

HUMAN RIGHTS DUE DILIGENCE FOR PRIVATE MARKETS INVESTORS

A TECHNICAL GUIDE

JUNE 2023



THE SIX PRINCIPLES

PREAMBLE TO THE PRINCIPLES

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

- 1 We will incorporate ESG issues into investment analysis and decision-making processes.
- 2 We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4 We will promote acceptance and implementation of the Principles within the investment industry.
- 5 We will work together to enhance our effectiveness in implementing the Principles.
- 6 We will each report on our activities and progress towards implementing the Principles.



PRI's MISSION

We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

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ABOUT THIS PAPER

This guidance provides tools and resources to help private markets investors adopt consistent human rights practices and make more informed investment decisions.

Investors at an earlier stage in their efforts to integrate human rights into their investment processes can use this guidance as a baseline for action. The steps outlined in this document can be considered as a core framework which can then be adapted to each investor's circumstances.

For investors with already established processes around human rights, the guidance can serve as a tool against which current policies and practices can be assessed.

The guidance can most directly be applied by direct equity investors in private companies or assets such as infrastructure and forestry. Within this group, it will also most directly relate to control investors and / or those with significant influence over their underlying investment(s).

Indirect investors, such as limited partners (LPs) or fund of fund managers investing in private markets through general partners (GPs), can use the guidance to understand the range of activities that managers can undertake to respect human rights within their portfolios, and will help indirect investors to select, appoint and monitor those managers.

Case studies: Read how StepStone ([Case study 1](#)) and AP6 ([Case study 2](#)), as LPs, assess, monitor and engage with their GPs on human rights.

Minority investors can use the guidance to understand the potential human rights impacts they may be exposed to through their investments. It can also help them to assess and engage with co-investors on common human rights expectations of the underlying investments.

Throughout the document, where we refer to 'investors', unless clearly stated otherwise, we refer to those control investors highlighted above. Where we refer to 'investees' or 'investments' we mean the underlying or potential portfolio company or asset.

EXECUTIVE SUMMARY

The [UN Guiding Principles on Business and Human Rights](#) (UNGPs) state that institutional investors “should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved”. Since the UNGPs were formalised by the UN Human Rights Council and adopted by the OECD’s Guidelines for Multinational Enterprises in 2011, expectations of investors – particularly from governments, through increased legislation and regulation, as well as from employees, beneficiaries, clients, and wider society – have only increased.

Given the control and / or influence that private markets investors often have over their underlying investments, investors can be particularly well-placed to integrate human rights into their investment processes and support changes that lead to better human rights outcomes. Severe human rights impacts can often present reputational, operational and financially material risks. Investors can and should work with their investments to mitigate and / or remedy impacts on the affected parties, as well as potentially lower these risks.

HOW TO RESPECT HUMAN RIGHTS IN INVESTMENT ACTIVITIES

According to the UNGPs, investors have a three-part responsibility to respect human rights:

1. **establishing a policy commitment;**
2. **conducting due diligence; and**
3. **enabling or providing access to remedy.**

POLICY	DUE DILIGENCE PROCESSES			ACCESS TO REMEDY	
Adopt a policy commitment to respect internationally recognised human rights	Identify actual and potential negative outcomes for people, arising from investees	Prevent and mitigate the actual and potential negative outcomes identified	Track ongoing management of human rights outcomes	Communicate to clients, beneficiaries, affected stakeholders and publicly about outcomes, and the actions taken	Enable or provide access to remedy

The human rights policy commits investors to respecting all internationally recognised human rights through their internal and investment activities. It serves as the basis for investors’ approaches to human rights, and should inform their operational policies and procedures, including those governing investment activities, such as the (responsible) investment policy and fund documentation.

Human rights due diligence should be used to inform decision-making at all stages of the investment process. Human rights due diligence can, for example, support investment selection and inform corrective actions to include in shareholder agreements and / or post-transaction action plans.

For investors, human rights due diligence includes the following elements:

- Identifying and assessing actual or potential adverse human rights impacts with which investors may be involved either through their own activities or as a result of their investments and through their value chains;
- Preventing and mitigating adverse human rights impacts by considering the context in which they occur, communicating expectations to and building leverage with investments, engaging with investments and other relevant stakeholders on an ongoing basis and, as a last resort, considering the case and circumstances for divestment; and

- Tracking and communicating their own efforts to address human rights impacts, through designing and / or selecting appropriate metrics to help identify the most effective prevention and mitigation activities and to connect their activities with real human rights outcomes.

When an investor is connected to negative human rights impacts, they have an obligation under the UNGPs to provide or enable access to remedy to those affected. This can take judicial and non-judicial forms, such as financial compensation, apologies, operational and management changes to ensure events do not reoccur, and so on.

Remedy is typically seen as a process that takes place after a specific event that causes negative human rights impacts. However, investors should also consider it as a preventive tool which can be applied in different forms and at different stages throughout the investment cycle.

Even in cases where investors do not consider themselves to be directly linked to human rights impacts, they may wish to be involved in supporting remediation. This could be for a range of reasons, such as to manage reputational risks, uphold the investor’s values, help create a better operating environment and tackle systemic risks.

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WHY DO IT

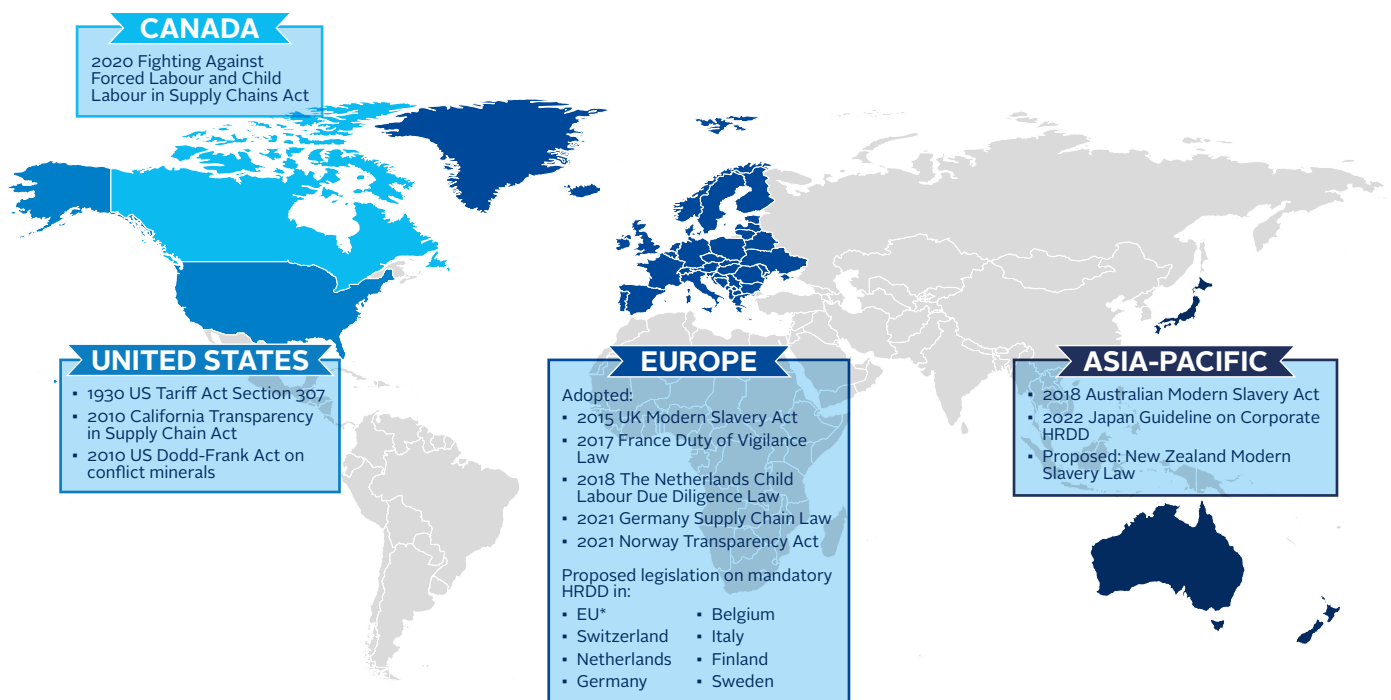
The [UN Guiding Principles on Business and Human Rights](#) (UNGPs) state that institutional investors “should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved”. The UNGPs clarify they refer to internationally recognised human rights – “understood, at a minimum, as those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.”

Since the UNGPs were formalised by the UN Human Rights Council in 2011, and adopted by the OECD’s Guidelines for Multinational Enterprises, expectations – from employees,

beneficiaries, clients, governments and wider society – have only increased. However, expectations have not been matched by consistent action from investors and their investees. Few private markets investors, for example, have made specific human rights policy commitments, a key foundational step in implementing the UNGPs. [Public benchmarks](#) of companies’ human rights performance also point to significant gaps in best practice.

Where soft law and public pressure have so far failed to result in concerted action by investors and companies, governments around the world are increasingly stepping in. Recent human rights-focused legislation and regulatory development are mapped below.

Figure 1: Human rights legislation around the world



*This includes proposed legislations on Corporate Sustainability Due Diligence, regulation on deforestation-free products, and forced labour import ban.

Where local laws remain patchy, businesses and investors still have a responsibility to comply with international standards, as outlined by the UNGPs and OECD Guidelines.

Meeting human rights expectations leads corporates and investors to manage a range of complex environmental, social and governance (ESG) issues more effectively and proactively.

Social issues, such as employee relations, diversity, equity and inclusion (DEI), health and safety, community relations and forced labour are all reflected in well-established international human rights instruments.

