their performance against the expectations of the UN Guiding Principles?
- Does the firm incorporate human rights due diligence into its decision-making and engagement on dual class shares? Private equity? Does the firm in other ways incorporate human rights in its engagements?
- Does the firm have internal or external human rights expertise informing due diligence processes?
- Who within your firm is responsible for day-to-day execution of your human rights commitment? What is the role of portfolio managers and analysts in assessing portfolio companies' human rights processes and outcomes? How is their performance measured and, where appropriate, linked to compensation?
- Who is responsible at the senior management and Board level for firm-wide execution and oversight of the firm's human rights commitment?
- Does the firm have accessible channels for stakeholders to inform its human rights practices?
- How are human rights incorporated into the firm's strategic planning, at both the operational and investment level? What are the firm's KPIs when it comes to human rights?
- Does the firm have processes in place to manage if something goes wrong with its investments in relation to human rights?



## TOOL #4

### Template business and human rights company profile

See relevant guidance on [p. 25](#)

This template version of a ‘business and human rights company profile’ is a tool for investors to assess a specific company’s efforts to respect human rights in line with the UN Guiding Principles. It is most relevant for private equity firms where more thorough due diligence on a potential investee company is conducted. However, it should also be used by all investors to fill persistent gaps in meaningful information regarding a company’s human rights policies, processes, and performance that remain across ESG ratings and rankings.

The template guides investors in conducting a high-level review of a company’s disclosed ESG policies and processes as they relate to human rights. It also captures the company’s publicly reported human rights impacts, stakeholder inputs, gaps in a company’s policies and processes, and opportunities for investor action.

#### How to develop a company profile

The following tables contain guidance for investors conducting research on corporate human rights performance. Each table should be completed, recognizing that the availability of information will vary by company. In addition, different issues will be more or less relevant for different companies. For example, land rights and water are more salient for mining companies while privacy and freedom of expression are more salient for technology companies. Suggested sources for populating the tables are included throughout, as are guiding questions for engaging stakeholders in the research process.

#### I. HUMAN RIGHTS POLICIES AND PROCESSES

Provide a summary of the company’s disclosed human rights policies and processes, as well as key gaps in the implementation of the corporate responsibility to respect human rights.

Useful sources of information might include disclosure in the company’s annual reports, publicly available human rights impact assessments, the [UN Guiding Principles Reporting Framework Database](#), the [Business and Human Rights Resource Centre’s portal of company human rights policies](#), and the analysis contained in various benchmarks.

For good practice to assess companies against, see:

- [Business and Human Rights: A Five-Step Guide for Company Boards](#), UK Equality and Human Rights Commission
- [Corporate Responsibility to Respect: An Interpretive Guide](#), Office of the High Commissioner for Human Rights





- [Doing Business with Respect for Human Rights](#), Global Compact, Oxfam, and Shift
- [FAQ](#) about the UN Guiding Principles, Office of the High Commissioner for Human Rights
- [Human Rights Impact Assessment Guidance and Toolbox](#), Danish Institute for Human Rights
- [Human Rights Due Diligence Info Portal](#), Global Compact Network Germany
- [Platform for Human Rights Indicators for Business](#), Danish Institute for Human Rights
- [Remediation and Operational-level Grievance Mechanisms](#), Institute for Human Rights and Business
- [Resources on Pillar II of the UN Guiding Principles](#), Shift

In the table on the following pages, insert information about existing policies and procedures that the company has in place to meet its responsibilities under the UN Guiding Principles. Once you have identified the gaps, write down recommendations for how those gaps might be addressed for purposes of engagement with the company.



UN GUIDING PRINCIPLE	EXISTING POLICIES AND PROCESSES	GAPS
<b>16: Human rights policy</b>	<i>E.g., list existing policy commitment(s) that demonstrate the company's commitment to respect internationally recognized human rights (Human Rights Statement, Code of Conduct, etc.)</i>	<i>E.g., no human rights policy in place, policy commitment does not align with standards outlined in UN Guiding Principles. Include recommendations for addressing these gaps.</i>
<b>16: Human rights governance and embedding</b>	<i>E.g., list existing governance structures and processes aimed at embedding respect for human rights across the company (Board committees with human rights mandate, head of human rights, cross-functional working groups, staff human rights trainings, mechanisms for communicating to business relationships, etc.)</i>	<i>E.g., gaps at leadership and day-to-day management levels, gaps in efforts to embed the commitment among workers and business relationship. Include recommendations for addressing these gaps, and refer to tools for addressing the gaps.</i>
<b>18: Assessing real and potential human rights impacts</b>		
<b>19: Integrating and acting on findings across internal functions</b>		
<b>19: Integrating and acting on findings with business relationships</b>		



