October 2026

HUMAN RIGHTS BLUEPRINT FOR ASSET MANAGERS

A Five-Step Approach to Technology-Related Human Rights Risks in Public Markets

B-Tech

UNITED NATIONS HUMAN RIGHTS OFFICE OF THE HIGH COMMISSIONER

ABOUT THIS SERIES: B-Tech Investor Guidance on Technology-Related Human Rights Risks

This document is part of a suite of guidance from the UN Human Rights B-Tech Project designed to help investors understand, identify, and address technology-related human rights risks, including risks associated with data governance, data agency, and AI.

1 **Technology-Related Human Rights Risks in Public Markets: A Primer for Asset Owners and Asset Managers**

introduces key human rights concepts, explains how technology-related human rights risks emerge across the technology lifecycle, explores the relationship between human rights risk and financial risk, and provides an overview of the steps investors can take to address these issues. It serves as the foundation for the Blueprint documents.

2 **Human Rights Blueprint for Asset Owners**

a practical five-step framework for asset owners to identify, assess, and respond to technology-related human rights risks associated with investments in publicly traded companies through asset managers.

3 **Human Rights Blueprint for Asset Managers**

a practical five-step framework for asset managers to identify, assess, and address technology-related human rights risks connected to portfolio companies before investment and during ownership.

4 **Data Agency and Human Rights Risks: What Venture Investors Should Know**

explores how company approaches to personal data, data agency, and AI can create risks to human rights and financial risk to investors, and discusses practical actions investors can take to address these issues. While tailored to venture investors, many of the concepts are relevant across investor types.

How the resources fit together

Primer → Blueprint → Implementation

The Primer explains why technology-related human rights risks matter. The Blueprints explain how investors can build processes to address them. The Data Agency guidance provides a deeper exploration of one particularly important category of technology-related human rights risk.

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EXECUTIVE SUMMARY

This resource from the UN Human Rights B-Tech Project ("B-Tech") is a blueprint for asset managers' approaches to technology-related human rights risks when investing in publicly traded companies.

The goal of the blueprint is to provide asset managers with guidance on minimising adverse technology-related human rights impacts linked to their investments. Acting on portfolio companies' human rights issues in this way is both investors' responsibility and a financially sound proposition: Unaddressed technology-related human rights risks at portfolio companies can pose serious financial risk to investors.

The blueprint is focused on **technology-related human rights risks**. This includes both human rights risks associated with the business activities of companies operating in the "technology sector", as traditionally defined, as well as human rights risks connected to the full technology life cycle and value chain (design, development, deployment, sales, licensing, end use, and external value chain linkages). Particular focus is placed on human rights issues linked to company approaches to data governance and data agency, especially in the context of AI development and deployment.

This guidance includes some recommendations that are relevant beyond investments in the technology sector. Actions relating to internal policy-setting, for example, are general best practice steps that set a foundation for addressing all human rights risks. Other actions, like integrating human rights into due diligence processes, require nuanced execution for technology-related risks specifically, which this blueprint explores. Much of the guidance's discussion of how investors should tailor their approaches to account for technology-related human rights risks specifically is rendered through the tools and rubrics specified at Annexes A-E. The blueprint is tailored to **institutional asset managers investing in publicly traded companies**. This includes both independent asset management entities that manage capital from outside asset owners and scenarios in which asset owners' capital is managed through internal delegated mandates.

The guidance is not intended for use solely with ESG funds or by ESG-focused investors. The blueprint aims to help asset managers minimise technology-related human rights risks and associated financial risks in any investment context.

How are the recommended steps implemented in practice?

The United Nations Guiding Principles on Business and Human Rights (UNGPs)—the leading global standard on responsible business conduct, along with the OECD Guidelines for Multinational Companies on Responsible Business Conduct—make clear that all businesses should respect human rights throughout their business activities and relationships. This includes investors, all of whom have a responsibility to avoid harming human rights through their investing activities; all actions recommended in this blueprint are important steps toward fully realising this responsibility.

It is also important to acknowledge that investors sometimes face restrictions in taking certain actions toward portfolio companies' human rights risks. The investment structures through which capital is deployed, the corresponding legal authority delegated to asset managers, and applicable regulatory and fiduciary constraints can sometimes prevent investors from divesting individual companies or filing shareholder resolutions, for example. Investors consulted during the drafting of this guidance told B-Tech they felt these limitations are not always well understood by the human rights community. Accordingly, this blueprint acknowledges

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where specific actions may be prohibited in certain investment scenarios, while continuing to emphasise the responsibility of every investor to avoid making investment decisions that harm human rights. This is discussed further below in Step 1.

How is this guidance aligned with international human rights standards?

In recognition of the resource constraints and expansive portfolios of many investors, the blueprint suggests an approach to technology-related human rights risks that is pragmatic and practical to implement. It is structured around a core set of questions to guide due diligence before investment and during ownership, with the goal of helping investors identify the most severe technology-related risks in their portfolios and advocate for portfolio companies to enact appropriate prevention and mitigation measures. These actions are rooted in human rights due diligence (HRDD) as part of the corporate responsibility to respect human rights outlined in the UNGPs.[1]

Stronger implementation of the UNGPs can also improve investors' alignment with other responsible business frameworks, including aspects of the UN Global Compact (UNGC),the UN Sustainable Development Goals (SDGs) and the Global Digital Compact (GDC), particularly with respect to the responsible governance of digital technologies and artificial intelligence The human rights due diligence expectations articulated in the UNGPs overlap with human rights and labour principles expressed in the UNGC, as well as with SDGs related to decent work, gender equality, reduced inequality, and institutional accountability. Implementation of the UNGPs can also help investors advance the GDC's objectives of promoting a human rights-based, inclusive, safe and accountable digital ecosystem. By identifying and addressing technology-related human rights risks connected to investment activities, investors are better positioned to pursue returns that are consistent with international responsible business frameworks.

Are there other possible approaches to technology-related human rights risks?

Yes. The steps described below are one suggested approach to this process. Asset managers should feel they have the flexibility to adapt these steps to fit their investment approaches and corporate structures. The key is for managers to effectively identify technology-related risks before investment and encourage portfolio companies to address those risks.

About B-Tech

The B-Tech Project is an initiative of the United Nations Office of the High Commissioner for Human Rights (OHCHR) that provides authoritative guidance and resources for implementing the United Nations Guiding Principles on Business and Human Rights in the technology space. B-Tech's investor resources are based on consultations with investors, civil society organisations, and other experts focused on the nexus of technology, investing and human rights. B-Tech is grateful to all those who engaged with us on this project.

[1] Investors' broader human rights duties under the UNGPs, such as addressing non-technology-related risks, evaluating companies' commitments to remedy, and communicating publicly about human rights practices are not covered here. These areas remain important and may be addressed in future B-Tech guidance. The blueprint also links to resources that examine other aspects of investor HRDD in more depth.

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ASSET MANAGER HUMAN RIGHTS BLUEPRINT:

Five steps for asset managers

1 Step 1: Establish strong human rights policies

1.1 Create a firm-level human rights policy commitment

1.2 Integrate human rights language into governing documents at the product level

1.3 Include a focus on human rights and technology-related human rights risks in exclusion criteria

2 Step 2: Analyse companies' human rights risks, impacts, and approaches as part of pre-investment due diligence

2.1 Review credible reporting about pertinent technology-related human rights risks

2.2 Consult with relevant external stakeholders

2.3 Engage companies directly

2.4 Assess companies' overall levels of human rights risk

3 Step 3: Use human rights findings in investment decisions

3.1 Summarise companies' overall levels of human rights risk in investment memos

3.2 Consider whether investment is justified in light of human rights risks

4 Step 4: Conduct recurring review of portfolio companies' human rights issues during ownership

4.1 Segment the portfolio by drivers of technology-related human rights risks

4.2 Perform rolling human rights monitoring to identify risk signals

4.3 Where needed, conduct company-level reviews to investigate risks and identify mitigation measures

4.4 Assess overall level of human rights risk

5 Step 5: Use leverage to encourage portfolio companies to respect human rights

5.1 Directly request that highest risk portfolio companies implement specific mitigations

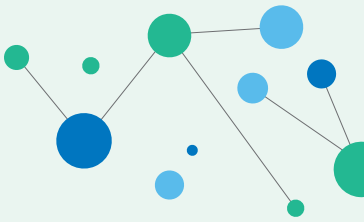
5.2 Escalate by exercising shareholder rights

5.3 Where human rights risks truly cannot be addressed, take stronger action

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STEP
ONE

ESTABLISH STRONG HUMAN RIGHTS POLICIES



Asset managers should first codify the specific actions they will take to identify, prevent, and mitigate portfolio companies' human rights risks in written policies. This establishes a core understanding of human rights across all divisions of an investment firm and signals expectations externally to both portfolio companies and other investors.

This step recommends that asset managers make policy commitments to:

- → Refrain from investing in companies whose business activities pose serious risks to human rights, including by applying human rights-based exclusion criteria
- → Engage directly with portfolio companies to advocate for human rights risk mitigations
- → Support and/or file human rights-related shareholder resolutions
- → Divest from companies that consistently fail to address severe human rights risks

As noted above, asset managers' latitude to take some of these actions may vary depending on the type of investment vehicle, the specifics of the relationship with the asset owner, and regulatory requirements. For example, in pooled funds and other commingled investment structures, asset managers may only be able to take these actions if they incorporate specific human rights language into fund-level governing documents at the time of inception. Some fund structures, such as index-tracking funds or fund-of-funds and manager-of-managers products also limit asset managers' ability to take some of these actions.

In segregated mandates on behalf of single asset owner clients, asset managers' discretion will depend on asset owners' own human rights policies and the scope of authority delegated. Moreover, in all cases, asset managers' actions toward portfolio human rights risks must be consistent with fiduciary obligations in the jurisdictions in which they operate (although as the B-Tech Human Rights Primer makes clear, identifying and addressing portfolio human rights risks is itself a key element of investors' fiduciary duty).

Nevertheless, policy commitments should reflect the idea that regardless of which specific actions toward human rights risks are feasible to implement in a given investment scenario, the investor's responsibility to respect human rights applies to all investment decisions.[2]

[2] Investors should not rely on structural prohibitions on screening or stewardship activities to justify making investments that carry human rights risks. As a recent article in Responsible Investor puts it, "passive exposure to systemic risks remains exposure" and "portfolio construction is not an act of nature. It is engineered." Thus, while it is appropriate for investors to tailor their human rights policy commitments and actions toward human rights risks to the strictures of different mandates, those strictures do not invalidate investors' responsibility to avoid making investments that will facilitate negative human rights impacts.

