

UNEP FI - Legal Risk Working Group & Human Rights Community of Practice - Session 2

Human Rights Due Diligence for Financial Institutions

Regulatory Trends & Best Practices



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An aerial photograph of a rural landscape featuring a network of roads and large agricultural fields. The fields are divided into rectangular plots, some of which appear to be harvested or fallow, showing a mix of brown and green tones. A prominent yellow rectangular box is overlaid on the left side of the image, containing the title text.

Global trends in human rights regulation

Global trends in **human rights** reporting and due diligence requirements




Businesses are increasingly expected to not only assess risks, but also to take greater accountability and implement effective due diligence processes

Disclosure (D)	Requires companies to disclose human rights and modern slavery related due diligence and risk management activities
Due Diligence (DD)	Requires companies to implement human rights due diligence processes
Remediation (R)	Requires companies to address any issues identified through due diligence activities
Trade-based prohibition (T)	Aims to prevent harm by prohibiting the import of goods that are suspected to have not met specific human rights requirements
Colour key	
■	Adopted or enacted legislation concerning value chain sustainability
■	Value chain sustainability legislation under development or proposal stage

- EU**
 - Conflict Minerals Regulation (2021) (D, DD)
 - Regulation 2023/115 on deforestation-free products - to be adopted 30 Dec '25 (D, DD, T)
 - European Corporate Sustainability Reporting Directive (2024) (D)
 - Corporate Sustainability Due Diligence Directive (CSDD) (D, DD)
 - EU Taxonomy 2020 (D)
 - EU Forced Labour Regulation (T)
- Spain**
 - Proposal - Duty of care (DD)
- Nordics**
 - FI: Proposal - Corporate Social Responsibility Act (D, DD)
 - DK: Financial Statements Act (2009) (D)
 - SE: Annual Accounts act (D)
 - SE: Public Procurement Act (2016) (DD)
- Netherlands**
 - Child Labor Due Diligence 2019 (D, DD)
 - Proposal - Responsible and Sustainable International Business Conduct Act (2021) (D, DD)
- Austria**
 - Code of Corporate Governance 2002 (D, DD)
 - Proposal- Supply chain act (D, DD)
- Germany**
 - Supply Chain Duty of Care Act 2021 (D)
- Belgium**
 - Proposal - Duty of care (DD)
- France**
 - Duty of Vigilance 2017 (DD)

- Canada**
 - Proposal - Corporate Responsibility to Protect Human Rights Act (D, DD, R)
 - Fighting Against Forced Labour and Child Labour in Supply Chains Act 2023 (amendment in 2024 to include child labour) (DD)
 - Canada-United States-Mexico Agreement Implementation Act (2020) (T)
- USA**
 - Section 307 of the Tariff Act of 1930 (T)
 - Dodd Frank Act 2012 (D, DD)
 - California Transparency in Supply Chain Act 2012 (D, DD)
 - Uyghur Forced Labor Prevention Act 2021 (T)
 - 2015 Trade Facilitation and Trade Enforcement Act (T)
 - Federal Acquisition Regulation - Trafficking in Persons (2015) (D, DD)
- Mexico**
 - Proposal - General Law of Corporate Responsibility and Due Diligence (DD)
 - Forced Labour Regulation 2023 (DD)
- Brazil**
 - Proposal - National Framework on Business and Human Rights (D, DD)
- UK**
 - Modern Slavery Act 2015 (D)
 - Proposal - HuRi and Env. Bill (D, DD, R)
- Norway**
 - Transparency Act 2022 (D, DD)
- Switzerland**
 - Code of Obligations - Transparency on Non-Financial Matters 2022 (D)
 - Code of Obligations - Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour 2022 (D, DD)
- India**
 - Business Responsibility and Sustainability (BRSR) guidelines 2021 (D)
- South Africa**
 - Broad-Based Black Economic Empowerment Act (2003) (D, DD, R)
 - Proposal - The companies Amendment Bill (2023) (D, R)
- Australia**
 - Modern Slavery Act 2018 (D)
 - Modern Slavery Amendment Act 2021 (New South Wales) (D)
 - Australian Sustainability Reporting Standards (ASRS) 2024 (D)
- South Korea**
 - Proposal - Act on Human Rights and Environmental Protection for Sustainable Business Management (D, DD)
- Japan**
 - A Guideline on Human Rights Due Diligence in Supply Chain 2022 (non-regulatory) (D, DD, R)
 - Respect for human rights incorporated into public procurement policy (2023) (D, DD, R)
- New Zealand**
 - Proposal - Modern Slavery Bill (D)

An aerial photograph of agricultural fields, showing rows of crops and a road. A bright yellow text box is overlaid on the left side of the image.

**Best practices in
human rights due diligence
for financial institutions**

The six steps of human rights due diligence



1. Ahead of the curve on **understanding impacts** – MUFG



Initiatives for the Transactions of High Caution Specified in MUFG Environmental and Social Policy Framework¹

• Adverse impact on Indigenous Peoples Communities

There are cases where indigenous people's rights to their ancestral lands, territories and natural resources may be adversely impacted due to large-scale development projects such as mining and infrastructure projects. We assess its risk and impact through interviews, assessments by independent consultants, and on-site inspections which we confirm its consistency with the international standards such as IFC Performance Standards.

