CONSIDERING SOCIAL RISK FACTORS IN INSTITUTIONAL INVESTMENT PORTFOLIOS

A PRIMER FOR UNIVERSITIES

SHARE

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Acknowledgement

This primer was commissioned by the University of British Columbia (UBC) and UBC Investment Management (UBCIM) as an educational tool to introduce and contextualize the breadth of social factors relevant to investment portfolios, how these issues arise within them, and the responsibilities of investors in relation to national and international standards of Responsible Business Conduct. SHARE is grateful to UBCIM staff and members of UBC's Responsible Investment Working Group for their guidance and input into the development of this primer.

SHARE is solely responsible for the content of this report.

Territory Acknowledgement

We respectfully acknowledge that SHARE carries out its work across the territories of many Indigenous Nations. Our offices are located on the traditional, ancestral and unceded territories of the xʷməθkʷəy̓əm (Musqueam), Sḵwxwú7mesh (Squamish) and səlilwətaɬ (Tsleil-Waututh) Nations in Vancouver, British Columbia, and on the traditional territories of many Nations, including the Mississaugas of the Credit First Nation, the Anishinaabe, the Haudenosaunee and the Wendat in Toronto, Ontario. We recognize that these lands have been home to Indigenous Peoples since time immemorial and that colonialism, dispossession and injustice are ongoing.

As we pursue our work nationally and internationally, we commit to listening, learning and engaging in actions that advance reconciliation and support Indigenous-led solutions.

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About **SHARE**

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About **UBCIM**

UBC Investment Management is a professional investment management company established in 2003 to provide comprehensive portfolio management and advisory services to The University of British Columbia (UBC). UBCIM is a wholly owned subsidiary of UBC and in addition to other smaller funds within the UBC community, the primary funds it manages are: The UBC Endowment Fund, The UBC Staff Pension Plan, and The UBC Long Term Liquidity Fund.

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Introduction

Over the past fifteen years, universities in Canada and internationally have taken significant steps to implement responsible investment practices, with particular emphasis on managing climate-related risks and opportunities. Building on these efforts, there is growing recognition that a broader range of environmental, social, and governance (ESG) factors can affect individual assets and broader financial markets over longer horizons, necessitating a comprehensive approach to their management.

This primer provides an overview of social risk factors that may be material to institutional investors and examines how these factors emerge within investment portfolios. Social risk factors pertain to considerations involving people — including workers, suppliers, customers, and communities — that are affected by or contribute to investment outcomes. They encompass a wide range of topics, including forced labour, human capital management, the just transition, links to armed conflict, and economic inequality. Social risk factors can materialize at the entity level, such as when a workplace accident generates legal liabilities for a company, or at the systemic level, where issues like rising inequality can undermine social or political stability and economic growth, with potential long-term consequences for diversified investment portfolios.

The purpose of this primer is to assist universities, and other asset owners, in identifying and addressing the risks and opportunities associated with key social factors. It outlines where in the investment process these risks may arise, how they may be assessed, and what practical steps universities can take to integrate social considerations into investment decision-making.

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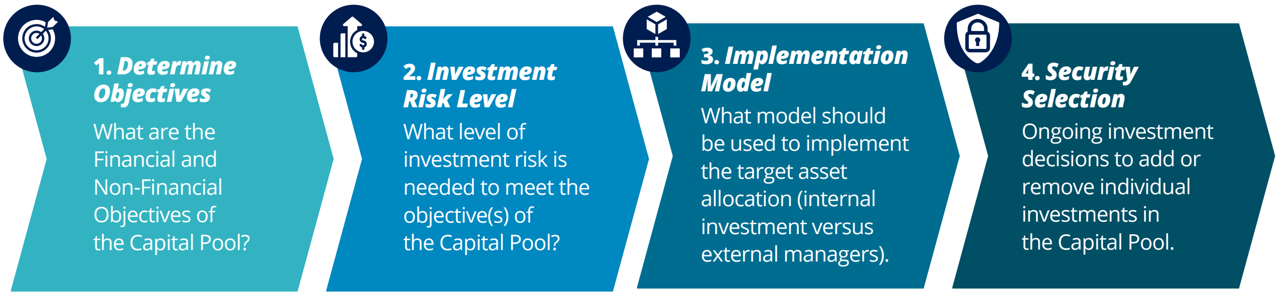
Investment Governance and Decision-Making