Many issues that are often categorised as environmental or governance issues – such as access to water, tax fairness and climate justice – also have a clear human rights basis.

Leading investors recognise that meeting international standards, and preventing and mitigating actual and potential negative outcomes for people, also leads to better financial risk management, and helps to align their activities with the evolving demands of beneficiaries, clients and regulators.

For more information on the UNGPs, read our [position paper](#) on human rights.

HUMAN RIGHTS IN PRIVATE MARKETS INVESTING

Given the control and / or influence that private markets investors often have over their underlying investments, they can be particularly exposed to increasing regulatory risks around human rights. It also means that they can be particularly well-placed to integrate human rights into their investment processes and support changes that lead to better human rights outcomes. Severe human rights impacts can often present reputational, operational and financially material risks. Investors can and should work with their investments to mitigate and / or remedy impacts on the affected parties, as well as potentially lower these risks.

Indeed, many investors already have elements of human rights risk management processes in place, and work with their investees on a wide range of human rights issues, such as health and safety or forced labour.

For example, in many jurisdictions investors in infrastructure projects have long been mandated to conduct social impact assessments and engage with stakeholders - an essential part of gaining and retaining the [so-called social licence to operate](#).

Implementing the UNGPs' framework more thoroughly may then, for some investors, be a question of formalising certain processes, adopting and aligning with key concepts, such as severity and leverage (see Table 1 below), widening the scope of issues addressed, and / or spotlighting practices further down the value chain.

Table 1: Severity and leverage

SEVERITY	LEVERAGE
<p>Assessing severity considers the scale of the outcome (on an individual's rights), the scope (number of individuals affected) and the irremediable character (any limits on the ability to restore those affected to a situation at least equivalent to their previous situation). The severity of human rights issues should be assessed from the perspective of potentially impacted stakeholders.</p> <p>The UNGPs highlight that investors should then prioritise the most severe human rights impacts for prevention, mitigation, and remedy.</p>	<p>Investors should seek to influence investments and other stakeholders to change the practices that are contributing to or causing harm. This leverage may often come from engaging directly with their investments, particularly where investors have control positions or board seats. Others may seek to build leverage through collaboration with other investors or external stakeholders. However, if the investor is unable to establish enough leverage to alter the behaviour of the investment sufficiently to prevent or mitigate a negative outcome, and there is no prospect for improvements, they could consider divestment.</p>

HOW TO DO IT

According to the UNGPs, investors have a three-part responsibility to respect human rights:

1. **establishing a policy commitment;**
2. **conducting due diligence; and**
3. **enabling or providing access to remedy.**

POLICY	DUE DILIGENCE PROCESSES				ACCESS TO REMEDY
Adopt a policy commitment to respect internationally recognised human rights	Identify actual and potential negative outcomes for people, arising from investees	Prevent and mitigate the actual and potential negative outcomes identified	Track ongoing management of human rights outcomes	Communicate to clients, beneficiaries, affected stakeholders and publicly about outcomes, and the actions taken	Enable or provide access to remedy

The three-part responsibility should not be seen as sequential. For example, some investors, depending on their specific circumstances, may carry out due diligence activities before formalising their commitment on human rights. Similarly, investors are always obliged to provide or enable access to remedy where stakeholders' human rights are impacted, regardless of whether they have a policy commitment or formal due diligence processes in place.

Where we refer to 'due diligence' in this document, we refer to its definition under the UNGPs, which covers not only identifying and assessing human rights risks, but also preventing and mitigating them, and how investors track and communicate their performance on human rights.

ESTABLISHING A POLICY COMMITMENT

The human rights policy commits investors to respecting all internationally recognised human rights through their internal and investment activities. It serves as the basis for investors' approaches to human rights, and should inform their operational policies and procedures, including those governing investment activities, such as the (responsible) investment policy and fund documentation.

A policy commitment closely aligned with the UNGPs is one that is:

- approved at the most senior level of the business;
- informed by relevant internal and / or external expertise;
- integrated in governance frameworks, management systems, investment beliefs, policies and strategy to inform investment decisions, engagement with investments and the value chain; and
- publicly available and communicated to all relevant parties.

Individual investors' policy commitments should be founded on international human rights standards and cover a series of key themes, outlined below. The specific detail in the commitments will differ according to each organisation's operational practices and investment strategies.

The PRI has compiled a [list](#) of investors' human rights policy commitments that we believe are closely aligned with the UNGPs. Investors can use this resource to better understand what it means to have a human rights policy that is consistent with these international standards.

ALIGN AND COMMIT TO INTERNATIONAL FRAMEWORKS / STANDARDS

Policies should align with and commit to the:

- UNGPs and / or the OECD Guidelines for Multinational Enterprises;
- International Bill of Human Rights; and
- the International Labour Organisation's Fundamental Conventions.

Investors may also choose to commit to sector- or regional-specific initiatives, as appropriate.

If relevant, investors should evaluate the extent of their existing policies and procedures to assess what gaps exist in relation to the UNGPs.

Potential examples of misalignment with key global expectations on human rights and ways to address them are listed below.

Table 2: Current practices / policies, and areas for improvement

CURRENT POLICY OR PRACTICE	POTENTIAL AREAS FOR IMPROVEMENT
Responsible investment or human rights policy states investor's commitment to local legislation such as the UK or Australian Modern Slavery Act rather than commit to international laws.	Policies should include baseline commitments to international best practice such as the UNGPs, OECD guidelines, and the International Bill of Human Rights.
Investor has a whistleblowing policy that covers internal employees only.	Whistleblowing policy could be extended to cover both internal and investment employees.
Supplier code of conduct covers investor's direct business relationships only.	Code of conduct should articulate investor's expectations on human rights in both direct and indirect business relationships, including through the value chain.
Policy commitment does not contain a governance structure specifically for human rights.	Policy clearly states investor's governance structure for managing severe human rights risks and impacts.

APPLY THE RULE OF LAW

Policies should underline an investor's compliance, at a minimum, with both international and local laws regulations related to human rights, as well as respect local traditions, through their investment activities. Investors should note that the UNGPs were established to exist "over and above legal compliance, constituting a global standard of expected conduct applicable to all businesses in all situations".

ANALYSE HUMAN RIGHTS RISKS AND ENGAGE WITH STAKEHOLDERS

Policies should state, at a high level, how investors identify and engage on human rights risks in relation to:

- **stakeholders** that are relevant to their own and their investments' business activities (typical potential stakeholders are listed below);

Table 3: Type of stakeholder and potential reason to engage

TYPE OF STAKEHOLDER	REASON(S) TO ENGAGE
Direct stakeholders or stakeholder groups (e.g., investment employees, labour union representatives, local communities, indigenous groups, consumer interest groups).	To better understand human rights impacts; gain and retain 'social licence'; gain permission for a project or investment; establish a basis for ongoing communication.
Multi-stakeholder or industry initiatives.	To learn from peers how human rights impacts may occur in particular industries or sectors, and any lessons learned.
Human rights-focused non-governmental organisations (NGOs).	To learn their view on relevant human rights situations and can often act as a go-between for investor / investment and affected stakeholders.
National human rights organisations or ombudsmen.	To gain a nominally independent view of a human rights situation in a specific country or region.
Local and national government bodies or agencies.	Understand relevant legislation, regulations, customs etc., in relation to human rights in different jurisdictions, and assess how authorities may (or may not) provide access to remedy.

- the **business operations of the investor and their investments**, including human resources processes, supply chains, investment decisions, crisis management plans, and so on; and
- **specific human rights themes**, including forced labour and modern slavery, DEI, health and safety, indigenous rights, and data security and privacy.

OUTLINE GOVERNANCE PROCESSES

Policies should clearly state what internal structures and level of oversight investors have to address human rights in their investment activities. This can include:

- what documents are used to define and communicate expectations on human rights to investments; and
- whether there is a dedicated committee to assess and manage human rights risks or whether this is delegated to other, already established committee(s) – for example, risk, compliance, or ESG.

Outlining the above points not only ensures that all elements of the organisation are recognised in the policy's development, but it also helps strengthen accountability, raise awareness and support internal and external communication around the policy.

MITIGATE RISKS AND REMEDY IMPACTS

Policies will typically state how investors will report on human rights, both publicly and to their LPs. The policy will also outline how investors plan to mitigate and remedy potential and actual impacts, for example by establishing robust grievance mechanisms.

STANDALONE VERSUS INTEGRATED POLICY COMMITMENTS

Human rights policy commitments can be developed either as a standalone document or integrated within broader sustainability or ESG policies. There is no 'right' approach; it will reflect different organisational priorities or factors.

A standalone statement signals its importance to stakeholders and increases the visibility of the issue both internally and externally. It can also be referenced across other relevant documents to ensure consistency and coherence. (See Next Energy Capital's [human rights position statement](#).)

On the other hand, an integrated statement may show how the commitment to human rights is embedded in the firm's corporate and investment activities (e.g., Polaris' [sustainability commitment](#)).

CONDUCTING DUE DILIGENCE

The human rights due diligence process laid out by the UNGPs should be used to inform decision-making at all stages of the investment process.

Figure 2: Human rights due diligence in the investment process



Investment decisions taking into account human rights impacts will be unique to each investor. Some investors may feel that the time and resources required to manage the impacts associated with a particular investment may ultimately destroy its value and therefore they will pull out of a transaction. Others may feel that they do not have the capacity to help potential investments manage the most severe impacts, or that their involvement with a transaction may lead to higher legal or reputational risks than they are comfortable with.

