

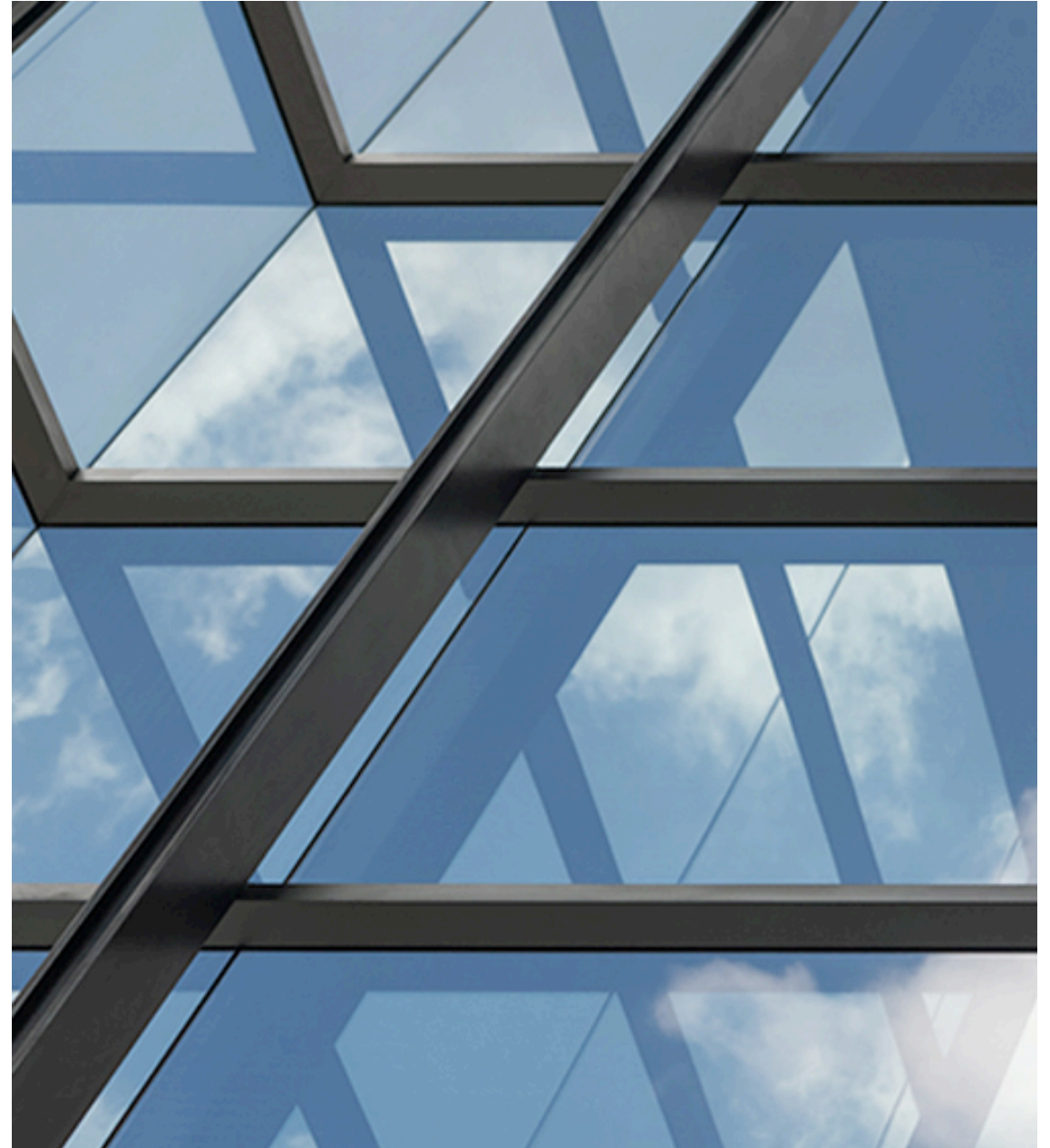
Financial Services Human Rights Benchmark