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1.1 Create a firm-level human rights policy commitment

Asset managers should establish a policy commitment to minimising negative human rights impacts associated with investments. This should be a publicly available document detailing an asset manager's approach to identifying and addressing human rights risks linked to their portfolio, as well as the human rights-related expectations of business partners. Annex A offers recommended language for inclusion in human rights policy commitments.[3]

1.2 Integrate human rights language into governing documents at the product level

A human rights policy commitment sets policy at the firm level, outlining specific human rights actions that asset managers will take wherever they are permitted. Securing the authority to take some of these actions in respect of individual investments may require asset managers to incorporate human rights language into relevant governing documents at the product level from inception.

Where possible, managers should integrate direct reference to human rights into the governing documents for both pooled funds (prospectuses, fund deeds, investment guidelines) and segregated mandates (investment management agreements, statements of investment policy, proxy voting guidelines). Annex A offers suggested language for inclusion in these documents, with commentary indicating key differences between the two investment contexts.

Asset managers may not always be able to include human rights language in fund documentation, particularly in segregated mandates, where asset owners have a large degree of control over the authority delegated. Nevertheless, it is important that managers make an effort to include this type of language as a strategic anchor to maximise their capacity to adequately address human rights risks.

1.3 Include a focus on human rights and technology-related human rights risks in exclusion criteria

It is important for asset managers to ensure that any exclusion criteria they maintain incorporate direct references both to human rights broadly and to human rights risks linked to technology investments specifically. Annex A offers suggestions for how exclusion criteria can specifically address human rights and technology-related human rights risks.

It is also good practice for asset managers to make exclusion criteria public. This is in line with the UNGPs' provisions for transparency and sends an important market signal to both companies and asset owners.[4]

[3] Asset managers can find further guidance on creating a human rights policy statement in the 'Checklist for investor human rights policy commitments' from the Investor Alliance for Human Rights. Asset managers can also consult available investor human rights policy statements from investors like Manulife, Storebrand, and DNB.

[4] Asset managers can find further guidance on creating human rights exclusion criteria in the 'Investor Toolkit on Human Rights' from the Investor Alliance on Human Rights and 'An introduction to responsible investment: Screening and exclusions' from the UN Principles on Responsible Investment. Asset managers can also examine existing public ethical exclusion policies from investors such as Robeco, Norges Bank Investment Management, Storebrand, KLP, and the Second Swedish National Pension Fund.

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STEP
TWO

ANALYSE COMPANIES' HUMAN RIGHTS RISKS, IMPACTS, AND APPROACHES AS PART OF PRE-INVESTMENT DUE DILIGENCE

When an individual company is under consideration for investment, asset managers' pre-investment due diligence should seek to understand the company's human rights risks and its processes for identifying and addressing these risks. The goal is to identify:

- The severity of any human rights issues associated with the company's business activities
- What best practice measures exist for preventing and mitigating the most severe human rights issues identified, including the general technical feasibility of these measures
- The company's processes for identifying and responding to its human rights risks
- The company's awareness of and responses to human rights issues identified by the asset manager
- The company's willingness to improve its human rights approaches over time

As discussed in the B-Tech Human Rights Primer, when identifying and responding to human rights risks and impacts associated with their investments, **investors should prioritise focusing on issues that are the most severe**. Severity should be judged based on impacts' scale, scope, and irremediability. Particular attention should be paid to inherently risky investment contexts known to increase the severity of human rights risks and impacts (especially those involving vulnerable groups and high-risk operating or value chain contexts), which require heightened forms of human rights due diligence.[5]

This information can be gathered through a series of sequential due diligence actions: identifying companies' human rights issues through **desk review of credible reporting**; learning more about identified issues by **engaging relevant external stakeholders**; understanding companies' responses to human rights issues by **engaging with companies directly**; and **assessing companies' overall levels of human rights risk**. A proposed structure for these actions is provided below.

2.1 Review credible reporting about pertinent technology related human rights risks

Asset managers should first consult written reporting from credible expert sources about how a company's involvement with the full technology life cycle and value chain could place human rights at risk. The goal of this research is to identify both human rights-related mentions of the specific company under consideration for investment and broader reporting about human rights risks associated with business model features utilised by the company. Annex B provides five key categories of questions that asset managers should seek to answer about a company's human rights issues through desk research, with a specific focus on information relevant to technology-related risks.

[5] For further information on when and how to conduct heightened HRDD, investors can consult resources from UNDP (here and here), BSR, the Investor Alliance for Human Rights, the Heartland Initiative and Peace Nexus, the Journal of Human Rights Practice, and the Business and Human Rights Journal.

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Which business model features are in scope for this research will depend on the individual company under consideration for investment, including its exposure, corporate governance structure, and monetisation models. A selection of well-documented categories of technology-related human rights risk drivers can be found in the B-Tech Human Rights Primer. That document's appendix also links to a number of credible reports on each of these topics.

To conduct this research, managers can consult available outputs from organisations and initiatives that report on technology-related human rights risks[6]:

- Civil society organisations (CSOs) that focus specifically on technology and human rights (Access Now, Electronic Frontier Foundation, Open Rights Group, Derechos Digitales, Internet Lab, CIPESA, Paradigm Initiative, SMEX, etc.)
- Global human rights CSOs whose purview includes reporting on technology and human rights issues (Business and Human Rights Centre, Amnesty International, Human Rights Watch, Privacy International, etc.)
- Local, national, or regional CSOs with context-specific knowledge of how local populations may be uniquely exposed to specific types of technology-related human rights risks. These will differ by geography; investors may wish to consult regional UNGC associations to identify country-specific networks of relevant NGOs
- Human rights think tanks and consultancies whose purview includes technology and human rights (the Shift Project, BSR, Article One, etc.)
- Investor-focused initiatives and organisations that provide guidance on responsible and human rights-based investing, including in relation to technology (Investor Alliance for Human Rights, OpenMIC, Heartland Initiative, UN Principles for Responsible Investment, etc.)
- Technology and human rights benchmarking initiatives (Corporate Human Rights Benchmark, World Benchmarking Alliance, Ranking Digital Rights, etc.)
- Multistakeholder initiatives with a focus on digital rights (Global Network Initiative, Partnership on AI, etc.)
- Governments and intergovernmental organisations (UN bodies and rapporteurs, regional human rights mechanisms, OECD, parliamentary commissions, etc.)
- ESG controversy/adverse media screening services and ESG ratings/data providers
- The company's own communications about human rights risks and policies

2.2 Consult with relevant external stakeholders

Next, asset managers should reach out to external stakeholders with relevant knowledge. These discussions are an opportunity both to learn more about the human rights issues identified through desk research and to surface additional risks or impacts not captured in public reporting. This information should then inform asset managers' understanding of impacts, severity, and appropriate responses.

[6] While this does not constitute an official endorsement of each organisation named here, these groups are widely recognised as providing credible guidance on issues at the intersection of technology, investing, and human rights. This is not an exhaustive list; further guidance is available from additional organisations.

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Asset managers should aim to speak with two key categories of external stakeholders:

- **Experts** with knowledge of how specific companies or their products could pose risks to human rights, as well as best practice mitigations for those risks. Managers may wish to start by contacting organisations and institutions responsible for the reporting they consulted during their desk review (technology and human rights/digital rights CSOs, think tanks, consultancies, academics, etc.).
- **Rightsholders** likely to be affected by the types of negative human rights impacts that could occur. Where risks of retaliation or other harms exist, or when direct engagement with affected people is not feasible or safe, managers can reach out to these groups through trusted intermediaries that represent their interests, like CSOs and trade unions.

> Investor peers may also be useful for asset managers to consult during this stage. Although stakeholder consultation is primarily meant to surface information from affected stakeholders and their representatives, information sharing among investors is a key means by which asset managers can deepen their understanding of relevant technology-related human rights risks. As discussed in Step 5, collaborative human rights-based investor engagement initiatives are helpful avenues for this kind of information exchange.

These consultations should focus both on the specific company under consideration and on broader business model features that may give rise to human rights risks. Annex B again lists five key categories of questions that asset managers should seek to answer about technology-related risks through stakeholder engagement.[7]

2.3 Engage companies directly

The final element of asset managers' pre-investment due diligence is to speak directly to the potential portfolio company to ask questions about human rights. The scope should include the company's:

- → Current approaches to human rights risks it faces
- → Awareness of and responses to human rights issues identified by the asset manager in steps 2.1 and 2.2
- → Willingness to improve human rights approaches over time

Annex B recommends five key categories of questions that asset managers should seek to answer through this engagement, paired with suggested language that managers can use in conversations with companies in order to surface the necessary information.

Asset managers can seek to obtain this information through discussions with relevant company divisions, ranging from investor relations to corporate governance, stewardship, and ESG. Investors can also pool resources and amplify their reach with companies in human rights engagements by joining collaborative engagement initiatives with other investors. These are important opportunities for investors to share information and research with peers regarding salient human rights risks associated with portfolio companies.[8]

[7] For more information about stakeholder engagement, managers can consult the 'Investor Toolkit on Human Rights' from the Investor Alliance for Human Rights, B-Tech's own guide to stakeholder engagement in the technology sector, and the Stakeholder Engagement Guide recently launched by a consortium of investing and human rights stakeholders.

[8] Examples of such initiatives include the Digital Rights and AI Accountability Working Group, organised by the Investor Alliance for Human Rights (IAHR); the Collective Impact Coalition for Ethical AI, organised by the World Benchmarking Alliance; the Big Tech and Human Rights investor collaboration organised by the Swedish National Pension Fund's Council on Ethics; the Investor Engagement on Conflict-Affected and High-Risk Areas, organised by IAHR, Heartland Initiative, and PeaceNexus; and the Advance coalition, organised by Principles for Responsible Investment.

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Although asset managers will not always succeed in engaging companies in these discussions, even when companies are unwilling to engage in discussion about human rights, this itself will be an important insight for asset managers.[9]

2.4 Assess companies' overall levels of human rights risk

Once the pre-investment due diligence actions described above are complete, Annex C provides a *Pre-Investment Human Rights Evaluation Rubric* to aid asset managers in arriving at an overall assessment of a company's level of human rights risk.

The rubric categorises companies' levels of human rights risk across the key questions explored during desk review, stakeholder engagement, and company engagement. For each risk level, a hypothetical technology investment scenario is provided. There is not necessarily a minimum threshold at which the numbers resulting from this rubric should suggest against investment; rather, it is meant as a qualitative tool to help asset managers better understand companies' human rights risks. The result of this evaluation will be a human rights summary included in an investment memo, as described in Step 3.

