



The Australian finance sector and human rights

The 2008 global financial crisis has highlighted the broad impacts the financial sector can have on the economic and social well-being of a community.

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

Increasing numbers of Australian companies, including banks, superannuation, insurance and other finance companies, refer to human rights in their annual reports or sustainability reports and incorporate human rights into their policies.

However, it is not always clear what it takes to make human rights part of core business practices. This fact sheet provides some basic guidance and resources for Australian financial companies.

How are human rights relevant to finance companies?

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 have a Disability Action Plan and Reconciliation Action Plan?

Supply chain 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's supply chain policy require all suppliers to meet the workplace standards required by international law? How do you ensure compliance?
- Does your company have a responsible investment policy which includes human rights considerations?

Project finance and 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 assess and publish the environmental and social impact assessment for the projects it finances? Does it 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?

Retail banking and human rights

As the economic and social impacts of the global financial crisis continue to unfold, the need for financial services companies to adopt responsible lending practices becomes increasingly obvious.

- Does your company have policies to lend only what your customers can afford to repay? What support does your company offer customers facing financial difficulty? Does your company provide help with financial literacy?
- How does your company protect the privacy of your customers?

The finance sector has an important role to play in the protection and promotion of human rights. It is also exposed to financial and wider reputation risks if it fails to ensure that high standards are maintained across its range of investments and activities.

UNEP Finance Initiative,
CEO Briefing

Accessibility of financial services

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

- Does your bank comply with the Australian Bankers' Association Accessibility Standards?

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

The due diligence process should consider the political and social context of the countries where the company operates, the potential and actual human rights impacts of the company's activities and the relationships connected to those activities.

Practicing due diligence with respect to human rights includes the following five steps.

1. 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?

2. Adopt, implement and integrate a human rights policy throughout your company's operations and your supply chain.

- 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?
- Is your policy publicly available?
- What are the consequences for failing to comply with your policy?

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

Have you considered committing to relevant international principles and voluntary codes or joining international initiatives relevant to the finance sector? For example:

- Equator Principles on project finance (www.equator-principles.com/index.shtml)
- UN Principles for Responsible Investment (www.unpri.org)
- International Finance Corporation Performance Standards on Social and Environmental Sustainability (www.ifc.org/ifcext/sustainability.nsf/Content/EnvSocStandards)
- UNEP Finance Initiative (www.unepfi.org)
- Global Reporting Initiative (www.globalreporting.org/Home)
- UN Global Compact (www.unglobalcompact.org)

4. Implement a credible and transparent system of internal and independent monitoring and reporting on your human rights policy.

- Does senior management have clear responsibility for monitoring compliance with the policy and addressing problems?
- What do you do to ensure that subsidiaries, investment partners, contractors, subcontractors and suppliers comply with the policy?
- Is your reporting process public and transparent?

Corporations have a responsibility to respect human rights. This essentially means, at a minimum, not to infringe on the rights of others.

John Ruggie, UN Special Representative on Business and Human Rights

5. Develop partnerships with relevant stakeholders

- 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 appropriate grievance mechanisms?

Need help getting started?

The following are a sample of practical tools for integrating human rights into your business operations and conducting a human rights impact assessment:

- *Good practice, good business – eliminating discrimination and harassment in the workplace*, Australian Human Rights Commission
www.humanrights.gov.au/info_for_employers/index.html
- *Human Rights Compliance Assessment, Quick Check*, Danish Institute for Human Rights
www.humanrightsbusiness.org/Updates12.04/QuickCheck_august_2006.pdf
- *A guide to integrating human rights into business management*, Business Leaders Initiative on Human Rights
www.blihr.org/Reports/GIHRBM.pdf
- *Embedding Human Rights in Business Practice*, UN Global Compact and UN Office of the High Commissioner for Human Rights
www.unglobalcompact.org/docs/news_events/8.1/EHRBPIL_Final.pdf
- *Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones*, OECD
www.oecd.org/dataoecd/26/21/36885821.pdf
- *Human rights translated – a business reference guide*, International Business Leaders Forum, UN Office of the High Commissioner for Human Rights, Castan Centre of Human Rights Law
www.iblrf.org/resources/general.jsp?id=124073

For more information, tools and case studies from more than 4000 companies see:

- Business and Human Rights Resource Centre
www.business-humanrights.org/Home

See *Good practice, good business* Fact Sheet 1 for more about human rights and the business case. See Fact Sheets 3 and 4 on human rights for the Mining and Resources and Retail and Manufacturing sectors, respectively. You can find these on the Australian Human Rights Commission website (see below).

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W: www.humanrights.gov.au/human_rights/corporate_social_responsibility

The corporate responsibility to respect human rights is a matter of due diligence. Due diligence describes the steps a company must take to become aware of, prevent and address adverse human rights impacts.

John Ruggie, UN Special Representative on Business and Human Rights



**Australian
Human Rights
Commission**

everyone, everywhere, everyday