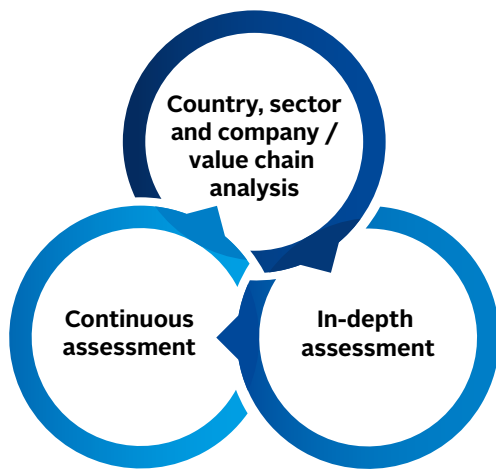
Some investors may choose to move forward with transactions even where there are known or potential severe human rights impacts, in the belief that they can work with the investment to mitigate those impacts (and support remedy, where appropriate).

A. IDENTIFY AND ASSESS

Guiding principle 18 states: “In order to gauge human rights risks, business enterprises should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships.”

The identification and assessment process can be broken down into three elements:

Figure 3: Three elements of identification and assessment process



Country, sector and company / value chain analysis

Investors are most likely to conduct this important analysis at the pre-transaction stage, but the same process can also be used to conduct a broader review of a portfolio or set of investments at any time. This analysis should identify:

- the most severe human rights impacts that investors may be linked to through their investments and value chains; and
- potential or existing investments and value chains that would likely require more detailed human rights due diligence.

Country and sector-level analysis

Analysis at a country and sector level can be informed by sources such as:

- desktop research of publicly available information from national and international media, and databases and benchmarks from sources such as NGOs and international organisations (see Appendix 6 for examples of potential resources);
- consultation with human rights experts and relevant internal and external stakeholders (see below on stakeholder mapping and engagement); and
- specialist human rights risk and / or country risk consultants and commercial tools.

Table 4: Example factors to consider when analysing human rights risks

RISK FACTOR	EXAMPLES
Industry sector and / or typical business models.	Solar industry: potential forced labour and other human rights issues in relation to sourcing materials and components. Care homes: recent scandal in France places a spotlight on business model focusing on cost-cutting at the expense of quality care and treatment of residents.
Home country of investor and / or country / region of operations (if different).	Local cultural, political or socioeconomic factors that may signal potential human rights issues: for example, high levels of inequality or corruption; a track record of political instability and unrest; a history of inter-communal tensions or conflict.
Presence of vulnerable populations.	Vulnerable groups such as minorities, migrant workers and indigenous communities around the world often face discrimination, persecution and lack of legal protections.
New or existing project or operations.	In infrastructure, for example, greenfield or new projects may be exposed to or result in higher human rights risks, through the potential displacement of local populations and the sourcing of raw materials for construction, etc.
Complexity of value chain.	Deeper supply chains may lead to greater risks because of the challenge for investors to map and analyse them.

Investors should ensure that their initial analysis encompasses all potential human rights impacts and how they may be connected with other ESG factors.

Focusing too narrowly on a handful of seemingly priority or high-profile factors may result in others being overlooked.

STAKEHOLDER MAPPING AND ENGAGEMENT

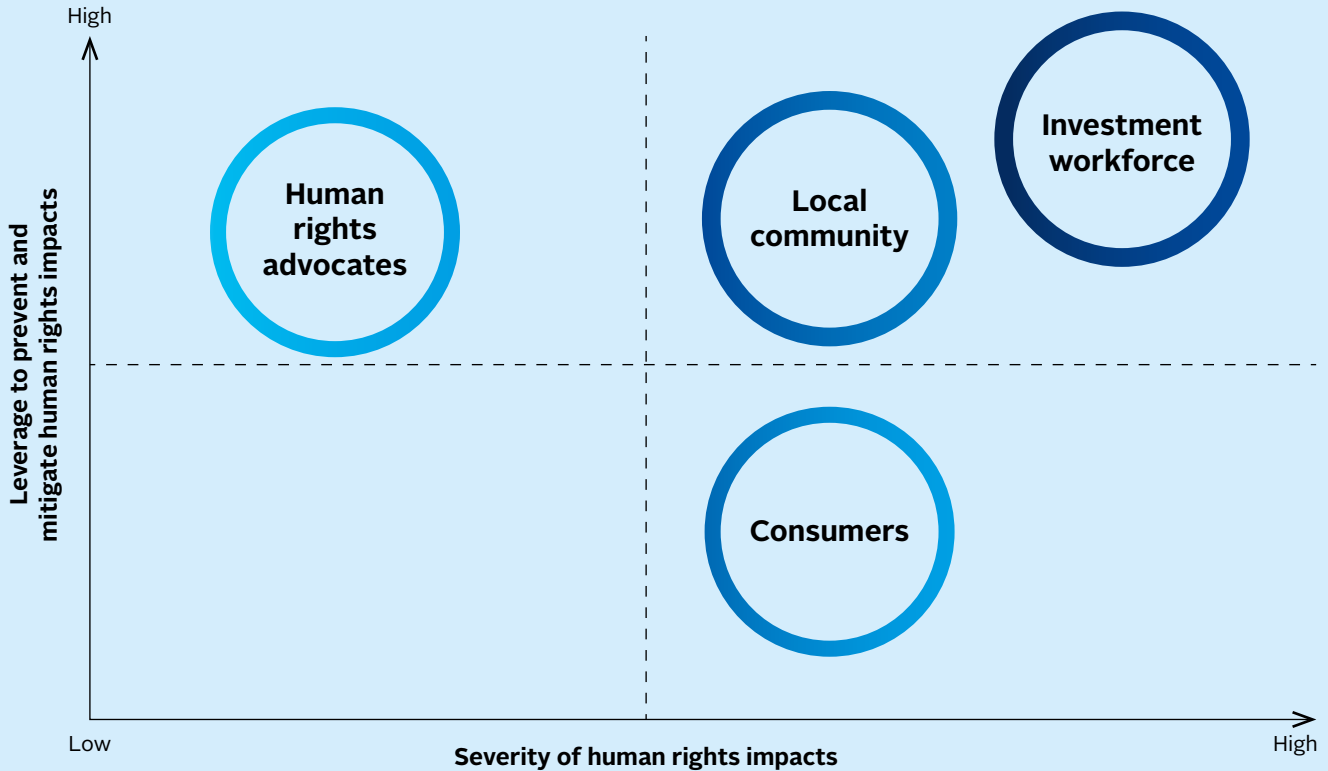
Stakeholder mapping and engagement underlies the entire human rights due diligence process. It involves:

1. Identifying all potential stakeholders who could suffer from negative human rights impacts due to the activities of an investment and / or its value chain, and other parties who could support the prevention, mitigation and remediation of human rights impacts. Table 3 in the [policy commitment](#) section details the types of stakeholders that may often be included in the process.
2. Assessing, through open-source research and direct engagement, the severity of potential impacts and the ability or leverage of the investor and / or the investment to affect change.
3. Establishing flexible and open channels of communication, where possible, with key stakeholders as a means of building trust and mutually beneficial relationships.

Investors should assess how investments conduct stakeholder mapping and engagement. In some cases, investors will also carry out the exercise themselves, either to better understand their own stakeholder footprint and inform their engagement with investments, or in cases such as direct infrastructure investments, where it often forms a fundamental part of the project lifecycle.

A stakeholder matrix can help investors assess which stakeholders to prioritise based on the severity of impacts on them and the leverage they and their investments have to prevent and mitigate impacts.

Figure 4: Sample stakeholder matrix



Stakeholder mapping and engagement is a dynamic, ongoing process. Evolving socioeconomic and political environments mean that it can be complex and time-consuming, and investors and investments often work with specialist consultancies.

Case study: [Read here](#) for how BlackRock engaged with stakeholders to secure consent for a wind farm project in Mexico.

Investment and value chain-level analysis

The analysis should consider not only the potential or actual human rights impacts stemming from an investment's operations and / or business model, but also encompass an initial review of the investment's capabilities and willingness to manage those impacts in line with the UNGPs.

Many investors use questionnaires or surveys to assess their investments' awareness and management of ESG factors. These documents may include questions related to human rights, but they should be adapted further, or a standalone checklist developed, so that investors, at a minimum, understand how investments align their practices with the UNGPs. Example questions are below:

Figure 5: A checklist to assess investments' alignment with the UNGPs

- Does the investment have a human rights policy?
- Who is responsible for human rights and what is the overall governance structure for managing human rights risks and impacts?
- Does the investment conduct human rights due diligence, including through its value chain, in line with the UNGPs?
- What does the investment consider to be the most severe human rights risks, and do the findings of the investment's due diligence align with the investor's?
- Does the investment regularly engage with key stakeholders to understand the ongoing impact of business operations and relationships on human rights?
- When the investment's due diligence reveals that negative human rights impacts are likely, are significant findings escalated to senior management and the board? If so, what operational and policy decisions do senior managers and the board take in response?
- Does the investment use due diligence findings to influence the conduct of its value chain?
- What metrics does the investment use to track its performance on human rights?
- What type of information and through what channels does the investment report in relation to human rights?
- How has the investment provided or enabled access to remedy in the case of negative human rights impacts?

Appendix 7 includes links to a number of guides, for example from the Investor Alliance for Human Rights and the Institute for Human Rights and Business that provide more example questions for investors to ask their investments.

Case study: [Read here](#) for the types of questions Abris Capital Partners asks its investments and other key stakeholders about their human rights-related policies and practices.

Investors should request proof from the investment to back up their claims about human rights. These documents will vary depending on the specific circumstances, but may typically include:

- the investment's human rights policy and other documents describing its human rights due diligence and stakeholder engagement processes;
- any human rights risk assessments and / or audits carried out by the investment or related parties (consultants, EPC contractors, suppliers); and
- examples of training or other education or awareness-raising activities on human rights.

