

INVESTOR INITIATIVE ON HUMAN RIGHTS DATA (II-HRD)

TERMS OF REFERENCE 2024



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INTRODUCTION

The Investor Initiative on Human Rights Data (II-HRD) is a collaborative initiative where institutional investors work together to advance the corporate human rights data environment. This will enable investors to systematically incorporate human rights data into their investment and stewardship decision making.

These Terms of Reference (“Terms”) define the objectives and structure of this initiative and provides the framework for investor involvement. They have been drafted by the three founding investor members; the Church Commissioners for England, Aviva Investors and Scottish Widows, who came together as part of the World Benchmarking Alliance’s Social CIC (Collective Impact Coalition) in 2022. In 2023, an initial group of 15 investors were convened under this collaborative engagement programme to address problems with the breadth and depth of human rights data being produced by ESG data providers and used by proxy advisors.

The II-HRD is a continuation of this collaborative engagement, giving the group a public name and formal Terms of Reference. This will enable wider participation while remaining focused on key objectives. Investors must agree to these Terms as a condition of membership, but membership may remain confidential.

AGREED POSITIONS

Members of II-HRD agree that:

- Investee companies should demonstrate their respect for human rights across their operations and value chain since corporate respect for human rights is intrinsic to *advancing* sustainable development, *achieving* just transitions to net zero, nature positive systems, and *addressing* systemic risks like social inequality.
- A lack of consistent, decision useful, human rights data at scale (beyond high-risk sectors) undermines the ability of investors to identify and manage investment risks and opportunities in their portfolios, distinguish between leaders, compliers and laggards, carry out effective stewardship, and meet emerging regulatory requirements such as the EU Sustainable Finance Disclosure Regulation (SFDR), the UK Sustainability Disclosure Requirements (SDR).
- As clients of the major data providers and proxy advisors, we agree to use our collective influence to ensure service providers meet our need for high quality human rights data at scale in order for us to effectively manage investments in the long-term interests of our clients and beneficiaries.

OBJECTIVES

In 2024 and 2025, the II-HRD has three high-level objectives:

1. Improve the depth and breadth of corporate human rights data available to investors via data providers, with a focus on the *universal coverage of listed companies' efforts to implement human rights due diligence and their policy level commitments to respect human rights*.
2. Improve the depth and breadth of corporate human rights data available to investors, via proxy advisor voting policies and advice.
3. Generate industry wide alignment on the principles of assessing the presence of and response to corporate 'norms breaches'.

Initial Target Companies – Because of their broad coverage and use by investors, the following companies will be the initial targets¹ of the Focus Groups:

- MSCI
- Morningstar-Sustainalytics
- ISS (Institutional Shareholder Services)
- Glass Lewis
- Moody's
- Refinitiv (LSEG Group)
- Bloomberg
- RepRisk