[9] Asset managers can find additional guidance on direct engagement with companies on human rights issues in B-Tech's 'Human Rights Risks in Tech: Engaging and Assessing Human Rights Risks Arising from Technology Company Business Models' and the 'Investor Toolkit on Human Rights' from the Investor Alliance for Human Rights.

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STEP
THREE

USE HUMAN RIGHTS FINDINGS IN INVESTMENT DECISIONS

Based on their research, asset managers should evaluate companies' overall levels of human rights risk and ensure that portfolio management teams incorporate this information as they consider whether to invest.

3.1 Summarise companies' overall levels of human rights risk in investment memos

A short, narrative summary of a company's overall level of human rights risk can be included in an investment memo. This summary can address:

- The company's perceived human rights risk level, based on the rubric at Annex C
- The quantity and severity of human rights issues linked to the company's business activities
- The company's general level of awareness of human rights issues and mitigation measures
- The presence and quality of company processes and policies for identifying and addressing human rights risks/impacts
- The general feasibility of preventing and mitigating the most severe human rights risks identified
- The likely level of related financial risk for the asset manager, including costs throughout the investment linked to human rights issues (short, medium, or long-term financial risk)
- The company's willingness to:
  - Continue engaging with the asset manager about human rights issues
  - Implement prevention and mitigation measures going forward
  - Improve processes for identifying and responding to human rights issues, as necessary

3.2 Consider whether investment is justified in light of human rights risks

Portfolio managers can then incorporate the human rights information gathered by their teams when making investment decisions.

As above, there is no generic formula or minimum "human rights score" that asset managers should use when deciding if a company's human rights risk profile suggests for or against investment. Companies falling into the highest risk categories on the rubric at Annex B may well prove too risky to invest in without harming human rights and exposing asset managers to elevated levels of financial risk. However, the mere presence of human rights risks does not necessarily need to be a disqualifying factor.

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Instead, asset managers' goal should be to ensure that: (1) there is not an unacceptably high level of human rights risk linked to the company's business activities; (2) the risk that does exist can feasibly be addressed; and (3) the company has sufficient willingness to implement or improve processes to identify human rights risks and prevent/mitigate serious negative human rights impacts.

In some cases, asset managers' human rights-related due diligence may lead to the conclusion that severe human rights risks cannot be effectively addressed and that investment should be avoided. There may be different reasons for this, including:

- **Insufficient efficacy of available technical prevention and mitigation measures:** Technical measures for preventing and mitigating negative human rights impacts linked to the company's technologies may not yet be achievable at a sufficient level.
- **Complexity and expense of prevention and mitigation:** Where effective prevention and mitigation measures do exist, their implementation may still be unfeasible if the company cannot realistically meet the requisite resource costs.
- **Extent of business model involvement:** If human rights risks were present from the company's earliest stages, they may have become so ingrained that addressing them would not be possible while keeping the company's business model and means of revenue generation intact.
- **Lack of company buy-in:** If the company does not agree that identifying and addressing human rights risks is important, preventing serious negative human rights impacts—and related financial impacts—in the future will prove difficult.

Where these dynamics are in place, investments are likelier to pose severe risks both to human rights and to asset owners' bottom lines.

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STEP
FOUR

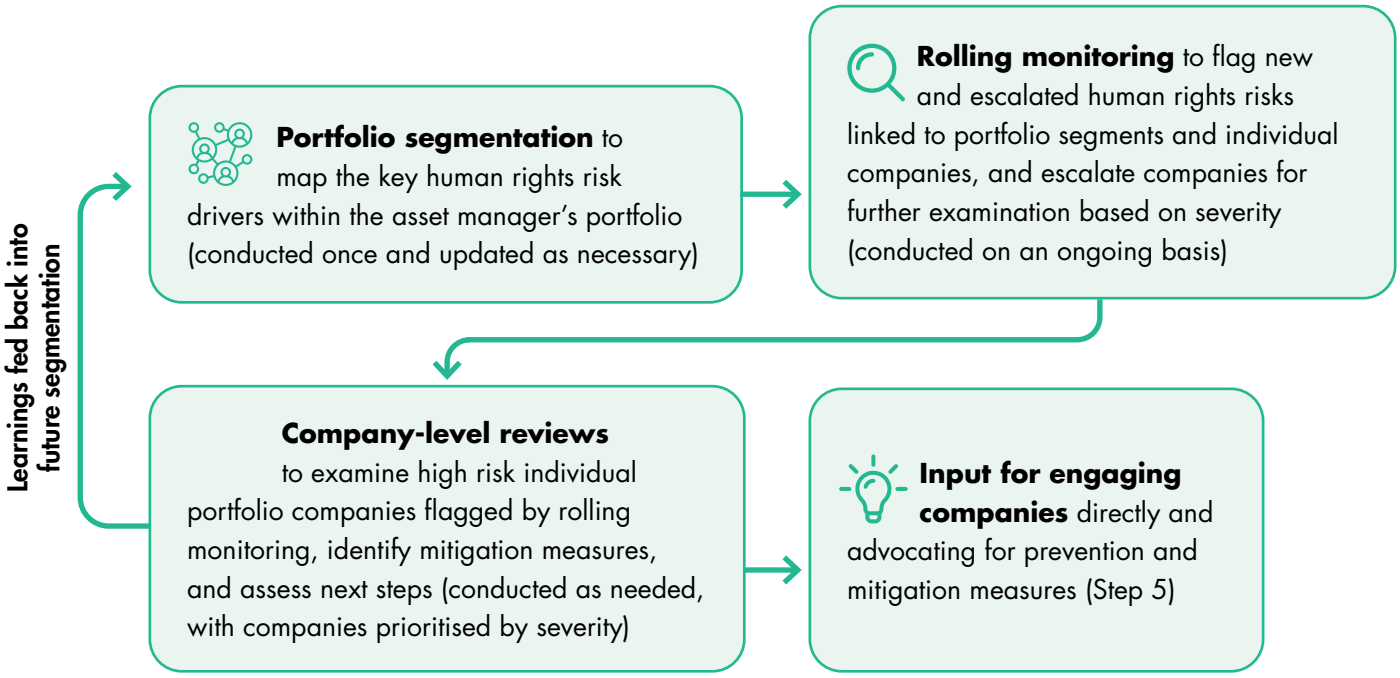
CONDUCT RECURRING REVIEW OF PORTFOLIO COMPANIES' HUMAN RIGHTS ISSUES DURING OWNERSHIP

Human rights risks evolve as companies grow, and new impacts can arise. To stay apprised of these developments, asset managers should create a recurring internal review process that examines:

- Changes in portfolio companies' human rights issues (both new issues and previously identified ones that have escalated in severity)
- Human rights issues in the portfolio that may require heightened forms of due diligence—conflict-affected and high-risk areas (CAHRAs), authoritarian regimes, situations of illegal occupation, situations involving particularly vulnerable or marginalized groups, etc.
- Evolving best practice prevention and mitigation measures
- Portfolio companies' responses to identified risks and impacts

While pre-investment due diligence (Step 2) examines individual companies, it may not be feasible for managers with large portfolios to conduct frequent, in-depth human rights reviews of every company during ownership. Human rights reviews during ownership should thus examine human rights issues at the portfolio and portfolio-segment level and flag the highest risk companies for further examination.

Below, B-Tech proposes a set of interrelated actions to achieve this. This is not the only way to examine human rights risks; some managers may prefer to integrate human rights into broader annual portfolio monitoring processes. The actions outlined in this step are meant to provide a lean way to surface the most severe technology-related human rights risks and prioritise them for further action:



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4.1 Segment the portfolio by drivers of technology-related human rights risks

Given the size of many asset managers' public equity portfolios, it may not be possible to conduct human rights research into each individual portfolio company. For better synergy, asset managers can seek to understand which categories of portfolio companies are likeliest to be associated with severe human rights issues. This type of analysis is an important foundation for subsequent due diligence actions, directing deeper scrutiny toward companies with the most severe human rights risks. Managers can achieve this by segmenting their portfolios into groups of companies that share similar types of technology-related human rights risks.

Portfolio segmentation—clustering a portfolio into groups of companies with shared characteristics—is a technique commonly used by investors to identify return drivers and patterns of risk in their holdings. Investors often perform this segmentation by grouping companies that share exposure to the same industry subsectors or geographies.[10] Segmenting a portfolio according to technology-related human rights risks follows the same logic but groups companies with shared exposure to similar **technology-related human rights risk drivers**—attributes of business models or other business activities that make technology-related human rights impacts more severe and likelier to occur.

When segmenting their portfolios for this purpose, managers should aim to identify company segments defined by three principal categories of shared human rights risk driver:



Technology products and other business model features associated with elevated human rights risk

Characteristics of technology products and underlying business models that are believed by experts to carry inherently elevated levels of human rights risk. Example segments might include large-scale extraction and commodification of user data; reliance on copyrighted works and personal data for foundation model training; bias in machine learning algorithms exacerbating systemic discrimination; high-risk AI tools used in law enforcement and immigration enforcement contexts, etc. Investors will again find it useful to consult the list of technology-related human rights risk drivers listed in the B-Tech Human Rights Primer and the sources listed in that document's appendix.



Vulnerable populations among end users and others

Interactions between a company's technology products/value chain and people (including workers, customers, end users, and others) who belong to vulnerable groups at heightened risk of human rights harm. Example segments might include child users of social media platforms; female users of women's health apps; people living in poverty affected by credit scoring algorithms, etc.

[10] Investors can find further guidance on portfolio segmentation in "How to identify human rights risks: A practical guide in due diligence" and "What data do investors need to manage human rights risks?" from the UN Principles for Responsible Investment, and the 'Investor Toolkit on Human Rights' from the Investor Alliance for Human Rights.

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High-risk product deployment and value chain contexts

Instances where a company deploys technology products or has technology value chain involvement in contexts that are associated with elevated human rights risk. Example segments might include product deployment or other value chain involvement in CAHRAs; authoritarian political contexts; jurisdictions with regressive laws affecting specific rights (e.g. reproductive rights, labour rights), etc.

While this segmentation may be resource-intensive the first time it is performed, it should only need to be performed once; going forward, new risk drivers can be incorporated as they appear, and new portfolio companies can be added to already mapped categories.

4.2 Perform rolling human rights monitoring to identify risk signals

Asset managers should then maintain an ongoing process to monitor credible sources for mentions of human rights issues pertinent to their portfolios. This is not continuous company-level due diligence; rather, rolling monitoring is a portfolio-level early warning mechanism that helps managers identify signals of severe human rights risks and informs decisions about where to perform deeper examination.

