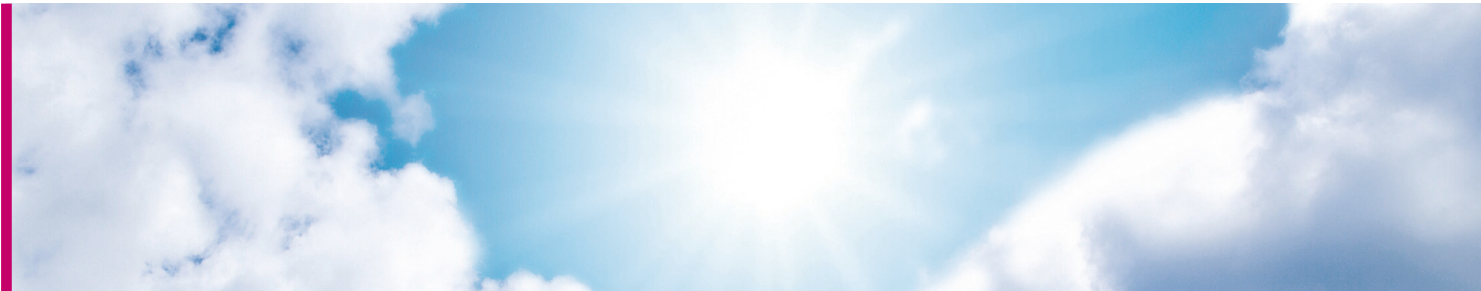


ICGN Report highlights the increasing focus on human rights in corporate governance



The International Corporate Governance Network's April 2015 Viewpoint Report highlights the growing importance of human rights from both a business ethics and risk management perspective, and encourages companies to view human rights through a corporate governance lens.

The Report explains how human rights present a growing business risk for companies, with potential impacts on stakeholder relations, financial performance and sustainable value creation. As the ICGN points out, this presents questions of business ethics which are a fundamental component of good management and long-term stewardship.

Ensuring appropriate human rights risk management

The Report emphasises that accountability for establishing the appropriate culture and procedures to manage human rights risks sits with the board, whose members should build sensitivity to these risks. It encourages investors to hold directors to account for ensuring appropriate oversight.

The ICGN expresses its support for the UN Guiding Principles and notes that the UN Guiding Principles Reporting Framework (a comprehensive guide for reporting on compliance with the UN Guiding Principles) can be used as a tool to facilitate both internal awareness and external understanding of how a company is governing or approaching these issues.

It encourages investors to consider the principles in assessing human rights risks in portfolio companies.

Expectations of investors

The Report considers recent National Contact Point decisions which make clear that the OECD Guidelines for Multi-national Enterprises (which contain requirements similar to those set out in the UN Guiding Principles) apply even to investors with minority shareholdings in companies in respect of which there are human rights concerns.

It points out that these decisions have broad implications for institutional investors and bring human rights risks and due diligence squarely into the corporate governance realm, and notes that while many minority investors may legitimately question their ability to practically influence investee behaviour where human rights are concerned, they nonetheless face the prospect of reputational risk if they are judged to be insufficiently aware of these issues or insufficiently engaged with investee companies on them.

Options available to investors

The Report suggests a number of approaches minority shareholders might deploy to detect human rights issues in investee companies, including:

- > conducting proportionate due diligence (e.g. by focussing on key holdings and high risk sectors or regions)
- > public disclosure (e.g. of governance policies to investees and other stakeholders)
- > engaging in public policy and multi-stakeholder initiatives
- > developing an appropriate strategy (which might include screening out certain investments, developing engagement initiatives and/or adopting proxy voting guidelines) to support shareholder proposals to address human rights due diligence or reporting

To read the full Report, please click [here](#).



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