

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 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. They may impact human rights through their business operations and supply chains, their community interactions, and the marketing and use of their products and services. Respecting human rights is an inherent part of good business practice and risk management. We expect companies to integrate respect for human rights into their policies, corporate strategy, risk management, and reporting.

We hold a diversified portfolio across sectors and markets. The long-term legitimacy of those sectors and markets depends on operations, products and services that are ethically acceptable.

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 negative impact on human rights.¹

Companies have a responsibility to respect human rights, including in supply chains and other business relationships. 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 governments. 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 establish a normative starting point for companies' policies and strategies with respect to human rights. The Guiding Principles refer to the responsibility of companies to respect the



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¹ 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.

human rights protected by the International Bill of Human Rights² and the ILO core conventions³ as a minimum. These encompass economic, social and cultural rights, civil and political rights, and fundamental principles and rights at work.⁴ Moreover, the Guiding Principles provide a reference point for companies in understanding what human rights are, how their own activities and business relationships may affect or otherwise be linked to them, and how to ensure that they prevent or mitigate the risk of contributing to adverse impacts on human rights.⁵

The responsibility to respect human rights applies to all companies. It is the duty of companies to decide how the Guiding Principles and other relevant principles and guidelines apply to their operations. In practice, certain human rights will be more at risk of being impacted than others, depending on sector, geographical area, business model and other circumstances.

In line with the Guiding Principles, we expect companies to conduct human rights due diligence and to identify and address their salient human rights issues. Companies should take a risk-based approach and prioritise the human rights that may be at risk of the most severe negative impact through their business operations, value chain, and the use of their products and services. To understand their human rights impacts, companies should engage in meaningful consultation with potentially affected groups and other relevant stakeholders. Furthermore, companies' human rights policies and strategies should be dynamic as to accommodate changing circumstances and impacts on those that are directly affected by their operations. Companies should consider the human rights implications – such as the potential impact on indigenous peoples or local communities – of their energy transition strategies.



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² The Universal Declaration of Human Rights of 1948 and the two Covenants on Economic, Social and Cultural Rights and Civil and Political Rights of 1966.

³ 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.

⁴ The Guiding Principles 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/.

⁵ 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.

Our expectations are especially relevant for companies with direct operations, supply chains or other business relationships in high-risk operational environments such as conflict-affected areas. In these settings, the risk of companies causing or contributing to human rights violations is heightened. Human rights defenders who peacefully expose human rights violations or promote awareness of rights under international law, may also be at increased risk. In these situations, companies should undertake enhanced due diligence. Enhanced due diligence in high-risk environments may involve conducting human rights impacts assessments, undertaking analyses of conflict dynamics, and engaging with stakeholders and rights-holders on the ground to understand their needs and priorities.

Information on human rights can be sensitive, both for companies and for affected rights-holders. We nevertheless encourage companies to be transparent about the dilemmas they face and priorities they set in their efforts to respect human rights. Regulation, principles and practices for companies' human rights reporting are developing over time.⁶ We support the ongoing development of good practices and believe that appropriate and timely reporting and measurable data are important.

Companies' impacts on their own workforce are generally the most direct way in which they impact human and labour rights, including core labour rights such as freedom of association and collective bargaining. Our expectations document on human capital management sets out that we believe companies should harness the full value of their human capital and invest in workers in their direct operations and supply chains. It covers topics such as diversity and inclusion, health and safety, and labour relations.



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⁶The UNGP Reporting Framework, the GRI Standards and the SASB/ISSB Standards are examples. In some jurisdictions, companies are also required to report on human rights issues and environmental and social due diligence.

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 make a public policy commitment regarding the respect of human rights, including their supply chains and other business relationships.
- Companies should adopt strategies and policies based on industry standards and good practices addressing human rights. Strategies and policies should be appropriate to company size, sector, operational context, ownership and business model.
- Companies should regularly consider whether their business model, organisational structure, incentive systems, training programmes and wider company culture reflect 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 third-party expert input into their human rights strategies and policies. This should not replace appropriate internal processes, roles and responsibilities.



Companies should make a public policy commitment regarding the respect of human rights.

B. Integrate salient human rights into risk management

- Companies should conduct ongoing human rights due diligence, conducted from the perspective of those who may be negatively impacted. 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 address salient⁷ human rights risks, including, where appropriate, through cessation, prevention, mitigation and remediation of adverse human rights impacts.
- Companies should, where relevant, define qualitative and quantitative indicators that enable monitoring and tracking of abuses of human rights and their efforts to address these. The performance of preventive and corrective actions should be tracked.
- Companies should carry out relevant impact and risk assessments before, for example, making significant investments in new business activities, agreeing mergers and acquisitions, entering new countries, regions or locations, and establishing new business relationships.
- Companies should have an adequate supply chain management system, including policies for detecting and preventing supply chain human rights abuses, monitoring systems, contractual clauses, incentives and corrective instruments, such as training and capacity-building. Companies should work towards traceability down to raw material level, where appropriate.



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

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 SASB/ISSB and GRI.
- Companies should disclose information at the appropriate level of detail on their activities in high-risk sectors and geographical areas or otherwise high-risk operational environments and be open about their human rights due diligence process.
- Companies should report the above information for supply chains and other business relationships, taking a full value-chain perspective.



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

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

- Companies should consult and engage with their workers and their representatives, health and safety representatives, potentially affected groups and other relevant stakeholders on human rights issues.
- Stakeholders identified in the human rights due diligence process as vulnerable or exposed to salient risks should be included in engagement processes. These engagements should continue as long as the identified human rights risks persist.
- Companies should establish or participate in effective, equitable and accessible operational-level grievance mechanisms for individuals and communities that may be adversely impacted by their operations. Companies should be transparent about the mechanism's progress and performance.
- Companies should, where relevant, have policies or guidelines for engaging constructively 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 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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