



The Australian finance sector and human rights



Business should respect human rights, which means to avoid infringing on the human rights of others and address adverse human rights impacts business may cause or contribute to.

International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability



Integrating human rights considerations into core business practice is vital for managing business risks and creating opportunities in the finance sector.

In 2008, the United Nations Human Rights Council recognised that, while the primary duty to *protect* and *promote* human rights lies with national governments, corporations also have a distinct responsibility to *respect* human rights. Three years later the Human Rights Council unanimously adopted the Guiding Principles on Business and Human Rights (the Guiding Principles) which provide a framework for addressing and preventing human rights impacts associated with business activity.

The Guiding Principles are available at <http://business-humanrights.org/en/un-guiding-principles>.

Increasing numbers of Australian companies, including banks, superannuation, insurance and other finance companies, recognise that respecting human rights is not only the right thing to do, it is good for business. They now refer to human rights in their annual reports or sustainability reports and incorporate human rights into their policies, procedures and training. However, for many Australian financial companies challenges remain, and many are unsure how to integrate human rights into day-to-day activities and operations.

This fact sheet provides some basic guidance and resources for Australian financial companies, operating domestically and abroad, on how to incorporate human rights into everyday business practices.

How are human rights relevant to finance companies?

When providing funding or financial advice to a business client, a financial institution can be exposed to the human rights concerns which relate to that business and its sector. This is due to the provision of support being construed as an endorsement of the activities of the client, as well as facilitating the continuation and development of the business.

United Nations Environment Programme (UNEP) Finance Initiative





The finance sector can have an impact on the enjoyment of almost all human rights. The following are some of the more common areas where human rights can create business risks and opportunities.

Labour practices and human rights

Financial services companies, like all other employers, have a responsibility to make sure that employees enjoy fundamental labour rights like a safe workplace, living wage, non-discriminatory work practices, and collective bargaining. In Australia this might include ensuring an accessible workplace or providing paid maternity leave.

- Does your company take measures to ensure that employees are provided with a workplace that is free from harassment, violence and bullying?
- Does your company have a Disability Action Plan and Reconciliation Action Plan?
- Does your company have an equal opportunity and workplace diversity strategy?

Procurement, supply chains and human rights

Financial companies often have complex supply chains that may include suppliers or investment clients with poor human rights records and weak labour and environmental standards. Australian companies have a responsibility to ensure that they are not sourcing goods or services from companies that might be breaching human rights or investing in companies with poor human rights records.

- Does your company have a supply chain policy or code of conduct requiring all suppliers to meet internationally recognised labour and human rights standards? How do you ensure compliance?
- Does your company have a responsible investment policy which includes human rights considerations?

Retail banking, accessibility of financial services and human rights

A company providing electronic financial services, including ATMs, EFTPOS, internet and phone banking, should ensure that they are accessible to all people, including those with a disability.

- Does your bank comply with the Australian Bankers' Association Accessibility Standards? (see www.bankers.asn.au/Industry-Standards/ABAs-Accessibility-of-Electronic-Banking-/Industry-Standards---Accessibility)

- Does your company provide assistance with financial literacy?
- How does your company protect the privacy of your customers?

Project finance and human rights

Increasingly the finance sector is being scrutinised for funding projects that impact negatively on human rights. Project finance is most commonly used to fund infrastructure projects, which often have significant impacts on the surrounding environment and members of the community. A company that provides loans, insurance or other financial services for major projects could be complicit in human rights abuses committed by a client. Some forms of complicity attract legal penalties. However, stakeholder expectations often go well beyond minimum legal standards.

- Does your company's lending and investment policies clearly articulate expectations in relation to human rights, social and environmental considerations?
- Does your company assess and publish the environmental, social and health impact assessment for the projects it finances? Are human rights integrated into these impact assessments?
- Does your company take steps to address potential impacts on the livelihood of the local community?



Projects in emerging markets tend, by their nature and location, to be associated with higher levels of human rights risk. For example, risks arise from financing manufacturing companies in low-skilled, labour-intensive sectors such as textiles, clothing, information, communication and technology.