Presented by

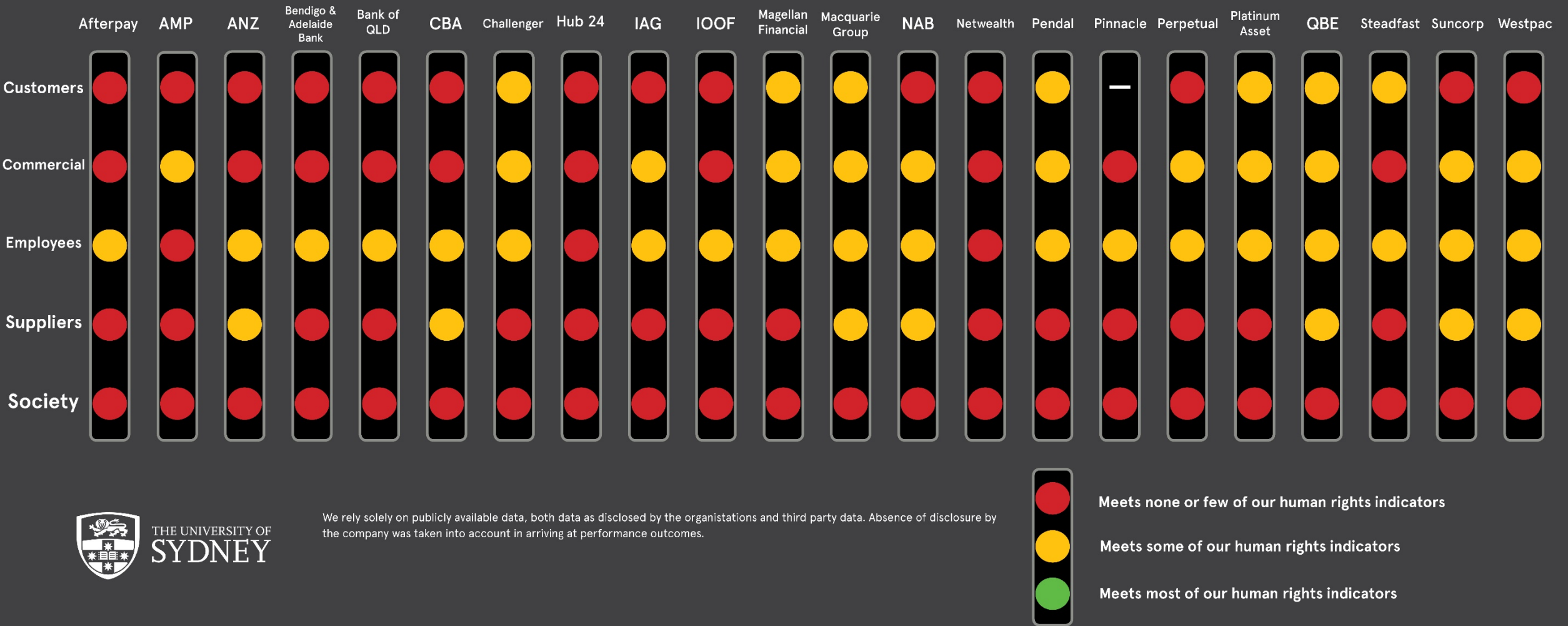
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Sydney Law School

15 September 2021



Human rights performance of 22 ASX financial companies



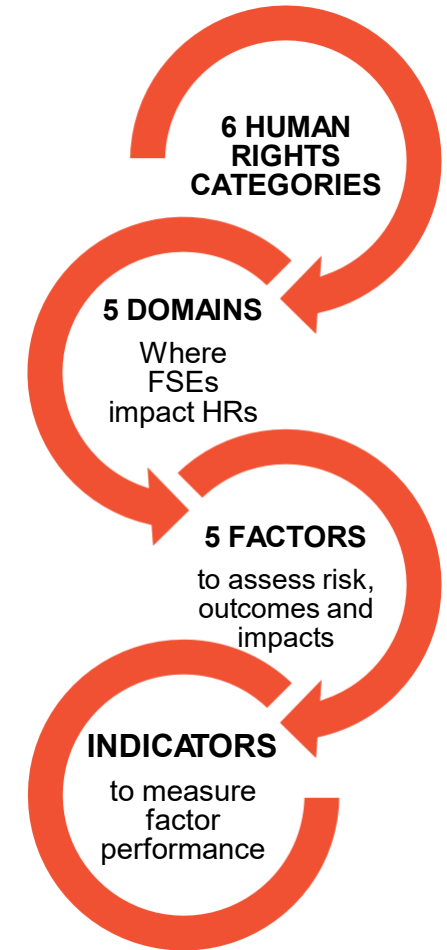
Why a benchmark?

- Because it is a way of measuring performance of an entity
- Allows comparison with the market
- Commonly used in financial services
- Formally based purely on financial performance
- Now incorporating environmental social and governance (ESG) aspects into an assessment of performance ...
- ... and relevant human rights standards constitute a part of ESG measurement.

The Financial Services Human Rights Benchmark (FSHRB)

Financial services entity (**FSE**) human rights performances measured against a set of indicators devised specifically for financial services.