Effective oversight of institutional investments requires clarity over who makes what decisions across the investment chain. There are four primary decisions that an asset owner (such as a university) needs to make or delegate to a capable party:

1. **The financial and non-financial objectives of the capital pool,** subject to legal and regulatory constraints. These may be informed by investment beliefs set out by the board or investment committee.

2. **The investment risk level** needed to meet the financial objectives of the capital pool. This is generally reflected in the target asset mix (equities, fixed income, real assets, etc.) to guide the construction of the investment portfolio.

3. **The implementation model**, for example whether to manage investments internally or contract external investment managers, based on key considerations such as cost, complexity and talent requirements.

4. **Individual security selection** refers to the decisions to add or remove individual investments in the portfolio. In an internal implementation model, security selection decisions are made by internal staff. In an external implementation model, this decision is delegated to external investment managers that invest according to specific mandates. Some asset owners may use a mix of internal and external implementation models.

Canadian Universities, as administrators of endowment or pension capital pools, are subject to fiduciary obligations under trust and pension regulation. This compels them to ensure that material financial risks are considered throughout the investment decision-making process, and to identify at which stage those risks can be most effectively addressed. This obligation includes consideration of those social risks that may affect the risk and return expectations for the portfolio.

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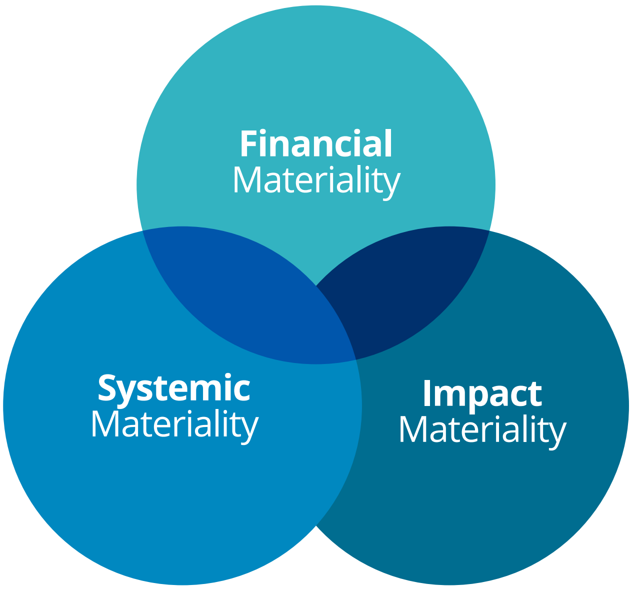
Social Risk Factors in Investment Portfolios

Assessing Materiality

Investment risks, including ESG risk factors, can be *idiosyncratic* in nature, impacting the financial outcomes of a single entity or a small group of entities, or *systemic* in nature, impacting a broad set of financial assets across sectors or geographies. Investors may also seek to understand how their investments impact social factors, such as human rights. These approaches are often considered through three interconnected lenses: financial materiality, impact materiality, and systemic materiality.



Financial Materiality

Identifying which social factors are relevant to institutional investors requires first an understanding of whether a social factor could have a financial impact on an investment portfolio. This is often referred to as financial materiality. Financially material social factors are those that can significantly affect a company's financial performance, including its cash flow generation and revenue growth.
Examples of financially material social factors include poor health and safety practices, supply chain disruptions, consumer boycotts, or community opposition.

These issues can result in reputational damage, legal liabilities, or lost contracts.