This should involve frequent (e.g., monthly) light-touch review of reporting from the same kinds of sources listed in Step 2 and the appendix of the B-Tech Human Rights Primer. The goal is to identify mentions of either **specific portfolio companies** or **identified risk driver portfolio segments** in connection with new human rights issues or previously identified ones that have escalated in severity.

Technology-related human rights risks may escalate in severity or new ones may emerge through a number of different business decisions which can result in harm, including:

- **Changes in how technologies are deployed or used**, including incorporation of new user groups or use cases that were not previously in scope and which carry new or increased human rights risks. *For example: A portfolio company's digital learning platform lowers age minimums so younger users are newly in scope; new reporting shows that facial recognition products originally designed for private security use are increasingly being integrated into retail and public infrastructure.*
- **Increased scale or adoption of a technology (including market entries)**, where potential impacts now affect more people and/or more diverse geographies. *For example: a portfolio company's gig economy-based delivery app expands into new markets with weaker labour protections; new reporting shows that adoption of algorithmic worker management tools is rapidly increasing in the retail and service sectors.*
- **Existing portfolio companies releasing new technology offerings,** where new products or services entail new risks. *For example: a portfolio wearable health device company launches a mental health monitoring feature, collecting sensitive data and creating new risks; reporting shows that the enterprise software industry is trending toward widespread integration of AI-driven analytics features, raising concerns about the explainability of algorithm-based workplace decision-making across the sector.*

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- **Changes to companies' operating or value chain contexts**, where exogenous developments in companies' operating or value chain geographies mean increased human rights risks. *For example: an outbreak of conflict sharply increases the risk associated with logistics software provided by a portfolio company to a government in this geography; reporting shows that commercially available data analytics platforms are increasingly being used by authoritarian governments to identify human rights defenders and members of minority groups, raising concerns about new patterns of repression in geographies where the asset manager has exposure.*

- **Emerging evidence of unintended effects**, where previously unrecognised human rights risks are coming to light. *For example: a portfolio company's fitness app is revealed to be unintentionally exposing de-anonymisable user data, including real-time location; reporting shows that some digital ID solutions, intended to improve access to services, may contribute to structural exclusion of vulnerable groups.*

Whenever rolling monitoring finds evidence of new or escalated human rights issues connected to risk driver segments or individual portfolio companies, asset managers must then decide whether the issues identified rise to a level that warrants initiating deeper examinations of the companies involved. Managers should prioritise based on severity:

- **Segment-level escalation**: Where issues identified in connection with risk-driver segments are **plausibly severe** and show **clear signs of increasing likelihood** (due to changes in technology use, scale, deployment context, etc.), escalate portfolio companies in this segment for company-level review. It is possible that not all companies in the segment will require escalation; highly severe or systemic risks may justify review of all relevant companies, and less severe or unevenly distributed risks may justify review of only those companies with the greatest exposure to the identified issues.

- **Company-level:** Where issues identified in connection with specific portfolio companies are **plausibly severe** and **recurring or intensifying over time**, escalate relevant companies for company-level review.

4.3 Where needed, conduct company-level reviews to investigate risks and identify mitigation measures

Company-level reviews can occur on an ad hoc basis, conducted as necessary when companies are flagged by the rolling monitoring process described above. As always, managers should prioritise the order in which they examine companies based on the most severe risks first.

These reviews can be conducted through the same research actions described in Step 2: desk review of credible written reporting, engagement with relevant external stakeholders, and direct outreach to companies. Annex D provides asset managers with five key categories of questions to answer through each of these actions. These are thematically similar to the pre-investment questions provided at Annex B, with a focus on understanding issues flagged during rolling monitoring, including whether these are emergent issues or previous ones that have escalated in severity and what good practice mitigation measures exist for identified risks. Information about prevention and mitigation measures will then be incorporated into the company engagement described in Step 5.

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4.4 Assess overall level of human rights risk

Once asset managers have completed actions 4.1, 4.2, and 4.3, they can assess the overall severity of relevant portfolio companies' human rights issues and determine next steps. Annex E provides a *Human Rights Evaluation Rubric for Use During Ownership* to aid asset managers in this process. Similar to the pre-investment rubric at Annex C, Annex E categorises companies' human rights risks across the key questions explored during desk review, stakeholder engagement, and direct engagement, providing hypothetical technology investment scenarios. Based on the resulting severity determination, the rubric then suggests next steps, which are further explored in Step 5.

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STEP
FIVE

USE LEVERAGE TO ENCOURAGE PORTFOLIO COMPANIES TO RESPECT HUMAN RIGHTS

At this stage, asset managers are able to identify which portfolio companies carry the highest human rights risks, how those companies have addressed these issues to date, and what effective mitigation looks like. They will also have assigned each high-risk company an overall risk level using the rubric at Annex E.

Equipped with this information, the final step is for managers to use their leverage to encourage companies to make specific, necessary changes to their approaches to human rights issues.

5.1 Directly request that highest risk portfolio companies implement specific mitigations

Based on their research in Step 4, asset managers will have identified specific prevention and mitigation measures related to portfolio companies' human rights issues. Managers should first simply request that companies implement any outstanding measures that are necessary to adequately address human rights risks, prioritising companies whose risks are most severe.

Managers can have these conversations through whatever company channels are made available to them. Where human rights risks and potential impacts are the most severe, managers should seek engagement at the most senior level possible. As with company engagement prior to investment, managers can amplify the efficacy of their mitigation advocacy with portfolio companies by channeling this engagement through collaborative investor initiatives.

Ultimately, companies may not agree to make changes to business practices to mitigate human rights risks at investors' request, as such changes may be costly and companies may not agree with investors about the degree of financial risk associated with risks to human rights. Some companies may not agree to come to the table for human rights discussions at all. What is important is for asset managers to make the effort to engage directly with companies about human rights and to articulate clearly **which measures** they expect companies to take in response to identified human rights issues.

Where companies are open to addressing human rights issues in line with asset managers' wishes, managers should discuss a timeline for implementing these measures and then re-engage with the company at agreed intervals to gauge progress. Where companies repeatedly refuse to address human rights issues adequately or to discuss human rights at all, managers should move on to the subsequent actions described below.

5.2 Escalate by exercising shareholder rights

Where companies refuse to address human rights risks even after direct engagement from investors, asset managers should exercise their shareholder rights to underline and amplify human rights issues. In combination, the steps described below form a graduated pathway by which asset managers can escalate concerns when engagement has not led to satisfactory company action. As discussed in Step 1, some investment structures and regulatory regimes may limit asset managers' exercise of shareholder rights, but where permitted managers should do so as a tool for influencing companies toward stronger respect for human rights.

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Filing, co-filing, and voting resolutions

A key means by which asset managers can do this is by supporting shareholder resolutions that aim to influence the company to address specific technology-related human rights risks. Whether as sponsors or proxy voters, asset managers' support of such resolutions serves as a clear signal that their human rights concerns will not disappear and must be addressed by company management.

In the context of technology companies, investors have frequently used shareholder resolutions to call for stronger forms of human rights due diligence related to AI development and deployment, human rights impact assessments for targeted advertising practices, enhanced customer human rights due diligence in software sales, and greater transparency around the use of surveillance technology by government clients. Notably, even shareholder resolutions that do not receive majority support can still galvanise public pressure on technology companies to conduct and disclose human rights risk assessments, increase transparency around algorithmic auditing, and pause offerings of controversial, high-risk technology products.

With this in mind, B-Tech offers a set of recommendations regarding the use of shareholder resolutions:

- **Prioritise collaborative resolutions to increase influence**. Wherever possible, co-file or support shareholder proposals through investor coalitions. Collaborative filings demonstrate broad investor concern and are more likely to lead to constructive company engagement and meaningful outcomes.
- **Use voting to reinforce engagement and escalation**. Vote in favour of well-structured human rights resolutions, especially where prior outreach has failed to produce adequate change.
- **Pair participation in shareholder resolutions with continued direct engagement**. When participating in a resolution following a company's failure to adequately mitigate human rights risks, continue engaging with the company on an ongoing basis to gauge whether human rights performance is improved.
- **Incorporate a strong focus on financial risk into shareholder resolutions**. When filing resolutions related to human rights, emphasise the links between the human rights risks in question and related risk to investors, including financial, legal, and reputational risk. This may include raising concerns about possible financial penalty for failed compliance with technology-specific legislation, such as AI regulatory regimes and data protection regimes, as well as financial loss from litigation over technology-related human rights harms or reputational damage affecting the confidence of consumers and business partners.
- **Use resolutions to seek concrete steps toward human rights risk mitigation**. Resolutions offer an opportunity for investors to pressure companies to implement best practice mitigation measures. This is of particular importance for technology-related human rights risks, where investors may be calling on companies to implement specific technical mitigations such as algorithmic auditing and red teaming processes, privacy-preserving approaches to data collection, and transparency around model testing and training.

Where companies consistently do not adequately address human rights risks, especially where shareholder proposals have already been filed and failed to receive majority support, some investors may also use their votes in management resolutions (regarding director elections, executive compensation, governance reforms, risk oversight processes, etc.) to register concern about human rights issues and advocate for greater board accountability.

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Communicating about exercise of shareholder rights

Finally, communicating publicly about how and why they exercised shareholder rights regarding technology-related human rights risks offers asset managers an additional avenue to apply leverage.

Where human rights issues cause managers to file or vote shareholder resolutions or vote a certain way in management resolutions, they can make the reasons for significant votes public. In recent years, investors have frequently communicated about their exercise of shareholder rights in relation to technology-related human rights risks through the inclusion of specific rationales in public voting bulletins, case studies in annual stewardship and engagement reports, and statements on behalf of broader investor coalitions. Some managers also choose to write directly to company boards to explain vote outcomes, request remediation plans, and set conditions for continued investment.

This type of communication is important as a means of sustaining leverage and maintaining pressure for necessary governance changes, signalling to companies what must change to regain investor support and to other investors the presence of systemic concern among shareholders.

5.3 Where human rights risks truly cannot be addressed, take stronger action

Where portfolio companies still have not addressed human rights issues adequately even after repeated investor engagement and shareholder pressure, asset managers should make a judgment about the severity of the human rights issues involved. Where a company has identifiable human rights risks that appear unlikely to materialise as severe impacts, it may be acceptable to remain invested, provided managers continue advocating for human rights risks to be addressed going forward.

However, when human rights risks are severe and impacts are occurring or imminent, this becomes much more problematic. At that point, asset managers may need to accept that divestment is the only way to avoid unduly high risk to human rights and to investors' bottom lines.

