



**To:**

**Professor John Ruggie  
United Nations Secretary General's Special  
Representative on Human Rights & Business**

**Subject:**

**The role of the financial services sector in human rights**

**Date**

Nijmegen, Zürich October 25<sup>st</sup> 2010

Dear Professor Ruggie,

Thank you very much for inviting us to the consultation in Geneva on the implementation of the PRR Framework. We thought it was an excellent event.

With this letter, we would like to briefly follow up on our discussion during the consultation on whether the financial sector should get special mentioning in the Guiding Principles for the implementation of the framework.

We understand your point of view that there is strength in keeping the framework and guidelines universally applicable and that specifically mentioning one sector may open the door to having to mention many other 'special cases', thus weakening the universal character of the framework.

Yet we do want to present once more our own arguments for making special reference to the role and responsibility of banks in your guidelines, because they *are* a special category within business and because mentioning them as such could make a huge difference in bringing forward the agenda on banks and human rights that we, and you, are concerned with.<sup>1</sup>

Let us start with the latter; BankTrack continuously monitors the standards that private sector banks use to manage their activities in sectors where human rights violations may occur. From

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<sup>1</sup> We argued for this also in the paper we submitted to you in July, which can be found here:  
[http://www.banktrack.org/download/the\\_human\\_rights\\_responsibilities\\_of\\_banks/310715\\_hr\\_responsibilities\\_of\\_banks\\_submission\\_to\\_dr\\_ruggie.pdf](http://www.banktrack.org/download/the_human_rights_responsibilities_of_banks/310715_hr_responsibilities_of_banks_submission_to_dr_ruggie.pdf)

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this, we may safely conclude that the discussion about human rights at private sector banks is still at its infancy. Very few banks have an explicit human rights policy and even fewer have a policy that references the International Bill of Human Rights and the ILO core labor standards. Sector standards (such as mining, oil and gas, forestry, large scale agriculture etc.) are often quite substantial on environmental and sustainability issues but remain weak when it comes to human rights.<sup>2</sup>

From our own engagements with private sector banks, we know that the handful of people within the banking sector (usually in sustainability, CSR or public policy departments) that have an understanding of human rights issues are waiting for more guidance from your mandate to advance the issue within their institutions. The vast majority of bank staff and management is of the opinion that human rights may be an issue that is relevant for their clients but not for the bank itself. The key message of the framework you propose - the corporate responsibility to respect human rights as a baseline expectation of all companies in all situations - could fall on deaf ears within private sector banks if they are not specifically addressed in the Guiding Principles.

The second reason for mentioning banks is because of their specific role in enabling or preventing possible human rights violations. Banks are indeed different from other corporations as they are one step behind the companies that may perpetrate or enable human rights violations and remain invisible players to affected communities or victims on the ground. At the same time, as financiers, they are absolutely crucial for any business operation to go forward and "but for" their financial role, many human rights abuses would not happen.

While private sector banks are a business sector, the approach of banks on their responsibility to respect human rights cannot be focused on their own business sector alone, as their influence extends to all sectors they provide finance for. For this reason, private sector banks, if taking the right approach, can be powerful drivers of good practice to change corporate behavior on the ground in all sectors. Their financial leverage can have a positive influence on the human rights impacts of their clients. However, in order to achieve that, human rights considerations must be mainstreamed within private sector banks.

The single most important contribution of your guidelines and commentary towards achieving such a mainstreaming would be to emphasize the specific private sector banks' responsibility to respect human rights. This would require prescribing human rights due diligence for bank operations, including all the elements (policy, assessment of impacts, integration, tracking

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<sup>2</sup> For more details on the quality of human rights related policies of banks please see: [http://www.banktrack.org/show/focus/close\\_the\\_gap](http://www.banktrack.org/show/focus/close_the_gap)

performance, transparency) you have elaborated upon for companies in general. The activities of banks in commercial and investment banking should be explicitly mentioned, as this is where banks are directly involved with clients that can have a negative impact on human rights.

If you would like to specify the due diligence requirements further, for example in the commentary, this could be done along the lines of your elaboration on supply chain issues in document A/65/310. As within supply chains, banks (and financial institutions in general) have a differing degree of involvement depending on the specific function they perform or service they provide. A description of "situations" and a "cell matrix" could help to differentiate. For this reason BankTrack has proposed a scoring system to be applied at banks (see our submission of July 2010).

We are convinced that your work presents a very important opportunity to advance the human rights agenda in the financial sector. We are looking forward to the draft guidelines and we hope that they will be the driving force that is needed to push a human rights agenda at private sector banks. The BankTrack Network will continue to use our campaigns, our research and our lobbying to make human rights a part of everyday banking.

With best wishes



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