

UNGPs 10+ Investor Consultation

NEI investments participated in the “UNGPs 10+ / Next Decade BHR,” project’s consultation where investor input was sought to inform the UN Working Group on Business and Human Rights’ project. The UN Guiding Principles on Business and Human Rights (UNGPs) is the global authoritative framework on business and human rights that was unanimously endorsed by the United Nations. The project seeks to take stock of practice to date, identify gaps and challenges, and develop a vision and roadmap for scaling up implementation of the UNGPs over the next ten years.

- 1. Has your institution made a public commitment to respect human rights?**
 - a. If no, has your institution made a public commitment in relation to social impacts in general?**
 - b. If no, please provide any information available on why your institution has not yet made such commitments.**

We have formally committed to respecting human rights and acting on our investor responsibility to take steps to ensure that investment decisions support human rights and do not lead to complicity in violations. This formal statement on human rights is articulated in our [responsible investment policy](#).

- 2. At the institutional level, across all business units, are there one or more persons who are responsible for overseeing implementation of commitments relating to human rights or broader social issues?**
 - a. If yes, please provide their title(s).**
 - b. If no, please provide any information available on why no such functions yet exist within your institution.**

Our ESG team is tasked with acting on the organization’s responsibility to oversee the implementation of commitments with respect to human rights and broader social issues. These efforts are spearheaded by the Director, ESG Services and the Director, Corporate Engagement who report to the VP, ESG Services.

- 3. Are the individuals responsible for conducting research (e.g., analysts, due diligence team leaders, third-party consultants), carrying out investment decisions (e.g., portfolio managers, investment committees), and/or corporate engagement made aware of the ways in which respect for human rights should inform their day-to-day work?**
 - a. If yes, please provide any information available on how.**
 - b. If no, please provide any information available on why no such process yet exists for your institution.**

Our approach to ESG broadly, and human rights specifically is embedded in investment decision making. Human rights risks that cannot be mitigated can make a company ineligible for investment or can lead to divestment in extreme circumstances. Specific human rights risks are mapped to relevant sectors in the

Material Risk Analysis (MRA) process whereby analysts identify the key material ESG risks facing companies. Sectors that face human rights-related risks will have metrics (e.g. human rights policy, evidence of due diligence, etc.) that analysts will consider when evaluating the eligibility of companies in our portfolio. The ESG team actively works to influence companies on human rights and social issues during proxy voting season, and through solo or collaborative engagement. For example, this year engagement efforts have included encouraging some companies to enhance disclosure on human rights governance and oversight processes where current reporting is insufficient for the needs of investors. The team undertakes its own proprietary research but also works with investor consortiums and networks, and utilizes data from third party data providers.

Internally, the ESG team works very closely with the Investments team, and is involved in for example, sub-advisor due diligence processes. The VP of ESG Services also sits on the Investment Management Committee.

- 4. Does your institution currently assess real and/or potential adverse human rights impacts connected to its investments?**
- a. If yes, please describe this assessment process and any tools that are used. Please break out by asset class, where appropriate.**
 - b. If yes, is this a result of existing or potential regulatory requirements?**
 - c. If no, please provide any information available on why no such process yet exists for your institution.**
 - d. If yes, does your institution prioritize these impacts for action?**
 - e. If yes, please describe this prioritization process, including any criteria, tools, and resources used.**
 - f. If no, please provide any information available on why no such process yet exists for your institution.**

Yes, we assess real and or potential adverse human rights impacts connected to investment. We conduct this assessment by considering 1) headline risk (e.g. media coverage) 2) external benchmarks, ratings and third party research and assessment, and 3) apparent risks noted during proprietary research and/or dialogue with companies.

Regulation plays an important part in our assessment of human rights risks, as we consider whether companies' commitments and processes are seemingly aligned with laws and regulations, and also with widely accepted international principles and frameworks. However, we are not currently considering whether we, as investors, will be regulated or mandated to assess and mitigate these risks. We are influenced by our understanding of our obligations under the OECD guidelines, which could be seen as a form of international soft law. In that sense we are influenced by what we interpret as our responsibilities under the OECD guidelines.