For diversified asset owners, the significance of any one incident depends on both the size of the exposure and the extent of its financial impact on the portfolio. Managing these kinds of risks is usually done through diversification and security selection. Asset owners often rely on external asset managers to fulfil these functions, making asset manager selection and oversight critical tools for asset owners.

Impact Materiality

In addition to evaluating the financial materiality of social risk factors, some institutional investors are considering how their investments impact people and the environment—a perspective known as impact materiality. The United Nations Guiding Principles on Business and Human Rights highlight that companies should avoid infringing on the human rights of others and address adverse human rights impacts with which they are involved.[1]
These expectations increasingly underpin international norms and are being embedded in regulations in some jurisdictions, particularly in Europe (See Appendix A).

To better understand, evaluate and mitigate the negative impacts of their investments on people, investor groups such as the Principles for Responsible Investment (PRI) have developed guidelines to assist institutional investors in exposure monitoring and enhanced due diligence for those sectors, geographies and assets that may face heightened risk of impacting labour or human rights, including for investments that may be exposed to conflict. Asset owners may implement this kind of enhanced due diligence directly or ensure that their asset managers have sufficient systems and processes in place.

1 UN Office of the High Commissioner for Human Rights. *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*. Available at: https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf.

Systemic Materiality

Beyond impacts at the entity level, social factors can give rise to systemic risks that affect financial markets and the broader economy. The World Economic Forum's 2025 Global Risk Report highlights inequality and state-based armed conflict as two of the most significant systemic risks facing the global economy today.[2]

For example, persistent and escalating economic inequality stunts consumer demand, increases political risk, and contributes to more frequent and severe economic downturns.[3] When excessive, economic inequality can undermine the macroeconomic conditions necessary for stable, long-term returns by weakening growth, increasing financial and political instability, and distorting the distribution of investment risks and opportunities.

The growth in armed conflicts can also pose risks across investment portfolios through trade disruptions, commodity shocks, uncertainty and broken supply chains.[4]

Systemic risks such as inequality and conflict are multi-causal and influenced by government policy, geopolitical dynamics, and macroeconomic trends—many of which lie beyond the reach of institutional investors. However, certain corporate practices—such as persistent wage suppression, erosion of labour protections, or the exploitation of weak governance contexts—can contribute to these systemic risks building over time, especially when widespread across geographies.

Importantly, research suggests that more than 75% of long-term portfolio returns come from overall market exposure (beta), not individual asset selection (alpha).[5] As such, systemic risks—though diffuse—can have a meaningful cumulative effect on portfolio returns over time. These kinds of risks cannot be managed through portfolio diversification. Asset owners often seek to mitigate systemic risks by collaborating with peers to influence policy frameworks and by engaging with companies to drive responsible business practices.

2 World Economic Forum. *Global Risks Report 2025.* Available at: https://www.weforum.org/publications/global-risks-report-2025/.
3 Chancel, Lucas et al.(2021). *World Inequality Report.* World Inequality Lab. Available at: https://wir2022.wid.world/www-site/uploads/2021/12/WorldInequalityReport2022_Full_Report.pdf.
4 Heartland Initiative. *The Saliency–Materiality Nexus.* Available at: https://heartland-initiative.org/the-saliency-materiality-nexus/.
5 CFA Institute. *"Setting the Record Straight on Asset Allocation."* Available at: https://blogs.cfainstitute.org/investor/2012/02/16/setting-the-record-straight-on-asset-allocation/#:~:text=summed%20up%20their%20findings%20as,follows.

Case Study

Vale SA – Brumadinho Dam Collapse (2019)

On January 25, 2019, Vale SA's Brumadinho tailings dam collapsed, releasing 12–13 million m^3 of waste into surrounding communities in Minas Gerais, Brazil. The disaster killed 272 people, displaced nearly 24,000, and devastated ecosystems along the Paraopeba River. Investigations found that internal warnings about dam instability had been ignored for years due to poor governance and conflicts of interest, leading to a major corporate crisis.

