



**INVESTOR ALLIANCE
FOR HUMAN RIGHTS**

Human Rights Impact Assessments

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Investor Engagement on Human Rights Impact Assessments

IAHR Webinar – May 28, 2020

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Why engage companies on Human Rights Impact Assessment (HRIA)?

1. HRIAs help **companies** identify their most salient human rights impacts, which helps them to prioritize efforts to address them and manage material risks.
2. Public disclosure of HRIA findings allow **investors** to evaluate companies' human rights due diligence approach and assess a company's progress over time.
3. Robust HRIA processes strengthen stakeholder engagement, can build trust, and help enable access to remedy for **rights-holders**.



Recent HRIA Engagements

- When HRIA focus is appropriate
- IASJ Affiliates filed two shareholder proposals requesting HRIA in 2020:
 - **Northrop Grumman Corporation**
 - Vote outcome: **24.16% support**
 - Weapons and defense technology company
 - **Lear Corporation**
 - Vote outcome: **44.76% support**
 - Supplier of automotive seating & E-Systems



Northrop Grumman Corporation

Weapons & defense company faces heightened risks in conflict-affected areas

Resolved, Shareholders request that Northrop Grumman publish a report, at reasonable cost and omitting proprietary information, with the results of human rights impact assessments examining the actual and potential human rights impacts associated with high-risk products and services, including those in conflict-affected areas.

Rationale for Support:

- Investors are unable to assess how Northrop Grumman evaluates and mitigates risks accompanying specific activities such as weapons contracts, military training, biometrics, and emerging technologies, or with governments engaged in conflict.
- Business relationships with the USG and governments whose activities may be linked to human rights violations may expose Northrop Grumman to legal, financial, and reputational risks.
- In 2019, 31% of shareholders voted in favor of increased reporting on the implementation of the company's Human Rights Policy.



Lear Corporation

Automotive seating and electronics supplier with extensive global supply chain.

Resolved, Shareholders request that Lear Corporation (Lear) publish a report, at reasonable cost and omitting proprietary information, with the results of a Human Rights Impact Assessment examining the actual and potential human rights impacts of the company's high-risk business activities in its operations and value chain.

Rationale for Support:

- Lear does not assess or disclose its high-risk sourcing countries and commodities or its salient human rights risks, despite exposure to risks of child labor and forced labor in its **leather** and **electronics** supply chains.
- Shareholders lack the disclosure required to evaluate the extent to which existing policies and practices contribute to effective human rights due diligence.
- Lear may face legal, reputational, competitive, and financial risks if the company fails to manage human rights risks.



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HUMAN RIGHTS IMPACT ASSESSMENTS

- INVESTOR ALLIANCE FOR HUMAN
RIGHTS WEBINAR

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WHAT IS A HUMAN RIGHTS IMPACT ASSESSMENT?

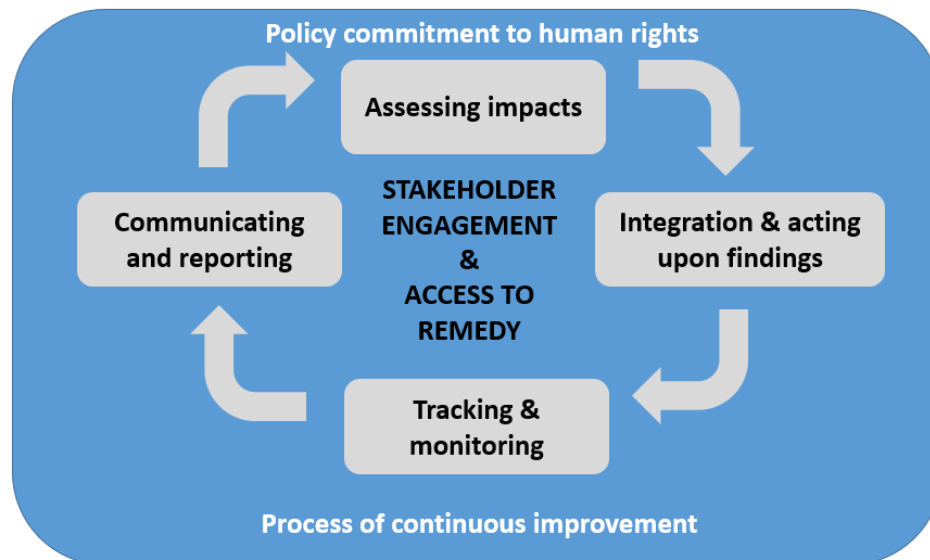
- A *context specific* process for identifying, understanding, assessing and addressing the *adverse effects of a business project, activities or operations* on the human rights enjoyment of *impacted rights-holders* such as workers, community members or consumers.
- It is an *elaborate assessment process*.
- *Stand-alone exercise*, but iterative follow up activities is essential to ensuring long term impacts.
- HRIAs are *on* human rights, *through* human rights, *for* human rights.



