



CSO – Investor Dialogue Table

Concept Note

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Executive Summary

Investors and civil society professionals need to talk. Investors have become better attuned to the risks of human rights harms in their portfolios and are seeking better ways to mitigate them. Civil society organizations (CSOs) are becoming savvier about financial instruments and models and the potential for leveraging the influence of institutional investors and corporate lenders to prevent harm to workers, communities, and consumers. Yet communication between CSOs and investors remains weak and the potential for collaboration to promote human rights is under-developed. The CSO-Investor Dialogue Table, a joint initiative of Rights CoLab and the Institute for the Study of Human Rights at Columbia University, addresses this need. Through regular informal meetings, the Dialogue Table will build trust between financial professionals and human rights advocates in order to produce effective collaboration on human rights.

Background

Civil society organizations (CSOs) working to defend communities facing corporate human rights harms are fast becoming attuned to the role that institutional investors and corporate lenders play in incentivizing good corporate conduct. Notable CSO finance-related initiatives include [investment chain mapping](#), an [early warning system](#) based on a CSO-designed database of projects under consideration at 13 development finance institutions, and a publicly available database on [investors and forest risks](#). These transparency initiatives represent a first step in the process of productive CSO engagement with investors that recognizes the critical role investors can play when they accurately identify human rights risks and exert influence in the market to reduce them.

During this time, there has also been a sea change in the way investors consider environmental, social, and governance (ESG) risk.¹ Firms like Sustainalytics, MSCI ESG, and

¹ “More than one-quarter of assets under management globally are now being invested according to the premise that environmental, social, and governance (ESG) factors can materially affect a company’s performance and

RepRisk, which rate and rank companies by ESG indicators, and initiatives like the Sustainability Accounting Standards Board (SASB), which is establishing materiality standards around social concerns and requiring company disclosure around these standards, have responded to and helped to bring about this change. After years of debate over whether ESG investment pays, increasingly institutional investors are concluding that it does.² In response to this, transparency startups that provide new AI-assisted products to more effectively track positive and negative incidents of corporate abuse to aid investors in avoiding ESG risks are proliferating.³

A third notable development, which goes beyond transparency, is the OECD initiative on [Responsible Business Conduct in the financial sector](#) to develop detailed guidance for the financial sector based upon the OECD Guidelines for Responsible Business Conduct. This multi-stakeholder process works to define the responsibilities of investors when their investee companies are involved in human rights abuses, including with respect to providing remedy. The initiative has published guidance for institutional investors and a consultation process for guidance on corporate lending and underwriting is underway.

A Starter List of Topics

These developments mark a critical juncture in the effort to improve corporate human rights conduct. The next step is to improve communications between civil society organizations and financial actors so that financial risks can be accurately identified and addressed. While several efforts are underway to demonstrate the materiality of human rights for investments,⁴ few opportunities exist for civil society and finance professionals to come together to clearly define the problems and co-create solutions to the issues that continue to vex both sides.

For example,

- Asset managers and asset owners are in a position to consider human rights risks before they make an equity or debt investment. In general, investors have much less leverage to push investee companies to stop the harm and remedy abuses after the investment

market value. The institutional investors that practice sustainable investing now include some of the world's largest, such as the Government Pension Investment Fund (GPIF) of Japan, Norway's Government Pension Fund Global (GPF), and the Dutch pension fund ABP." See Sara Bernow, Bryce Klemperer, and Clarisse Magnin, "From 'why' to 'why not': Sustainable investing as the new normal" <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/from-why-to-why-not-sustainable-investing-as-the-new-normal>

² Mozaffar Khan, George Serafeim, and Aaron Yoon, "Corporate Sustainability: First Evidence on Materiality" (November 9, 2016), *The Accounting Review*, Vol. 91, No. 6, pp. 1697-1724. Available at SSRN: <https://ssrn.com/abstract=2575912> or <http://dx.doi.org/10.2139/ssrn.2575912>

