Investing the Rights Way
A Guide for Investors on Business and Human Rights

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Technical Difficulties: If you have technical issues, please let us know by typing a message in the Questions pane (A). You can raise your hand (B) if we do not respond.

Q&A: We will be taking questions on content at the end, but you can send them to us throughout the webinar by using the Questions pane (A). Please specify to whom the question should be directed.

Example: Question for John Doe: What is Human Trafficking?
Agenda

Opening by UNGC and PRI: 3-5 Minutes
Matthew Daly, Human Rights, UN Global Compact
Erin Court, Manager of Investor Engagements, Social Issues, Principles for Responsible Investment

Author Presentations: 12 - 15 Minutes Each
Bennett Freeman, Senior VP, Sustainability Research and Policy, Calvert Investments
Margaret Wachenfeld, Director of Legal Affairs, Institute for Human Rights and Business
David Schilling, Senior Program Director, Human Rights and Resources, Interfaith Center on Corporate Responsibility

Q & A: Remaining Time
INVESTING THE RIGHTS WAY: A GUIDE FOR INVESTORS ON BUSINESS AND HUMAN RIGHTS

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DIRECTOR OF LEGAL AFFAIRS
23 April 2013
The Guide

- By the Institute for Human Rights and Business
- in collaboration with:

  - Interfaith Center on Corporate Responsibility
  - Calvert Investments

Investing the Rights Way
A Guide for Investors on Business and Human Rights
A Guide to ....

1. A brief **history** of business and human rights and investor involvement

2. The new global framework – the **UN Protect, Respect, Remedy Framework** & the **UN Guiding Principles on Business and Human Rights**
   - And their relevance to investors

3. The **business & human rights landscape**
   - Key issues, standards & tools, investor involvement
Part I: Why Should Investors Care about Human Rights?

- Environmental, social and governance (ESG) factors, including human rights, may create material risks
- Fiduciary duties to take broader risks into account in investment decision-making
- Companies benefit financially when they uphold human rights
- Core part of rule of law, good governance and sustainable development sought by universal owners
- Stakeholder approach aligns with human rights principles

And... because human rights are intrinsically worthy of respect and not simply on the condition that this respect brings a financial benefit
Part II: What is Expected? New Clarity

- New framework & set of principles to guide business behaviour on human rights
  - the UN Protect, Respect, Remedy Framework & the UN Guiding Principles on Business and Human Rights

- Applicable to all businesses, including investors
  - Investors have their own responsibility to respect human rights
    - Applies to investors own operations – such as relations with employees, privacy policies, contracted labour, etc.
    - Business relationships with companies and funds invested in: direct investments, funds, all asset classes
What is Expected?

Companies “know and show” that they respect human rights

• “Know” by actively carrying out **due diligence** around their potential impact on human rights –
  - Build on tradition of doing due diligence when entering into new investments, new countries, new operations, new partnerships
  - What is new?
    ✓ Looking at the company’s potential to create risk for others -- human rights impacts -- rather than just risk to the company
      ○ Though the risk to others and risk to the company are increasingly intertwined
What is Expected?

Companies “know and show” that they respect human rights

“and Show” what the company is doing to address

- Once a company knows what the potential human rights impacts may be:
  - Address the impacts: prevent, mitigate, remedy
  - Track performance on addressing those risks and impacts
  - Communicate to stakeholders
  - Remedy where things go wrong
What is Expected: Investors Putting the Guiding Principles into Practice

- **Explains the 3 elements of the UN Guiding Principles important to investors.** Investors will want to look at a company’s:
  1. human rights policy commitment
  2. human rights due diligence processes
  3. grievance mechanism(s)

- **Explains why human rights due diligence processes:**
  - are particularly relevant to investors
  - proposes questions that investors should consider on the policies, systems and reporting procedures that companies put in place to address human rights.

**Examples:**
- **Why a policy commitment is important to investors**
  - The presence of a human rights policy commitment helps investors differentiate between companies that publicly acknowledge their human rights responsibilities and those that do not. It underpins a company’s efforts to meet its responsibility to respect rights. It defines the company’s ambition, and guides and frames processes that implement the commitment.

- **Why human rights due diligence processes are important to investors**
  - Human rights due diligence processes can and should be incorporated into a company’s overall risk-management system. They show that companies are actively taking steps to determine and address human rights risks to people and their related reputational, financial, and operational risks to the company.
Part III: Where to Find Further Information & Help Along the Way?

Part Three: Building on the UN Guiding Principles – the Bigger Picture
1. International Frameworks Aligned with the UN Guiding Principles
2. Emerging Codes, Principles, Standards and Guidance Concerning Specific Groups
3. Emerging Codes, Principles, Standards and Guidance for Specific Contexts and Issues
4. Emerging Codes, Principles, Standards and Guidance for Specific Sectors

Part Four: Enhanced Accountability for Business on Human Rights
1. Accountability through Judicial Mechanisms
2. Other Accountability Mechanisms
3. Corporate Reporting
How Investors Can Use This Guide:

1. As a basis to engage with companies on human rights, bilaterally or jointly with other investors.
2. To benchmark or rank companies on their human rights performance against their peers.
3. To screen companies in or out of a fund.
4. To explore what lies behind a company’s public reporting statements. The Guide’s questions should reveal whether a company has the policies and management system(s) to systematically address human rights.
5. To establish whether a fund, investor or company should invest in a particular region, country or sector. The Guide’s questions may be used to probe whether companies have carried out appropriate due diligence, and understand the implications of their choices.
6. To engage with Environmental, Social and Governance (ESG) initiatives about human rights issues in an informed manner.
7. As an aid to research. The Guide will help investors and analysts identify new trends and developments on relevant human rights issues.
8. As an aid to advocacy. Investors can draw on the Guide when they evaluate legislation, policies or new international standards.
Where to Go From Here?
Step 1

• Start with putting your “own house in order”
  ○ Applying Guiding Principles to own employees, operations, developing management systems

• Work with companies in your portfolio
  ○ Use the engagement tool - ask the questions, have the conversations about their human rights commitments & quality of their management
Where to Go from Here?
Step 2

- Dive deeper into human rights risks across whole asset classes:
  - How do land rights issues have an impact on infrastructure or real estate classes or funds?
  - What impact does widespread abuse of human rights have on sovereign debt ratings?
Where to Go from Here?
Step 3 and Beyond

- Improve the tracking of human rights performance across your portfolios
  - Promote & collaborate in new initiatives to develop better measures and indicators that are fit for purpose for investors

- Prompt deeper reflection on what the UN Guiding Principles mean for investors themselves
Thank you for joining us today.

Presentation slides and a recording of the webinar will be available on the UNGC website.

*Investing the Rights Way: A Guide for Investors on Business and Human Rights* can be found at:


If you have any additional questions, please contact:

Matthew Daly: [daly@unglobalcompact.org](mailto:daly@unglobalcompact.org)