HRIA AND HUMAN RIGHTS DUE DILIGENCE

The UN Guiding Principles on Business and Human Rights (UNGPs) require assessment of human rights impacts – not necessarily a ‘human rights impact assessment’

- Other types of assessments and due diligence activities are also needed to comply with UNGPs
- Integrating elements of HRIA methodology into other assessments and ESG activities can improve quality thereof and enable scalability



Terms of Reference Template: Enhanced Assessment of Human Rights Impacts

Practical guidance and Terms of Reference (ToRs) templates for enhanced assessment of human rights risks and impacts

1. About this practical guidance

This guidance for fund managers is intended to complement [CDC's Briefing Note on Human Rights](#), by providing additional insights into:

- Clarifying the terminology of human rights due diligence and human rights impact assessments (HRIAs), and describing the key parameters which should inform ToRs for various forms of enhanced assessment of human rights risks and impacts;
- Options and key considerations for structuring the approach to enhanced human rights due diligence;
- Questions to ensure effective integration of a human rights lens into E&S due diligence processes;
- A template for adapting ToRs for different approaches to enhanced assessment of human rights impacts.

HRIA AS A DISCIPLINE IS INSPIRED BY ES(H)IA AND SIA PRACTICES

Social Impact Assessments (SIAs): Tool to assess social impacts of a project

- similarities: such as community engagement and impact mitigation
- distinctions: human rights expertise / approach not guaranteed; SIAs uses a variety of benchmarks, it also looks at project benefits, and there is no explicit focus on rights-holders vs duty-bearers

Environmental, Social & (Health) IAs: Tool to assess env., social & health impacts of a project

- Legally required by national law for certain types of projects
- Do not explicitly apply human rights and can overlook critical elements such as:
 1. Labour issues in the supply chain
 2. Post-conflict or conflict-sensitive areas
 3. Security activities related to business operations and/or activities
 4. Gender analysis and an assessment of the gender impacts
 5. Rights of indigenous peoples & focus on vulnerable individuals/groups
 6. Community impacts related to business relationships or activities
 7. In-migration associated with the development of the business project
 8. Legacy human rights impacts associated with the activities of previous business operators
 9. Cumulative impacts, involving human rights impacts of other businesses

HRIA VS. AUDIT

| | Social audits | HRIAs |
|--------------------|---|---|
| Baseline | Company policy / Code of Conduct and national laws (typically implicit select human rights) | All human rights rights – Int. Bill of Human Rights |
| Objective | Compliance | Preventing, mitigating and remediating potential and actual human rights impacts |
| Procedure | Audit protocol: management and worker input, verified by external audit company | Human rights based data-collection with affected stakeholders at the core |
| Scope | Factory site - operational | Varies. Can include project, site, value chain, supply chain and sector-wide |
| Orientation | Primarily internal | Primarily external - affected stakeholders; NGOs, academics, trade unions, governments, business associations etc |
| Data | Emphasis on written documentation | Primarily qualitative data collection – emphasis on experiences |
| Output | Internal audit report – corrective action plan | Public HRIA report incl recommendations for actions at operational and systemic level |

