



## **Expanding the Role of Human Rights Funders Through Investment and Engagement Strategies**

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***Human Rights Funding News, IHRFG e-newsletter, May 15, 2014***

A growing number of funders are looking to their investments as well as to their grantmaking as tools for advancing human rights. Boston Common Asset Management specializes in sustainable and responsible global equity strategies. Human rights are central to how and where we invest and the issues on which we engage companies. We use shareholder leverage to influence industry practices globally, often in collaboration with coalitions of shareholders and activist organizations. For the past ten years, we have tried to influence corporate practices related to human trafficking and modern-day slavery, the rights of Indigenous Peoples—including free prior and informed consent—conflict minerals, workplace human rights, supply chain practices and access to water as a human right.

This article will explore several of our non-grant avenues for promoting change, which include constructive dialogue, targeted data gathering, and promoting industry best practices, key performance indicator (KPIs) and metrics development, global investor statements, multi-stakeholder initiatives, shareholder resolutions, public policy testimony, and proxy voting. We have developed our engagement strategy as long-term, global investors and have promoted constructive dialogue as a primary tool in international markets, where shareholder proposals are a rarity. What have we learned from the past decade?

The most effective shareowner engagement platforms leverage a variety of tools to support constructive dialogue between investors and companies. One tool is public rankings and scorecards, such as [\*Getting Conflict-Free: Assessing Corporate Action on Conflict Minerals\*](#) and other ongoing reports issued by the Enough Project, or the recently released [\*Disclosing the Facts: Transparency and Risk in Hydraulic Fracturing Operations\*](#), which examines community impacts as a critical theme. Investors can also leverage a company's own reporting through industry initiatives, such as CDP (formerly the Carbon Disclosure Project), the U.N. Global Compact, and the Global Reporting Initiative (GRI). External NGO reports can flag emerging issues. For example, the 2013 Oxfam [\*Behind the Brands\*](#) report ranks the ten largest food and beverage companies on land rights, women's issues, child labor, access to water, and a variety of social and environmental indicators in the global food supply chain.

Global investor statements have played a critical role in raising awareness and support for addressing human rights issues. They have issued urgent calls to action, such as the one following the deaths of over 1,100 garment factory workers in the 2013 Rana Plaza tragedy in Bangladesh. The investor statement coordinated by the [\*Interfaith Center on Corporate Responsibility\*](#) came out shortly after the tragedy and called for systemic change in the apparel industry. It was signed by over 200 global organizations from 16 countries with \$3.1 trillion in assets.

Boston Common has worked collaboratively under multi-stakeholder initiatives that can drive broad, systemic change to advance human rights. One example is the [\*Responsible Sourcing Network's\*](#) initiative to address the

### ***Investor Coalitions in Bangladesh***

The November 2012 Tazreen garment factory fire and the April 2013 Rana Plaza building collapse in Bangladesh resulted in the deaths of over 1,500 garment workers. The pursuit of low-cost manufacturing comes at a high social price and represents a material supply chain risk to companies and investors alike. Since May 2013, Boston Common Asset Management has helped lead an investor coalition, coordinated by the Interfaith Center on Corporate Responsibility and representing more than 200 organizations in Europe, North America, and Australia with \$3.1 trillion in assets, to encourage companies to address systemic problems in the Bangladesh apparel supply chain.

U.S. Securities & Exchange Commission's rule-making process on conflict minerals regarding Section 1502 of the Dodd-Frank Act, the U.S Congress's financial regulation legislation. For two years, this initiative brought together a core group of companies, investors, and human rights groups—including the Enough Project and Friends of the Congo—that met on a regular basis to develop a common framework and specific recommendations on conflict minerals disclosure requirements that are now a matter of public record. The influence and impact of this multi-stakeholder group was enriched tenfold by having human rights organizations at the table.

Funders have the opportunity to join forces with investors and other partners to strengthen the collective voice of actors advocating for human rights globally through direct philanthropy. Funders can support needed research by NGO groups on the ground, facilitate the opportunity for marginalized communities and victims to make their voice heard through speaking tours, media, and other public and private forums, and strengthen civil society capacity on the ground in affected places such as Bangladesh and the Democratic Republic of Congo.

Funders can also broaden their influence and impact as investors by aligning their investment portfolios with their grantmaking activities. Foundations can ensure that they are not supporting egregious companies with their investments and opposing them at the same time with their stated values and grantmaking. Funders can actively take part in the shareholder engagement activities as described above, and they can support their grantees in shareholder advocacy as another way to advance a human rights agenda.

While one voice can make a difference, the collective voice of these coalitions is greater than the sum of its parts and can be further strengthened with the active involvement of human rights funders. Impact and change cannot always be defined by a single act or response, but a series of events and changes can cumulatively affect the trajectory of a company's—or an entire sector's—approach to human rights issues. It may take years for constructive dialogue and collective action efforts to bear fruit, but the results can be robust and long lasting. Our approach must continue to be global, inclusive, transparent, and focused on the long-term to advance human rights around the world.

The coalition issued an investor statement calling on companies to collaborate to enact system-wide reforms that would prevent future loss of life due to unsafe working conditions. The coalition encouraged twenty-one companies to join the Bangladesh Accord on Building and Fire Safety (the Accord), which includes worker representation and is legally binding. Over 130 companies have joined the European-led Accord to date—including PVH Corp., one of few U.S. companies to do so. ASOS and Disney are amongst the companies that have decided to avoid sourcing from Bangladesh, and Gap, JCPenney, Target, VF Corporation (Timberland), Wal-Mart, and others have joined the Alliance for Bangladesh Worker Safety, backed by North American retail associations. Li & Fung has joined the advisory board of the Accord at the request of its customers but has not joined the Accord directly. In October 2013, Adidas joined the Accord after Boston Common led a dialogue with the company on behalf of the coalition.

Despite the investor coalition's progress to date, companies must be more transparent about their sourcing practices. Companies need to begin to disclose from where they are sourcing and how they are investing in capacity-building down the supply chain to the factory floor. Human rights funders can join investors in advocating for companies to take concrete actions, such as supporting common standards for factory inspections, joining the ILO Better Work Program in Bangladesh which addresses broader worker human rights, and encouraging victim compensation by contributing to the recently established international trust fund. Human rights funders have a critical role in ensuring a long term focus on addressing human rights in the apparel supply chain around the world.

*The information in this article should not be considered a recommendation to buy or sell any security.*

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