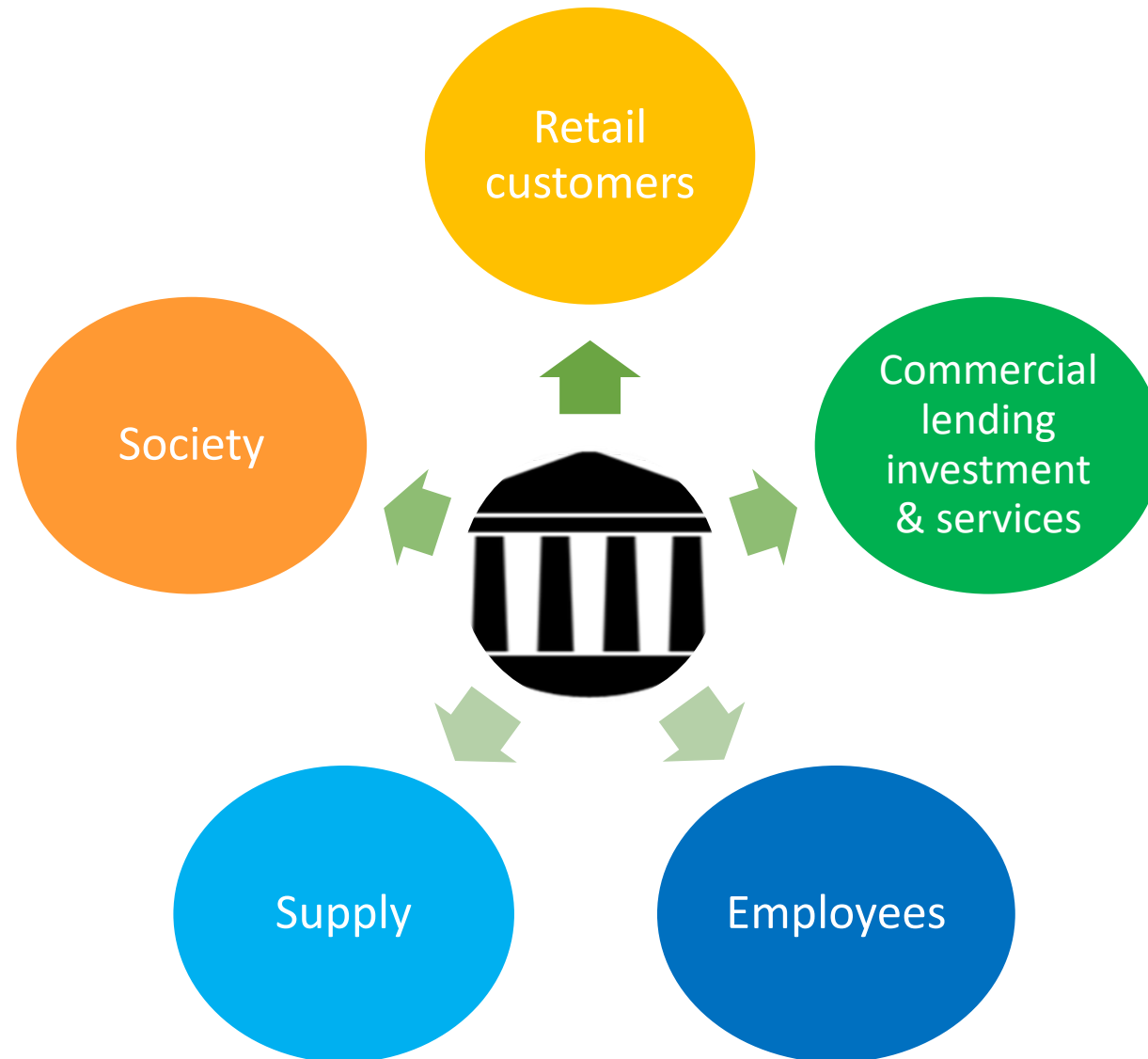
- **FIVE domains where FSEs impact human rights**
 - Retail customers • Commercial lending investment & services • Employees • Supply chain • Society.
- **SIX categories of human rights impacted by FSE activities**
 - Privacy & information • Anti-discrimination • Economic security • Health & safety • Voice & participation • Right to remedy.
- **FIVE factors critical to measuring human rights performance**
 - Internal risk management: Governance • Policy positions • Due diligence
 - External effects: Outcomes • Impact
- **Indicators (or proxies)** specific to factors within each domain.
 - We have >150 indicators.