HRIAS IN SELECT INVESTOR / FINANCE FRAMEWORKS



- *“In limited high risk circumstances, it may be appropriate for the client to complement its environmental and social risks and impacts identification process with specific human rights due diligence as relevant to the particular business.”* IFC performance standards (PS1, footnote 12)



- *“The client is expected to include assessments of potential adverse Human Rights impacts [...] as part of the ESIA or other Assessment [...]. The client should refer to the UNGPs when assessing Human Rights risks and impacts”* Equator Principles 4, p. 2



- HRIAs highlighted as a useful to assessing companies performance and included in sample shareholder resolutions on human rights. Investor Alliance Toolkit on Human Rights

DIFFERENT TYPES OF HUMAN RIGHTS IMPACT ASSESSMENTS

Integrated HRIAs

Human rights integrated into Environmental, Social and/or Health Impact Assessments

Specific topics integrated into wider HRIAs (gender/child rights)

Stand-alone HRIAs

Company-led HRIAs

Community-led HRIAs

Issue based HRIAs

Product based HRIAs

Sector-Wide Impact Assessments

Looking at an entire business sector rather than a project

Collaborative HRIAs

Different ideas around collaborative HRIAs.

Do not exist yet – could this be one of the ways forward?

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EXAMPLES OF HRIAS

Talking the Human Rights Walk

Nestlé's Experience Assessing Human Rights Impacts in its Business Activities



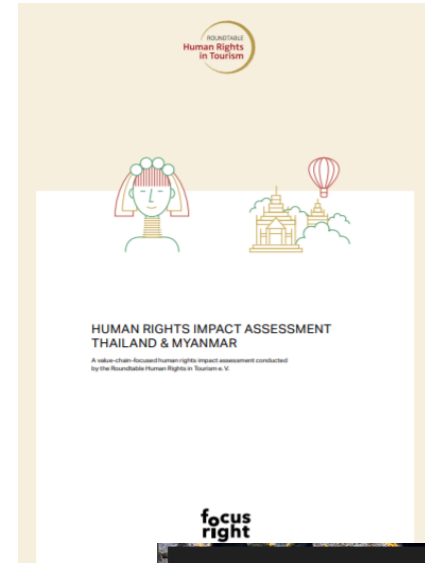
THE PEOPLE BEHIND THE PRICES

A Focused Human Rights Impact Assessment of SOK Corporation's Italian Processed Tomato Supply Chains

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ENI ANGOLA – HUMAN RIGHTS ASSESSMENT

SUMMARY REPORT CABINDA NORTH

PROJECT REPORT

OCTOBER 2018

Human Rights Impact Assessment

Facebook in Myanmar



BSR The Business of a Better World

focus right

SECTOR WIDE IMPACT ASSESSMENT ON HUMAN RIGHTS

MINING UNSEEN



EXECUTIVE SUMMARY

CREER Centro Regional de Empresas y Emprendimientos Responsables

WHAT DO HUMAN RIGHTS IMPACT ASSESSMENTS AIM TO ACHIEVE?



- Identification, avoidance and addressing of adverse human rights impacts - change for people on the ground (rightsholders)
- Establishment of meaningful dialogue between stakeholders in a particular context, including through developing joint ways forward
- Facilitating capacity building and learning of internal and external stakeholders involved
- Enhancing transparency and accountability of the business through documenting the impacts that have been identified and actions taken to address these
- Empowering rights-holders to hold business to account for adverse human rights impacts

