

# Human rights

Expectations for companies



# Human Rights

## Introduction

Our overall vision for the investment area is to achieve “sustainable returns for a sustainable future”. Managing risk is the backbone of our business, and identifying and quantifying environmental, social and governance risk has always been an integral part of our business practice. We believe that active and responsible ownership will play a key role in the allocation of capital, engagement and value creation and thereby achieve a much more rapid transition to a sustainable economy. SpareBank 1 Forsikring always seeks to act in a manner that is consistent with our vision relating to sustainable investment and in line with our fiduciary obligation to maximize the long-term risk-adjusted net return. We invest with a rather intensive effort on understanding of the future and sustainable development for the environment and society at large. As a future-oriented investor, this has always been our perspective.

Our expectation documents set out how we expect companies to manage various environmental and social matters. These expectations are based on internationally recognized principles such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles for Corporate Governance, the OECD Guidelines for Multinational Enterprises, and other topic-specific standards. This document serves as a starting point for our interaction with companies on human rights issues.

SpareBank 1 Forsikring recognizes that we have a responsibility to ensure that international human rights norms are respected by the companies in which we invest. We carry this responsibility through our investment decision making, stewardship activities, collaborations with other investors and policy dialogue.

We expect our external managers and the companies we invest in to demonstrate an active commitment with regards to human rights to ensure that they prevent or mitigate the risk of adverse impact on human rights in all their activities.

The objective of this document is to provide a transparent overview of our approach and policies integrating human rights into our activities and to clarify our expectations towards the companies we invest in.

## Definition

Human rights are the rights and freedoms held by every human being without discrimination. Human rights protect our basic needs and freedoms: the right to life, the right to food, freedom from slavery and the right to work. Human rights are protected in various international human rights treaties and conventions, which create legal obligations for states to respect, protect and fulfil human rights obligations.

The main international human rights instruments include:

- The International Bill of Human Rights, which includes the Universal Declaration of Human Rights (UDHR), the International Covenant on Civil and Political Rights, and International Covenant on Economic Social and Cultural Rights
  
- The 8 International Labour Organization (ILO) core conventions, which are:
  - Freedom of Association and Protection of the Rights to Organize Convention
  - Rights to Organize and Collective Bargaining Convention
  - Forced Labour Convention
  - Abolition of Forced Labour Convention
  - Minimum Age Convention
  - Worst Forms of Child Labour Convention
  - Equal Remuneration Convention
  - Discrimination (Employment and Occupation) Convention
  
- Other international human rights instruments, such as the International Convention on the Elimination of All Forms of Racial Discrimination, the Convention on Elimination of All Forms of Discrimination Against Women

If a state signs and ratifies these treaties, they become binding by international law. Norway has signed these treaties.

Non-binding human rights instruments, such as:

- The Universal Declaration of Human Rights
- The UN Guiding Principles on Business and Human Rights

These don't create immediate legal obligations but can influence how other laws are enforced. SpareBank 1 Forsikring affirms the responsibility of all businesses to respect human rights and endorses the Guiding Principles as the global framework for helping businesses assess their impact on human rights. The Guiding Principles do not create new international law obligations, but they provide guidance on how business should address human rights based on three pillars of Protect, Respect and Remedy.

### **Values and commitments of SpareBank 1 Forsikring**

SpareBank 1 Forsikring's principles and core values are based on international standards mentioned above, as well as those related to our sector, including the UN Principles for Responsible Investment, including the Task Force on Climate-related Financial Disclosure (TCFD). SpareBank 1 Forsikring is committed to respect these principles and incorporate them into all our operations.

Wherever possible, we will strive to identify, prevent, or mitigate adverse human rights violations that are linked to our operations, products, and services, through our business relationships and the companies we have invested in.

This means SpareBank 1 Forsikring will strive to:

- Apply its responsibility across all its business activities
- Engage in continuous dialogue with external managers and companies to ensure on-going improvement
- Regularly assess human rights risks throughout our organisation and portfolio of companies.

We will thus avoid causing or contributing to adverse human rights impacts in areas where we can directly influence and address problematic behaviour when they occur.

As a long-term investor, SpareBank 1 Forsikring seeks to prevent or mitigate adverse human rights impacts that arise from our investment activities by applying our Responsible Investment Policy and building an analytical framework to identify and analyse potential impact on human rights.

All companies play a vital role in respecting and protecting human rights. Businesses are important to communities, as they provide jobs, services, and much needed investments. And they can impact human rights in many ways, both positive and negative. Implementing human rights across a company's activities and business relationship is not an easy task. It takes commitment, resources, and time to embed respect for human rights via our submanagers. Our dialogue with companies aims to help executives understand and apply current best practice in identifying and managing human rights issues across its operations and supply chains.