Key Points to Assess Risks / Impacts

- Relationship between the affected indigenous people and the business operations
- Consultation and communication processes with affected indigenous peoples (e.g. use of grievance mechanisms, free, prior and informed consent)
- Profit sharing and development opportunities for indigenous peoples

• Land expropriation leading to involuntary resettlement

In some cases, investments involving the acquisition of land use rights, such as investments in agribusiness and plantations, lead to "land exploitation."

We assess its risk and impact through interviews, assessments by independent consultants, and on-site inspections which we confirm its consistency with the international standards such as IFC Performance Standards.

Key Points to Assess Risks / Impacts

- Whether or not the design and the timing minimize the adverse impact
- Effectiveness of the involuntary transfer procedures taken
- Development status of the resettlement and livelihood restoration plans to mitigate adverse impacts

• Transactions in Conflict Areas²

There is a concern that conflict areas with weak governance may have higher human rights risks, including those in the five areas³ included in the ILO's Core Labor Standards.

We confirm and assess whether the transaction has an adverse impact on the human rights through interviews, external information, and assessments by independent consultants and others.

Key Points to Assess Risks / Impacts

- Whether the transaction is in the region identified from the Conflict Areas and High Risk Areas (CAHRAs)
- Whether there is any risk of adverse impact on the human rights due to the product or service handled or sold being used for other than its purpose
- Whether the transaction involves any dealing with the government, public institution, state-owned enterprise, national military organization, etc.

• Forestry / Palm Oil

Forestry / palm oil businesses are considered to have a significant environmental and social impacts, including human rights issues such as child labor and forced labor in the production process, and environmental destruction and impacts on biodiversity due to deforestation.

We check the status of certification that confirms that environmental and social considerations have been implemented, as well as compliance with NDPE. Moreover, we request for an enhancement of supply chain management and traceability, or we confirm that appropriate measures are taken to address social issues such as respect for human rights, etc. during the transaction period.

Key Points to Assess Risks / Impacts

- Acquisition or acquisition plan of FSC⁴, PEFC⁵ certification, etc. (Forestry)
- RSPO certified or planning to be certified and compliance with NDPE⁶ policy (Palm oil)

2. Ahead of the curve on **addressing impacts** – Danske Bank



Identifying ESG risk exposure

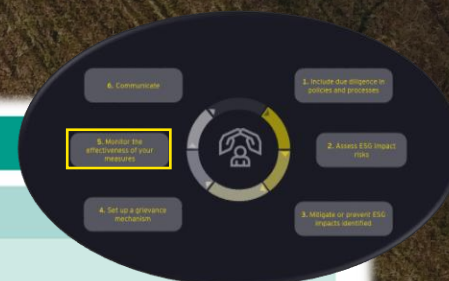
*“Using data from SASB, Sustainalytics, period sector reviews and our human rights risks identification as input, we are also in the process of implementing a **dedicated human rights module** as part of the ESG assessment to ensure an up-to-date assessment framework, through which customers are assessed in relation to their risk of adverse impacts on human rights (...). We expect 15,000 customers to be in scope for this assessment.”*

Enabling operational decision-making

*“The **assessment tool** will **enable our advisers** to identify where the customer in question is at risk of adverse impacts on human rights. (...) If the ESG assessment reveals a high risk, a further in-depth assessment of the company will be performed and a decision of a credit approval or disapproval will be made. Where necessary, the company will be included in our ESG Watchlist.”*

(Danske Bank Human Rights Report 2023, p. 18)

3. Ahead of the curve on effectiveness measurement – ABN AMRO



Performance on our salient human rights issues



Lender				
Indicator	2022	2021	Explanation	
Percentage of clients assessed with the Client Assessment on Sustainability (CASY) tool, including on human rights	74%	75% (CB) 94% (CIB) ¹	Number of assessments on sustainability performance of ABN AMRO credit clients. In this assessment, the sustainability performance is reflected upon the Sustainability Risk Management Framework. The target is 100%.	
Percentage of cases with a specific human rights link on which second line Sustainability Risk (sustainability risk experts within Credit Risk) provided advice	47.3%	45.7%	Advice is provided in cases that are high risk from a sustainability standpoint. It regards whether clients/credit to clients should be approved or rejected based on compliance/non-compliance with our Sustainability Risk Management Framework or other risk factors.	
Number of clients with which we undertook a normal-intensity engagement specifically related to human rights	165	113	An ongoing process to address (human rights) issues that is tailored to the client's particular risks or impacts and the client's improvement areas.	
Number of clients with which we undertook a high-intensity engagement specifically related to human rights	1	1	A formal, time-bound process that involves setting detailed objectives, close monitoring by relationship managers and the Credit Risk Sustainability team, and quarterly oversight by our Engagement Committee. If clients do not achieve the agreed objectives within the time period, we may end the business relationship.	
Number of sustainability-linked loans related to human rights	20	17	Number of loans that ABN AMRO has provided specifically focused on accelerating the sustainability performance of these clients, wherein broader sustainability includes human rights aspects.	