The human rights we measure

Privacy and information	Privacy and protection against misuse or abuse of personal information protection against FSE providing misleading information or withholding information that materially impairs a person's informed "consent" regarding contractual relations with FSEs
Anti-discrimination	No discrimination on illegitimate grounds such as gender, race, indigeneity, or disability
Economic security	<p>"Quality" of goods and services necessary for the enjoyment of basic economic, social and cultural rights (including the "continuous improvement of living conditions" such as housing, health care and education) is "not sacrificed for the sake of increasing profits."</p> <p>Also covers fair remuneration both within FSEs and their suppliers, contractors and clients.</p>
Health and safety	Rights to workplace health and safety as pertaining in the FSEs themselves, their suppliers, contractors and clients (re: commercial lending), and as pursued (or not) by FSEs in their broader societal interactions
Voice and participation	Right to freely express views relevant to functions of FSE or the impact of their actions, including the right to association and participation in decisions directly affecting their interests – especially <i>employees</i> (in FSEs, their suppliers, contractors and clients), <i>communities</i> (including indigenous), and, in certain circumstances, <i>broader societal interactions</i> (eg regarding relevant policy positions). Also covers whistleblowing.
Right to remedy	Right to appropriate means of redress or "effective remedy" when human rights standards are violated or infringed

The 5 domains of FSE activity (ie where they can impact HR)



The 5 relevant factors to consider within a domain

GOVERNANCE of HRs within the FSE



POLICY POSITIONS on FSE activities



DUE DILIGENCE on HRs risks and impacts specific to the domain



OUTCOMES (what happened within reference period)



IMPACTS on human rights (positive, negative, no impact - longer-term indicator)

Problems in measuring social impact: *Effort v Effect*

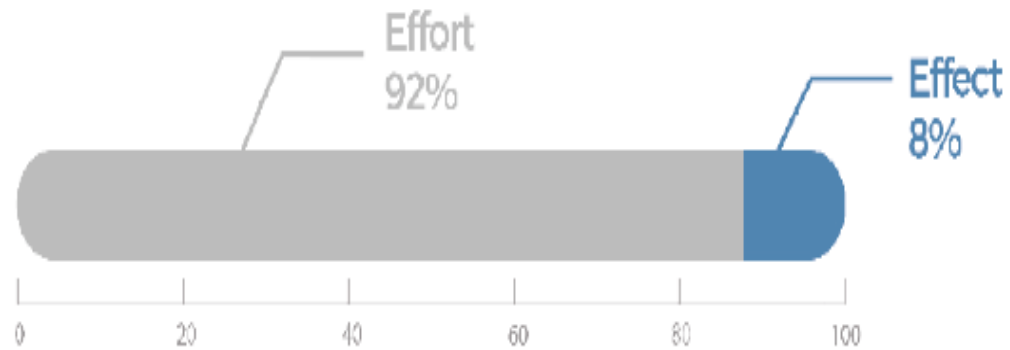


Figure 4: Percentage of indicators measuring company efforts vs. real-world effects across frameworks.