Where possible, investors should also engage directly with company management teams to hear how they approach human rights impacts, and to assess whether there may be any gaps between paper and practice.

ASSESSING THE VALUE CHAIN

Investors should also seek to assess their investments' entire value chain.

This due diligence exercise can be very challenging: in a globalised economy, value chains are becoming increasingly complex. Investors should adopt a staged approach to assessing value chain risks:

- Map key or tier 1 suppliers (for example, those with the most extensive relationships with investments or who operate where human rights risks are known to be higher).
- Gather information from investments and tier 1 suppliers about companies and activities further down the value chain. Suppliers may be prioritised based on their operation locations and their role (for example, the type of materials or services they provide).

To the extent possible, the analysis described in the rest of this section should be carried out on both of the above. In some cases, it may not be possible to gather all the information typically required to fully identify and assess human rights risks. In these cases, investors should use their best judgement, continue to engage with the value chain where possible, and be transparent about any decision-making.

Several industry sectors, including the [solar](#), [textile](#) and [toy](#) industries, have developed initiatives to drive greater accountability and transparency in their value chains. There are also broader industry initiatives such as [Ethical Trade](#), and specialist tools such as [SMETA](#), an audit that assesses investments' and suppliers' performance on several issues, including social standards. Third-party consultants can also help with this process.

Case study: Read about Infrared's approach to due diligence on its supply chain as it increases its investment in greenfield renewable infrastructure projects ([Case study 3](#)).

ASSESSING DUE DILIGENCE BY THIRD PARTIES

An investor often may have to rely on human rights due diligence carried out by third parties, whether that be another investor in the same transaction, consultants, or engineering, procurement and construction (EPC) contractors (largely in the case of infrastructure).

In these cases, the investor should attempt to gain the level same comfort in the quality of the due diligence as they would if conducting it themselves – in other words, they should seek to ask the same questions of, and access the same types of documents from, the third parties as they would have of the investment directly. As with assessing the value chain (see left), investors should use their best judgement and be transparent about any decision-making in cases where they do not receive the same clarity from third parties.

Compiling a risk register

A useful outcome of this analysis is a human rights risk register. This can be a document or tool in which investors assign a score for the likelihood and severity of human rights impacts, taking into account the country, sector and specific company context.

Figure 6: Sample risk register

Human rights issue	Country / regional risk level	Sector risk level	Company risk level	Likelihood	Severity
Health and safety breaches	Medium	High	High	High	High
Lack of respect for labour rights	Low	Low	Low	Low	Low
Potential for disputes with local communities	High	Medium	Medium	Medium	High

The risk register should be updated regularly and based on ongoing research, to assess how human rights issues may become more or less severe over time. It should be used to help inform the investment decision-making process – for example, some investors may wish to avoid countries or sectors where the most severe human rights impacts may occur– as well as help prioritise which impacts to focus on during the holding period. The risk register can also serve to develop remedial or action plans.

Case study: [Read here](#) for how ABN Amro has developed its human rights risk register and how it supports their investment and engagement decisions.

In-depth assessment

Further assessment may be required in certain cases, for example:

- where human rights impacts above a certain severity threshold are identified;
- where an investor considers that an investment's current practices may increase the likelihood of negative human rights impacts over time; and / or
- where an investment's own due diligence findings do not align with the investor's, or their processes do not meet the standards required by the investor.

In most circumstances, these in-depth assessments should be based around enhanced site visits by the investor and / or consultants working on their behalf. These visits may involve activities such as:

- interviews with a wider set of the investment's employees beyond management teams;
- interviews with a range of stakeholders, such as labour unions, former employees, suppliers and industry associations, consumer groups, local communities, local and national authorities;
- physical inspections of the investment's facilities and working and living conditions; and
- more detailed review of the investment's and value chain's human rights due diligence and management and audit systems.

ON-THE-GROUND ASSESSMENT OR THE USE OF TECHNOLOGY?

On-the-ground assessments have long been an integral part of effective human rights due diligence processes. They enable investors to develop a proper understanding of the local environment and key factors influencing human rights risks.

However, the Covid-19 pandemic highlighted what can be achieved remotely and through using technology. Video technology, for example, enables interviews with local management and some stakeholders, while photos and video footage can support with processes such as facility inspections. Investors will nonetheless need to be aware of the limitations, particularly in emerging markets where there may be more challenges with connectivity or certain stakeholders' ability to access the necessary technology.

Investors should also ensure that these visits are conducted, to the extent possible, in an environment where stakeholders can talk openly and inspections can be conducted without undue oversight or pressure from management. For example, they should consider:

- conducting site visits unannounced; and / or
- requesting that interviews with internal or external stakeholders take place without the presence of company management and / or other conditions so that stakeholders can talk without fear of recrimination.

There may be circumstances in which conducting an in-depth assessment in this way is not possible – for example, if an assessment would potentially expose stakeholders to security risks or other forms of recriminations, or because it may be impossible to access certain physical sites or stakeholders.

In these situations, investors will need to use their best judgement on how to proceed. For example, are such challenges an indication that the investor will have limited leverage to prevent and mitigate negative human rights impacts post-investment?

Either way, investors should be transparent about their decision-making process: it is important to acknowledge cases where immediate progress on tackling human rights impacts may be difficult.

Case study: [Read here](#) to learn why and how FSN Capital conducted a more in-depth human rights risk assessment on a potential investment.

Continuous assessment

The identification and assessment process needs to be ongoing to account for changes in both the internal (i.e., within the investment and / or value chain) and external environment as they relate to potential human rights impacts.

How investors approach this will vary. However, all investors should be clear on:

- **the frequency of updating the human rights analysis;**

In most circumstances, human rights analysis is likely to be updated on an annual basis, for example as part of annual reviews of investments' overall ESG performance. However, where more severe human rights impacts are identified, or where investments may have limited means or capabilities to initially prevent and mitigate impacts, or both, investors may wish to conduct this analysis more frequently. Often this will be conducted through regular engagement with company management – for example, by ensuring that human rights issues are included on the agenda at quarterly board meetings, as well as in regular reporting and at Annual General Meetings. Once the investor is more confident in the investment's approach, or that human rights risks are reducing, the frequency of the analysis can be reduced.

- **how the investor assesses whether risk levels may be moving up or down;**

Investors should consider how changes in the internal and external human rights environment affect their assessment of the severity of impacts and the investment's capability to prevent and mitigate them.

Key questions to consider include:

- Are any critical human rights incidents likely to be a one-off or indicative of future issues?
- Have there been major changes, either positive or negative, in the country context or overall operating environment?
- Has the investment shown itself capable of managing human rights impacts?
- What are the likely impacts on human rights of changes to an investment's strategy or business model?
- Have the stakeholders changed or has the extent to which they face human rights impacts changed?

Based on answers to these questions and further research and analysis, risk registers (or other such tools) should be updated and the outcomes fed into relevant investment and asset management processes.

- **the regular sources of information that feed into ongoing assessments and identify potential human rights issues.**

Investors should use a range of different sources to inform their ongoing analysis. Some investors find that setting up an automated news monitoring system provides a basic level of regular information to keep abreast of critical issues. This can be complemented with other tools or sources, such as:

- regular engagement with a range of stakeholders or asking to be kept informed of the outcomes of an investment's engagement activities;
- ESG surveys or questionnaires of investments; and
- critical incident reporting by investments – in this case, it is important that investors define the type of incident that will require reporting to ensure consistency across their portfolios.

B. PREVENT AND MITIGATE

Guiding principle 19 states “[...] to prevent and mitigate adverse human rights impacts, business enterprises [including investors] should integrate the findings from their impact assessments across relevant internal functions and processes, and take appropriate action”.

Investors may need to:



Analyse and adapt to the context

Preventing and mitigating human rights impacts requires investors to not only accurately identify and assess those impacts (see previous section) but also to fully understand the context in which they occur.

In particular, this requires considering the leverage and influence that the investment has or may have with its investments and other key stakeholders, and what the likely outcomes would be following any new practices or structures that investors may seek to introduce in relation to human rights.

EXAMPLE

An investment is operating in a country with high levels of political instability, and local politicians seek to interfere in its engagement with local communities and labour representatives.

Here investors may assess a range of factors to establish the most effective way of supporting the investment to manage potential human rights impacts, including:

- the likely reaction of local politicians if the company attempts to engage with the communities and labour representatives without their involvement;
- the willingness of those key stakeholders to engage, and their ability to communicate openly and without fear of recrimination;
- the impact of attempts to introduce, for example, labour or management practices in line with international standards, which potentially go against local cultural norms or historic practices; and
- how the political environment (and political stakeholders) may change over time and the implications for human rights in the local operating environment.

The outcome of this assessment should then influence, for example:

- the forms in which the investment communicates and works with different stakeholders;
- the speed and manner in which to effect change in working conditions; and
- the other organisations or individuals with whom the investment can engage to influence the overall operating environment.

Analysing and adapting to the context also involves understanding the extent to which an investment may be willing and able to act on human rights. This will form the basis for an investor’s own engagement with the investment.

However, while investors should aim to engage on an ongoing basis, a lack of willingness on an investment’s part to take meaningful action may ultimately be cause for divestment.

Communicate expectations and build leverage

Conducting thorough human rights due diligence can signal to an investment the importance that an investor places on the issue. Investors can then use a range of mechanisms to communicate their expectations on human rights to, and build their leverage with, investments and the value chain.

Two effective means for doing so are through shareholder agreements and post-transaction 100-day or ESG action plans. Shareholder agreements ensure that investors have the legal basis for demanding that action be taken on human rights post-investment, while the latter can help to ensure that action on human rights is more effectively integrated with other critical ESG priorities.