³ See for example, Arabesque (<https://arabesque.com/s-ray/>) and RepRisk (<https://www.reprisk.com/>)

⁴ For example, TMP Systems is working collaboratively with the Overseas Development Institute to quantify the costs of land tenure risks in Africa. The Business and Human Rights Program at the Institute for the Study of Human Rights will be carrying this work forward in Latin America during the 2018-2019 academic year.

is made. This is so even for equity investors where the investee has continuing fiduciary duty to them. For CSOs to influence these investments, they must be able to identify who at what investment firm is considering them. How can CSOs ensure that asset managers/owners are aware of these risks when they don't know which asset managers/owners at which firms are considering them? How can they be sure that they are reaching the people who are making the decisions? What form does the information need to take?

- When participating in a syndicated loan, lenders typically have very little time – sometimes just hours - to do their due diligence and make their case for human rights risk. Instead, they are typically reliant on the lead lender to conduct due diligence. What innovations could make it possible for the human rights risks of the deal to be flagged and prioritized despite the tight timeline? Can pressure be exerted on the syndicate lead to be accountable for ensuring a high-level human rights due diligence process?
- Lenders say that if they ask too many questions, the investee company will seek financing elsewhere. Can pressure be placed on the human rights laggards who provide financing in such circumstances? What are some other solutions?
- What is investor responsibility with respect to general corporate purpose loans? When making general corporate purpose loans to companies with many projects, it is not feasible to conduct human rights due diligence on every project. Are there innovations in technology or communications that could help investors to verify risks in all projects of companies receiving general corporate purpose loans so that they can be flagged and ringfenced?
- What language for contract clauses in covenants could help to ensure that investors mitigate human rights risks and build trust with CSOs and within their institution?
- The Sustainable Development Goals (SDGs) are gaining traction among mainstream investors. What is the best way for investors to identify the human rights externalities that need to be avoided in the investment projects designed and promoted to support them?

The CSO-Investor Dialogue Table is designed to develop solutions to such problems while building trust between civil society and financial actors to bring significant improvements to business respect for human rights.

The Participants

The Dialogue Table will start small with a group of 10-12 invited participants, comprised equally of CSO professionals and finance professionals based in or near New York.⁵ The CSO

⁵ We are in discussions with partners about forming parallel Dialogue Tables in other global cities, including London and Bogota. All participation will be by invitation only.

professionals will bring a significant understanding of finance and experience engaging with finance professionals. The finance professionals may be from pension funds, banks, insurance companies, private equity, hedge funds, and possibly credit risk agencies. While CSOs have long been engaging with development finance institutions, this Dialogue Table will focus on the difficulty of navigating much more decentralized investment processes, such as loan syndicates and private and/or public equity funds.

The Value Proposition

The Dialogue Table will identify measures that can be taken to build trust between the investment and CSO communities that will lead to more effective collaboration on human rights. For CSOs, the Dialogue Table is an opportunity to present the perspective of the victims of human rights violations and explain what they believe financial professionals need to do in order to prevent, mitigate, and remediate those violations. For investors, it will be an opportunity to demystify civil society concerns in a safe setting, jointly develop solutions, and take appropriate measures to prevent human rights harm. By building a network for advice and knowledge transfer in which participants can share experience and establish a partnership around problem-solving, the Dialogue Table hopes to also have the effect of making participants work more effectively individually and within their organizations.

Logistics

The Dialogue Table will meet bi-monthly for four hours over dinner on the campus of Columbia University in New York. Joanne Bauer and Paul Rissman of Rights CoLab will serve as facilitators. The first meeting, to take place in early 2019, under Chatham House rules will be an agenda-setting meeting; this meeting will also establish ground rules for participation. Subsequent meetings will take up specific issue priorities identified during the first meeting. Since one goal of the Dialogue Table is to build trust between civil society professionals and investment professionals, the invitation to participate will not be transferable to another individual within the organization. However, the final rules for participation and for expanding the Dialogue Table will be established by the participants themselves.

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