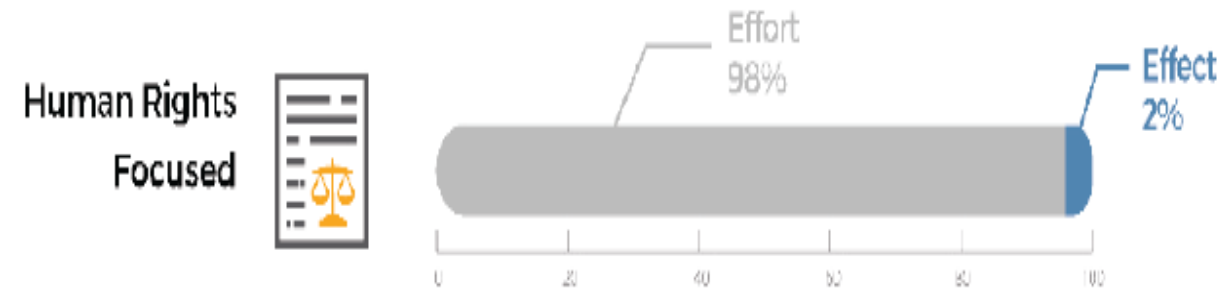
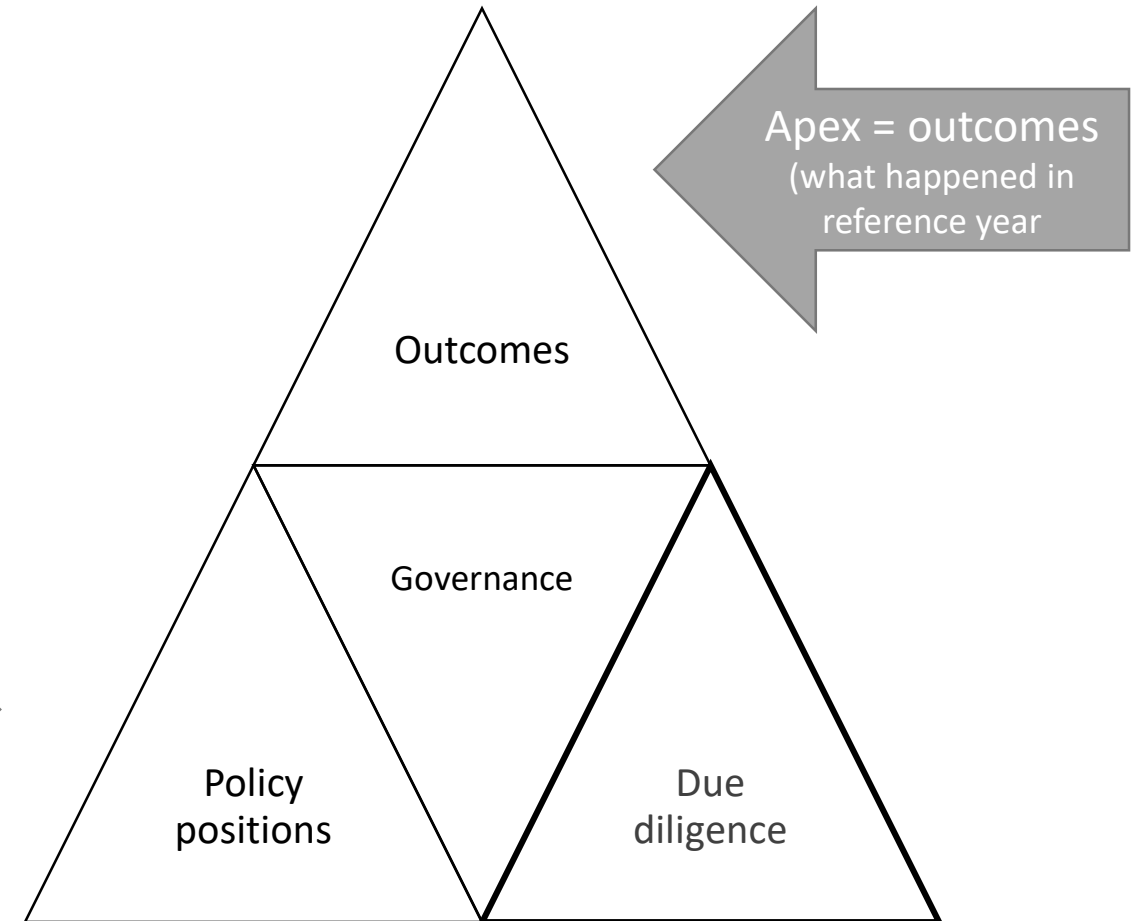
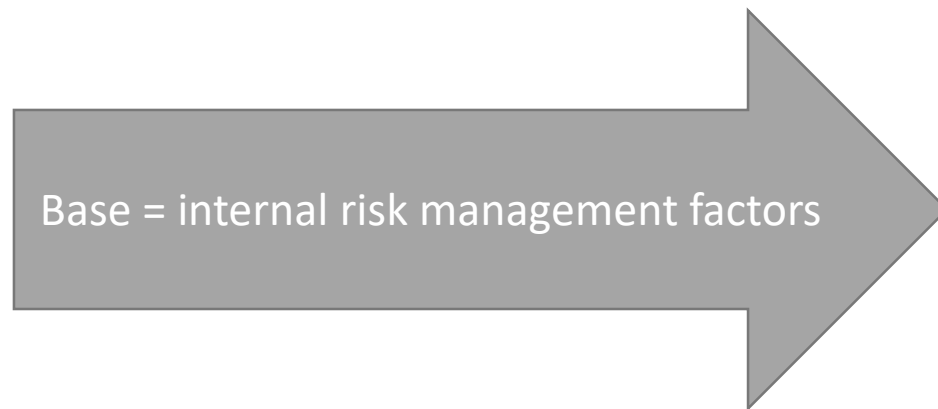
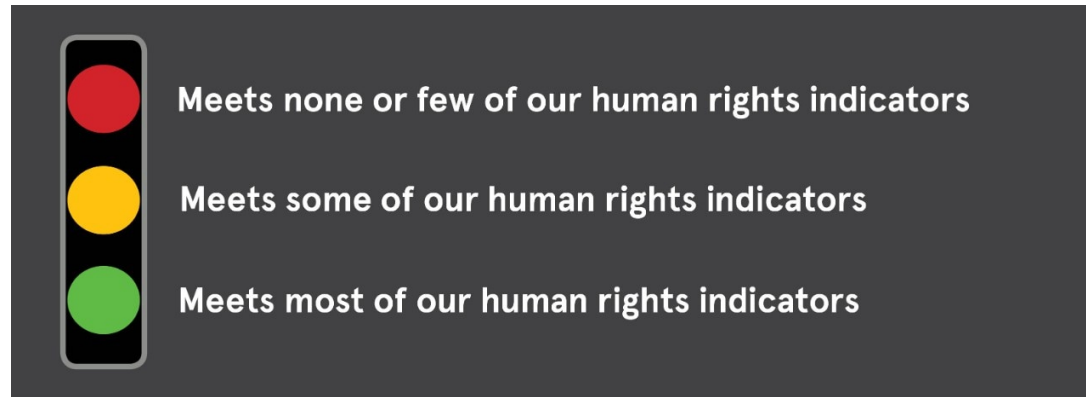