Elements that can feature in shareholder agreements and / or ESG action plans include:

- **Addressing gaps identified in the identification and assessment stage.**
This activity should lay out the actions that the investment will take post-investment to prevent and mitigate human rights impacts, who will be responsible for implementing the actions and in what timeframe.
- **Reporting requirements to track and monitor performance.**
This should include in what form and with what frequency reporting is expected, and what metrics (qualitative and quantitative) should be tracked.
- **Formal regular review (based on an agreed schedule) of performance on human rights.**
This could include considering whether the investment should seek external (i.e., third-party) assurance of their human rights performance, and agreeing to include human rights on the agenda at board meetings.
- **Contractual clauses that encourage aligning interests and practices on human rights along the value chain.**
 - Examples of such clauses include those developed by the [American Bar Association](#), and implementing supplier codes of conduct.
 - Some investors encourage the principle of 'contract mirroring' to help build alignment through the value chain – investments are encouraged to use the same codes of conduct or contractual clauses in their business relationships with their suppliers as they have with the investor.

Case studies: Read how Helios Investment Partners integrates human rights-related issues into its shareholder agreements and post-transaction environmental and social action plans ([Case study 4](#)).

Read how Foresight has developed a supplier code of conduct to communicate its expectations on human rights and other ESG issues to its suppliers ([Case study 5](#)).

ADAPTABLE APPROACHES TO FRAMING EXPECTATIONS AND BUILDING LEVERAGE

Investments' recognition and understanding of their responsibilities with respect to human rights will vary significantly. An investor's approach to communicating expectations and building leverage will need to be adaptable. Some investors find that framing expectations in the context of internationally recognised frameworks or conventions, such as the UNGPs, the International Labour Organization's Convention 169, or regulations such as the Modern Slavery Act in the UK and Australia, can help communicate the bigger picture around human rights before focusing on the priority issues with their investments.

In emerging markets, one challenge can be supporting investments to bring practices up to international standards when local laws and regulations may be weak or poorly applied. For example, showing investments how implementing international standards, such as the International Finance Corporation's Performance Standards, can lead to new commercial opportunities overseas, can be an effective way of driving positive change within those organisations.

Ongoing engagement

Investors should engage with their investments and other stakeholders on human rights over the course of an investment, monitoring whether they are having the desired outcomes.

Table 5: Stakeholder groups and typical form of engagement

STAKEHOLDER	FORM OF ENGAGEMENT
Investment and value chain	<p>Capacity-building</p> <p>Support capacity-building efforts within the investment, the value chain, and other relevant stakeholders. This could include:</p> <ul style="list-style-type: none"> ■ training across a range of functions within the organisation; ■ ensuring that human rights feature regularly in board meetings; and ■ sharing experience with investments on navigating specific business models or how to operate in certain jurisdictions.
Investment and value chain	<p>ESG action plans</p> <p>Source and potentially fund technical expertise from third-party consultants to work with investments on building and implementing ESG action plans, including in relation to human rights.</p> <p>Important to be aware of potential limitations, such as the consultant's ability to get full access to the company, the management team and key stakeholders, and to engage with stakeholders in the 'right' conditions – for example, conducting worker interviews without management present.</p>
Investment	<p>Reporting</p> <p>Timely and targeted reporting by investments on specific human rights metrics allows investors to understand the impact of their interventions and adjust plans as necessary. (See Tracking and communicating).</p>
Value chain	<p>Auditing</p> <p>Seek to engage with suppliers directly on human rights issues, where appropriate.</p> <p>Tools such as SMETA are increasingly used to gain insight into the supply chain and to develop action plans, although investors should be aware of the limitations of gaining access to suppliers in certain markets.</p>
Peers	<p>Collaborative initiatives and engagement</p> <p>Work with peers both informally, through exchanging ideas or successful practices, or more formally, through dedicated forums and initiatives. Examples of convenors and initiatives include:</p> <ul style="list-style-type: none"> ■ the Institutional Limited Partners Association; ■ the PRI (e.g., through our thematic engagements and Collaboration Platform); ■ the Investor Alliance for Human Rights; ■ SolarPower Europe; and ■ the Shifting Gears Campaign.
External stakeholders	<p>Stakeholder engagement and grievance mechanisms</p> <p>Ongoing engagement should provide stakeholders with clear mechanisms to communicate concerns or grievances regarding an investment's instead a company's performance on human rights. Effective grievance mechanisms can allow investments and investors to understand issues and allow them to act before they become too serious. (See Access to Remedy for more details on what effective grievance mechanisms can entail).</p>

Divestment

In most circumstances, investors should first seek to engage before considering divestment. Investors should also:

- assess the extent to which engagement has already taken place, and the results;
- consider the reputational and / or legal risks for investors from engaging with national or local authorities in countries or regions where human rights violations are occurring;
- assess how any divestment decision may affect key stakeholders, such as workers and local communities; and
- understand how any divestment decision may affect other business relationships in different geographies.

Divestment from private companies can be practically challenging and should be seen as a last resort, only considered under specific circumstances – for example, where clauses exist in shareholder agreements that allows the investor to withdraw from an investment if there are severe human rights violations, and / or where an investor's involvement may exacerbate negative human rights impacts or fail to lead to an improvement in human rights outcomes.

EXAMPLE: DIVESTMENT IN MYANMAR

Following a military coup in 2021, [several international companies divested from Myanmar](#), including French energy company Groupe TotalEnergies and Norwegian telecoms firm Telenor. The decisions were made due to concerns about the political and social instability resulting from the coup, including its impact on human rights in the country.

Nonetheless, the decision to leave Myanmar has faced criticism. For some critics, their decision to enter Myanmar in the first place was flawed and indicative of a lack of due diligence on the potential human rights risks. For others, their decision to leave Myanmar has the potential to exacerbate the human rights situation because their operations could come under the control of other businesses, including some directly controlled or linked to the Myanmar military, and less likely to respect human rights.

C. TRACK AND COMMUNICATE

Guiding principle 20 states: “In order to verify whether adverse human rights impacts are being addressed, business enterprises should track the effectiveness of their response.”

Guiding principle 21 states: “In order to account for how they address their human rights impacts, business enterprises [including investors] should be prepared to communicate this externally, particularly when concerns are raised by or on behalf of affected stakeholders. Business enterprises whose operations or operating contexts pose risks of severe human rights impacts should report formally on how they address them.”

Tracking and communicating human rights performance covers a range of purposes, including:

- helping investors to identify the most effective strategies and interventions for addressing human rights impacts, as well as identify the risks associated with different strategies;
- enabling investors to better connect their activities with real human rights outcomes rather than simply implementing relevant processes and policies;
- assisting investors in making a clearer connection between social and financial performance, although there is still significant scope for improving metrics to this end; and
- fostering greater transparency and collaboration among investors.

Developing meaningful metrics

There is no single metric to capture human rights risks and impacts. Indeed, the UNGPs highlight that both qualitative and quantitative metrics should be used. Identifying and tracking the most appropriate human rights metrics can also be challenging given the nuance required to understand the context, including sector and geography.

Qualitative measures include:

- investments’ overall policies and processes for – and track record of – assessing and managing human rights impacts and how these align with the UNGPs;
- the type and breadth of investments’ due diligence questionnaires and stakeholder engagements;
- investments’ assessment of whether their efforts to address human rights impacts have been successful; and
- investments’ ambition to improve these processes and outcomes; and so on.

Many human rights-related **quantitative** metrics also exist, such as those related to diversity or health and safety. Ideally, metrics should be:

- **outcome-oriented**, focusing on the positive and / or negative outcomes for people, and reflect targeted actions taken by investors and investments;
- **evidence-based**, using a range of quantitative and qualitative information to assess what actions have been effective and how particular outcomes can be attributed to those actions; and
- **informed by stakeholders**, to ensure that any actions taken to address human rights consider the local context.

The table below provides sample metrics for a range of human rights issues that are likely to be relevant to many investors and their investments.

Table 6: Sample metrics for selected human rights issues

<p>Diversity, equity and inclusion</p>	<ul style="list-style-type: none"> ■ The percentage (%) of the investment’s total direct workforce in leadership positions by gender, race, and other protected characteristics. ■ The median CEO to worker pay ratio. ■ The percentage (%) of female and male employees in the bottom, lower middle, upper middle, and upper pay quartiles. ■ The number and / or percentage (%) of the company’s employees on each contract type (indefinite / permanent employees; fixed-term / temporary employees; full-time employees; part-time employees; non-guaranteed hours employees) as a proportion of the total direct operations workforce. ■ The percentage (%) of employees with disabilities. ■ The percentage (%) of employees satisfied with their roles by gender, race, etc.
<p>Labour rights</p>	<ul style="list-style-type: none"> ■ The percentage (%) of employees covered by collective bargaining agreements. ■ The number of days not worked due to strikes and lockouts. ■ The percentage (%) of male and female employees, as a total of the direct operations workforce, whose basic salary is equal to the legal minimum wage, or just above. ■ The number of persons in forced labour, by gender, age (child or adult) and other characteristics. ■ The percentage (%) of salary / wages received during leaves of absence.
<p>Health and safety</p>	<ul style="list-style-type: none"> ■ The number of reported accidents or incidents. ■ The number of days lost to workers’ injuries or illness. ■ The percentage (%) of employees trained in health and safety. ■ The number of incidents related to the health and safety of customers / service users. ■ The percentage (%) of employees satisfied with the overall work environment. ■ Average time and cost to resolve health and safety incidents and / or issues.