KEY CRITERIA FOR HUMAN RIGHTS IMPACT ASSESSMENT

Summary of 10 key criteria for human rights impact assessment

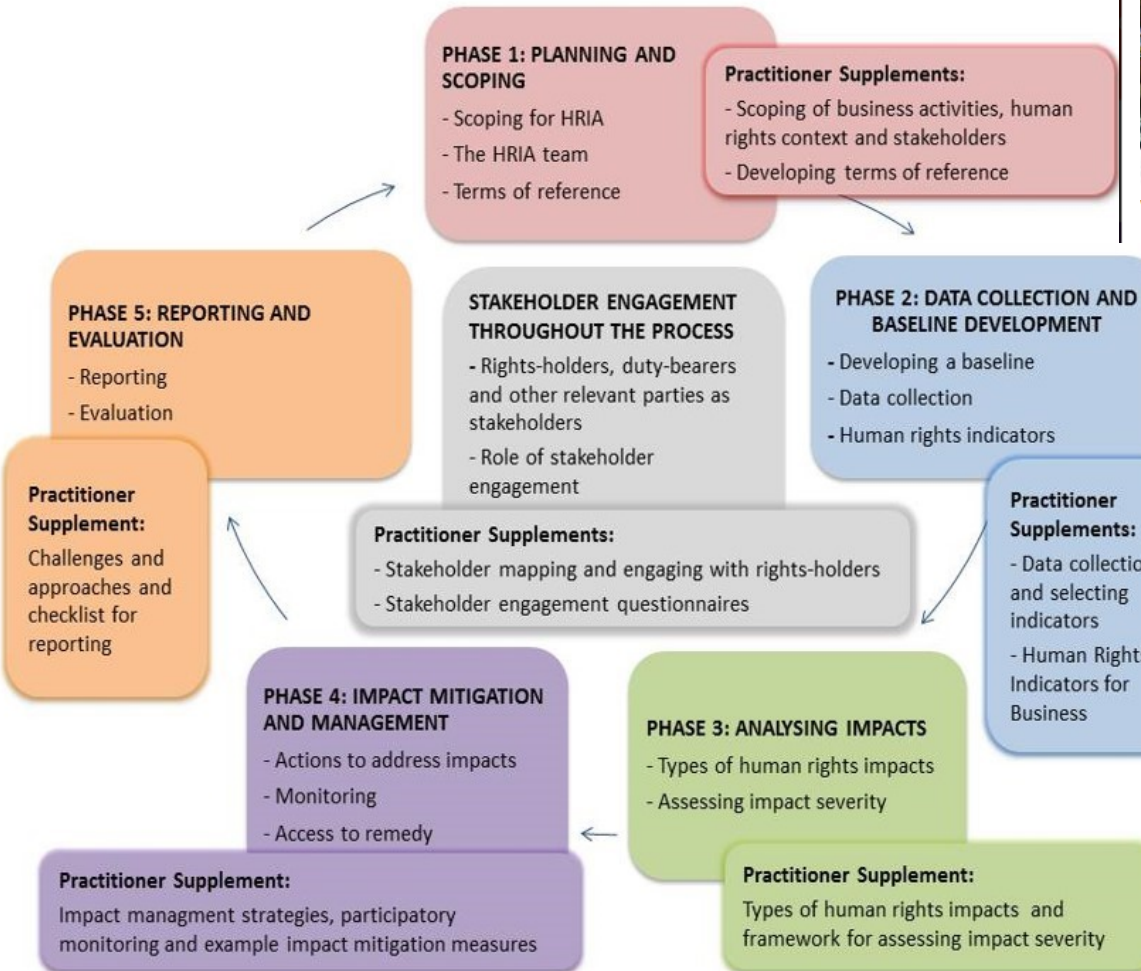
| | | |
|----------------|----------------------------|---|
| Process | Participation | <ul style="list-style-type: none"> • Rights-holders, duty-bearers and human rights actors • Throughout the process |
| | Non-discrimination | <ul style="list-style-type: none"> • Inclusive engagement and consultation • Gender-sensitive • Vulnerable individuals and groups |
| | Empowerment | <ul style="list-style-type: none"> • Capacity building to participate |
| | Transparency | <ul style="list-style-type: none"> • Process and outcomes |
| | Accountability | <ul style="list-style-type: none"> • Assessment team is supported by human rights expertise • Responsibilities for mitigation are assigned and adequately resourced • Entitlements of rights-holders and the duties of duty-bearers identified |
| Content | Benchmark | <ul style="list-style-type: none"> • Human rights standards |
| | Scope of impacts | <ul style="list-style-type: none"> • Actual and potential impacts: caused by the business; to which the business contributes; and impacts linked through business relationships • Cumulative impacts and legacy issues are considered |
| | Assessing impact severity | <ul style="list-style-type: none"> • Impacts addressed according to severity of human rights consequences • Account for the interrelatedness of human rights, as well as the interrelatedness of environmental, social and human rights factors |
| | Impact mitigation measures | <ul style="list-style-type: none"> • Addressing follows mitigation hierarchy 'avoid-reduce-restore-remediate' • No offsetting |
| | Access to remedy | <ul style="list-style-type: none"> • Avenues whereby rights-holders can raise concerns or complaints • During and after the assessment |