Placing companies under observation

As an interim step, asset managers can consider escalating their approach further by formally placing a company under **observation** status. This introduces the risk that the asset manager could divest from the company in the future. Observation is an intermediate step used when:

- There is credible evidence or serious concern that a company is connected to severe adverse human rights impacts
- Investors have communicated their concerns about these issues to the company
- The company has not yet demonstrated an adequate response to those concerns
- The company still has a plausible path forward for improvement
- The company requires ongoing scrutiny, structured monitoring, and likely direct engagement

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Observation is thus a precautionary step that alerts the company of the investor's high level of concern and initiates a formal period of monitoring and evaluation by the investor. Where asset managers decide to formally place a company under observation, B-Tech recommends the following steps:

- **Notify the company that it is being placed under observation, and why.**
- **Inform the company of specific expectations.** These may include implementing specific risk prevention and mitigation measures identified in Step 4 or making improvements to human rights due diligence processes.
- **Set and communicate a timeline for monitoring.** This is a specific timeline during which the company is expected to make significant progress toward meeting the asset manager's communicated expectations. The duration of this timeline may vary based on different factors, including the severity of the human rights issues and the complexity of mitigating them.
- **Monitor and actively engage with the company.** Throughout the monitoring timeline, the asset manager should actively assess the company's ongoing progress toward meeting the communicated expectations. This can include periodic check-ins with the company, as well as recurring review of credible sources pertinent to the company's progress and the occurrence of additional human rights incidents (company disclosures, media coverage, CSO reporting, etc.).
- **Evaluate the company's progress and make a decision.** At the end of the monitoring period, the asset manager should evaluate whether the company has sufficiently addressed concerns to allow for continued investment. This is ultimately a qualitative judgment that will be up to each individual investor, but there are three possible results of this decision:
  - Removing the company from observation, if the company has demonstrated genuine accountability and risk prevention/mitigation
  - Keeping the company under observation, if the company is progressing, but more time or verification is needed. Where this is the case, asset managers should extend the monitoring timeline to allow for additional observation
  - Divesting the investment, if harm is ongoing and unaddressed, or the company refuses to engage.

Initiating responsible divestment

When companies' human rights issues are severe and remain unaddressed despite investors' concerted efforts, managers should consider divestment.[11] This is a final step that may be necessary where companies are unwilling to adequately address risks, risks are too ingrained in a company's business model to feasibly be addressed, or risk mitigation is technically unviable. As discussed elsewhere in this guidance, asset managers' ability to divest companies will vary based on the type of investment structure.

When divesting, asset managers should:

- Communicate to the company the steps that led to this decision and the human rights concerns that remain unresolved
- Communicate about the rationale for divestment in stewardship reporting and policy disclosures, to reinforce accountability and inform market expectations

[11] Asset managers can find further guidance on responsible divestment in the 'Investor Toolkit on Human Rights' from the Investor Alliance on Human Rights, 'Discussing Divestment: Developing an Approach when Pursuing Sustainability Outcomes in Listed Equities', and 'Responsible Business Conduct for Institutional Investors', from the OECD.

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ANNEX A: SUGGESTED LANGUAGE FOR INCLUSION IN HUMAN RIGHTS POLICIES

Language for inclusion in human rights policy commitments

THE ASSET MANAGER'S APPROACH TO HUMAN RIGHTS RISKS

- In the course of its investment activities, the asset manager is committed to respecting all internationally recognised human rights, as defined by the core UN human rights instruments. This includes complying with the investor responsibility to respect human rights as defined by the UNGPs. The asset manager places particular focus on how its investment activities could negatively impact vulnerable and marginalised groups that face higher barriers to the enjoyment of human rights.
- The asset manager recognises that poor corporate human rights practices can lead to significant financial risks to companies and investors, including loss of revenue due to reputational harm, regulatory penalties, legal risk, and operational disruption.
- Both before investment and during ownership, the asset manager performs due diligence to identify human rights risks and adverse human rights impacts associated with its investments, as well as related best practice prevention and mitigation measures.
- Where permitted, the asset manager will refrain from investing in companies whose business activities carry a high risk of involvement in serious adverse impacts on human rights, including by applying its human rights-based exclusion criteria.
- Where portfolio companies' business activities are found to pose risks to human rights during ownership, the asset manager will escalate concerns. This may include, where permitted, sustained direct engagement with companies to advocate for prevention and mitigation measures and exercise of shareholder rights in relation to human rights risks.
- Where permitted, the asset manager may vote in support of, co-file, or file credible human rights-related shareholder resolutions, particularly where direct engagement has not persuaded companies to adequately address serious human rights issues.
- Where portfolio companies fail to adequately address serious human rights issues even after sustained engagement and escalation, the asset manager may divest from such companies, where permitted.
- The asset manager will seek to join human rights-based investor coalitions and collaborations involving other investors, companies, and civil society organisations (CSOs).

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THE ASSET MANAGER'S HUMAN RIGHTS-RELATED EXPECTATIONS OF BUSINESS PARTNERS

- → Portfolio companies should meet their responsibility to respect human rights, as defined by the UNGPs, throughout their value chains.
- → Portfolio companies should maintain processes of human rights due diligence, as described by the UNGPs, to identify risks to human rights linked to their business activities and act to prevent or mitigate potential resulting adverse impacts on human rights.
- → Portfolio companies should communicate publicly and transparently about their human rights approaches, risks, impacts, and policies.

Language for inclusion in product-level governing documents:

PORTFOLIO CONSTRUCTION

"The asset manager is authorised to refrain from investing in companies whose business activities pose significant risks to human rights, including by applying human rights-based exclusion criteria."

- → In segregated mandates, asset owners may dictate exclusion criteria themselves or may arrive at a set of jointly agreed criteria with asset managers. Some asset managers offer client-directed exclusions frameworks, which provide asset owners with a list of possible exclusions to choose from. See here an example from Manulife.
- → In pooled funds, this degree of manager control over portfolio construction will only be possible with some types of fund structures.

COMPANY ENGAGEMENT

"The asset manager is authorised to engage portfolio companies directly to discuss human rights issues and to advocate for companies to implement necessary prevention and mitigation measures."

SHAREHOLDER RESOLUTIONS

"The asset manager is authorised to exercise shareholder rights on behalf of the [fund/client] in support of stronger company approaches to human rights risks. This may include filing or co-filing credible human rights-related shareholder resolutions and voting in a manner consistent with respect for human rights in management resolutions and shareholder resolutions."

- → In segregated mandates, inclusion of this language will depend on the degree of proxy voting and/or filing authority delegated to the manager by the asset owner.

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DIVESTMENT

"Where portfolio companies fail to adequately address serious human rights risks even after sustained engagement and escalation, the asset manager is authorised to divest the fund from such companies."

- In segregated mandates, asset owners may require that managers make recommendations to owners about divestment on human rights grounds, rather than directly divesting themselves
- In pooled funds, this type of divestment will only be possible with some types of fund structures.

Language for inclusion in exclusion criteria

REFERENCE INTERNATIONAL HUMAN RIGHTS LAW IN CONDUCT-BASED EXCLUSION CRITERIA

Conduct-based criteria are used to exclude companies involved in patterns of behaviour that investors deem too risky to include in their portfolios. In addition to barring certain types of conduct related to climate, money laundering, terrorism financing, etc., these criteria often also reference standards of responsible business conduct that investors want companies to follow. B-Tech recommends two specific human rights-related inclusions in these criteria:

- Exclude companies "unwilling or unable to mitigate their involvement in serious adverse human rights impacts or violations of international humanitarian law (IHL) and the laws of war." This allows investors to consider the full spectrum of internationally protected rights and laws.
- Exclude companies that fail to meet their responsibility to respect human rights and IHL under the UNGPs. This allows investors to assess not only companies' human rights impacts but also the adequacy of companies' human rights due diligence processes and responses to risks.

REFERENCE TECHNOLOGY-RELATED HUMAN RIGHTS RISKS IN PRODUCT-BASED EXCLUSION CRITERIA

Product-based criteria are used to exclude investment in specific categories of products that investors consider to pose inherently high levels of risk to people. Products excluded sometimes include things like controversial weapons, tobacco, fossil fuels, etc. B-Tech recommends incorporating technology-related human rights risks into these criteria in two specific ways:

- Explicitly exclude technology products and services that carry inherently elevated levels of human rights and IHL risk. Different asset managers may set different thresholds for which products fit this description, but many human rights experts believe examples include:
  - Technologies forming the value chain of autonomous weapons systems, including some dual-use goods (sensors and perception technologies, AI targeting systems, etc.)
  - Mass surveillance platforms and spyware tools
  - "Predictive policing" AI systems made specifically for use in criminal justice and law enforcement contexts
  - Remote biometric identification systems made for use in law enforcement and other public settings
  - AI-based emotion recognition systems

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- There may be instances where it is not a technology company's products or services, but rather some other element of its business model (i.e., its strategies for generating value) that carries inherently high levels of human rights risk. For this reason, exclusion criteria should go beyond just products and services to also examine technology business models. For example, some human rights experts believe that this should include companies whose business models rely on things like:
  - Large-scale extraction and commodification of personal data in ways incompatible with the right to privacy, including pervasive tracking or profiling without genuine user agency or effective safeguards
  - Intrusive or coercive algorithmic monitoring and management of workers, including systems that exercise automated control over pay, performance, discipline, or termination without meaningful human oversight
  - Provision of high-risk technologies to state or non-state actors with a track record of violating IHL and human rights, including but not limited to sanctioned individuals and entities
  - Sales of high-risk technologies in markets characterised by armed conflict, authoritarianism, and corruption

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ANNEX B: KEY HUMAN RIGHTS TOPICS FOR PRE-INVESTMENT DUE DILIGENCE

Five key topics for pre-investment desk research

1. **Nature of the issue**
What is the issue that has been identified? Is this a risk that an adverse human rights impact will occur, or have impacts already occurred? What is the company's degree of involvement with the issue (causation, contribution, or linkage)?

2. **Severity**
What is the severity of the technology-related human rights issue identified? Assess the severity of potential or actual impacts (based on the scale, scope, and irremediability). Are there factors indicating heightened risk of harm and/or a need for heightened forms of due diligence, including situations involving individuals or groups at heightened risk of vulnerability or marginalization or high-risk operating and deployment contexts (CAHRAs, zones of political repression, etc.)?

3. **Business model nexus and drivers of harm**
What is the company's level of business model connection to this human rights issue? Is the risk or impact directly tied to a core driver of revenue or scale that would be difficult to change without fundamentally altering the business model? (E.g., links to inherent elements of a company's core products or services, vital operating geographies or customer segments, or critical value chain relationships).

