



NORGES BANK
INVESTMENT MANAGEMENT

HUMAN RIGHTS

EXPECTATIONS
TOWARDS
COMPANIES



The purpose of this document is to broadly set out the ways in which Norges Bank Investment Management, as a financial investor, expects companies to respect human rights, and address human rights issues in their business practices. Our expectations are primarily directed at company boards and intended to serve as a starting point for our interaction with companies on the topic of human rights.

Boards should understand the broader environmental and social consequences of business operations, and must set their own priorities and account for the associated outcomes. In line with the OECD Principles for Corporate Governance we expect company boards to take into account the interests of all relevant stakeholders. Boards should ensure that the company has a policy to respect human rights and that relevant measures are integrated into corporate business strategy, risk management and reporting. Strategies for responsible business conduct should follow the UN Guiding Principles for Business and Human Rights, where applicable. Boards should ascertain that the ensuing responsibilities are clearly defined within the organisation and they should effectively guide, monitor, and review their management in carrying out these efforts.

Human Rights

Norges Bank Investment Management is responsible for managing the assets of the Norwegian Government Pension Fund Global. We work to safeguard and build financial wealth for future generations. Norges Bank Investment Management will, as a starting point and where appropriate, base its practices on internationally recognised standards such as the UN Global Compact, the UN Guiding Principles for Business and Human Rights, the OECD Principles of Corporate Governance, and the OECD Guidelines for Multinational Enterprises.

PURPOSE OF THE EXPECTATIONS

The purpose of this document is to broadly set out the ways in which Norges Bank Investment Management, as a financial investor, expects companies to respect human rights, and address human rights issues in their business practices. Our expectations are primarily directed at company boards and intended to serve as a starting point for our interaction with companies on the topic of human rights.

RELEVANCE OF HUMAN RIGHTS

Norges Bank Investment Management's point of departure for our human rights expectations is our investment mandate and long-term financial objective of safeguarding the fund's assets. The fund is a financial investor and diversifies its investments across a large number of markets and securities. Norges Bank Investment Management will, through responsible investment management practice, promote good governance and well-functioning, legitimate and efficient markets. The long-term legitimacy of sectors and markets depends, among other things, on operations and products that are ethically acceptable.

Companies' operations have impact on employees, as well as contract workers, workers in supply chains, customers, communities and the environment around operations. End-users of products or services may also be affected by companies. It is broadly accepted that companies have a responsibility to respect human rights, including in supply chains and other business relationships. Respecting human rights is, more generally, part of good business practice and risk management.

Under international law, the legal obligation to protect human rights rests with governments. Although international human rights treaties do not impose direct legal obligations on business enterprises, they nevertheless constitute important standards for companies. The UN Guiding Principles on Business and Human Rights refer to the responsibility of corporations to respect the human rights expressed in the International Bill of Human Rights¹ and the core ILO conventions,² as a minimum. These encompass economic, social and cultural rights, civil and political rights, and the fundamental principles and rights at work.³

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

2 The core ILO Conventions pertaining to forced labour, child labour, freedom of association and collective bargaining, and discrimination.

3 The UNGP states 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: <http://www.ungpreporting.org/resources/how-businesses-impact-human-rights/>

The UN Guiding Principles on Business and Human Rights establishes a normative starting point for companies' strategies with respect to human rights. The guiding principles moreover provides a reference point for businesses in understanding what human rights are; how their own activities and business relationships may affect them; and how to ensure that businesses prevent or mitigate the risk of adverse impacts on human rights.⁴

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

Our expectations are especially relevant for companies with direct operations, supply chains or other business relationships in high-risk sectors, high-risk geographical areas, or otherwise high-risk operational environments. In line with the UN Guiding Principles on Business and Human Rights, Norges Bank Investment Management encourages companies to identify the human rights, which may be at risk of the most severe negative impact through a company's business operations,⁵ including in supply chains and other business relationships, as well as products and services.

