

Our position on human rights

PREAMBLE

Triodos Bank has a very deliberate, positive approach to how it uses the money its customers save and invest with it. The Bank only finances organisations that help to build a sustainable future for individuals, the community and the environment.

We identify socially, environmentally and culturally responsible businesses delivering lasting, positive change - in both our lending and investment activity. This positive approach guides our lending decisions, and our wider philosophy as an institution. But as well as this positive focus we also meet negative criteria, helping to provide clarity about who we will not finance. These negative criteria are applicable to all our products and services, but are particularly relevant for customers who want to invest their money as sustainably as possible in stock-market listed companies (typically large, multi-national companies whose brand names are very familiar).

These companies, by definition, are very big with connections to many other industries. We want to influence these organisations, and encourage a more sustainable approach to what they do. At the same time, if we used the same positive criteria as we do in our lending and other investment funds we would have a very limited pool of companies to choose from. So, instead, we use a combination of negative criteria and a 'best-in-class' approach. The latter means we can compare the sustainable performance of different companies in the same sector. The results of both 'best-in-class' and negative criteria are used to make decisions about which companies are available for a fund manager to invest in, on behalf of a group of investors who choose to invest in this way. The issues explored in this paper are particularly relevant for these private banking services and the management funds they relate to.

SUMMARY

Human rights are universal, indivisible and inter-dependent and Triodos Bank will not finance companies involved in their abuse. Indeed, respect for them is one of Triodos Bank's key values. The bank believes that a company should neither abuse human rights directly nor be involved in human rights violations. A company's responsibilities are not limited by law. They should extend into moral obligations.

As a result Triodos Bank expects companies to respect and promote human rights in their own operations and to use their influence to protect and promote them in the supply chains that connect them to others.

WHAT WE BELIEVE IN

Triodos Bank's mission is:

- To help create a society that promotes people's quality of life and that has human dignity at its core.
- To enable individuals, institutions and businesses to use money more consciously in ways that benefit people and the environment, and promote sustainable development.
- To offer our customers sustainable financial products and high quality service.

Given this focus it is no surprise that respect for human rights is one of our six business principles. We integrate human rights into our human resource policies, and our human rights policy influences how we engage with the wider world, including the expectations we have of the companies we do business with, and invest in.

Our human rights policy is based on the following key considerations:

- Companies are expected to make sure human rights are respected both within their operations and across their spheres of influence.
- A company should neither abuse human rights, nor be involved in violations of them. A company operating in countries where human rights abuses are institutionalised, risks becoming implicated in them. The responsibility of a company stretches well beyond legal compliance into moral obligations.

HOW WE ACT

Where it's relevant for borrowing customers, and across our listed investment funds in particular, we analyse an organisation's human rights policy and labour practice. In addition, a variety of news, non-governmental organisations and media sources are also used to trace whether companies being assessed for investment are involved in human rights controversies. Evidence of abuse doesn't always attract public attention, and companies themselves seldom report it - which means judging companies on the basis of visible controversies alone is insufficient. We have therefore developed specific requirements for companies operating in what we consider to be high-risk countries and high-risk sectors. These requirements assess whether a company

acknowledges the sensitivity of its position and if it takes steps to manage it appropriately.

Specifically:

- We have defined countries with repressive governments and poor human rights track records, and assess if and how a company is involved with them.
- We pay careful attention to industries which have human rights issues specific to their own employees, contractors and supply chains.

We also monitor four spheres of a company's influence:

1. *Own operations*: companies operating in high-risk countries and high-risk sectors should have publicly available labour rights policies and supporting management systems addressing the themes of child labour, equality (discrimination), forced labour, unionization, and health and safety.
2. *Business partners and suppliers*: International operating companies often have complex supply and production chains, and a company human rights policy limited to its own employees is not sufficient. Companies working in high-risk industries and in high-risk countries are required to have labour rights policies and management systems with respect to their contractors and suppliers.
3. *Host communities*: Companies operating in developing countries can improve the living conditions of their local communities. Examples include contributing to basic public services such as housing projects, drinking water, health services or education. They can also make things worse, however, by preventing access to water for communities while the company diverts it. Companies are carefully screened for involvement in controversies surrounding the denial of basic needs.
4. *Interaction with (local) governments*: For a company to do legitimate business in a specific country, it has to interact with that country's government. If the authorities are synonymous with serious human rights abuses, companies operating in these high-risk countries can use lawlessness, weak or absent governments to their own advantage and become complicit in human rights violations. We are particularly critical of the use of armed security forces in high-risk countries. Companies in high-risk industries with operations in high-risk countries are required to have a policy and programme that includes training of security personnel, monitoring and grievance procedures. We also take violations of the rights of indigenous people into consideration.