- Does your company provide financial services to clients in emerging markets whose workplace conditions do not meet international labour rights standards? Or in countries where governance structures are weak and security contractors are required? What systems are in place to mitigate against these risks?

What should finance companies do to ensure they respect human rights?

The corporate responsibility to respect human rights is a social responsibility over and above compliance with applicable laws. It is the minimum expectation society has of business conduct in relation to human rights. It means that as business goes about its business, it should not infringe on the rights of others. So manufacture your mouse traps, deliver whatever services you provide, but don't infringe on others' human rights in the process.



John Ruggie, Harvard University, former UN Special Representative on Business and Human Rights

The Guiding Principles outline a number of steps that businesses should take to embed human rights into core practice, and provide a framework to manage human rights risks through due diligence. The process will vary for each company depending on the type of business and where it operates, but it should include, as a minimum, the following steps:

1. Adopt, implement and integrate a human rights policy*

- Does your human rights policy explicitly invoke the Universal Declaration of Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work?

- Are there clear roles and responsibilities for implementing your human rights policy throughout your business?
- Do your staff understand what it takes to comply with your human rights policy?
- Are there enough resources to support compliance with your human rights policy?
- Does your policy apply to the company's business partners, suppliers, investment clients, contractors and other relevant stakeholders? What do you do to ensure compliance?
- Is your policy publicly available?
- What are the consequences for failing to comply with your policy?

2. Assess the human rights impacts of your company's operations

- Do you understand the scope and scale of the human rights risks facing your business – including your supply and investment chains?
- Have you consulted with stakeholders such as community groups, indigenous communities, NGOs, industry bodies and unions to find out how their human rights might be affected?
- Have you conducted a human rights impact assessment?

3. Ensure compliance with all local laws and adopt relevant codes of practice relating to human rights

- Do you understand your legal obligations under Australian law – including anti-discrimination and OH&S?
- Have you considered committing to relevant international principles and voluntary codes or joining international initiatives relevant to the finance sector? For example:
 - Equator Principles: www.equator-principles.com
 - Principles for Responsible Investment: www.unpri.org
 - International Finance Corporation Performance Standards on Social and Environmental Sustainability: www.ifc.org
 - UNEP Finance Initiative: www.unepfi.org
 - UN Global Compact Network Australia: www.unglobalcompact.org.au



Good practice, good business
[humanrights.gov.au/employers](https://www.humanrights.gov.au/employers)

- Global Reporting Initiative:
<https://www.globalreporting.org>
- ISO 26000 Guidance on Social Responsibility:
www.iso.org/iso/home/standards

4. Implement a credible and transparent system of monitoring and reporting on your human rights impacts and performance

- Does senior management have clear responsibility for monitoring compliance with your human rights policy?
- Is your reporting process public and transparent?
- Do you draw on both internal and external sources in your monitoring and reporting processes?

5. Communicate externally on your human rights impacts and performance

- Do you work on an ongoing basis with community groups, indigenous communities, NGOs, industry bodies, other companies and unions to address the human rights challenges identified?
- Do you have communication mechanisms in place to inform stakeholders on human rights impacts and steps taken to mitigate them?
- Do you communicate in a way that is accessible and appropriate?

6. Establish accessible and appropriate systems to address grievances

- Do you have appropriate and accessible grievance mechanisms in place?
- Do your operational-level mechanisms reflect the cultural environment in which you operate?
- Do you work with external remediation processes?

Need help getting started?



To find out more about relevant business and human rights guidelines, voluntary codes of practice and case studies see www.humanrights.gov.au/employers

See the following *Good practice, good business* fact sheets at www.humanrights.gov.au/employers to read more about human rights and business: *Integrating human rights into Australian business practice*, *The Australian mining and resource sector and human rights* and *The Australian manufacturing and retail sectors and human rights*.

Further information

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* A guide to developing a human rights policy is available at: https://www.unglobalcompact.org/docs/issues_doc/human_rights/Resources/HR_Policy_Guide.pdf

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Revised November 2014.