UN GUIDING PRINCIPLE	EXISTING POLICIES AND PROCESSES	GAPS
20: Tracking effectiveness of response to human rights impacts		
21: Public communication on how salient human rights issues are addressed		
22: Access to remedy (operational-level grievance mechanisms, international/multi-stakeholder mechanisms, etc.)		

BENCHMARK	RANKING
<b>Bank Track Human Rights Benchmark</b>	
<b>Behind the Barcodes</b>	
<b>Behind the Brands</b>	
<b>Corporate Human Rights Benchmark</b>	
<b>KnowTheChain</b>	
<b>Ranking Digital Rights</b>	
<b>Other(s)</b>	



<b>COMPANY ENGAGEMENT IN STAKEHOLDER INITIATIVES</b>	
<p>List the relevant multi-stakeholder and industry initiatives in which the company participates. MSI Integrity offers a <a href="#">Multi-Stakeholder Initiative Database</a> with more details about various initiatives. Note: UNGC, ETI, FLA, RBA and ICMM members scored double, or more, compared to non-members on average in the CHRB’s 2019 rankings.</p>	
<b>STAKEHOLDER INITIATIVE</b>	<b>PARTICIPANT (YES, NO, N/A)</b>
<b><u>Building Responsibly Initiative</u></b>	
<b><u>Consumer Goods Forum</u></b>	
<b><u>Ethical Trading Initiative (ETI)</u></b>	
<b><u>Extractive Industries Transparency Initiative (EITI)</u></b>	
<b><u>Fair Labor Association (FLA)</u></b>	
<b><u>Global Network Initiative (GNI)</u></b>	
<b><u>International Code of Conduct for Private Security Providers</u></b>	
<b><u>International Council on Mining and Minerals (ICMM)</u></b>	
<b><u>Responsible Business Alliance (RBA)</u></b>	
<b><u>UN Global Compact (UNGIC)</u></b>	
<b><u>Voluntary Principles on Security and Human Rights</u></b>	
<b><u>Other(s)</u></b>	



## II. HUMAN RIGHTS IMPACTS

This table guides investors in compiling an overview of publicly available information on the company's adverse human rights impacts. This list of abbreviated rights from the *Universal Declaration of Human Rights* and related instruments focuses on the rights companies are more likely to impact. When assessing human rights risks, companies should refer to the full list of rights set out in the International Bill of Rights, the ILO core conventions, and other relevant human rights instruments, including those that elaborate on the rights of vulnerable groups.

The *Business and Human Rights Resource Centre* offers a compilation of news stories, reports, and other sources on allegations of corporate involvement with human rights abuses.

<b>Freedom from discrimination</b>	<i>E.g., In 2019, academics found bias embedded into the company's artificial intelligence technology, saying the software has greater difficulty in identifying female and darker-skinned faces than other faces.</i>
<b>Freedom from slavery</b>	
<b>Freedom from torture and degrading treatment</b>	
<b>Freedom of association</b>	
<b>Freedom of belief and religion</b>	
<b>Freedom of movement</b>	
<b>Freedom of opinion and information</b>	
<b>Right to an adequate standard of living</b>	
<b>Right to culture</b>	
<b>Right to education</b>	
<b>Right to effective remedy</b>	
<b>Right to favorable working conditions and to join trade unions</b>	
<b>Right to life, liberty, and personal security</b>	
<b>Right to marriage and family life</b>	
<b>Right to own property</b>	
<b>Right to political participation</b>	
<b>Right to privacy</b>	
<b>Right to rest and leisure</b>	
<b>Right to self-determination</b>	
<b>Right to social security</b>	
<b>Other(s)</b>	