DILEMMAS WE FACE

Our key dilemma is determining the extent to which a company is complicit in human rights violations. Some examples of dilemmas include:

- Some companies might, willingly or unwillingly, violate or hamper access to basic needs. Examples include companies who use large quantities of water or livestock, directing it away from local communities. At the same time they may provide a local source of employment and food. Triodos Bank considers these issues carefully and takes an informed and balanced view on them.
- How the size of a company influences the world around it. What kind of standards and what time frames are reasonable when assessing relationships with suppliers and business partners? For a small company, responsibility might be limited to upholding the human rights of its own employees and influencing some of its suppliers where it can. A larger multinational company is likely to have substantial economic and social clout, and can be expected to have more extensive influence on its suppliers and partners. Again, Triodos Bank assesses these issues in practice, to come to an informed decision about them.
- If a company provides strategic products and/or services to a government we consider to be a repressive regime, how do we decide which is better for the citizens of those countries – the product or service that could contribute to human rights abuses, or the same product and/or service that could enable social and economic development? Mobile phone technology, for instance, can foster entrepreneurialism but can also be used by repressive regimes for the illegitimate monitoring of its citizen's communications.
- Human Rights abuses often take place in the supply chain and in countries where protective legislation is underdeveloped. Companies perpetrating them have a vested interest in hiding abuses when they occur. As a result a dilemma we face is how to judge whether abuses are happening, even with the benefit of information from stakeholders and human rights organisations.

ANNUAL REVIEW

As part of our monitoring procedures this policy paper is reviewed on an annual basis. New insights into human rights, or inputs from stakeholders, may result in changes in the future.

BACKGROUND INFORMATION TO THIS PAPER

Human rights are the rights of people as they are defined in the United Nations' Universal Declaration of Human Rights (UDHR) which says, 'All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood'¹.

1. The United Nations Universal Declaration of Human Rights, Article 1.

The declaration was adopted on 10 December 1948 by the General Assembly of the United Nations (UN) and is unequivocally accepted by all member states of the UN. It is considered to be a set of 'minimum standards', which have been incorporated into more than 80 international, regional and thematic conventions and declarations since its inception. The most important of these are the International Covenant on Civil and Political Rights (1966) and the International Covenant on Economic, Social and Cultural Rights (1966). The UDHR, and both covenants, form the International Bill of Human Rights. The UDHR itself is now regarded as international customary law². All conventions and declarations from the UDHR address the responsibilities of nation states.

In 1993, in an effort to address the human rights responsibilities of companies, the UN Sub-Commission on the Promotion and Protection of Human Rights developed, and approved, the Draft UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to Human Rights³.

The Organisation for Economic Co-operation and Development (OECD) Guidelines for multinational enterprises (2000) refer to the UDHR and address some human rights issues. The guidelines are voluntary and describe the OECD government's expectations about the way multinational corporations based in their countries operate in developing countries. Labour rights, designed to protect workers, form a specific sub set of human rights. Over time these rights have been detailed and embedded in a number of International Labour Organisation (ILO)⁴ conventions and recommendations.

Significantly, the International Labour Conference adopted the Declaration on Fundamental Principles and Rights at Work in 1998, encompassing the four fundamental labour rights or 'ILO core conventions'. They are the elimination of all forms of forced labour, the effective abolition of child labour, the 'trade union rights' (freedom of association and the right to organize and collective bargaining), and the elimination of discrimination with respect to employment and occupation. The ILO conventions and declaration create binding obligations on governments and are particularly relevant for corporations.

2. Customary international laws are those rules that result from a clear consensus among nations, demonstrated both by conduct and a sense of obligation.

3. These norms however are still under consideration of the United Nations Council on Human Rights, the formal United Nations human rights body of government representatives. In July 2005 United Nations Secretary General Kofi Annan appointed Professor John G. Ruggie to be Special Representative of the UN Secretary-General on business & human rights and to work on the issue.

4. The ILO is a tripartite organisation of the UN (governments, employers and trade unions).

The UDHR and the ILO core conventions provide a clear and credible human rights policy framework for business. In addition, the Special Representative to the United Nations Secretary General on Business and Human Rights, Professor John Ruggie has presented a normative framework (protect, respect, remedy). In follow up he also promotes the operationalisation of the framework and there are many initiatives currently working to develop concrete guidelines for business. Ruggie states that the responsibility to respect human rights is the baseline norm for all companies in all situations. Many companies develop their own code, individually or with a group of similar businesses using these frameworks as a basis.

Despite their good intentions, conventions and declarations have not prevented serious human rights violations in many countries around the world. Amnesty International and Human Rights Watch annual reports, among others, regularly highlight the seriousness of these abuses.

The laws of some countries do not conform to international human rights standards. In other countries the law conforms on paper but not in practise. This can be deliberate or due to failing state structures. Strong, repressive governments wilfully commit human rights violations, while weak governments sometimes can't guarantee the rights of their citizens – often these are countries in conflict, in transition or in post-conflict situations.

International, multinational, global and transnational companies have to deal with these realities. As globalisation expands and competition grows, companies invest in these countries or outsource to them to reduce costs. Often they are confronted, directly or indirectly, with human rights violations. This might include labour rights issues, or less directly working with repressive governments to acquire permission to operate, or concessions for land, mining or forest exploitation. Companies can fail to consult with, or provide compensation for, the local people their developments affect most.

Nation states have primary responsibility for protecting human rights. And international human rights law, detailed above, does not impose legally binding obligations on companies. However, the United Nations Universal Declaration of Human Rights' preamble states that 'every individual and organ of society shall strive to respect and to promote respect for human rights and individual freedoms'. This can be interpreted as a moral obligation on all of us, including companies, to take responsibility for human rights. For business, this is reflected most closely in the concept of corporate social responsibility.

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