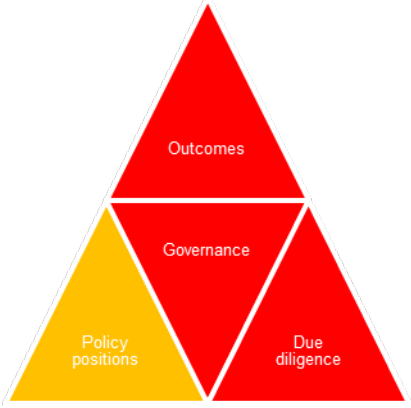
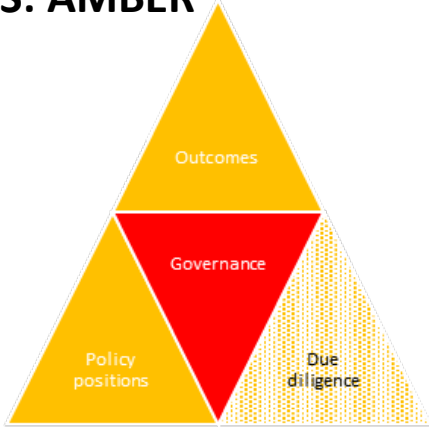
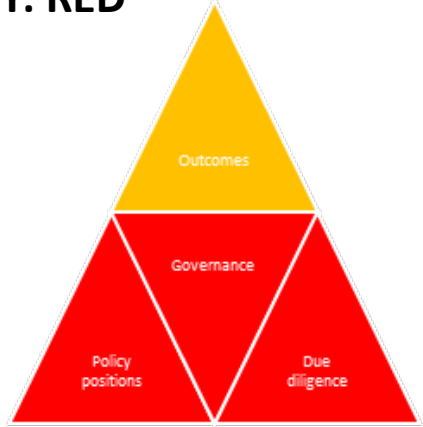
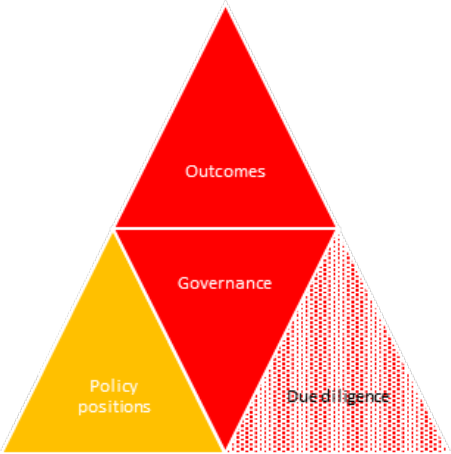
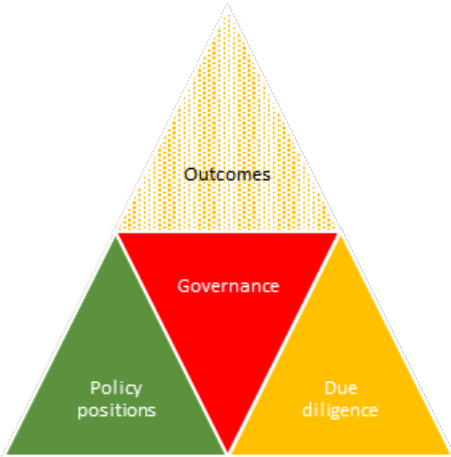
Figure 6: Percentage of indicators measuring company efforts vs. real-world effects by category.