We do have a prioritization process in place to address our human rights impacts. Our approach to prioritizing action continues to be grounded in the saliency and materiality of human rights risks. We also consider our leverage, and the likelihood of being able to affect change. We employ a system for flagging companies for violations of the OECD guidelines for multinational enterprises, and will develop an action list in response to such violations. Actions will range from asking our sub-advisors if they have

any insights on the issue, to directly engaging the company (through a letter or meeting request) and finally a decision on divestment if we cannot mitigate the risks. We also use benchmarks and frameworks to determine how we need to prioritize action. Such benchmarks/frameworks include: the UNGP Reporting Framework, the Corporate Human Rights Benchmark and the Ranking Digital Rights system.

5. Does your institution currently engage investees on human rights, including on their development and/or implementation of human rights policies, governance, due diligence, and/or grievance mechanisms?

- a. **If yes, please describe how target investees are identified for engagement and how you determine which human rights issues to engage on.**
- b. **If yes, please list the respective human rights structures and processes you engage these companies around (e.g., human rights policies, board-level oversight, risk/impact assessments, disclosure, operational grievance mechanisms).**
- c. **If yes, please provide any information available on specific ways in which you promote respect for human rights among investees (e.g., dialogues, filing shareholder resolutions, proxy voting, as board member) or tools used or specific resources that you draw from (e.g., Corporate Human Rights Benchmark, KnowTheChain, Ranking Digital Rights, UNGPs Reporting Framework / Database).**
- d. **If yes, please provide any information available on specific challenges faced in engaging investees on human rights issues, policies, and processes.**
- e. **If no, please provide any information available on why no such engagement process yet exists for your institution, including what types of resources, tools, or guidance would enable your institution to engage in this way.**

We currently engage companies on all the abovementioned issues (i.e. human rights policies, board-level oversight, risk/impact assessments, disclosure, operational grievance mechanisms). Targets are chosen based on the subjective analysis of the ESG team regarding the saliency of the issue, our exposure to the company (i.e. size of holdings) and the leverage we feel we can exert. Sometimes the trigger for engagement can be a failure on behalf of the company to respect human rights (or alleged failure) or it can be a proactive measure whereby human rights-related issues have not yet surfaced but where we believe a lack of policies and frameworks creates a future risk that the company will negatively impact human rights.

We also consider how industry leaders can use their position of influence to shift conduct in the industry – in effect raising the bar for the industry as a whole. For example, we have encouraged companies who have determined that their supply chain is not exposed to conduct in the Xinjiang Uyghur Autonomous Region in China to formalize and publicly state their ban on cotton from this area that is likely to be associated with forced labour.

We promote respect for human rights among investees through most of the abovementioned means (i.e. dialogues, filing shareholder resolutions, proxy voting). As a public minority shareholder we do not maintain board positions on the companies we invest in. We use all of the resources identified as tools to assess human rights risk (i.e. Corporate Human Rights Benchmark, KnowTheChain, Ranking Digital Rights, UNGPs Reporting Framework / Database).

Challenges with engagement include a lack of willingness by some companies to engage generally, and on human rights issues specifically. It can also be difficult to evaluate the effectiveness of stated commitments and or policies, particularly across geographically dispersed subsidiaries and/or supply chains. Disclosure is not consistent (and often nonexistent) and not always focused on salient issues. It is a constant challenge to reconcile the gap between the corporate perspective and that of other stakeholders such as civil society – where we get very different interpretations of what is actually happening on the ground. We rarely have the ability to engage meaningfully with all of the relevant stakeholders to form a more nuanced understanding of the situation, though there are opportunities to hear from impacted stakeholders that we try to embrace.