4. **Prevention and mitigation**
What best practice measures exist to prevent and mitigate the most severe potential or real-world impacts identified? Is it generally well understood how human rights issues linked to the technology in question should be mitigated, or is the technology too inherently risky or too novel to be effectively mitigated? How feasible is it for the company to implement necessary measures? Would they be especially complex or require wholesale changes to the company's business model?

5. **Company responses**
What public information is available about the company's human rights commitments and its responses to the identified human rights issues? Is there evidence of meaningful changes to design/development choices, deployment practices, etc.?

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Five key topics for pre-investment stakeholder engagement

1. **Lived experience**
   How do the technology-related risks we identified actually affect people in practice? What is their effect on communities and individuals? Are impacts experienced differently by different constituencies (e.g., workers, end users, those who interact with end users, etc.)? How are vulnerable groups impacted?

2. **Mechanisms and drivers of harm**
   What is the pattern by which the real and potential impacts we have identified unfold? Are they driven by features inherent to the technology itself, how it is developed, how it is deployed, how it is used by customers, how it is sold, how it is integrated into other systems, etc.? Are there particular use contexts or types of customers/end-users (e.g. law enforcement, schools, workplaces, conflict-affected areas) where risks intensify?

3. **Additional human rights issues and future trajectory of risks/impacts**
   Are there other technology-related human rights risks or impacts, either linked to this company or to similar business models, that we have not raised but should be aware of? Do you expect any of these risks/impacts to escalate in severity over time? If so, through what pathways (e.g., scaling, new use cases, new markets)?

4. **Technical and operational mitigations**
   What technical or operational measures currently exist to prevent or mitigate the risks and impacts discussed? (E.g., technology design choices, specific data practices, audit mechanisms, human oversight, limitations on use). In practice, how effective and feasible are these measures for this company and others like it to implement?

5. **Company practice**
   To your knowledge, how has the company responded to human rights risks and impacts to date? Has it sought to prevent and mitigate impacts? Where do you see the biggest gaps between commitments and real-world outcomes?

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Five key topics for pre-investment company engagement

KEY TOPICS	SUGGESTED QUESTIONS TO POSE TO COMPANIES
1 **Risk identification and due diligence** How does the company describe its process for identifying human rights issues and appropriate responses? How does this process engage with risks across relevant stages of the technology life cycle and value chain?	*"How does your company examine human rights risks and impacts associated with its business activities? Does this process engage specifically with the UN Guiding Principles on Business and Human Rights and the concept of human rights due diligence?"* *"How do you ensure you stay apprised of human rights risks arising across different stages of the technology life cycle and value chain, including design, development, deployment, sales and licensing, end use, and external value chain linkages?"* *"How do you ensure you stay apprised of emergent or less understood technology-related human rights risks, including those that may not yet be severe vis-à-vis your business but could be in the future?*
2 **Awareness of risks identified by the asset manager** How does the company describe its awareness of the technology-related human rights issues identified by the asset manager's desk research and stakeholder engagement?	*"Our research flagged reporting about some specific examples of human rights risks and/or real-world negative human rights impacts connected to your business activities, including _____. Are you aware of these risks/impacts? Can you explain how you identified them?"* *"How do you view the severity of these issues?"*
3 **Past and future responses to risks identified by the asset manager** How does the company describe any measures it has taken or plans to take in response to the technology-related human rights risks identified by the asset manager? How are these measures implemented in practice?	*"How have you responded to the human rights issues we have identified? Can you point to specific measures that were implemented in response, and any that are planned in the future? How were these actions identified?"* *"Where have these measures been implemented within the technology lifecycle and your broader value chain (e.g., design choices, data practices, access controls, etc.)? How was it determined that these are the appropriate junctures for mitigating/preventive measures?"* *"Have the measures implemented been effective? Where impacts persisted or risks escalated despite existing measures, how have you adjusted your approach?"*

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4 **Governance and senior leadership involvement** How does the company ensure effective governance of technology-related human rights risks, and what role do the board and senior leadership play in overseeing responses to these risks?	*"Do the board/senior leadership evaluate human rights risks associated with the company's business activities? How?* *"What information do the board and senior leadership receive to stay informed about severe human rights risks?"* *"When a significant human rights risk is identified, how is it escalated to senior leadership or the board and what role do they play in deciding on a response?"*
5 **Company willingness to engage on human rights issues** Does the company show a willingness to engage with the asset manager about human rights issues going forward and strengthen its processes for identifying and responding to human rights risks and impacts?	*"Are you willing to strengthen your processes for identifying and addressing human rights risks to more closely align with international standards in this area, including the UNGPs?"* *"Are you open to ongoing engagement with us to discuss technology-related human rights risks and your plans to address them?"*

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ANNEX C: PRE-INVESTMENT HUMAN RIGHTS EVALUATION RUBRIC

*Note: the examples below are provided to illustrate investments that **may** carry varying levels of human rights risk. However, companies' business models and products can fall into higher or lower risk categories based on the interaction of a number of different factors, including the company's previous level of attention to human rights risks, the markets in which it operates, the types of customers it does or does not sell its products to, etc.*

RED FLAG

DESCRIPTION	EXAMPLE
Nature, severity, and trajectory of human rights issues The asset manager has identified ongoing, severe human rights impacts directly caused by the company's business activities. Impacts may be directly affecting vulnerable populations and/or occurring in contexts of heightened human rights risk. The investor deems it likely that these impacts will continue and may escalate in severity. **Business model and technology risk drivers** The identified human rights issues are directly linked to the company's core strategies for generating revenue. Mitigating the identified risks would mean abandoning core products or other key means of value creation. **Availability and feasibility of prevention and mitigation measures** Effective prevention and mitigation strategies are not available. For example, because the harms identified are intrinsically linked to the core function of the technology in question (whether the company produces this technology or directly relies on it), or because the technology is very new and effective mitigation measures do not yet exist. **Company's identification of and response to technology-related human rights issues** The company was either unaware of or uninterested in the human rights issues	The company develops advanced facial recognition software for real-time monitoring. The company licenses its products to governments and law enforcement agencies, including in jurisdictions with systemic patterns of human rights abuse. The technology can be deployed in public spaces, including for purposes like monitoring demonstrations. The asset manager has identified multiple severe human rights issues tied to the company's core products. The indiscriminate surveillance made possible by this technology, and its sale to customers with poor human rights records, create severe risks to the rights to privacy, freedom of association, freedom from arbitrary detention, and others. Vulnerable populations such as human rights defenders and ethnic minorities are particularly at risk. Research suggests the company's products may have already been used to identify individuals later allegedly subjected to arbitrary detention and torture. Based on this dynamic, the asset manager believes these risks and impacts are likely to continue and potentially escalate. These risks are clearly tied to the company's core business model and impacts thus cannot be effectively prevented or mitigated. The harms identified result directly from the use of the product, and the company has shown little interest in limiting its customer base. The company has not attempted to address the identified human rights risks. Consultation of public reporting and external stakeholders

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identified by the asset manager. It has made no meaningful effort to address human rights risks or impacts. **Company governance and human rights due diligence processes** The company lacks meaningful governance mechanisms to identify and address technology-related human rights risks. No HRDD is conducted and senior leadership has no oversight of risks. **Openness to engagement and likelihood of improvement** The company refused to engage with the asset manager about human rights risks and indicated it will not do so going forward.	indicated that the company does not engage with its responsibility to respect human rights. While the product is inherently high-risk from a human rights perspective, the company also has made no effort to change design, deployment, or licensing practices. The company conducts no HRDD and has no internal governance for examining or addressing human rights issues. The company refused to engage with the asset manager on these issues and indicated it will not do so in the future. The asset manager concludes that ongoing severe real-world human rights impacts are highly likely, and the associated financial risk to investors is very high.

HIGH RISK

DESCRIPTION	EXAMPLE
Nature, severity, and trajectory of human rights issues The asset manager believes the company is contributing to ongoing human rights impacts, at least some of which are severe. It also identified risks of further impacts it believes are likely to materialise. At least some of the real or potential impacts involve vulnerable populations or contexts of heightened human rights risk. **Business model and technology risk drivers** The identified human rights issues are closely linked to basic elements of technology design or other core business model features. Addressing risks effectively is difficult for that reason. **Availability and feasibility of prevention and mitigation measures** Mitigation strategies exist, but they are limited in scope or may be relatively easily circumvented. For example, technical controls such as access restrictions or algorithmic safeguards may reduce risk with some effectiveness but can also be bypassed.	The company develops and sells AI-based workforce management tools. Its products include algorithmic CV screening tools, productivity monitoring and rating algorithms, and worker activity monitoring platforms. These tools are used by corporate customers to make decisions about hiring, wages, and dismissal. The asset manager identified real and potential human rights impacts tied to the company's products. Human rights reporting contended that these tools often produce inaccurate and biased outputs, and that their use can constitute excessive surveillance in the workplace. This included concerns about automated metrics disadvantaging certain groups of workers, opaque algorithmic decision-making, and intrusive monitoring practices. Stakeholders consulted stated flagged serious risks to the right to be free from discrimination, the right to work, the right to just and favourable working conditions, the right to privacy, and others. The asset manager believes additional impacts could materialise and escalate as tools are scaled, especially in jurisdictions where labour protections are weak.

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Mitigations may also vary in effectiveness based on how they are applied by deployers, which makes deployment in contexts of heightened human rights risk uncertain. **Company's identification of and response to technology-related human rights issues** The company has limited awareness of the human rights issues identified by the asset manager and has responded to them only minimally. Responses have largely come in the form of public statements or have been policy-based. There is minimal evidence of genuine change to business model features to mitigate risk. **Company governance and human rights due diligence processes** The company has limited governance mechanisms for addressing technology-related human rights risks. These processes largely do not engage with concepts of human rights directly. There is little to no high-level oversight or stakeholder engagement. **Openness to engagement and likelihood of improvement** The company responded only minimally to human rights questions. It shows some limited willingness to discuss its human rights processes with the asset manager in the future but is unlikely to make changes.	These risks are tied to the company's core business model and the harms identified result directly from the intended use of the company's products. Some mitigation measures do exist, including bias testing, data auditing, and increased human involvement in ultimate decision-making. However, some of these safeguards are reliant on the behaviour of deployers, and some human rights experts consulted believed that certain tools are inherently risky to human rights in ways that cannot be sufficiently mitigated. The company has limited awareness of the human rights risks identified. Its responses thus far have been high-level policy commitments with little evidence of substantive changes to product design or client controls. The company's human rights governance is weak. It does not conduct formal HRDD, though it does claim to examine sustainability and risks to people in some cases. Senior leadership oversight of these risks is minimal, as is engagement with external stakeholders. The company engaged with the asset manager at a high level but would not commit to making any changes. The asset manager concludes that the overall human rights risk and associated financial risk are each high.