Commonly used sources for more complete sets of human rights-related metrics include:

- [Global Reporting Initiative](#)
- The [IRIS+ system](#) from the Global Impact Investing Network
- [The Danish Institute for Human Rights](#)
- The [SA8000 Standard](#) developed by Social Accountability International

In reality, investors are likely to focus on a small number of metrics to track, and in some cases these may be dictated by regulatory requirements. Investors in the EU, for example, will often focus on the human rights-related indicators contained in the principal adverse sustainability impacts that they must disclose under the bloc’s Sustainable Finance Disclosure Regulation (SFDR).

However, investors should also assess whether these more common or regulatory-driven metrics capture the right type of information to assess the most salient human rights issues in their specific contexts. Otherwise, investors can develop their own, more meaningful, metrics. This may require extra resources (both financial and time) to implement effectively – this may be most valuable in the most complex or severe human rights impacts cases.

Regarding forced labour, an investor could engage with its investment to develop metrics using a process as described in the table below. The Shift Project has designed a [tool](#) that describes these steps in more detail.

Table 7: Developing metrics for tackling forced labour

PROCESS ELEMENT	DESCRIPTION	POTENTIAL METRICS
The high-level activities required to prevent and mitigate impacts.	<ul style="list-style-type: none"> Communicate expectation of no forced labour to suppliers, including in contracts. Train site management to adopt responsible recruitment policies and processes. Conduct forced labour audit programs that include worker interviews. 	<ul style="list-style-type: none"> % of supplier contracting processes that include communication on requirements. % of managers and supervisors trained across supplier base (prioritised by high, medium and low-risk suppliers).
The outputs that the activities intend to achieve.	<ul style="list-style-type: none"> Supplier personnel understand international standards. Sites have improved operating procedures for sourcing labour. Site employs migrant worker representatives to support engagement. 	<ul style="list-style-type: none"> % of management that demonstrate knowledge of standards. Assessment of trends in process compliance (audits).
The specific practices and behaviours that will effect change.	<ul style="list-style-type: none"> Site leaders budget for and pay 50% of recruitment costs to labour agencies, and agree / ensure that remaining costs are paid by agencies. Site management host regular forums for migrant workers to express concerns and suggest factory improvements. 	<ul style="list-style-type: none"> Assessing trends in participation rates in meetings per worker category. Total \$ allocated to cover agreed level of recruitment costs.
The desired human rights outcomes .	<p>All migrant workers are:</p> <ul style="list-style-type: none"> engaged in freely chosen labour; and treated with dignity and respect. 	<ul style="list-style-type: none"> % of workers that has paid fees, and % that has been remediated. % of workers that express that they trust and feel respected by managers.

Reporting

Investor and corporate reporting on human rights performance is increasingly being driven by regulatory requirements, such as the Modern Slavery Acts in the UK and Australia (see [Why do it?](#)). These reporting requirements should bring greater transparency and availability of information in relation to human rights, and support, for example, more informed identification and assessment of human rights risks by investors.

However, regulatory-based reporting may lead to a focus on very specific practices or issues rather than approaching human rights more holistically. Investors should consider reporting more directly in line with the UNGPs, to ensure that clients and beneficiaries have access to the full picture of an investor's performance on human rights.

The [UNGPs Reporting Framework](#) provides detailed guidance on how to report on the organisation's governance and management of human rights, and what the scope of reporting should entail.

Investor reporting on human rights will in turn heavily depend on disclosures from, and their ongoing engagement with, their investments. As noted in [Prevent and Mitigate](#), investors should define the format and frequency of reporting with their investments as part of their ongoing human rights engagement. This reporting should allow investors to understand how the investment is managing human rights risks on an ongoing basis, as well as the outcomes of their own interventions with the investment on human rights.

Investors should also define requirements around critical or serious incident reporting i.e., an incident that results in negative human rights impacts. This should enable immediate action to be taken to help mitigate the impacts and lead to reviewing existing practices to assess whether they are likely to cause or contribute to such incidents in the future.

PROVIDING ACCESS TO REMEDY

When an investor is connected to negative human rights impacts, they have an obligation under the UNGPs to provide or enable access to remedy to those affected. This can take judicial and non-judicial forms, such as financial compensation, apologies, operational and management changes to ensure events do not reoccur, and so on.

Remedy is typically seen as a process that takes place after a specific event that causes negative human rights impacts. However, investors should also consider it as a preventive tool which can be applied in different forms and at different stages throughout the investment cycle.

Table 8: Investor role in providing or enabling remedy

	CAUSE	CONTRIBUTE	DIRECTLY LINKED TO
EXAMPLE	Investor's own employees experience discrimination in the workplace, with no other entities involved	Investment, where investor has a board seat, puts pressure on supplier to deliver products in a way that undermines labour rights	Investor linked to actions in an investment's value chain through its financial relationship with the investment.
INVESTOR ROLE	Provide remedy	Provide remedy	Support remedy ecosystem

In reality, the definition may not be so clear cut. Investors may wish to ask themselves a series of questions to determine their position. These could include:

- Is there a clear attribution of negative human rights impacts to the activities or actions of an investment?
- To what extent can the investor be considered linked to impacts further down the value chain?
- What is the threshold to determine which impacts require remedy?
- Does the investor's position in the investment (for example, control or minority investor) influence its role in providing or supporting remedy?

CAUSE, CONTRIBUTE, DIRECT LINK

The UNGPs define the concepts of **causation**, **contribution** and **direct linkage**, through which investors should assess their role when it comes to providing or enabling access to remedy.

In most cases investors will be directly linked to human rights impacts, rather than causing or contributing to impacts. As a result, their principal role may be to support or contribute to the remedy 'ecosystem', rather than being directly responsible for providing remedy themselves.

Even in cases where investors do not consider themselves to be directly linked to human rights impacts, they may wish to be involved in supporting remediation. This could be for a range of reasons, such as to manage reputational risks, uphold the investor's values, support the creation of a better operating environment and to tackle systemic risks.

For example, several international textiles companies donated to the [Rana Plaza Arrangement](#), an initiative set up to provide loss of income to the families of victims of the Rana Plaza disaster in Bangladesh in 2013, even though some of the donors were not directly linked to the event.

GRIEVANCE MECHANISMS

Guiding principle 29 states: “To make it possible for grievances to be addressed early and remediated directly, business enterprises [including investors] should establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted”.

Grievance mechanisms are an essential tool to identify and remedy human rights impacts. Investors may wish to consider establishing their own grievance mechanisms; however, in many cases, the onus is on the investor to assess the effectiveness of an investment’s and, where appropriate, their suppliers’ grievance mechanisms, and to support any improvements.

Investors can base the development of their own mechanisms, or assess the effectiveness of others’ mechanisms, against the following UNGP criteria:

Legitimate

Does the mechanism build trust with key stakeholders, established through meaningful engagement and perceived to support accountability?

Accessible

Are all relevant stakeholders able to access the grievance mechanism? Access should be provided to vulnerable groups or individuals – such as indigenous communities, migrants, minority groups – without fear of retribution and that there are no barriers to access because of the use of certain technologies.

Predictable

Does the mechanism detail a clear procedure and timelines for addressing grievances raised, and are these adhered to?

Equitable

Where appropriate, are stakeholders able to access information, advice and expertise to engage on an equal basis? Stakeholders may not be aware of their rights or advocate for them effectively; investors should support their ability to do so.

Transparent

Are stakeholders sufficiently informed about the status of any grievance or the overall functioning of the mechanism? Transparent communications between the investor and / or investment and stakeholders, whether on a case-by-case basis, or through a regular reporting or communication schedule, helps to build trust and confidence.

Rights-compatible

Are the remedies provided through the mechanism in line with international human rights commitments? Particularly in areas of weak state protection, investors should work to support investments to provide remedy in line with international best practice.

A source of continuous learning

Can the investment show how it has adapted and improved the mechanism based on lessons learned from past cases?

Underpinning these criteria is the importance of conducting comprehensive and ongoing stakeholder engagement (see [Stakeholder engagement](#)). The criteria also point to how grievance mechanisms can underpin different elements of the due diligence process outlined in the remainder of this document.

EXAMPLE: FAIR FOOD PROGRAM

The [Fair Food Program](#) was first developed in Florida the early 2000s to support the human rights of tomato workers. The initiative centres on legally binding agreements between workers and growers to improve wages and working conditions, as well as between growers and buyers, so that the latter only purchase goods from certified suppliers and fund a Fair Food Standards Council, which oversees implementation of the programme.

