

# Human rights Expectations of companies



Norges Bank Investment Management manages the assets of the Norwegian Government Pension Fund Global. We work to safeguard and build financial wealth for future generations. As a long-term and global financial investor, we are dependent on sustainable development, well-functioning markets and good corporate governance.

Our expectation documents set out how we expect companies to manage various environmental and social matters. Our expectations are based on internationally recognised principles such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and other topic-specific standards. This document serves as a starting point for our interaction with companies on human rights. We expect companies to address this topic in a manner meaningful to their business model and wish to support them in their efforts.

Our expectations are primarily directed at company boards. Boards should understand the broader environmental and social consequences of company operations, taking into account the interests of relevant stakeholders. [They must set their own priorities and account for the associated outcomes. Companies should pursue relevant opportunities and address significant risks.] They should report financially material information to investors, and broader impacts as appropriate. Boards should effectively guide and review company management in these efforts.



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# Human rights

All companies have a responsibility to respect human rights. Through their business operations and supply chains, community interactions, and the marketing and use of their products and services, companies can have an impact on virtually the entire spectrum of human rights. Respecting human rights is an inherent part of responsible business practices and risk management. We expect companies to integrate respect for human rights into their policies, corporate strategies, risk management efforts, and reporting.

We hold a diversified portfolio across a number of sectors and markets. The long-term legitimacy and licence to operate of those sectors and markets depend on operations, products and services being developed in a responsible manner.

Companies' operations impact their employees, contract workers, workers in supply chains, consumers and end-users, indigenous peoples and local communities, human rights defenders, and the environment. Certain features of a company's business model may also entail an inherent risk of adverse impacts on human rights.<sup>1</sup>

Companies have a responsibility to respect human rights throughout their value chains. Respecting human rights is also a core component of risk management and responsible business practice.

Under international law, the legal obligation to protect human rights rests with States. International human rights treaties do not impose direct legal obligations on business enterprises, but they establish important standards for companies. The UN Guiding Principles on Business and Human Rights (UNGPs) establish a normative starting point for companies' policies and practices with respect to human rights.

<sup>1</sup> Features of a business model that may entail inherent human rights risks include: the value proposition (what the company offers and to whom), the value chain (how the company delivers value) and the cost structure and revenue model (how the company is profitable). See Shift's Business Model Red Flags for additional resources.



Companies have a responsibility to respect human rights throughout their value chains.

As a minimum, the UNGPs expect companies to respect the human rights laid out in the International Bill of Human Rights<sup>2</sup> and the ILO core conventions<sup>3</sup>. These encompass economic, social and cultural rights, civil and political rights, and fundamental principles and rights at work.<sup>4</sup>

Moreover, the UNGPs provide a reference point for companies in understanding how their own activities and business relationships may affect or otherwise be linked to human rights, and processes to prevent or mitigate the risk of causing or contributing to adverse impacts on human rights. They also lay out specific guidance on how to promote access to remedy for any victims of human rights abuse arising as a result of business activities.<sup>5</sup>

The responsibility to respect human rights applies to all companies. It is the duty of companies to determine how the UNGPs and other relevant principles and guidelines apply to their operations. In practice, depending on sector, geographical area, business model and other circumstances, some human rights may be at greater risk of adverse impacts than others.

Following the UNGPs, companies should conduct regular human rights due diligence to identify and address key issues. They should prioritise risks based on the most severe potential negative impacts from their operations and broader value chain. Meaningful consultation with affected groups and stakeholders is crucial. Human rights defenders (HRDs) can provide valuable insights into the situation on the ground, and companies should also be aware that the role HRDs take in peacefully exposing human rights violations and promoting fundamental rights, which may put them at risk. Companies should adapt their policies to evolving circumstances and consider the human rights implications of their actions, including energy transition strategies and their effects on indigenous peoples and local communities.

<sup>2</sup> The International Bill of Human Rights consists of the Universal Declaration of Human Rights, and the International Covenant On Civil and Political Rights and The International Covenant on Economic, Social and Cultural Rights.

<sup>3</sup> The ILO core conventions as set out in the Declaration on Fundamental Principles and Rights at Work. They pertain to forced labour, child labour, freedom of association and collective bargaining, discrimination, and a safe and healthy working environment.

<sup>4</sup> The UNGPs state that other standards dealing with specific or collective rights may also apply to business enterprises, depending on the context. A comprehensive list of rights and how they might be relevant to business enterprises can be found at: [www.ungpreporting.org/resources/how-businesses-impact-human-rights/](http://www.ungpreporting.org/resources/how-businesses-impact-human-rights/).

<sup>5</sup> The concept of human rights due diligence concerns risk management processes to identify, assess, prevent, mitigate and account for how a company addresses its adverse human rights impacts. It will vary in complexity with the size of the company, the risk of severe human rights impacts, and the context of its operations and value chain.



Companies should conduct regular human rights due diligence to identify and address key issues.

Companies with operations, supply chains or other business relationships in high-risk environments, such as conflict-affected areas, are expected to undertake enhanced due diligence. In these settings, the dilemmas that companies are faced with can be complex, and the risk of causing or contributing to human rights abuse is heightened. Presence of gross human rights abuses may already be an indicator of an emerging or actual conflict taking place. Enhanced due diligence in high-risk environments may involve conducting specific human rights impacts assessments, undertaking conflict analyses, taking proactive mitigation measures, and engaging in constructive engagement with stakeholders on the ground to understand their needs and priorities. In situations of armed conflict, companies should respect the standards of international humanitarian law (IHL), which should be integrated into the due diligence process.