<b>RIGHTS-HOLDERS AT RISK</b> Societal groups particularly vulnerable to adverse impacts from the company’s activities	
Map the <u>individuals and communities that are most at-risk</u> of negative human rights impacts by the company.	
<b>Children</b>	<i>E.g., material depicting sexual abuse of children was widely distributed by users on the company’s platform in 2019.</i>
<b>Health status</b>	
<b>Human rights defenders</b>	
<b>Indigenous peoples</b>	
<b>LGBTQI people</b>	
<b>Migrants</b>	
<b>People living in poverty</b>	
<b>Persons with disabilities</b>	
<b>Racial and ethnic minorities</b>	
<b>Religious minorities</b>	
<b>Women</b>	
<b>Other(s)</b>	

### III. STAKEHOLDER INPUTS

Where possible, investors may engage stakeholders working to address the impacts of the company. These engagements will help investors identify human rights risks and recommendations for addressing risks. Guiding questions for engaging stakeholders include:

- What are the adverse impacts of the company’s sector in your country and/or region (e.g., digital rights, forced labor, elections, working conditions, environmental issues)?
- What are the adverse impacts of the specific company in your country and/or region?
- Who are the rights-holders affected by these adverse impacts (e.g., human rights defenders, ethnic minorities, women, LGBTQ people, political dissidents, children)?
- Where adverse impacts have occurred, what are the challenges in accessing remedy (e.g., compensation, replacement housing for communities, apologies for harms caused, reinstatement in a job, contributions to communities’ livelihoods, agreement on joint monitoring of a situation)?
- What risks should companies be aware of in order to respect human rights in your country (e.g., labor law not in line with international standards, weak enforcement of the law, and corruption in the judiciary)?

<b>ORGANIZATION</b>	<b>INPUTS</b>



## TOOL #5

### Key human rights questions for companies

See relevant guidance on p. 26

The following table provides investors with key questions to ask companies in relation to each of the main expectations regarding business respect for human rights, alongside key resources that provide additional information that can be incorporated into engagements. This resource draws from the *UN Guiding Principles Reporting Framework*, by Shift and Mazars, and *Doing Business with Respect for Human Rights*, by the Global Compact Network Netherlands, Oxfam, and Shift.

EXPECTATION	KEY QUESTIONS	KEY RESOURCES
<b>POLICY COMMITMENT + EMBEDDING</b>		
<b>POLICY COMMITMENT</b>	<ul style="list-style-type: none"> <li>→ What does the company say publicly about its commitment to respect human rights? Does it have a formal human rights policy? Does the commitment have senior-level sign-off?</li> <li>→ How has the commitment been developed? Were key internal and external stakeholders involved in the development of the commitment? How often is it updated?</li> <li>→ Which human rights does the commitment address? Does it cover, at a minimum, those outlined in the International Bill of Human Rights and the ILO core conventions?</li> <li>→ What is the scope of the commitment? Does it cover the company's operations and full value chain? Does it cover potentially impacted workers and broader communities?</li> <li>→ How is the commitment communicated across the company's internal functions and all business relationships? How is it communicated externally to key stakeholders?</li> </ul>	<ul style="list-style-type: none"> <li>→ UNGPs Reporting Framework: <a href="#">Section A1</a></li> <li>→ Doing Business with Respect for Human Rights: <a href="#">Section 3.1</a></li> </ul>
<b>EMBEDDING</b>	<ul style="list-style-type: none"> <li>→ How is day-to-day responsibility and accountability for human rights performance organized within the company, and why?</li> <li>→ What kinds of human rights issues are discussed by senior management and by the Board, and why?</li> </ul>	<ul style="list-style-type: none"> <li>→ UNGPs Reporting Framework: <a href="#">Section A2</a></li> <li>→ Doing Business with Respect for Human Rights: <a href="#">Section 3.2</a></li> </ul>