Financial Materiality

Vale's market capitalization plunged by approximately US $14 billion (–24%) in a single day, marking Brazil's largest one-day market loss. Revenue remained stable in 2019, but net income fell from US $6.9 billion in 2018 to a loss of US $1.7 billion. Authorities froze US $3 billion in assets and imposed fines exceeding US $67 million. The company's credit was downgraded to junk status by Moody's and only restored in 2021. A US $7 billion settlement with Brazilian prosecutors in 2021 and further safety investments of over US $5 billion followed. Management upheaval included the removal and prosecution of several top executives.

Impact Materiality

The event caused severe human and environmental harm—272 deaths, village destruction, and long-term contamination of river and soil systems. Indigenous communities were displaced, and biodiversity was heavily affected. The tragedy eroded community trust and became a defining example of corporate social failure in resource industries.

Systemic Materiality

Brazil's iron ore exports dropped 10%, pushing global prices up 37% by year-end 2019. The tragedy spurred global reforms, including the Global Industry Standard on Tailings Management and an international registry of tailings facilities. Brumadinho remains a key lesson in ESG risk and board accountability.

Case Study

Lafarge / Holcim - Operations Financing in Syria (2012 - 2016)

Between 2012 and 2014, Lafarge operated a cement plant in Jalabiya, Syria, during the civil war by paying millions of euros to groups including ISIS and al-Nusra. The payments, exposed by Le Monde in 2016, violated EU sanctions and led to criminal proceedings in France and the United States. The company merged with Holcim AG in 2015, concealing the misconduct during merger talks.

Financial Materiality

In 2022, the U.S. Department of Justice fined Holcim US $778 million—the first corporate prosecution under the Anti-Terrorism-Act. Operating profit fell 26.8% (CHF 1.1 billion) despite higher recurring EBIT. Shares lagged the STOXX Europe 600 Construction Index by 4%. Fitch noted the merged firm had enough headroom to absorb losses, but ongoing French and U.S. lawsuits could add further liabilities. Criminal hearings in France are scheduled for 2025.

Impact Materiality

Lafarge forced Syrian employees to work under threat while foreign staff were evacuated. Payments supported groups accused of war crimes including massacres, slavery, and executions. The case highlights failures in corporate ethics, due diligence, and human rights oversight.

Systemic Materiality

Lafarge's operations contributed to distorted regional cement markets and exposed the systemic risks of maintaining commercial operations in conflict zones. The prosecution set a precedent for holding corporations legally accountable for financing terrorism and may influence future enforcement of international business-and-human-rights standards.

Overview of Social Risk Factors in Investment Portfolios

Not all social factors are financially material, and not all give rise to systemic risks. However, some social risks can have direct financial implications at the entity level, while others may contribute to systemic risks through broader economic mechanisms. The table below summarizes selected social factors relevant to institutional investment portfolios and illustrates how each factor can influence financial performance, affect the wellbeing of stakeholders, and potentially contribute to broader systemic risks.

Social Factor	Financial Materiality	Impact Materiality	Systemic Materiality
Labour Rights and Human Capital Management	Lower productivity, higher turnover costs, legal risks from poor labour practices; positive impacts from strong workforce management.	Unsafe working conditions, wage exploitation, lack of bargaining power, and overall erosion of workers' rights and dignity.	Widespread labour abuses can fuel social unrest, regulatory tightening, and loss of economic productivity at a national, sectoral or global level.
Human Rights	Reputational damage, legal liabilities, operational disruptions due to human rights violations in supply chains or operations.	Violation of fundamental rights such as freedom of expression, right to life, and freedom from forced labour and discrimination.	Human rights crises can trigger sanctions, trade restrictions, and reputational contagion across sectors, destabilizing markets.
Indigenous Rights	Project delays, litigation, and loss of licenses due to violations of Indigenous rights or lack of Free, Prior and Informed Consent (FPIC).	Violation of cultural, land, and self-governance rights of Indigenous peoples, undermining community sustainability and resilience.	Ignoring Indigenous rights can contribute to conflict, undermine resource governance, and disrupt supply chains critical to global markets.
Racial Equity	Loss of market access, customer loyalty, or legal risks stemming from discrimination or inequity; opportunities from diverse and inclusive practices.	Perpetuation of racial disparities in employment, income, health, and access to services, harming broader societal cohesion.	Persistent racial inequities can erode social trust, increase political polarization, and weaken economic stability over time.