Norges Bank Investment Management acknowledges that information on human rights can be sensitive, both to operations and for affected stakeholders. We nevertheless

encourage companies to be transparent, as far as possible, about the dilemmas they face and priorities they set in their efforts to respect human rights. Companies may find the "comply or explain" principle helpful in this regard. Principles and practices for companies' human rights reporting have been developed over time.⁶

We support the on-going development of good practices. Appropriate and timely reporting, as well as measurable data, are important in this regard. Norges Bank Investment Management uses such information to identify how the issue of human rights may affect companies' performance and prospects, and to assess whether companies are taking adequate steps to develop a long-term business strategy addressing these challenges.

EXPECTATIONS TOWARDS COMPANIES

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4 The UNGP concept of human rights due diligence concerns risk management processes in order to identify, prevent, mitigate and account for how a company addresses its adverse human rights impacts. It will vary in complexity with the size of the business, the risk of severe human rights impacts, and the context of operations.

5 Often referred to as "salient human rights issues", see <http://www.ungpreporting.org/key-concepts/salient-human-rights-issues/>

6 The 2015 UNGP Reporting Framework is one example. The GRI G4 Sustainability Reporting Guidelines another. In some jurisdictions companies are also required to report on human rights issues.

A.
Integrate human rights considerations in business strategy and planning

- Companies should make a public commitment regarding the respect of human rights, including with regard to supply chains and other business relationships.
- Companies should adopt strategies and policies based on emerging industry standards and good practices addressing human rights. Strategies and policies should be appropriate to company size, sector, operational context, ownership and structure.⁷
- Companies should understand the business implications of human rights issues and integrate findings within their strategic business planning.
- Companies should regularly consider whether their remuneration, incentive systems, and wider company culture integrate sustainable business practices appropriately. Employees and contractors must be made aware of company strategy and policies.
- 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.

B.
Integrate human rights into risk management

- Companies should conduct ongoing human rights due diligence, based on the perspective of those who may be negatively impacted. They should strive to identify actual and potential negative impact on relevant human rights in relation to all aspects of a business operation.
- Human Rights due diligence efforts should be guided by the severity of the potential adverse impact on human rights and practical considerations such as company size, sector, operational context, and business structure.
- Company policies should include measures to address salient⁸ human rights risks, including, as appropriate, through cessation, prevention and mitigation of potential human rights abuses.⁹
- Companies should carry out relevant impact and risk assessments prior to for example making significant investments in new business activities, agreeing mergers and acquisitions, entering into new countries, regions or locations and establishing new business relationships.
- Companies should have an adequate supply chain management system in place, including policies for detecting and preventing supply chain human rights abuses, monitoring systems, contractual clauses, incentives and corrective instruments, such as formal or non-formal education and training.

⁷ Strategies and policies can be integrated with wider corporate responsibility strategies on, for example, ethics, human rights or sustainability.

⁸ For an explanation of saliency, see <http://www.ungpreporting.org/key-concepts/salient-human-rights-issues/>.

⁹ As laid out in the UNGP appropriate action will vary according to whether a company causes or contributes to an adverse impact, or is involved solely because the impact is directly linked to its operations, products or services by a business relationship. The extent of a company's leverage in addressing the adverse impact may also be relevant.

C.

Disclose strategy, and report on 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, where relevant, for example, disclose human rights action plans, governance structures, operational procedures and risk and impact assessments, as well as stakeholder relations concerning human rights.
- Companies should identify, monitor, and, at the appropriate level of detail, report status of such topics. Performance reporting should, as appropriate, use metrics that enable year-on-year comparison, in line with applicable internationally accepted reporting standards or initiatives.
- 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, as far as possible, be open about dilemmas they face and priorities they set.

- Companies should ensure information is communicated in a relevant and accessible manner.
- As appropriate, companies should report the above information for supply chains and other business relationships, taking a full value-chain perspective.

D.

Engagement with stakeholders and grievance mechanism

- Companies should, as appropriate to their size, and the nature and context of operations, consult and engage with their workers and their representatives, health and safety representatives, potentially affected groups, and other relevant stakeholders, on human rights issues.
- Companies should establish or participate in effective and accessible operational-level grievance mechanisms for individuals and communities that may be adversely impacted by their operations.
- 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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