6. Does your institution act on human rights via any of the following additional practices?

- a. For each, if the answer is yes, please provide any information available on that practice and any challenges faced.**
- b. For each, if the answer is no, please provide any information available on why no practice yet exists.**
 - i. a. Introducing exclusionary policies for severe risks**
 - ii. b. Divesting or temporarily divesting for severe risks or lack of company improvement**
 - iii. c. Public policy advocacy**
 - iv. d. Collaborative approaches**
 - v. e. Other**

Introducing exclusionary policies for severe risks – Yes, we evaluate each company proposed for investment on a myriad of ESG factors and could “red list” a company, making them ineligible for investment if there were grave human rights concerns. The challenge for this issue is having adequate disclosure to make these calls.

Divesting or temporarily divesting for severe risks or lack of company improvement continues to be an important option for responding to human rights risks at portfolio companies. Challenges sometimes exist when evaluating if or when a company may be eligible for reinvestment, and determining the adequacy and effectiveness of the company’s action to address the needs of the impacted rights holders – sometimes due to a lack of transparency, or a limited understanding of what an ideal localized resolution would be.

Public policy advocacy – We believe our public policy work is an important complement to the other parts of our ESG programme. We continue to consider public policy advocacy with respect to human rights issues, and ESG issues more broadly. As we for example, sign investor statements or consult with regulatory bodies on social issues.

Collaborative approaches – We regularly collaborate with other investors, and organizations such as the PRI, ICCR, and IAHR to deepen our understanding of human rights issues and strengthen our influence in corporate engagements as part of a consortium of investors.

- 7. Does your institution monitor progress on its efforts to address human rights impacts connected to its investments?**
- a. If yes, please provide any information available on how.**
 - b. If no, please provide any information available on why no such process yet exists for your institution.**

We do consider progress in our efforts to address human rights risks and impacts through engagement, particularly in instances where there is high risk and we need to continuously evaluate and be assured of company efforts to mitigate or respond to risk. However, this is done on more of an ad hoc basis as we do not have a formal process for tracking, monitoring and measuring all of the changes, impacts and results through our efforts/influence. For all of our engagement work we track the success of the engagement through two key metrics. The first metric looks at the responsiveness of the company to our engagement and the degree to which we feel the company is actively tackling the issue. The second metric looks at the degree to which we have achieved the goals we set for ourselves at the beginning of the engagement. This approach reflects the fact that actual change can take years, but not achieving the explicit goal set out does not necessarily mean the engagement is failing – for instance if we are seeing a significantly improved effort on behalf of the company to address the issue or if the tenor of our dialogue has changed from confrontational to collaborative.

- 8. Does your institution publicly disclose information on its practices around human rights or broader social impacts?**
- a. If yes, please provide any information available on how.**
 - b. If no, please provide any information available on why no such process yet exists for your institution.**

NEI Investments has a formal responsible investing policy. This policy includes a statement on human rights as follows:

NEI supports the principles contained within the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the eight fundamental International Labour Organization (ILO) conventions. Our commitment to these principles means we will strive to have the processes in place to assess companies for any negative human rights impacts prior to making our investment decision. We will also monitor our fund holdings to identify any companies that are causing or contributing to human rights impacts and prioritize actions to address them. We will strive to use our influence, either alone or through collaboration with peers and other stakeholders, to engage the companies in our funds to mitigate, prevent or provide remedy for negative human rights impacts caused by their activities.

We also regularly disclose updates on the progress of our engagements and other efforts we are making in regard to human rights in our quarterly reporting.

- 9. Does your institution promote or, where appropriate, provide remedy for victims of business-related human rights abuses?**
- a. If yes, please provide any information available on how, including any grievance mechanisms that your institution provides or supports (e.g., whistle-blowing channels, complaint mechanisms via multi-stakeholder initiatives such as the Bangladesh Accord).**
 - b. If no, please provide any information available on why no such practice yet exists for your institution.**

We do not have an internal formal remedy process in place for victims of business-related human rights abuses but instead leverage our influence as investors to encourage companies to provide remedy for negative human rights impacts caused by their actions. As a public minority shareholder in companies it is difficult for us to provide a remedy process that would be appropriate for the many businesses we hold, but view our proxy voting, engagement and policy work as tools for encouraging companies to develop robust and effective remedial policies and processes.