<b>HUMAN RIGHTS DUE DILIGENCE</b>		
<b>ASSESSING AND PRIORITIZING</b>	<ul style="list-style-type: none"> <li>→ Does the company conduct human rights impact assessments (distinct from social impact assessments)?</li> <li>→ Does the company identify its salient human rights issues, based on the most severe risks to people connected with its business? If so, were key internal and external stakeholders involved in the process of determining the salient issues?</li> <li>→ Is the human rights impact assessment process integrated in broader enterprise risk management processes?</li> <li>→ How often are real and potential impacts assessed?</li> </ul>	<ul style="list-style-type: none"> <li>→ UNGPs Reporting Framework: <a href="#">Sections B1, B2, B3, B4, C2, and C3</a></li> <li>→ Doing Business with Respect for Human Rights: <a href="#">Sections 3.3 and 3.7</a></li> <li>→ UNGPs Reporting Framework: <a href="#">Sections B1, B2, B3, B4, C2, and C3</a></li> </ul>
<b>INTEGRATING AND ACTING</b>	<ul style="list-style-type: none"> <li>→ How are the parts of the company whose decisions and actions can affect the management of salient issues involved in finding and implementing solutions?</li> <li>→ When tensions arise between the prevention or mitigation of impacts related to a salient issue and other business objectives, how are these tensions addressed?</li> <li>→ How does the company use and build its leverage across business relationships, government advocacy, and multi-stakeholder platforms to support the prevention, mitigation, and where appropriate remediation of the company's salient human rights risks?</li> </ul>	<ul style="list-style-type: none"> <li>→ UNGPs Reporting Framework: <a href="#">Section C4</a></li> <li>→ Doing Business with Respect for Human Rights: <a href="#">Section 3.4</a></li> </ul>





<b>TRACKING</b>	<ul style="list-style-type: none"> <li>→ How does the company measure progress on its human rights performance?</li> <li>→ Are performance metrics limited to inputs and outputs (e.g., number of trainings and audits) or do they reflect behavior changes within the company and outcomes for rights-holders?</li> </ul>	<ul style="list-style-type: none"> <li>→ UNGPs Reporting Framework: <a href="#">Section C5</a></li> <li>→ Doing Business with Respect for Human Rights: <a href="#">Section 3.5</a></li> </ul>
<b>COMMUNICATING</b>	<ul style="list-style-type: none"> <li>→ Does the company publicly and regularly report on its human rights policies, processes, practices, and performance?</li> <li>→ Does the company's disclosure include sign-off from senior leadership and stakeholder perspectives?</li> <li>→ Does the company's disclosure acknowledge the company's human rights challenges and a plan for future improvement?</li> </ul>	<ul style="list-style-type: none"> <li>→ Doing Business with Respect for Human Rights: <a href="#">Section 3.6</a></li> </ul>
<b>GRIEVANCE MECHANISMS + REMEDY</b>		
<b>GRIEVANCE MECHANISMS</b>	<ul style="list-style-type: none"> <li>→ Does the company provide a grievance mechanism for affected stakeholders, including workers and broader communities, to report adverse impacts connected with the business?</li> <li>→ How does the company process complaints, and how are findings from grievance mechanisms integrated into the company's broader human rights due diligence?</li> <li>→ How does the company know if the grievance mechanism is working? Does it meet the UNGPs <a href="#">effectiveness criteria</a>?</li> </ul>	<ul style="list-style-type: none"> <li>→ UNGPs Reporting Framework: <a href="#">Section C6</a></li> <li>→ Doing Business with Respect for Human Rights: <a href="#">Section 3.8</a></li> </ul>
<b>REMEDY</b>	<ul style="list-style-type: none"> <li>→ When the company has caused or contributed to a human rights harm, how does it provide remedy to those harmed?</li> <li>→ How does the company otherwise enable the provision of remedy to negatively impacted stakeholders?</li> </ul>	<ul style="list-style-type: none"> <li>→ UNGPs Reporting Framework: <a href="#">Section C6</a></li> <li>→ Doing Business with Respect for Human Rights: <a href="#">Section 3.8</a></li> </ul>



## TOOL #6

### Template human rights resolutions

See relevant guidance on [p. 27](#)

#### INTRODUCTION

The purpose of this tool is to provide template resolutions for investors with shares in publicly traded companies to use in influencing portfolio companies to meaningfully engage with their responsibility to respect human rights. Several of these templates have been used in practice by Investor Alliance members.

While the tool is branded as a ‘template,’ investors are advised to significantly adapt the type of resolution chosen for a particular engagement based on what the relevant company already has in place. Failing to narrowly tailor the template’s language runs the risk of the resolution failing a company challenge, such as at the U.S. Securities and Exchange Commission (SEC), due to ‘substantial implementation.’