Assessing Social Risk Factors in Investment Portfolios

Social risk factors are relevant across sectors, geographies and asset classes, but their impacts may differ for portfolios concentrated in different regions or industries. For example:

Forced labour is most prevalent in construction, electronics manufacturing, fashion and apparel, agriculture and fishing, hospitality, and mining. The Asia and Pacific regions have the highest number of people in forced labour (15.1 million) while the Arab States have the highest prevalence, with 5.3 people per 1,000 subjected to forced labour.[6]

The risk of company involvement in severe human rights abuses is particularly high in contexts affected by armed conflicts and other widespread violence.

Indigenous peoples' rights face heightened risks from business activities in sectors with significant land-use impacts including extractives (oil, gas and mining), forestry, agribusiness, and energy transmission sectors.[7]

6 Business & Human Rights Navigator. *"Industry-Specific Risk Factors."* Available at: https://bhr-navigator.unglobalcompact.org/issues/forced-labour/industry-specific-risk-factors/.
7 United Nations Working Group on Business and Human Rights. *Report on Business-Related Impacts on the Rights of Indigenous Peoples*, A/68/279 (2013). Available at: https://www.ohchr.org/sites/default/files/Documents/Issues/Business/A-68-279.pdf.

University investment portfolios are typically diversified across public and private equities, fixed income, infrastructure, and real estate investments. While social risk themes apply broadly, they may also manifest in different ways within specific asset classes. For example:

Some private equity models may exacerbate inequality by increasing costs and/or reducing access to services for low-income people.

In real estate, return expectations may lead to aggressive rent increases or renovictions. Elevated benchmark targets may incentivize above-guideline rent hikes and displacement of tenants.[8]

For these reasons, it can be helpful for investors to conduct sector, asset, and country-level materiality assessments to identify potential areas of heightened social risk.

8 August, M. (2020) *The financialization of Canadian multi-family rental housing: From trailer to tower.* Journal of Urban Affairs. 42(7), 975–997. Available at: https://www.tandfonline.com/doi/abs/10.1080/07352166.2019.1705846

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International Standards and Investor Responsibilities

There is no one governing standard for investors to follow as it relates to social risk factors. Rather, a broad set of international laws, frameworks, and standards defines expectations for human rights, labour rights, Indigenous rights, and responsible business conduct, providing important benchmarks for institutional investors seeking to manage social risks and uphold their responsibilities. While a detailed overview of these standards is provided in Appendix A, below are some key take-aways for how these standards apply to institutional investors:

- Many of these requirements, such as the International Labour Organization (ILO) conventions, are incorporated into various national laws and regulations. Some, like the United Nations Guiding Principles on Business and Human Rights, reflect international law but are not binding national laws.