MODERATE RISK

DESCRIPTION	EXAMPLE
Nature, severity, and trajectory of human rights issues The asset manager has identified some severe human rights issues connected to the company's business activities, including impacts to which the company is linked. The impacts identified were not deemed severe, but the asset manager believes further impacts, including potentially severe ones, could materialise in the absence of appropriate mitigations.	The asset manager is considering investing in a company that develops a reproductive and women's health app. The app collects sensitive personal data, including menstrual cycle information and pregnancy status. The platform is primarily monetised through subscription fees, but the company has sold some aggregated user data to third-party partners in the past, including data brokers and advertisers. The asset manager identified several potentially severe human rights risks linked to the company's

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Business model and technology risk drivers
The identified human rights issues are tied to important elements of product design but could be mitigated with meaningful adjustments. The risks identified largely are not necessarily inherently linked to the way the product is used.

Availability and feasibility of prevention and mitigation measures
Mitigations for the most serious impacts identified do exist. If they are implemented, they could meaningfully reduce the severity of impacts. These measures would require some changes to product design and deployment practices and would come at some cost to the company. However, they are feasible.

Company's identification of and response to technology-related human rights issues
The company shows partial awareness of the human rights issues identified by the asset manager and has taken some steps to address them. Some operational and technical mitigations have been implemented, though they are not consistent with the best practice measures identified by the asset manager.

Company governance and human rights due diligence processes
The company has some governance mechanisms to examine technology-related human rights risks. Elements of HRDD are present, but they are not fully aligned with the UNGPs. There is some senior leadership oversight, but it is not fully formalised.

Openness to engagement and likelihood of improvement
The company was willing to engage with the asset manager and expresses some openness to strengthening its processes over time, though is hesitant to make specific commitments.

business activities. These risks relate to privacy as well as potential downstream misuse of sensitive health data. Where personal health data is aggregated and sold, that data may later become de-anonymised by third parties, whose use of the data could endanger human rights. For example, where health insurers use this information in decisions about cost or eligibility, this may threaten the right to the highest attainable standard of health. Or, where this data is de-anonymised by governments in jurisdictions with regressive laws relating to reproductive rights, this may pose serious risks to rights related to health, security of person, and non-discrimination. Vulnerable populations, including women and girls and LGBTQ+ people, are particularly at risk.

There are mitigation measures for these risks, including minimising the overall amount of data collected and stored, implementing tighter controls on which third parties are deemed eligible customers, and utilising strong data anonymisation techniques. However, there is a baseline level of risk associated with selling personal data that cannot be removed.

The manager believes that elements of the company's business model and actions to date have mitigated some human rights risks. The company mainly relies on subscription fees, and the sale of user data is not a primary revenue generator. The company also is aware of some human rights risks. It has invested in strong anonymisation protocols and collects less granular data than similar apps. However, it has not yet meaningfully restricted customers.

The company does maintain internal privacy and risk teams, though it does not conduct formal HRDD aligned with the UNGPs. Senior leadership receives some reporting on data protection risks, but oversight remains informal. The company engaged constructively with the asset manager and expressed openness to strengthening its approach over time, though it was hesitant to make specific commitments at this stage. The asset manager concludes that the human rights risk and associated financial risk are each moderate.

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LOW RISK

DESCRIPTION	EXAMPLE
Nature, severity, and trajectory of human rights issues The asset manager has identified potential human rights issues connected to the company's operations or products, though the company's involvement in them generally fell short of linkage. Some impacts may have materialised, but they are not severe. There is a possibility that additional impacts could materialise or existing ones could escalate in severity if existing mitigations prove ineffective and new, necessary mitigations are not implemented. **Business model and technology risk drivers** The human rights issues identified are associated primarily with operational practices rather than core means of value creation. Addressing risks adequately would not require fundamental changes to the business model. **Availability and feasibility of prevention and mitigation measures** Effective mitigation strategies exist and are feasible for the company to implement with reasonable effort. No features of the core technology are especially complex to mitigate, provided adequate technical and operational measures are taken. Some risk remains, but these measures can meaningfully reduce the severity of impacts. **Company's identification of and response to technology-related human rights issues** The company is aware of most human rights issues. It has taken steps to address them that mostly align with best practice measures identified by the asset manager. There is room for improvement; additional measures could be implemented and existing ones could be strengthened.	The company develops educational technology products for children. This includes online tutoring platforms and learning analytics platforms for use by schools. These products collect user data including student names and ages, assessment scores, school names, and device location data. The company utilises a subscription business model and does not sell data to third parties. The asset manager identified some human rights risks associated with the company. While the company does not monetise user data, it is in possession of sensitive data pertaining to children. Any data leaks or accidental disclosures could divulge information about children's names and ages, academic performance, home addresses, and schools. While the manager does not believe this is likely to occur, if it did it could create serious risks to children's rights to privacy, security of person, and others. These risks are not associated with the company's core means of value generation, and the manager is confident that addressing them does not require fundamental changes to the business model. Moreover, effective mitigation measures are available through a combination of best-in-class anonymisation and encryption practices, limits on data retention, and parental consent mechanisms. These measures will not eliminate all risk but can significantly reduce the severity of impacts. The company is aware of most of the human rights risks identified by the manager and has already implemented most of the best practice measures discussed. Some measures, such as more proactive parental engagement, could be strengthened. The company has internal governance structures that examine human rights. These include internal privacy and risk teams tasked monitoring child privacy and security specifically, both of which report to senior leadership. The company does have an HRDD policy and engages with human rights in a way that is informed by the UNGPs.

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Company governance and human rights due diligence processes The company has an internal team and corresponding processes to assess and manage human rights risks specifically. Senior leadership was involved in formulation of policy and provided some oversight, though it could be more closely involved on an ongoing basis. The company engages with the UNGPs and the concept of HRDD directly, though its practices are missing some elements of HRDD (e.g., stakeholder engagement could be stronger). **Openness to engagement and likelihood of improvement** The company engaged openly with the asset manager and is willing to continue doing so going forward. It has indicated a willingness to implement risk mitigations in response to investor advocacy but made no specific commitments.	Some elements of HRDD, including consultation with technology and human rights experts, could be strengthened. The company engaged constructively with the asset manager and is open to improving its human rights approach over time. No specific commitments were made, but the company is willing to respond to investor advocacy. The asset manager concludes that the human rights risk and associated financial risk are each relatively low.

GREEN FLAG

DESCRIPTION	EXAMPLE
Nature, severity, and trajectory of human rights issues The asset manager has identified minimal human rights risks connected to the company's operations or products. No real-world impacts have been identified, and any potential impacts are considered unlikely to materialise, not severe, and unlikely to escalate over time. **Business model and technology risk drivers** The human rights risks identified are not closely tied to the company's core means of revenue generation, including products or other essential business processes. Should these risks need to be addressed, this will not require changes to the business model itself. **Availability and feasibility of prevention and mitigation measures** There are ample available measures to prevent and mitigate impacts associated with the identified risks. These measures are well established in the technology and human rights	The company develops enterprise workflow software for corporate and public-sector clients. This includes internal scheduling tools, document-management systems, and project-tracking platforms. The company utilises a subscription-based business model. These tools are used internally by customers' employees, and data collected is minimal (mainly contact information and metadata related to task completion). This data is never sold to third parties. The asset manager identified minimal human rights risks associated with the company. The company's products do have AI and automation integrated, but none of the software is involved in decision-making pertinent to individuals' rights (e.g., hiring or disciplinary action). The manager did not identify any real-world human rights impacts. Potential impacts could occur in relation to data breaches and might affect the right to privacy of employees whose work-related data is processed by the platform. However, these impacts are not considered severe and are unlikely to materialise.

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space and are considered highly effective. They are straightforward to implement and do not involve significant additional resource costs to the company.

Company's identification of and response to technology-related human rights issues

The company shows strong awareness of all human rights risks identified by the asset manager. The company has proactively implemented measures to prevent impacts from occurring, which are consistent with the best practice mitigations identified by the asset manager. Any remaining gaps are minor and do not pose financial risk.

Company governance and human rights due diligence processes

The company has strong governance structures in place to address human rights risks. HRDD is embedded across the company and is consciously aligned with the UNGPs, including robust stakeholder engagement. Senior leadership is appropriately informed and involved in oversight.

Openness to engagement and likelihood of improvement

The company engaged enthusiastically and transparently with the asset manager and is ready to continue doing so going forward. The company indicates a commitment to continuously improving its approach to human rights risks. No significant additional measures are likely needed to reduce risk further.

These risks are unconnected with the company's core means of value generation, and the manager is confident that addressing them does not require fundamental changes to the business model. They are also easily mitigated through a variety of IT measures (encryption of stored data, redundancies, access controls) which are well understood and common practice across the industry.

The company is aware of the adverse human rights impacts that could occur if there are issues with its data security practices, and it takes these risks seriously. It has proactively implemented all best-practice safeguards identified by the asset manager, including data minimisation practices and default privacy-protective settings.

The company has strong internal governance structures for identifying and addressing human rights risks. This includes a human rights lead responsible for overseeing a program of HRDD that engages consciously and fully aligns with the UNGPs. The board and senior leadership remain apprised of all identified human rights risks and are closely involved with determining responses.

Multiple teams within the company engaged willingly and transparently with the asset manager's human rights questions. The company expressed a dedication to continuing to strengthen its human rights practices over time. The asset manager concludes that the overall human rights risk and associated financial risk are very low.

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ANNEX D: KEY HUMAN RIGHTS TOPICS FOR DUE DILIGENCE DURING OWNERSHIP

Five key topics for desk research during ownership

1 **Nature of emerging or escalated human rights issues**

What is the nature of the issues that have been identified? Do these developments represent new risk pathways (e.g. new products, new use cases, new customers, new geographies), or an escalation in severity of previously identified issues? What is the pattern by which escalations have occurred? (E.g., entry in new markets, expansion to new and more vulnerable user groups, new technology products with greater risks, etc).

What is the company's degree of involvement (causation, contribution, or linkage) with new or escalated issues? If the company is now more closely involved with human rights risks/impacts than it was before, why is this the case? (e.g., expansion to higher-risk products or customers, greater integration of technology into rights-affecting decisions, etc.).

2 **Evolution of severity**

What is the severity of new technology-related human rights issues identified? Assess severity in the same way described in Annex B. Where existing risks or impacts have escalated in severity, how/why? (e.g., more fundamental rights are now at risk, vulnerable populations are now likelier to be affected, etc.).