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Stakeholder engagement



What happens in stakeholder engagement?



Key questions addressed in this section:

- What are the different types of impacts to be considered: actual; potential; caused by the business; contributed to by the business; and directly linked to business operations, products and services through business relationships?
- Why do the UN Guiding Principles focus on 'adverse' impacts and what does this mean for the inclusion of project benefits in HRIA?
- How can the 'severity' of human rights impacts be assessed?

[Read the full Phase 3 guidance here.](#)

Practitioner supplement:

- [Analysing impacts](#)

HUMAN RIGHTS IMPACT ASSESSMENTS: CHALLENGES & LESSONS LEARNT FROM PRACTICE

1. **Timing, selection of country and scope:** when and where to carry out a HRIA? Can outcome of HRIA influence decision-making? How deep to go into business relationships?
2. **Tools:** need to be simple, comprehensive, adapted to context and stakeholder groups and grounded in international human rights standards
3. **Time and money:** combining cost-effectiveness + sustainability vs scope and depth
4. **HRIAs as a capacity building tool:** balancing company involvement to enable capacity building while ensuring third party independence. Capacity building of rights-holders?
5. **Stakeholder and rights-holders engagement:** requires local expertise + sufficient time to be meaningful (i.e. through a scoping mission)
6. **Government authorities:** risks vs. value add of engaging with government actors during HRIA
7. **Public reporting and transparency:** Core requirement in this time. Better to be open than be criticized by NGOs /journalists
8. **Integrating & scaling findings:** feeding local lessons learnt into global systems
9. **Making it normal:** HRIA still a very embryonic practice – how to scale up?
10. **Follow up:** ensuring adequate follow up at HQ and subsidiary levels, e.g. through follow-up assessment in same location

EXAMPLES OF HRIA RESOURCES

1. Introduction to HRIA: <https://www.humanrights.dk/tools/human-rights-impact-assessment-guidance-toolbox/introduction-human-rights-impact-assessment>
2. HRIA Guidance and Toolbox (DIHR): <https://www.humanrights.dk/tools/human-rights-impact-assessment-guidance-toolbox>
3. Handbook on HRIA: <https://www.humanrights.dk/news/new-handbook-offers-insights-how-address-impacts-business-activities-human-rights>
4. CDC Toolkit Guidance resource: ToR for human rights due diligence (includes HRIAs): <https://toolkit.cdcgroup.com/reference-materials/>
5. Information on integration of human rights into ESHIAs: <https://www.humanrights.dk/tools/human-rights-impact-assessment-guidance-toolbox/human-rights-eshia-practitioners>
6. Business and Human Rights Resource Centre page on HRIA: <https://www.business-humanrights.org/en/un-guiding-principles/implementation-tools-examples/implementation-by-companies/type-of-step-taken/human-rights-impact-assessments>
7. Various HRIA reports by DIHR: i.e. Nestlé, Eni, Total, other (see website)
8. Examples of HRIA reports by BSR: i.e. Telia, Facebook, other (see website)
9. Examples of HRIA reports by Nomogaia: <http://nomogaia.org/work/>



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Q & A



Investor Alliance for Human Rights

A collective action platform connecting institutional investors with tools and strategies to promote corporate respect for human rights.

Join Us

Sign up to become a member: <https://bit.ly/2IOYDA9>

For more information, contact: adorett@iccr.org