The following tool provides sample language for “Whereas” clauses, followed by sample text for five different types of “Resolved” clauses, each touching on key pieces of the corporate responsibility to respect human rights:

1. Human Rights Policy Commitment;
2. Human Rights Governance;
3. Assessing Real and Potential Human Rights Impacts;
4. Human Rights Disclosure; and
5. Company Grievance Mechanisms

#### TEMPLATES – WHEREAS TEXT

WHEREAS, the UN Guiding Principles on Business and Human Rights state that companies have a responsibility to respect human rights within their operations and throughout their value chains. This responsibility entails that companies should know their human rights risks and impacts; take concrete steps to prevent, mitigate, and remediate adverse impacts when they occur; and publicly communicate how they are addressing their most salient human rights issues, meaning the most severe impacts on people involved with the business.

As shareholders, we expect our portfolio companies to meaningfully manage their human rights risks and impacts as these risks and impacts have direct implications for shareholder value and, depending on how they are or are not managed, are a bellwether for a company’s long-term viability.

OR

As shareholders, we expect our portfolio companies to meaningfully manage their human rights risks and impacts in line with the OECD guidance, *Responsible Business Conduct for Institutional Investors: Key Considerations for Due Diligence under the OECD Guidelines for Multinational Enterprises*. This



guidance provides a framework for shareholders to engage with companies concerning their human rights due diligence practices. In addition, a variety of benchmarks are emerging to support investor efforts to evaluate a company's human rights performance throughout its operations and broader value chain. Examples of these benchmarks include the Corporate Human Rights Benchmark, Ranking Digital Rights, KnowTheChain, and Behind the Barcodes.

We look to the companies we own to manage their human rights risks and address their human rights impacts as a demonstration of strong risk oversight and sound corporate governance. This is necessary and prudent at management and Board levels in order to prevent, mitigate, and address potential and significant operational, financial, and reputational risks associated with negative human rights impacts, including throughout the value chain. In turn, a company's efforts to demonstrate that its policies and practices reflect internationally accepted human rights standards can lead to successful and sustainable business planning, as well as improved relations with customers, workers, and business partners.

## TEMPLATE – RESOLVED TEXT – HUMAN RIGHTS POLICY COMMITMENT

**RESOLVED:** Shareholders request the Board of Directors of [Company] to create and adopt a comprehensive human rights policy articulating our company's commitment to respect human rights throughout its operations and value chain and describing proposed steps and management systems to identify, assess, prevent, mitigate, and, where appropriate, address actual and potential adverse human rights impacts connected to the business.

**Supporting Statement:** A comprehensive human rights policy expressly reflects the global standards of expected conduct for all companies wherever they operate, which include:

- A company's commitment to respect human rights (UN Guiding Principle 16);
- A human rights due diligence process and reporting on results (UN Guiding Principles 17-21); and
- Effective grievance mechanisms (Guiding Principles 22, 29, and 31).

*Notes: For a company with an existing yet weak human rights policy, modify the resolve clause to request that the Board of Directors amend the policy to include the specific gaps that are missing. Then modify the supporting statement accordingly.*

## TEMPLATE – RESOLVED TEXT – HUMAN RIGHTS GOVERNANCE

**RESOLVED:** Shareholders request the Board of Directors of [Company] establish a Board Committee on Human Rights, to create policies and review existing policies pertaining to human rights and to determine, on an ongoing basis, the nature and extent of the company's human rights risks, including the company's salient human rights issues and how it prevents or mitigates those risks.

**Supporting Statement:** As part of the Board's responsibility for determining and addressing the company's principal risks, proponents believe that the Board of Directors should embed respect for human rights in the company's culture, knowledge and practices, and review the company's efforts to manage the company's salient human rights risks.



Notes: Before filing a resolution on human rights governance, review each of the Board Committee charters, including standing committees, to identify potential overlap with human rights topics. If so, consider including in the “Whereas” text something along the lines of: “Although [Company] Committee [X] has a responsibility for addressing [X issues], we believe broader oversight of human rights risks is prudent and necessary to effectively manage the company’s principal risks.”

## TEMPLATE – RESOLVED TEXT – ASSESSING REAL AND POTENTIAL HUMAN RIGHTS IMPACTS

**RESOLVED:** Shareholders request the [Company] to publish a report with the results of Human Rights Impact Assessment(s), at reasonable cost and omitting proprietary/confidential information, examining the actual and potential impacts of the [Company]’s high-risk [insert details, e.g., activities, operations, products, services, and/or business relationships throughout the value chain].