3 **Business model nexus and drivers of harm**

What is the company's level of business model connection to new or escalated human rights issues? Are new risks or impacts directly tied to core revenue drivers? Where risks/impacts escalated in severity, was it because they became more closely linked to core revenue drivers? If so, how? (e.g., shifting the core customer base toward higher risk segments/use cases). Would addressing newly escalated risks now require more significant changes to the business model than before?

4 **Prevention and mitigation**

Are there effective prevention and mitigation measures available for newly identified severe human rights issues? If so, what are they? Where risks/impacts have escalated in severity, did this occur because previous prevention/mitigation strategies proved ineffective? If so, why? Can escalations in severity be rolled back through new or more effective prevention/mitigation measures? In all cases, are the necessary measures feasible for the company to implement?

5 **Company responses**

What does publicly available information suggest about the company's responses to any new or escalated human rights issues identified? Has the company issued any public response? Does reporting indicate any measures the company is implementing to respond to these issues? Do these newly identified issues suggest a gap between the company's human rights policy commitments and its behavior in practice?

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Five key topics for stakeholder engagement during ownership

1. **Evolution of lived experience and impacts**
How do newly identified risks/impacts affect people in practice? Are these impacts felt more acutely by vulnerable groups? If so, how? Where previously identified issues have escalated in severity, how has that been felt tangibly by real people? Are impacts being experienced differently by different groups than they were before?

2. **New or intensified mechanisms of harm**
What is the pattern by which any newly identified real and potential impacts could unfold? Are they driven by features inherent to the technology itself, how it is developed, how it is deployed, how it is used by customers, how it is sold, how it is integrated into other systems, etc.? Are there particular use contexts or types of customers/end-users (e.g. law enforcement, schools, workplaces, conflict-affected areas) where risks intensify?

   Where previously identified risks or impacts have escalated in severity, what has driven this escalation in practice? Have specific operational or technological changes made risks more severe?

3. **Additional human rights issues and future trajectory**
Do you believe the human rights issues we have raised are likely to continue escalating in severity going forward? If so, how?

   Are there additional elements of these human rights risks or impacts that we have not raised but should be aware of? Are there other new or escalated human rights issues linked to this company that we should know about?

4. **Technical and operational mitigations**
Are effective prevention/mitigation measures available to prevent further escalation of these kinds of impacts? What are they, and how feasible do you believe they are for the company to implement going forward? If the company has been unable to mitigate these issues to date, does this indicate a failure at the company level, or do you see the same mitigation failures across companies contending with these same human rights issues?

5. **Company practice**
How do you believe the company is responding to the human rights issues we have identified? Do you believe it has made good faith efforts to prevent and mitigate impacts? How do these efforts stack up against other companies facing similar human rights issues? Have the company's existing safeguards or mitigation measures been effective as risks have evolved? Where they have been ineffective, why do you think this has been the case? (E.g., inconsistent application, insufficiently robust technical measures, failed to keep pace with increasing scale and use cases, etc.).

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Five key topics for company engagement during ownership

KEY TOPICS	SUGGESTED QUESTIONS TO POSE TO COMPANIES
1 **Progress toward addressing previously discussed risks** If the manager and company have previously discussed specific human rights issues the manager wants to see addressed, has the company made progress toward this?	*"We previously discussed a plan for addressing the following technology-related human rights risks connected to your business activities: _____. Can you update us on what steps you have taken in this area?"*
2 **Awareness of new human rights issues and mitigations** Is the company aware of the new or escalated human rights issues identified by the asset manager? Is the company familiar with best practice mitigations for these issues?	*"Our research identified new or escalated technology-related human rights issues connected to your business activities, including _____. Are you aware of these issues? Can you explain how you identified them? What is your assessment of their severity?"* *"Are you familiar with best practice prevention and mitigation strategies for these issues? What are they? How did you identify them?"*
3 **Action taken toward human rights risks** What steps has the company taken to address identified human rights risks since the previous human rights engagement with the asset manager?	*"Can you explain what actions you have taken to address these risks?"* *"How successful have these efforts been? Can you point to evidence of risks having been successfully mitigated? Where mitigation has failed, why? What were the primary obstacles?"*
4 **Future risk outlook** How does the company believe its human rights risks are likely to develop? How well does it understand its risk profile?	*"How do you expect your human rights risks to develop going forward? Do you believe risks to human rights are likely to escalate or evolve, for endogenous or exogenous reasons? Through what pathways might this occur?"*
5 **Planned next steps** What is the company's roadmap for addressing new or escalated human rights risks?	*"What do you believe is necessary going forward to sufficiently mitigate the human rights issues we have discussed?"*

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ANNEX E: HUMAN RIGHTS EVALUATION RUBRIC FOR USE DURING OWNERSHIP

*Note: the examples below are provided to illustrate investments that **may** carry varying levels of human rights risk. However, companies' business models and products can fall into higher or lower risk categories based on the interaction of a number of different factors, including the company's previous level of attention to human rights risks, the markets in which it operates, the types of customers it does or does not sell its products to, etc.*

RED FLAG

Indicators:

New or accumulated evidence demonstrates that the company is causing severe, ongoing human rights impacts, and that risks have escalated despite prior warning signs. Harms are directly linked to core aspects of the company's business model and growth strategy. Vulnerable groups are directly and significantly affected. The company has showed little interest in preventing or mitigating these impacts, even where the manager has raised concerns about them before. The company does not engage meaningfully with the asset manager about human rights issues and shows little interest in or awareness of its evolving human rights risks.

Example:

The asset manager is invested in a portfolio company that produces software with military applications in communications and other non-lethal operational planning, formerly only for domestic clients. These tools have some AI integration, but these were previously deemed to carry only moderate human rights risks. Now, reporting indicates that the company is developing AI targeting software for use in conflict zones. CSOs consulted believe this is being done for the purpose of supplying a foreign military allied with the company's home government. This country is involved in an ongoing conflict characterised by allegations of targeted attacks on civilians.

Action:

Escalate to Step 5 with highest priority: immediate advocacy for specific mitigations.

HIGH RISK

Indicators:

Credible new information shows that the company's human rights risks have escalated sharply. The company is contributing to impacts that are either already occurring or are likely to occur soon, including likely severe ones. Impacts may be closely tied to core products, customer segments, or other key business model elements. Vulnerable groups or high-risk contexts are clearly being affected

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and stakeholders raised concerns that risks will continue to escalate in the absence of immediate preventive and mitigative action. Evidence suggests that existing mitigation measures have been ineffective or deprioritised. The company only engaged with the asset manager about human rights in a very cursory manner. Its awareness of its human rights risks remains limited, and there is little evidence the company plans to take sufficient steps to address risks.

Example:

Reporting finds that a portfolio company has begun selling some of its biometric identification technology products to governments in jurisdictions characterised by political repression. The company had previously committed to restricting high-risk use cases and argues that its products do not have overt surveillance capabilities. However, stakeholders argue that these technologies can sometimes be repurposed for mass surveillance. CSOs also report that the governments in question use arbitrary detention against human rights defenders and peaceful protestors, who could plausibly be identified through the company's technology.

Action:

Escalate to Step 5: advocacy for specific mitigation measures.

MODERATE RISK

Indicators:

New evidence suggests that previously identified risks are beginning to materialise into impacts, or that previously implemented mitigation measures are no longer sufficient to prevent real impacts from escalating in severity. The company may be linked to impacts, including possibly severe ones, through design choices or deployment practices. One or more vulnerable groups are affected, though not necessarily by the most severe impacts identified. There are signs that risks could continue to escalate if the company's current trajectory (e.g. ongoing scaling, new use cases, expansion into higher-risk contexts) continues unchanged and effective mitigation measures are not implemented swiftly. The company does engage with the asset manager directly about human rights, though its understanding of its risks remains incomplete. The company describes some measures it has put in place to address new risks, but these are not yet consistent with best practice as identified by the asset manager.

Example:

Research and stakeholder input indicate that gig-work platforms are increasingly expanding internationally. Companies headquartered in jurisdictions with strong labour protections may take on new labour-related human rights risks when entering markets with weaker protections, where they can deploy more aggressive forms of algorithmic management, for example. The asset manager has several gig-work platforms in its portfolio; two have recently expanded into new countries and have not publicly committed to maintaining their existing labour practices. The manager thus sees risks of adverse impacts to labour rights, particularly for vulnerable populations such as low-wage workers and ethnic and racial minorities, who are heavily represented in the gig economy workforce in these new markets.

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Action:

Monitor the company closely and repeat the company-level review within a defined timeframe to assess whether risks continue to escalate.

LOW RISK

Indicators:

New information indicates some new risk patterns from which impacts could materialise, but the manager believes this is unlikely. New real-world impacts would only result from major changes to product use, scale, deployment context, etc. The company has existing safeguards in place, though some may be incomplete or unevenly implemented. While vulnerable groups could be impacted in the absence of effective mitigations, the asset manager does not believe this is likely. The company engages openly with the asset manager about human rights and demonstrates awareness of most of the risks the manager has identified. The company can point to specific measures it is putting in place to address these risks, though the speed of implementation and full alignment with best practice could be improved.

Example:

Reporting highlighted growing concern about the integration of AI into edtech platforms, including discrimination risks linked to bias in adaptive learning algorithms. The asset manager is aware that a portfolio edtech company has begun integrating AI into its product and thus conducts a company-level review. However, the manager finds that the company's AI is being used primarily for administrative functions, including providing automated feedback on non-evaluative exercises. The asset manager concludes this does not create serious risk of biased or unequal educational outcomes, though this could occur if AI is integrated in different ways going forward.

Action:

None immediately. Reassess the company during a future company-level review if risks evolve.

GREEN FLAG

Indicators:

New information does not meaningfully change the asset manager's prior understanding of the company's human rights risk profile. Any newly identified risks are low in severity and no evidence suggests they will materialise into impacts; the company's involvement with any impacts that did occur would be limited. There is evidence that earlier mitigation measures or safeguards are functioning as intended and vulnerable groups have not been meaningfully affected. The company engages enthusiastically with the asset manager about human rights and is available for all requested discussions. The company is fully aware of all risks identified by the manager and points to specific best practice mitigation measures it has already implemented to deal with them.

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Example:

Reporting raised concerns about growing data protection and privacy risks associated with lifestyle tracking apps. The asset manager was concerned about these risks in connection with a portfolio company's mental health and wellness app, but after review found that human rights experts believe the company's approach to data collection, storage, and security to be more than adequate.

Action:

No further action needed.

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