- 10. Does your institution engage with civil society and/or affected rights-holders in its efforts around human rights or broader social impacts?**
- a. If yes, please list the types of stakeholders you engage with (e.g., policy-level NGOs, grassroots organizations, organized labor) and how you engage (e.g., collaborations toward investee engagements, referring to stakeholders' research / reports, direct consultation during risk analysis).**
 - b. If yes, what are some of the challenges in fostering greater and more effective collaboration between investors and civil society?**
 - c. If yes, could you provide examples of successful engagement with stakeholders?**
 - d. If no, please provide any information available on why no such engagement process yet exists for your institution, including what types of resources, tools, or guidance would enable your institution to engage in this way.**

We most often are provided a platform to hear and understand civil society perspectives and insights through organizations like the IAHR, through human rights focused webinars or conferences and through consulting stakeholders' research/reports. We do not engage with civil society organizations directly but value their insights when determining our approach with companies. Given the size of our ESG team, it would be difficult to develop the breadth of relationships with different civil society organizations and groups to cover the range of human rights issues at play in the markets our portfolio companies operate in. We believe connecting with investor support organizations like the IAHR, who share resources, and host webinars and other events, is an important means to facilitate the necessary connection between investors and civil society or affected rights-holders. In rare circumstances we will engage directly with civil society actors where we have a relationship or where the opportunity arises to hear from them.

For example, we have on two occasions visited mine sites to meet with local stakeholders, company staff, and government officials in order to better understand the human rights-related risks and context. In both situations we worked with local civil society members to identify community groups and individuals that were willing to meet with us and share their concerns. The challenge to this approach is that while we made every effort to get a well-rounded dialogue with key stakeholders, we could not

claim to have done the kind of extensive engagement and relationship building that would be required to truly understand the local context. This does not necessarily have to be seen as a barrier, but it is important to acknowledge that a limited outreach will also have some drawbacks. Specifically, by relying on specific civil society groups to identify the key stakeholders and perspectives we will undoubtedly be missing out on the perspectives of various stakeholder groups that are not aligned with that civil society organization. Again, this does not preclude the value of forming these relationships, and we benefited greatly from the limited outreach we have done in this area.

11. What does the investment community need in order to further advance their own human rights policies, processes, and practices?

Investors at different stages of the life of a company will undertake different approaches to ensuring human rights are upheld in their portfolio companies. However, there is generally limited knowledge within the investment community on how to evaluate whether or not a company is effectively implementing its human rights policies and processes, and in understanding what would constitute an optimal response to human rights violations in the eyes of rights holders. While it is increasingly common for companies to have some human rights commitment or policy, there is still limited transparency from companies with respect to human right due diligence and remedial processes. The investment community would as a result benefit from strategic programming and support in integrating human rights considerations in investment decision making as opposed to solely leaning on ad hoc webinars. Additionally, more robust programming could give investors an opportunity to network with civil society, share learnings with other investors, and discuss ways of standardizing processes and disclosure expectations of companies.

12. What are measurable targets for assessing investor performance on human rights over the coming years?

- The development of investor human rights policies and/or explicit commitments to aligning with the UNGPs could include:
 - o Commitment to incorporate human rights considerations in the initial investment decision
 - o Commitment to utilize its leverage through engaging with portfolio companies that have human rights issues
 - o Commitment to support public policy and industry standards that seek to embed corporate respect for human rights
 - o A recognition of the number of portfolio companies with a human rights policy
 - o Some measurement system accounting for the number of violations that exist in their portfolio and a system for determining and tabulating which violations are resolved or remained unresolved.