**Supporting Statement:** In developing the assessment(s), proponents recommend that the [Company] refer to the standards laid out by the UN Guiding Principles on Business and Human Rights, and include in the report the following information:

- Human rights standards and principles used to frame the assessment(s);
- Actual and potential adverse impacts associated with the high-risk [insert details, e.g., activities, operations, products, services, and/or business relationships throughout the value chain]; and
- Overview of how the findings will be integrated in order to prevent, mitigate, and, where appropriate, remedy impacts.

*Notes: Companies may say that they already conduct audits as a way to oppose resolutions that ask for them to conduct human rights impact assessments (HRIAs). We recommend referring to the distinction between audits and HRIAs in the “Whereas” text to clarify the different objectives of each.*

*Also, on referring to products and services in the proposal, being too specific can be a risk. Limiting the reference to high-risk products without defining how many or which specific ones is a potentially useful strategy. If a specific product or service is called out, the proposal should determine that the request deals with a significant human rights policy issue.*

## TEMPLATE – RESOLVED TEXT – HUMAN RIGHTS DISCLOSURE

**RESOLVED:** Shareholders request that the Board of Directors prepare a report, at reasonable cost and omitting proprietary information, on (Company) management systems and processes to implement its human rights policy commitments and provide the report to shareholders and stakeholders.

**Supporting Statement:** We recommend the report include information on:

- The role of the Board in oversight of human rights risks and systems to embed respect for human rights across business functions;



- The company's salient human rights issues in its own operations and value chain; and
- The company's human rights due diligence processes and remedies provided to rights-holders adversely impacted by the company.

*Notes: Most companies that do ESG and sustainability reporting are reporting on material issues, not on salient human rights issues, defined as the "human rights that stand out because they are at risk of the most severe negative impact through the company's activities or business relationships. This concept of salience uses the lens of risk to people, not the business, as the starting point, while recognizing that where risks to people's human rights are greatest, there is strong convergence with risk to the business." Therefore, consider clarifying this distinction in the "Whereas" text.*

### TEMPLATE – RESOLVED TEXT – COMPANY GRIEVANCE MECHANISMS

**RESOLVED:** Shareholders request the Board of Directors of [Company] to issue a report, at reasonable cost and omitting proprietary/confidential information, on the steps it has taken to ensure the effectiveness of the company's grievance mechanisms for individuals adversely impacted in connection to the business and provide the report to shareholders and stakeholders.

**Supporting Statement:** In evaluating and reporting on the effectiveness of grievance mechanisms, proponents recommend that the [Company] provide information on the types of grievances and the process for addressing them, and benchmark against Principle 31 of the UN Guiding Principle on Business and Human Rights, which explains that to be effective, grievance mechanisms should be:

- Legitimate, accessible and transparent for the stakeholder groups for whose use they are intended;
- Rights-compatible, meaning ensuring that outcomes and remedies accord with internationally recognized human rights; and
- Based on engagement and dialogue, including by consulting with the stakeholder groups for whose use they are intended on their design and performance.

*Notes: For a company with an existing yet weak grievance mechanism, like a hotline, modify the supporting statement to request that the report assess and amend the grievance mechanism based on the above effectiveness criteria.*

# GLOSSARY

**Active ownership:** Active ownership policies and practices entail the use of the rights and position of ownership to influence the activities or behavior of portfolio companies. Active ownership can be applied differently in each asset class. For listed equities, it includes engagement and voting activities.

**Asset:** An asset is a resource with economic value that may be owned or controlled by an individual or a company with the expectation that it will provide a future benefit.

**Asset class:** A grouping of investments with similar characteristics. They are often subject to the same legal and regulatory requirements. Types of asset classes include equities (stocks), fixed income (bonds, including credit ratings and private debt), cash and cash equivalents, real estate, infrastructure, commodities, futures, and other financial derivatives.

**Asset owners:** Owners have the legal ownership of assets. They include pension funds (for private, public, and third sector employees), insurance funds, sovereign wealth funds, churches, charities, foundations, family offices, multi-family offices, and providers.