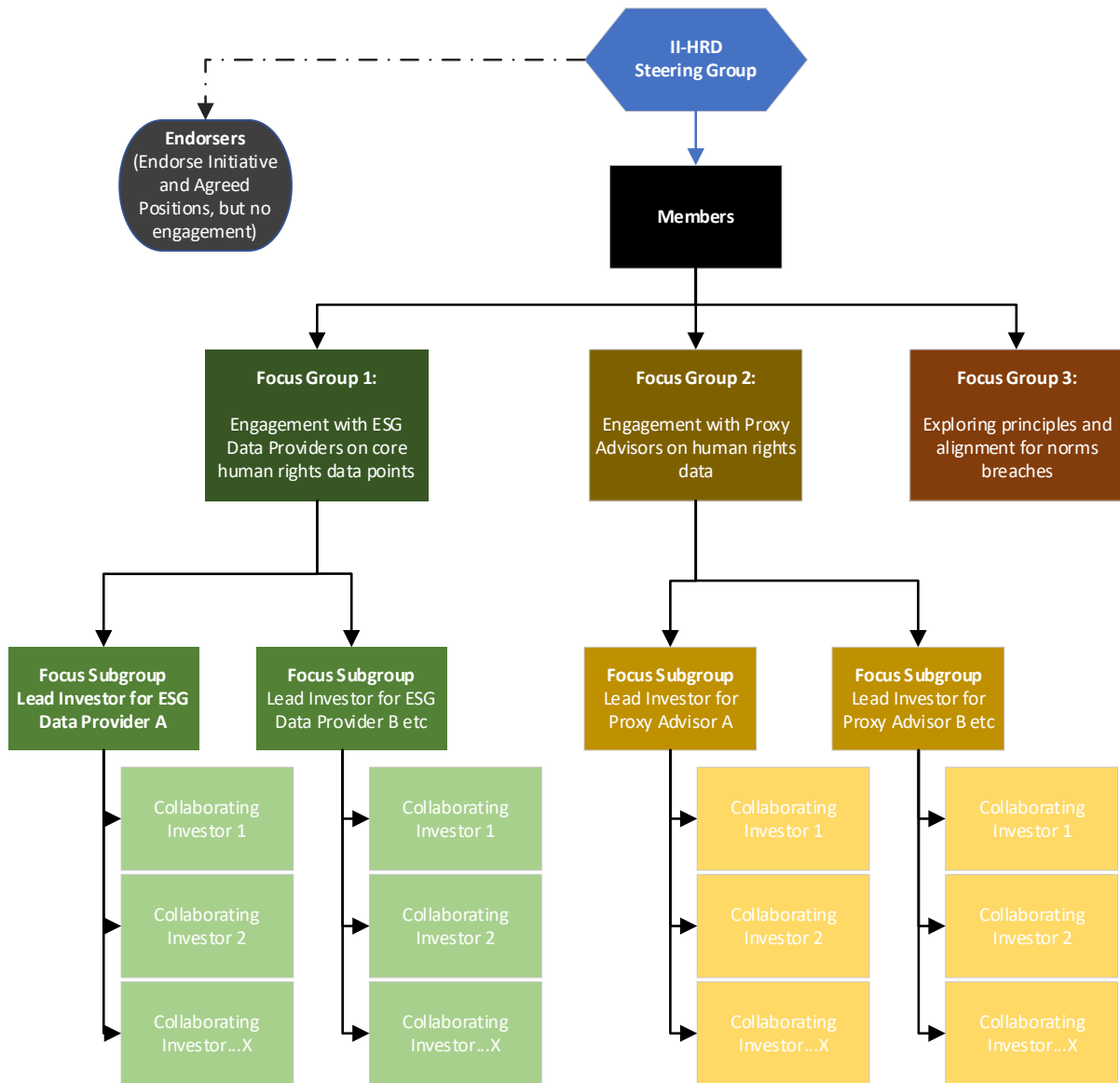
STRUCTURE

The II-HRD has a simple structure. The Church Commissioners for England, Aviva Investors and Scottish Widows provide a Steering Group. Institutional Investors² can become **Members**, by committing to the Terms of Reference, or they can become **Endorsers**, by publicly endorsing the Initiative's objectives and 'Agreed Positions', without committing to the full Terms of Reference.

The Members can support one or more of the high level objectives, each of which has its own Focus Group. The structure of the II-HRD is set out below:

¹ The investor group previously reached out to over 20 data providers (Bloomberg; CDP; Clarity AI; Egan-Jones Proxy Services; ESG Analytics; ESG Book (Arabesque); Ethos; Factset; FTSE Russell; GIR Inc; Glass Lewis; Hermes Equity Ownership Services; Institutional Investor Advisory Services (IIAS); ISS (Institutional Shareholder Services); Integrum ESG; Investment Association Services Limited; Minerva Analytics; Moody's; Morningstar-Sustainalytics; MSCI; Proxy Impact; Refinitiv (LSEG Group); Reprisk; S&P Global; Stakeholders Empowerment Services (SES); Vigeo Eiris)

² Including collaborative investor initiatives which represent multiple investors, such as the Investor Alliance for Human Rights.



ROLES AND RESPONSIBILITIES

Steering Group – The Steering Group will set the overall objectives and strategy and provide an overall single point of contact for internal coordination for the Initiative. They will manage membership and endorsement, chair twice yearly initiative meetings and ensure the group moves forward on its objectives.

Member – Investors who are able to agree to these Terms of Reference and dedicate resources to supporting the Initiative, through for example engagement with the group and wider stakeholders (ESG data providers, civil society organisations etc). Members will preferably be public about their membership of the Initiative and will add their AUM to the collective AUM. However, members who wish to remain anonymous, or who agree to be named but do not wish to ‘add’ their AUM, will be accommodated. Members may volunteer for one or more of the following three roles:

Focus Group Coordinator – A member who coordinates the membership and plans for each Focus Group, and who reports progress to the initiative on a quarterly basis (written) and at bi-annual meetings (presentation). They coordinate with other Coordinators to ensure there aren't overlapping engagements.

Lead Investor – A member of Focus Groups 1 or 2 who takes responsibility for leading and managing the engagement agenda with their focus ESG Data Provider or Proxy Advisor in one of the **Focus Subgroups**. They coordinate the supporting investors and report to the Focus Group Coordinator on at least a quarterly basis.

Collaborating Investor – A member who supports the agenda for one or more Focus Groups and participates in coordination and engagement meetings.