Information on human rights can be sensitive for both companies and affected rights-holders. We nevertheless encourage companies to be transparent and communicate the dilemmas they face, and priorities they set, in their efforts to respect human rights. Regulation, principles and practices for companies' human rights reporting as well as due diligence processes are under constant development.<sup>6</sup> We support the ongoing development of good practices and believe that appropriate and timely reporting and measurable data are important.

Companies will generally have the most direct impact on the human rights of their own workforce, including core labour rights such as freedom of association and collective bargaining. Within their supply chains, companies should consider going beyond audits, certification schemes and compliance controls, to obtain a realistic picture of practices and working conditions and promote continuous improvement.



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<sup>6</sup> The UNGP Reporting Framework, the GRI Standards and the ISSB Standards are examples of corporate reporting standards. The UNGPs and the OECD Guidelines are also increasingly codified into national law on mandatory human rights due diligence and directives on due diligence and corporate sustainability reporting.

## A. Integrate human rights into policies and strategy

- Companies should understand the business implications of human rights issues and integrate findings into their strategic business planning.
- Companies should have a publicly available policy commitment to meet their responsibility to respect human rights, including within their value chain.
- Companies should adopt strategies and policies based on applicable international standards and sector best practices addressing human rights. Strategies and policies should be appropriate to company size, sector, operational context, ownership and business model
- Company policies should include measures for the identification and, where appropriate, prevention, mitigation and remediation of adverse impacts on human rights arising from direct operations, supply chains and other business relationships, as well as from the marketing and use of products and services.
- Companies should regularly consider whether their business model, organisational structure, incentive systems, training programmes and wider company culture promote and integrate respect for human rights. Employees and contractors should be engaged in these efforts and made aware of company policies and practices.
- Companies should consider putting in place a mechanism for meaningful engagements with stakeholders, to receive input on their human rights strategies and policies. This should not replace appropriate internal processes, roles and responsibilities. Relevant stakeholders may include the company's own employees, worker representatives, customers, investors, suppliers, contractors, civil society, local communities, human rights defenders, indigenous peoples, individuals or groups in situations of vulnerability or marginalisation, children or their legitimate representatives.'



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## B. Integrate salient human rights issues into risk management

- Companies should conduct ongoing human rights due diligence, from a risk-based perspective. They should strive to map out all potentially impacted stakeholders and to identify actual and potential adverse impacts in relation to all aspects of a business operation, including potential retaliation against those raising concerns about the impacts of operations on human rights.
- Human rights due diligence processes should be guided by the severity of the risks of adverse human rights impacts and practical considerations such as company size and the nature and context of its operations. When operating in conflict-affected areas, companies should respect the standards of international humanitarian law.
- Company policies should include measures to identify and address salient<sup>7</sup> human rights risks, including, where appropriate, through cessation, prevention, mitigation and remediation of adverse human rights impacts. Measures should take into account the scope, scale and remediability of the potential and actual adverse impacts.
- Companies should, where relevant, define qualitative and quantitative indicators that enable monitoring and tracking of measures to address potential and actual abuses of human rights. The performance of preventive and corrective actions should be tracked.
- Meaningful stakeholder engagement should be part of the due diligence process.
- Companies should carry out relevant impact and risk assessments before, for example, making significant investments into new business activities, including mergers and acquisitions, entering into new markets or locations, and establishing new business relationships.
- Companies should have an adequate supply chain management system. This includes policies for identifying and preventing adverse human rights impacts, monitoring systems, contractual clauses, incentives and corrective instruments, such as training and capacity-building
- Companies should work towards traceability and risk management down to the last tier of their supply chain, where appropriate.

<sup>7</sup> For an explanation of saliency, see <http://www.ungpreporting.org/key-concepts/salient-human-rights-issues/>.



Companies should, where relevant, define qualitative and quantitative indicators that enable monitoring and tracking of measures to address potential and actual abuses of human rights.

## C. Report on management of salient human rights

- Companies should publicly disclose their human rights strategies, policies and processes and report on their implementation of the UN Guiding Principles on Business and Human Rights, and other relevant international standards.
- Companies should ensure that information is communicated in a relevant and accessible manner, which demonstrates explicit board oversight and active commitment from senior management.
- Companies should, for example, disclose human rights action plans, governance structures, operational procedures and risk and impact assessments, as well as information about stakeholder relationships and remediation processes, where appropriate.
- Companies should identify, monitor and report on the status of relevant topics. Performance reporting should, where appropriate, use metrics that enable year-on-year comparison in line with applicable internationally accepted reporting standards or initiatives, such as ISSB and GRI.
- When operating in conflict-affected and high-risk settings, companies should communicate how their human rights due diligence process is guided by the severity of risks to human rights, and the enhanced measures they take as a result.
- Companies should report the above information for supply chains and other business relationships, taking a full value-chain perspective, including downstream.



Companies should publicly disclose their human rights strategies, policies and processes.



## D. Engage transparently and responsibly on human rights, including through grievance mechanisms

- Stakeholders identified in the human rights due diligence process should be included in any engagement processes.
- Companies should provide for or cooperate in remediation of adverse human rights impacts that they have caused or contributed to, through legitimate processes. Companies may establish or participate in operational-level grievance mechanisms, and be transparent about the mechanism's progress and performance.
- Companies should, where relevant, have policies or guidelines for their engagements with policy makers and regulators on human rights, and be transparent about those policies and guidelines.



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See our website [www.nbim.no](http://www.nbim.no) for a full and updated list of our expectations on sustainability topics. We also regularly publish our perspectives on issues such as sustainability reporting and the UN Sustainable Development Goals.

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