The programme includes:

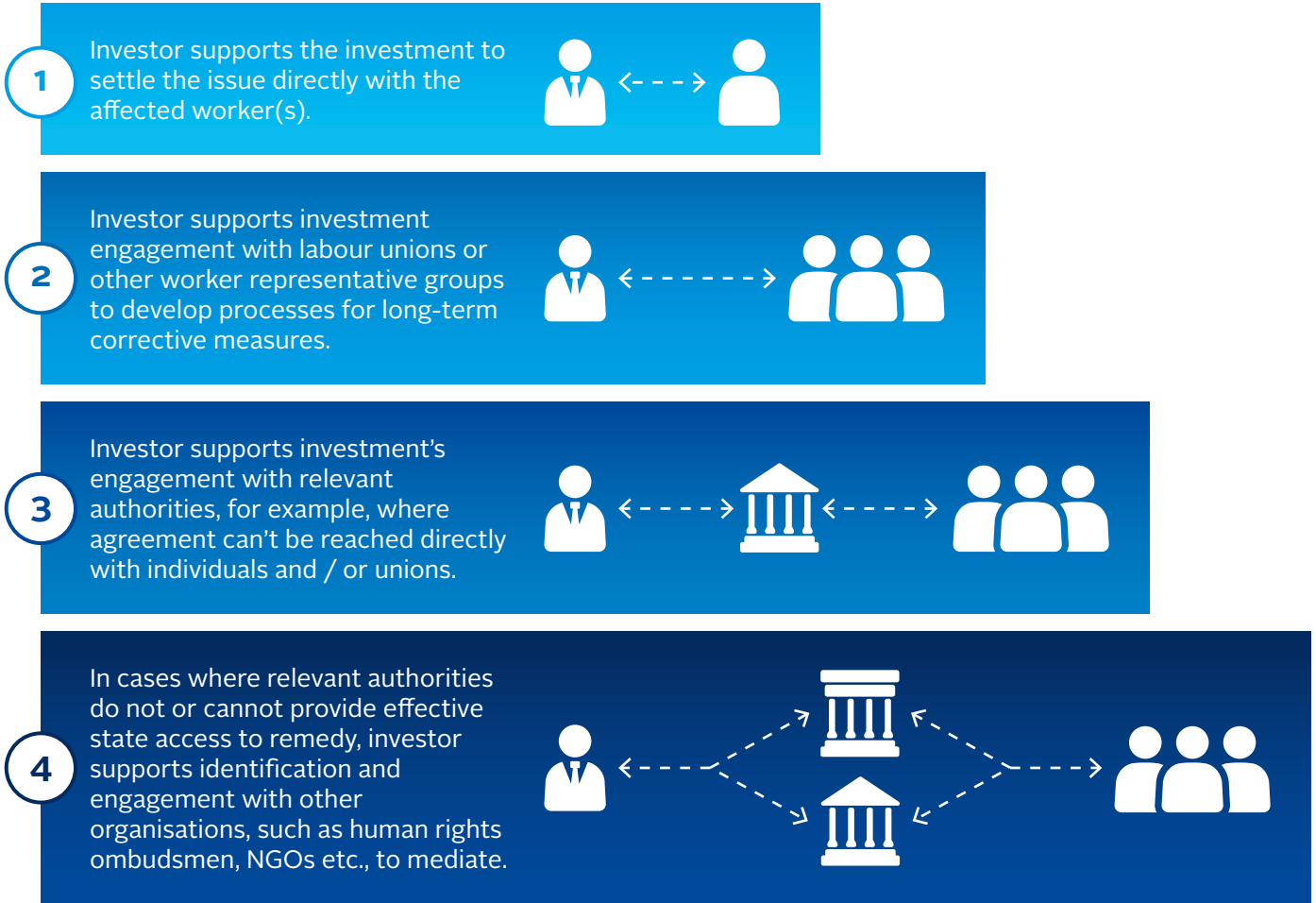
- education for workers to help them recognise where their human rights are being impacted;
- a third-party grievance channel that is available 24/7, enabling workers to report issues immediately and in confidence, with immediate resolution that caters to migrant workers who may only be in the farm for a short period of time; and
- deep dive audits – with a minimum of 50% of workers on that farm being interviewed – to enable a deeper assessment into systemic issues that may not be the subject of an individual grievance.

The programme has since expanded into a number of states beyond Florida, with almost all tomato growers now participating in the scheme, driving tangible benefits to working conditions and pay for represented workers.

BUILDING A 'REMEDY ECOSYSTEM'

In many cases, investors should work with other organisations and stakeholders to provide or enable remedy, taking into account the circumstances and the investor's leverage.

For example, in a case where labour rights violations have been identified, the following parties could be involved:



Again, the stakeholder engagement process can help. By identifying and establishing early dialogue with different potential stakeholders, investors and / or investments can build a remedy ecosystem before events may occur.

NEXT STEPS

We encourage investors to review the suggestions for further reading in Appendix 3. The PRI will also continue to develop broader guidance on human rights for its signatories, available on this [webpage](#).

We recommend that investors continue to monitor legislative and regulatory developments with respect to human rights; the demands are only set to grow. Although that may bring specific requirements in different jurisdictions, in most cases the key elements of the UNGPs, as outlined in this guidance, will be at their core. As such, aligning practice with the UNGPs will remain as relevant as ever.

APPENDIX 1: CASE STUDIES

BACK 

CASE STUDY 1: STEPSTONE

As a global private markets investor, StepStone has observed an increased focus by its GPs and underlying investments on specific issues that fall under the broader umbrella of human rights. We see that diversity, equity and inclusion (DEI) often receives the most attention, driven increasingly by evidence of risks associated with poor practice, but also by recognition that better diversity and inclusion can drive value and lead to better outcomes for people.

We see common elements to driving better practice on DEI. Firstly, we encourage GPs and investments to ensure senior leadership awareness and buy-in for greater action, to enhance the authenticity and credibility of any initiatives undertaken and to ensure that meaningful targets and accountability are established. DEI, as with many human rights issues, is inherently complex and action on the topic requires strong leadership, time and dedicated resources.

A key step is then for the GP to assess their baseline – this should include creating data management processes that enable a proper understanding of the issue and help to develop effective DEI strategies and targets.

The strategies and targets may entail different elements. For example, many GPs focus on recruitment, including seeking to widen their talent pool, understanding unconscious bias and adjusting interview processes. We also encourage reporting on turnover within GPs and investments and assess what is being done to retain staff and enable their success: this may include mentoring and sponsoring programs, coaching, job sharing, and family support initiatives.

Finally, we see whistleblowing processes and similar grievance mechanisms as critical to build confidence and credibility in DEI initiatives and ensuring that any complaints are appropriately managed.

CASE STUDY 2: AP6

AP6's monitoring of ESG integration, including human rights, has a two-pronged approach: we aim to assess managers' processes, as well as allegations and incidents at portfolio companies.

We assess processes using an internal framework, which includes human rights, to ensure managers have necessary governance and mechanisms to identify and manage ESG risks and opportunities during investment and ownership of portfolio companies. We continue to evolve our practices and are currently implementing measures that will help us address human rights more systematically and in line with the UNGPs.

We also monitor human rights incidents and allegations involving individual portfolio companies using a third-party data provider as well as direct reporting from managers. If allegations of adverse human rights impacts occur, we examine and assess the case to ascertain whether a direct dialogue with the manager should be initiated. Dialogues address what has occurred, how the portfolio company has responded, if allegations have been substantiated, and how the manager ensures appropriate actions are taken by the portfolio company. If necessary, dialogues will continue periodically until a satisfactory result has been achieved by the portfolio company and the manager.

Allegations of severe adverse human rights impacts are rare in our portfolio. Nonetheless, in 2022, we identified several reports relating to working conditions and product safety of a company in our portfolio. We initiated a direct dialogue with the manager, who was aware of the allegations and was able to present the company's proposed actions, some of which had been implemented at the time of the dialogue, while others were planned for the next 12 months. We continue to monitor the situation.



CASE STUDY 3: INFRARED

As part of its net zero strategy, InfraRed Capital Partners is committed to investing in greenfield projects which either directly increase renewable energy capacity or indirectly enable carbon reduction through supporting infrastructure.

However, we believe that investment should not come at the cost of human rights violations. We have therefore strengthened our due diligence processes for such investments in terms of identifying and preventing human rights violations in the supply chain. Whilst we understand that we cannot always and eliminate these risks, given the lack of transparency across the renewable energy supply chains, we recognise that we have an important role to play in driving adherence to best practice standards. As such, we work with our partners to increase transparency and positively influence behaviours across our entire portfolio on a project-by-project basis, which in turn will lead to improvement across the industry.

Our investee companies usually directly engage only with the main contractors on greenfield projects; hence we don't usually have direct relationships with most suppliers further down the value chain. As a result, we have to leverage our relationships and contractual arrangements with the main contractors to ensure that human rights risks are appropriately considered, monitored and mitigated.

In the first instance, we scrutinise relevant policies, such as codes of conduct and management practices, to ensure they align with internationally recognised standards. Where appropriate, we also engage with the main contractor's procurement teams to assess how these policies were implemented when selecting suppliers for the project. The focus of these activities is to ensure the approach taken aligns with practically achievable best practices in the renewables sector supply market. In some instances, we may also engage specialist advisers to support this review process.

We may also seek to conduct on-site tracing of components to factories and locations used in the development of clean energy technology. A traceability audit would typically be completed by a third party and includes desktop documentation review as well as physical site inspections of the factories used in the production of the project materials. In practice, there may be several restrictions to conducting these on-site inspections depending on the jurisdiction. In these instances, we work with the main contractor to find alternative solutions to reduce the risks of human rights impacts, such as avoiding supply chains in high-risk regions or seeking to engage with suppliers' management.

Should we identify any concerns throughout this review, these would be raised with the main contractor's management and sustainability teams, to see how they can be best addressed to mitigate risks. If we believe that there are material issues with the approach taken, we would not proceed with the transaction. For InfraRed, working with like-minded partners is essential, particularly in any scenario where the main contractor has significantly more influence over the supply chain due to its ongoing procurement activities.

We continue to review current practices and we anticipate further developments in our due diligence processes as policy in this area develops.



CASE STUDY 4: HELIOS

At Helios Investment Partners LLP, we conduct ESG due diligence, utilising an independent ESG consultant, on all potential investments against the IFC Performance Standards. This includes Performance Standard 2: Labour and Working Conditions, where the consideration of human rights is a key component.

If we believe that we are unable to affect positive change by addressing and improving any potential human rights issues through an Environmental and Social Action Plan (ESG-AP) agreed with company management, then we will not proceed with the proposed transaction.