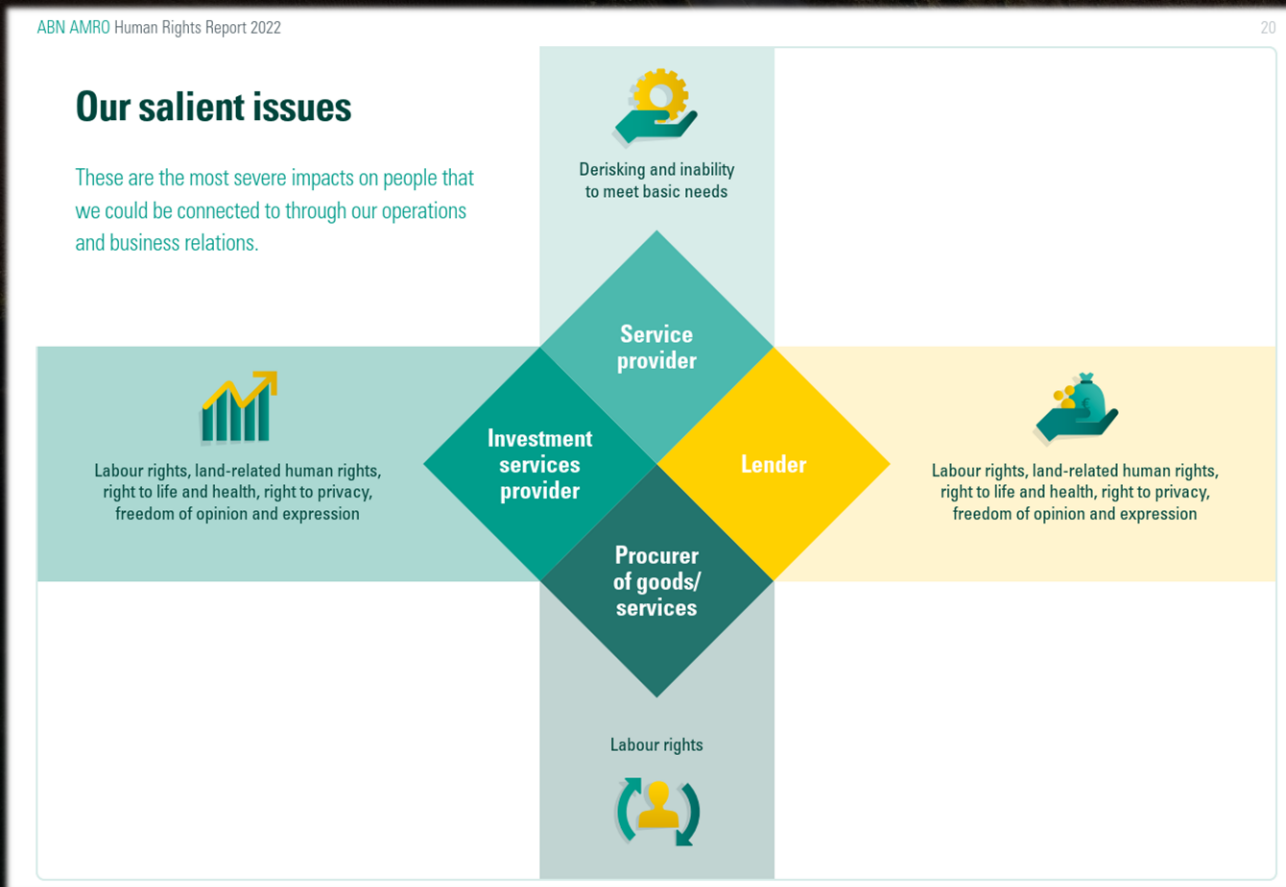


Investment services provider				
Indicator	2022	2021	Explanation	
Number of engagements with companies specifically related to human rights – through EOS	367	352	Number of companies that have been engaged with on our behalf, based on EOS' human rights risk assessment. These engagements specifically relate to human rights.	
Number of engagements with companies specifically related to human rights – through PLWF	52	54	Number of companies that have been engaged by the members of The Platform Living Wage Financials (PLWF). PLWF is an alliance of 19 financial institutions that encourages and monitors investee companies to enable living wages and incomes in their global supply chains.	

Beyond the *six steps*: **connectivity** and **candour** in reporting

Connectivity

The *six steps* aren't six separate boxes to tick: ensure a single, clearly interconnected narrative



Candour

It takes courage to be forthright about what you don't know yet, but doing so inspires trust and raises awareness about challenges that still require solving

"We recognise that our current screening tools (GSES and Hellios) have shortcomings when it comes to their utility in our efforts to manage labour rights risks connected to our role as a procurer. (...) We have also yet to follow up on findings from the data entered into these systems. Finally, the data required from suppliers by these systems does not fully reflect the human rights due diligence process as set out by the OECD Guidelines"

(ABN AMRO HuRi Report 2022, p. 33)

Beyond the *six steps*: **collaboration** for impact

- Collaboration in physical supply chains

- Commodity-based:



- Community-based:



- Collaboration among financial institutions



Thank you

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