O'Connor & Labowitz, *Putting the S in ESG* (2017)

Traffic light rating system & domain rating wigit



Example of a FSE rating: ANZ

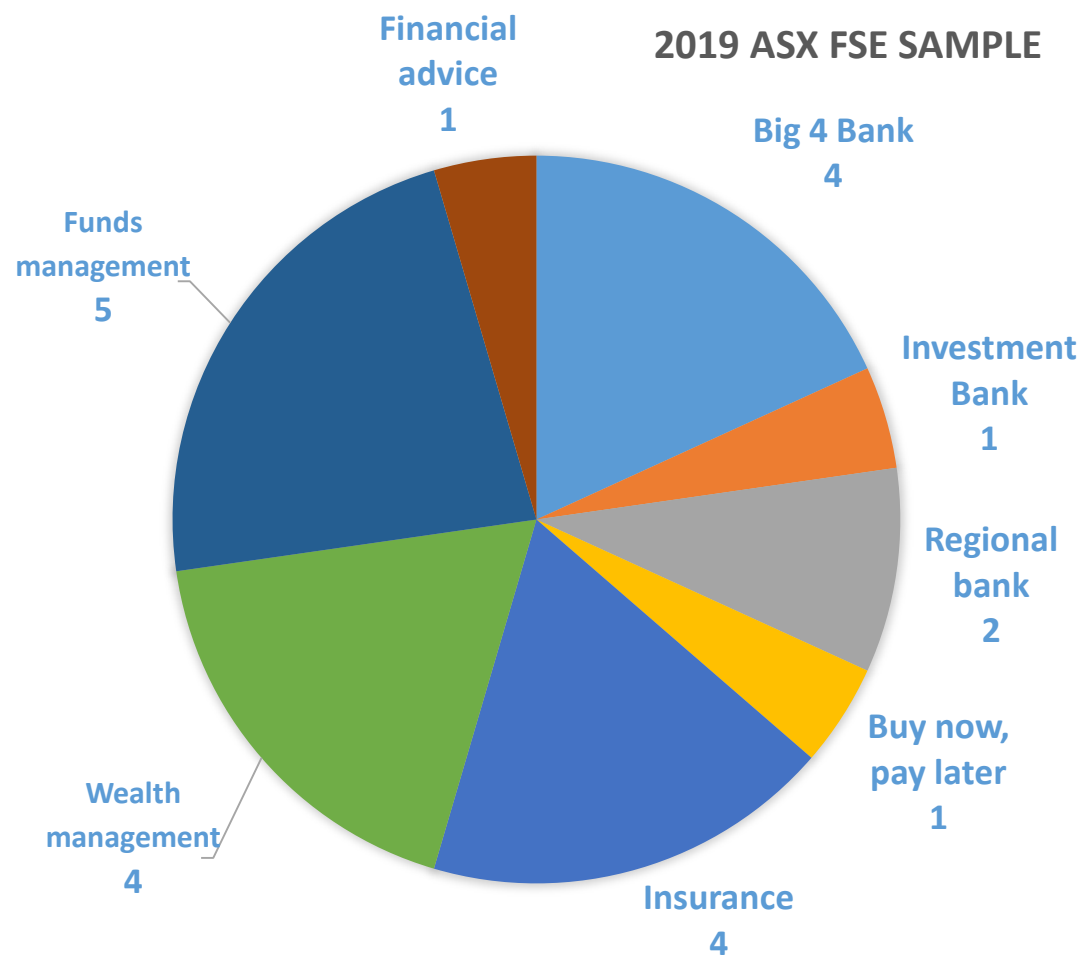
RETAIL: RED 	EMPLOYEES: AMBER 	SOCIETY: RED 
CLIS: RED 	SUPPLY: AMBER 	Notes <ul style="list-style-type: none">• We rate each factor within a domain and then a rating for the domain• Rating for the factors based on indicator results• Rating for domain based on judgement & outcomes matter!• Use pixelated traffic light colours to indicate lack of disclosure influenced rating