**Asset managers:** Managers act as investment agents on behalf of asset owners. They determine what investments to make or avoid in order to grow a client's portfolio over time. To do this, they conduct extensive research utilizing both macro and micro analytical tools. Managers include investment funds, insurance companies, and pension funds.

**ESG:** Stands for environmental, social, and governance. A generic term used in capital markets and by investors to evaluate corporate behavior and to determine the future financial performance of companies. ESG factors are a subset of non-financial

performance indicators that drive responsible investment decision-making and active ownership.

**Human rights:** Human rights are rights inherent to all human beings, regardless of nationality, place of residence, sex, national or ethnic origin, color, religion, sexual orientation, language, or any other status. They are what every individual is entitled to in order to live a life of fundamental welfare, dignity, and equality. They include civil and political rights such as the rights to life, freedom from harassment and discrimination, privacy, and freedom of expression; economic, social, and cultural rights such as the rights to work, social security, and education; and labor rights such as the rights to freedom of association, collective bargaining, and freedom from forced labor and the worst forms of child labor.

**Human rights due diligence:** Central to meeting the corporate responsibility to respect human rights under the UN Guiding Principles on Business and Human Rights, a human rights due diligence process aids companies in identifying, preventing, mitigating, and accounting for how they address their adverse human rights impacts. The process includes assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.

**Fiduciary duty:** A fiduciary is a person or organization that acts on behalf of another person or persons to manage assets. A fiduciary owes to that other entity the duties of "good faith and trust," also known as "loyalty and care." In general, asset managers and asset owners are considered to be fiduciaries. A fiduciary's responsibilities or duties are both ethical and legal. When a party knowingly accepts fiduciary duty on behalf of another party, they are required to act in the best interest of the principal, the party whose assets they are managing.

## GLOSSARY

**Leverage:** Where one actor or a set of actors has the ability to affect change in the behavior of another actor or set of actors. The responsibility of investors to effectively use leverage is not limited to screenings.

**Materiality:** A concept that defines why and how certain issues are important for a company or a business sector. A material issue can have a major impact on the financial, economic, reputational, and legal aspects of a company, as well as on the system of internal and external stakeholders of that company. Materiality depends on the choice of audience or goal for which things are then judged more or less important. The audience may be shareholders alone or other stakeholders as well.

**Minority shareholder:** A shareholder who owns less than half the total shares of a company.

**OECD Guidelines for Multinational Enterprises:**

A set of recommendations aligned with the UN Guiding Principles on Business and Human Rights (see below) and addressed by governments to multinational enterprises operating in or from countries adhering to the OECD Guidelines. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards.

**Passive investment:** Also known as index investing, whereby investors purchase a representative benchmark, such as the S&P 500 index, and hold it over a long time horizon.

**Private equity:** An alternative investment class consisting of capital that is not listed on a public exchange. Composed of funds and investors that directly invest in private companies or that engage in buyouts of public companies, resulting in the delisting of public equity. Institutional and retail investors provide the capital for private equity, and the capital can be utilized to fund new technology, make acquisitions, expand working capital, and to bolster and solidify a balance sheet.

**Public equity:** Shares of ownership issued by publicly traded companies and traded on stock exchanges. Investors may profit from equities either through a rise in the share price or by receiving dividends. Unlike private companies, public companies have gone through rigorous approval processes in order to participate in the public market, making it easier for investors to buy and sell company shares at any time. Public companies are required to regularly publish detailed financial results.

**Saliency:** A company's salient human rights issues are those human rights that are at risk of severe negative impacts through the company's activities or business relationships. The concept of salience uses the lens of risk to people, not the business, as the starting point, while recognizing that where risks to people's human rights are greatest, there is strong convergence with risk to the business.

**Stakeholder:** A stakeholder is a party that has an interest in a company and can either affect or be affected by the business. The primary stakeholders in a typical corporation are its investors, employees, customers, and suppliers. However, the modern theory of the idea goes beyond this original notion to include additional stakeholders such as a community, government, trade association, or even the natural environment.

**UN Guiding Principles on Business and Human**

**Rights:** An international instrument consisting of 31 principles that provide governments with an authoritative interpretation of existing duties under human rights law and companies with a description of how to meet their responsibility to respect human rights. The UN Guiding Principles were developed by UN Special Representative on business and human rights, Professor John Ruggie, and unanimously endorsed by the UN Human Rights Council in June 2011.