Endorser – Investors who publicly endorse both the 'Agreed Positions' and the 'Objectives' of the Initiative, but do not have the ability at this time to proactively engage on the issue. Endorsers are expected to 'add' their assets under management (AUM) to the collective Initiative AUM.

Members and Endorsers may cancel their membership or endorsement in writing to the Steering Group.

TIMELINES

The Initiative initially plans to continue running in 2024 and 2025. Application for continued or new membership will be open until the end-April 2024 and additional requests may be considered on an ad-hoc basis. Investors who only wish to (publicly) endorse the Initiative may do so for the entire period.

- Full initiative meetings for all members and endorsers are planned to take place bi-annually.
- Focus Group coordination meetings are planned to take place each quarter and will require the attendance of all Lead Investors.
- Lead Investors will sequence Focus Subgroup meetings as required to progress the engagement agenda.

EXTERNAL REPRESENTATION

Assets Under Management – The Initiative will not 'represent a collective AUM'. It may however refer to having (endorsing or member) investors with a total or combined AUM.

Steering Group investors may say that they are the founding and/or leading investors for the overall Initiative. The Steering Group is empowered to speak on behalf of the Initiative, but will not state that they represent all/other members of the Initiative, or represent collective assets under management (AUM) of endorsers or members.

Members may in general refer to themselves as members or a part of the Initiative, but should not state that they represent all/other members of the Initiative, the Endorsers or the collective AUM.

Members may indicate that they are a Coordinating, Engagement Lead or Collaborating Investors at their own discretion, however, they should not publicly disclose the names of other Collaborating and Lead Investors without consent (or where this information is already in the public domain).

Endorsers may say they have endorsed and support the Initiative. They should not state that they represent the Initiative, all the Endorsers or Members, or the full assets under management of either group.

CONFLICTS OF INTEREST

Participants have a responsibility to ensure there are no conflicts of interest when participating in the Initiative or any associated engagements. Should any real or perceived conflicts of interest arise, these should be disclosed to the Steering Group.

NON-PUBLIC INFORMATION

Information should only be shared in support of the Initiative objectives and on a confidential, and where appropriate anonymised and aggregated, basis. Participants must not seek, discuss or exchange non-public information with other members, companies or third parties. In particular, members should not disclose to other members or the target companies any commercial sensitive information regarding the pricing of data or any contractual terms entered into or negotiated with data providers. If, during the course of engagements (for example ESG Data Providers), a member inadvertently discovers information believed to be non-public information, then members should seek their own legal advice regarding the treatment of that information.

INVESTOR PRIVACY

Lead investors grant the Initiative the right to share contact details with key engagement targets and relevant third parties such as civil society organisations.

By becoming a **Member**, investors grant the Initiative the right to share the existence of membership and relevant work contact details with other Members. The Steering Group will only publicise the name of Member investors or share them with third parties if the Member has agreed to being publicly named.

By becoming an **Endorser**, investors grant the Initiative the right to share the name of the investor to third parties and the public.

The Initiative may record group meetings for internal purposes such as note taking, but all participants will be informed at the time. Recordings should be deleted once appropriate notes or minutes have been taken or at least within one year. By exception, e.g. roundtables or presentations, recordings may be circulated with the permission of attendees.

LEGAL DISCLAIMER

The Initiative does not require or seek collective decision-making or action with respect to acquiring, holding, disposing and/or voting of securities, or the selection or use of specific ESG Data Providers or Proxy Advisors. Endorsers and members are independent fiduciaries responsible for their own investment, voting and procurement decisions.

The use of engagement tools and tactics, including the scope of participation in engagements is at the discretion of individual investor members. Any decision by members to engage in collective decision-making or action with respect to contracting ESG Data Providers and Proxy Advisors, or acquiring, holding, disposing and/or voting of securities shall be at their sole discretion and made in their individual capacities and not on behalf of or as part of their activities within the Initiative.

The Initiative does not act or speak on behalf of members of endorsers. They also do not seek directly or indirectly, either on their own or another's behalf, the power to act as proxy for a security holder and do not furnish or otherwise request or act on behalf of a person who furnishes or requests, a form of revocation, abstention, consent or authorisation. In addition, the Initiative does not provide investment or voting recommendations. The Initiative does not provide investment, legal, accounting or tax advice.

NOT MEETING THE TERMS OF REFERENCE

Where endorsers or members fail to meet the Terms the Steering Group will consider warnings or revocation of membership or endorser status. Members are encouraged to raise concerns about other members (including the Steering Group investors) with the other Steering Group members or the wider membership group. Ultimate decision making authority on continued membership or endorsement status will reside with the Steering Group members.

CONTACT

Those interested in understanding more about the Initiative should contact:

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