2019 Report: Sample of 22 ASX-listed FSEs

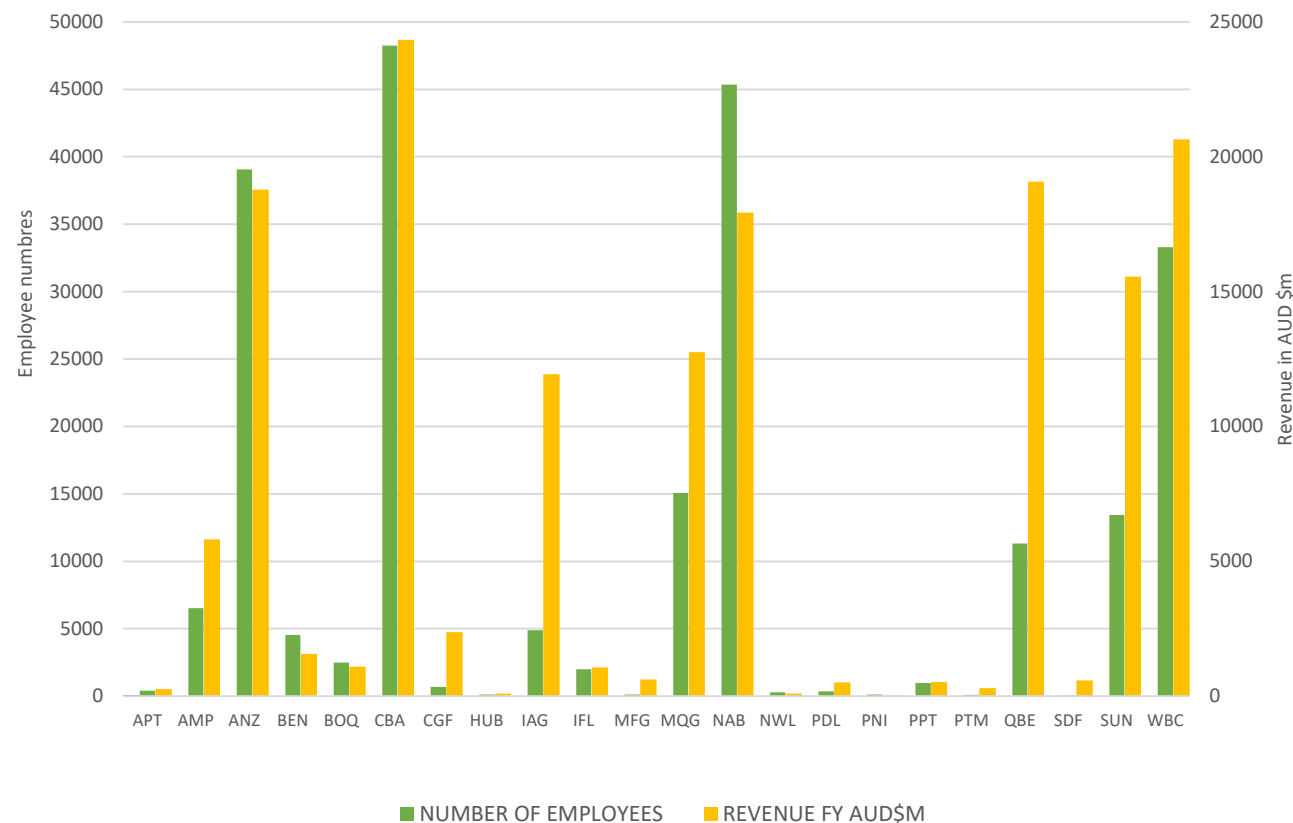
Banks, diversified financials and insurance (GICS)

Entity sizes

2019 ASX FSE SAMPLE



Size: Revenue and Employees



Trends by factor

GOVERNANCE

- 'Human rights' not seen as a material risk
- Not all recognise and fewer commit to HRs in all facets of core business

POLICY POSITIONS

- Leadership positions taken on some issues; other issues ignored
- Policy positions vary in depth/particulars if they exist at all

DUE DILIGENCE

- HR due diligence largely absent
- Evidence of DD typically does not cover all HR categories

OUTCOMES

- Largely 3rd party data
- A mixed bag of outcomes...

IMPACT

- Cannot be measured within a year – longer term
- Philanthropy is not a 'human rights offset'

Trends by domain

RETAIL

- Responding to Hayne Royal Commission
- AD and ES responding to emerging social issues

CLIS

Weak on governance
Non-disclosure of outcomes makes this domain somewhat obscure

EMPLOYEES

Governance & policy positions have distinct 'flavours'
Outcomes can be obscured from public view, esp RTR

SUPPLY

(suppliers TO the FSE)

- A work in progress
- MS statements in 2020
- Some FIs cover well

SOCIETY

- Indirect contributions
- Inconsistency between FSE stated positions and law reform positions
- Silence

For further information

- Our website - <https://www.sydney.edu.au/law/our-research/research-centres-and-institutes/financial-services-human-rights-benchmark.html>
- [Benchmark explained](#) and [methodology report](#)
- [Year 1 benchmarking report](#) (22 ASX listed FSEs)
- Individual report cards can be found in the [report card pack](#)