However, in most cases, we and the company will agree corrective actions, detailed within the ESG-AP, which will then be outlined in the shareholders agreement (SHA). Post-acquisition, Helios will then agree a roadmap with the company to deliver the corrective actions, typically within six to 18 months, depending on how critical each of the actions are. Corrective actions relating to human rights typically cover the following:

Portfolio company level:

- Ensure human resource policies and procedures (e.g. HR policies, employee manual, employee contracts, etc.) are in line with international standards
- Introduce HR-related training (e.g., health and safety, diversity and inclusion, etc.)
- Create a monitoring system to track hours worked and overtime hours for each employee
- Establish a grievance mechanism and whistleblowing policy
- Define human capital-related KPIs and targets

Supply chain / procurement:

- Develop a supplier code of conduct
- Conduct an ESG risk assessment of the supply chain
- Include labour and working condition requirements in supplier contracts
- Assess and select suppliers based on labour and working conditions performance
- Include labour and working conditions in supplier monitoring criteria, including during supplier visits

During the ESG due diligence process for a food retail business with over 3,000 employees and more than 600 operating locations, we identified that the business followed local regulatory requirements but was not aligned to international best practice for certain ESG topics. We agreed an ESG-AP with company management that included a health and safety management system and employee manual. We also introduced a range of ESG and human capital metrics aligned to international reporting standards, such as the Global Reporting Initiative (GRI). The company was rated by EcoVadis in 2022 and 2023 and achieved a 100% improvement in their score for 'Sustainable Procurement' and a 33% improvement in their score for 'Labour and Human Rights'.



CASE STUDY 5: FORESIGHT

Foresight has developed a Supplier Code of Conduct to be rolled out with all existing and new suppliers, including EPC contractors, operations and maintenance (O&M) companies, panel manufacturers, and technology providers. The document draws on other best-in-class codes of conduct, as well as previous internal O&M agreements, and has been designed to be sector agnostic so that it can be applied effectively across our supplier base. As part of the code of conduct, suppliers are required to adopt policies and practices in line with the UNGPs.

The code of conduct serves several purposes. It fosters greater alignment between Foresight and its value chain, by articulating the Foresight 'view' of certain sustainability and ESG issues, including human rights, to our supplier base and committing them to support our initiatives in this regard. Furthermore, through implementing the code of conduct, suppliers also commit to screening their own supply chain on the same issues.

Suppliers that adopt the code helps us to draw up a list of preferred counterparties for future investment and asset management activity; refusing to sign up to the code of Conduct is likely to be a major red flag against a supplier. We then use different means to monitor our suppliers who adopt the code – such as reporting on progress against specific portfolio sustainability metrics, ongoing engagement with the suppliers on human rights issues, and the use of tools such as Ethixbase.

Finally, we have found that the code helps demonstrate our engagement on human rights with our own clients, especially as part of a selection process.

APPENDIX 2: FURTHER RESOURCES TO HELP IDENTIFY AND ASSESS HUMAN RIGHTS IMPACTS

COMPANY AND VALUE CHAIN INFORMATION

Note that even where information on specific companies is not available, these (and similar) sources can indicate the risks and impacts within certain sectors or geographies.

RESOURCE	DESCRIPTION
Human rights benchmarks for investors: an overview	A list of publicly available human rights benchmarks, with a summary of their scope and methodology.
Business and Human Rights Resource Centre (BHRRC) company directory	Companies' allegations and litigations linked to human rights.
Organisation for Economic Cooperation and Development (OECD) Watch Complaints database	Information on OECD Guidelines cases raised by civil society organisations against companies.
Business Model Red Flags	Set of human rights-related indicators for practices that are often embedded in business models for particular sectors.
Global Slavery Index	Estimates on the number of people in modern slavery, analysis of governments' responses, and highlights vulnerability to modern slavery.
The International Trade Union Confederation: Global Rights Index	Reports on workers' rights.
KnowTheChain	Reports on key human rights issues in the apparel and footwear and ICT sectors.
BHRRC Transition Minerals Tracker	Tracks the human rights implications of the mineral boom powering the transition to a net-zero carbon economy.
Human Rights Guidance Tool for the Financial Sector: Human Rights Issues by Sector	Lists typical potential human rights issues for a range of industry sectors.

COUNTRY RISK INFORMATION

RESOURCE	DESCRIPTION
The World Bank: Sovereign ESG data portal	A range of human rights indicators, including an index on the strength of legal rights and an estimate of voice and accountability under the governance category. Other indicators are also useful, especially under the social category.
The World Bank: Worldwide Governance Indicators	Reports governance indicators, such as political stability, rule of law and absence of violence / terrorism.
The World Bank: Poverty and Inequality Indicators	Contains indicators on poverty.
Human Rights Watch	Country-level reports on human rights abuses.
OECD Measuring Distance to the SDG Targets	Assesses how close member countries are to meeting the Sustainable Development Goals (SDGs).
Sustainable Development Report	Gauges countries' progress in meeting the SDGs.
Human Rights and Business Country Guides	Publicly available information on human rights in certain countries, compiled by the Danish Institute for Human Rights.
Amnesty International	News and research on human rights-related developments in all countries.
UN Human Rights Council Universal Periodic Review	Assesses states' human rights records via peer review.
Global Food Security Index	Examines food affordability, availability, quality and safety, as well as natural resources and resilience, on a country-by-country basis.
UN Development Programme, Human Development Reports	Range of data on social factors within countries, including the Human Development Index, which aims to combine measurements of health, education and living standards.
Fragile States Index	Ranks countries annually on their stability.
International Federation for Human Rights	Publishes ratings of EU countries and the UK that aim to help investors account for how countries meet obligations to respect, protect and fulfil human rights.
International Labour Organization World Social Protection Data Dashboards	Shows data on social protection by country.
The International Trade Union Confederation: Global Rights Index	Reports on workers' rights.

RESOURCE	DESCRIPTION
Global Slavery Index	Estimates the number of people in modern slavery, analyses governments' responses, and highlights vulnerability to modern slavery.
International Labour Organization statistics on union membership	Data on trade union density rate by country.
Human Rights Measurement Initiative	Provides 13 country-level metrics within two broad categories: economic and social rights, and civil and political rights.

APPENDIX 3: SUGGESTED FURTHER READING

POLICY COMMITMENT

RESOURCE	AUTHOR
A Guide for Business: How to Develop a Human Rights Policy	United Nations Global Compact and Office of the United Nations High Commissioner for Human Rights
Doing Business with Respect for Human Rights: A Guidance Tool for Companies	Shift, Oxfam and Global Compact Network Netherlands
UN Guiding Principles Reporting Framework	Shift and Mazars LLP
Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises	Organisation for Economic Co-operation and Development

DUE DILIGENCE

RESOURCE	AUTHOR
The Corporate Responsibility to Respect Human Rights: An Interpretive Guide	United Nations
Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises	Organisation for Economic Co-operation and Development
Human Rights in Private Equity: Information and Summary	British Institute of International and Comparative Law (BIICL) and the Principles for Responsible Investment (PRI)
The Investor Toolkit on Human Rights	Investor Alliance for Human Rights
UNGP Reporting Framework: Salient Human Rights Issues	Shift and Mazars LLP

RESOURCE	AUTHOR
Taking stock of investor implementation of the UN Guiding Principles on Business and Human Rights	UN Working Group on Business and Human Rights
Financial services and modern slavery: Practical responses for managing risk to people	KPMG Australia (KPMG) and the Australian Human Rights Commission
Doing business with respect for human rights	Shift, Oxfam and Global Compact Network Netherlands
Business and Human Rights Impacts: Identifying and Prioritizing Human Rights Risks	Shift
British International Investment ESG Toolkit	British International Investment
Managing Risks Associated with Modern Slavery: A Good Practice Note for the Private Sector	Ergon Associates and Ethical Trading Initiative (ETI)
The Corporate Responsibility to Respect Human Rights: An Interpretive Guide	United Nations
Corporate Human Rights Benchmark – Core UNGP Indicators	World Benchmarking Alliance
Investing the Rights Way: A Guide for Investors on Business and Human Rights	The Institute for Human Rights and Business
Human rights in private markets: identifying and assessing negative human rights outcomes	PRI
UNEP FI Human Rights Guidance Tool for the Financial Sector	United Nations Environment Programme Finance Initiative
Human rights in private markets: preventing and mitigating negative outcomes	PRI

ACCESS TO REMEDY

RESOURCE	AUTHOR
The Investor Toolkit on Human Rights	Investor Alliance for Human Rights
Doing business with respect for human rights	Shift, Oxfam and Global Compact Network Netherlands
Access to Remedy	BSR
Seven Questions to Help Determine When a Company Should Remedy Human Rights Harm under the UNGPs	BSR
Practical Definitions of Cause, Contribute, and Directly Linked to Inform Business Respect for Human Rights	Debevoise & Plimpton and Enodo Rights
Investing the Rights Way: A Guide for Investors on Business and Human Rights	The Institute for Human Rights and Business
Enabling Remediation	The Dutch Banking Sector Agreement
UN Guiding Principles Reporting Framework	Shift and Mazars LLP
Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises	Organisation for Economic Co-operation and Development
The Corporate Responsibility to Respect Human Rights: An Interpretive Guide	United Nations
Taking stock of investor implementation of the UN Guiding Principles on Business and Human Rights	UN Working Group on Business and Human Rights

RESOURCE	AUTHOR
Doing business with respect for human rights	Shift, Oxfam and Global Compact Network Netherlands
Managing Risks Associated with Modern Slavery: A Good Practice Note for the Private Sector	Ergon Associates and Ethical Trading Initiative (ETI)
Remedy in Development Finance: Guidance and Practice	UN Office of the United Nations High Commissioner for Human Rights

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The Principles for Responsible Investment (PRI)

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org



The PRI is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org



United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 8,800 companies and 4,000 non-business signatories based in over 160 countries, and more than 80 Local Networks.

More information: www.unglobalcompact.org