Businesses associated with human rights violations experience not only risk of damaging brand value and reputation, but also financial, legal and stakeholders' relations risks. These risks have grown as businesses increasingly operate in countries where human rights standards and practices are inadequate or where there are complex social and political factors at play, particularly as supply chains have shifted to emerging markets/developing countries to source materials and labours. The internet and social media platforms means that news travels fast, which has also created a more proactive approach for good governance.

SpareBank 1 Forsikring recognises that the responsibilities regarding human rights will be particularly relevant for business with activities or operations in conflict-affected or high-risk areas as well as those business operating in high-risk sectors, either globally or nationally. It is important to stress that national laws may often not address all internationally recognized human rights. We have seen that in developing countries, they may often be weak, they may not apply to all people, and they may not be enforced by governments. That's why the UN Guiding Principles on Business and Human rights plays an important role. It makes clear that where national laws fall below the standard of internationally recognized human rights, companies should implement the higher standard, and where the national conflict with those standards, companies should seek ways to still honour the principles of those standards. Managing these risks can effectively enhance a company's reputation, build trust, and achieve better outcomes for both the company and society. Internationally recognized human rights are, therefore, relevant for business beyond compliance with the law.

#### **Expectations of portfolio companies:**

As established in the UN Guiding Principles on Business and Human Rights, the corporate responsibility to respect human rights is a global standard of expected conduct for all business enterprises wherever they operate. It exists independently of government's ability and /or willingness to fulfil their own human rights obligations. It requires taking adequate measures for the prevention and mitigation of human rights violations in all their activities..

All external managers and companies we invest are expected to:

- Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impact they occur
- Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products, or services by their business relationships, even if they have not contributed to those impacts.

This means it is expected that portfolio companies should have in place following policies and processes appropriate to their size and circumstances, including:

- Board responsibility – we support Boards and management teams to effectively manage and have oversights of human rights risks in their operations, supply chain
- Human right policy commitment – we support companies in developing policies and communicating its commitment within the whole organisation including employees, own operation, suppliers, business partners
  - Companies should make a public policy commitment regarding the respect of human rights, including their supply chains
  - Companies should adopt strategies and policies based on best practices and standards, taking into account company size, structure, operations
- Human right due diligence process – we expect companies to integrate human rights into business processes and risk management:
  - Human rights due diligence processes should be guided by the severity of the risks of adverse human rights impacts
  - Remediation and operational -level grievance mechanisms - Companies should have a process to enable remediation of any adverse human rights impacts they cause or to which they contribute, whether in their own operations or in their value chain, in line with the Guiding Principles: building a systematic approach to remediation; mapping and working with external remediation processes; designing effective operation-level grievance mechanisms
  - Companies should carry out relevant impact and risk assessments before making significant investments in new business activities, entering new countries and regions (including indigenous people, children's and women's rights etc.). Prevent conflict over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous people. Companies should avoid enabling settlements in occupied territories in respect of International Humanitarian Law
  - Companies should have an adequate supply chain management system, including policies for all suppliers, monitoring systems, incentives. Companies should report relevant information for their supply chains and other business relationships
- Reporting on management of human rights
- Human rights transparency – we acknowledge that information on human rights can be sensitive, both for companies and others affected. However, we encourage companies to be transparent, as far as possible, about the issues they face, their efforts to respect human rights and about the real impact of their engagements. Companies should disclose information on their activities in high-risk sectors and geographical areas and be open about their human rights due diligence process, issues they face and priorities they set

Achieving respect for human rights is challenging. In the increasingly complex world in which Sparebank 1 Forsikring invests, we recognise that companies face numerous actual and potential human rights issues. It is not just about companies' own operations, employees, and the activities they directly control. It includes impact caused by the third parties in their value chain over which they have limited influence. But our expectation is clear: if their products or services are linked to human rights violations, they have a responsibility to take reasonable actions to try to change that situation.



References:

Office of the High Commissioner for Human Rights: <https://www.ohchr.org/EN/pages/home.aspx>

International Labour Organization: <https://www.ilo.org/global/lang-en/index.htm>

Business and Human Rights Resource Centre: <https://www.business-humanrights.org/en/big-issues/un-guiding-principles-on-business-human-rights/>

OECD Guidelines for Multinational Enterprises: <https://www.oecd.org/corporate/mne/>

The UNGP Reporting Framework