- The primary responsibility to protect human rights, uphold international humanitarian law, and promote responsible business conduct lies with governments. Business enterprises and institutional investors are expected to respect human rights through a set of policy and process requirements, as set out in the United Nations Guiding Principles on Business and Human Rights.[9]

9 Principles for Responsible Investment. *An Introduction to Responsible Investment: Human Rights.* Available at: https://www.unpri.org/introductory-guides-to-responsible-investment/an-introduction-to-responsible-investment-human-rights/12026.article

- In its guidance for institutional investors, the OECD clarifies that investors are expected to identify, prevent, and mitigate adverse impacts linked to their investments and that this responsibility applies to minority and majority shareholders, as well as to passive and active investment strategies.[10] While institutional investors are not required to guarantee outcomes, they are expected to use their leverage and stewardship tools to encourage investee companies to manage these risks effectively and prevent harm.[11]

- Canadian university capital pools are not bound by national laws to take specific steps regarding international human rights, but universities themselves, as buyers of goods and services, are expected to report annually under Section 11 of the *Act to Enact the Fighting Against Forced Labour and Child Labour in Supply Chains and to amend the Customs Tariff.*

10 Organisation for Economic Co-operation and Development (OECD). *Responsible Business Conduct for Institutional Investors.* Available at: https://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf.
11 Principles for Responsible Investment. *Why and How Investors Should Act on Human Rights.* Available at: https://www.unpri.org/human-rights/why-and-how-investors-should-act-on-human-rights/6636.article.

07

Challenges

The integration of social risk factors into institutional investment portfolios remains nascent across the investment landscape. Universities have emerged as early leaders, driven by longstanding community concern about social issues. Yet, progress has lagged efforts to address environmental risks, due to implementation challenges in three key areas: **data availability and quality, structural constraints within investment models, and internal capacity limitations.**

Data and Research

Reliable, comparable data is an important component of effective ESG integration, stewardship, and impact assessment. However, information related to social risks is currently fragmented, inconsistent, and limited in coverage, reflecting a lack of standardized metrics, limited company disclosure, and difficulties in assessing supply chain risks and human rights practices.

Investors are further challenged to understand and evaluate the way in which social systemic risks impact broader market returns. As a result, asset owners must navigate these gaps and support efforts to improve data quality by engaging with their asset managers and advocating for standardized sustainability disclosures through initiatives such as the International Sustainability Standards Board (ISSB) and the Canadian Sustainability Standards Board (CSSB).

Implementation Model

University investors often manage investments through external asset managers, limiting their ability to directly select securities or influence engagement activities. While some universities maintain product-specific exclusions and have in-house investment capabilities, the majority rely on external asset managers subject to the general guidance of the asset owner's investment policy and mandate(s). In pooled investment products, investors have even less influence and there is limited availability of pooled product options designed specifically to address social risk factors while still meeting risk-return objectives. Most institutions must therefore rely on clearly articulated investment beliefs, policies, and strong due diligence and oversight of managers to ensure alignment with institutional priorities. Collective stewardship activities may also provide additional opportunities for universities to address social risk factors across their portfolios, even for pooled products where influence may be limited.

Cost and internal capacity

Managing social risks within investment portfolios requires skills, resources and infrastructure that many asset owners currently lack. At the same time, the frameworks, knowledge and tools related to identifying and evaluating social risks such as human rights due diligence and labour rights monitoring are still developing within the investment management industry. This reality creates challenges for asset owners seeking to resource this work effectively, leading some to seek opportunities to develop shared tools and frameworks to reduce per-institution costs and share specialist resources.

08

Practical Steps
for Canadian Universities

Despite the challenges outlined in Section 7, universities can take the following steps to clarify their beliefs, influence policy and ensure investment due diligence practices incorporate social risk factors:

1. **Define Investment Beliefs and Policy Commitments:** Establish principles that reflect both financial and institutional goals, including commitments to responsible investment and respect for human rights.

2. **Prioritize Focus Areas:** Conduct a materiality assessment to identify which social factors are most relevant to the institution's capital pool and risk exposures.

3. **Collaborate to Build Influence and Learning:** Participate in investor networks and joint initiatives to amplify influence, including in corporate engagement and policy advocacy, while reducing cost, and accelerating learning.

4. **Embed Expectations into Investment Manager Selection and Oversight:** Use RFPs, contracts, and ongoing monitoring to ensure managers are assessing and managing social risks in alignment with international norms.

5. **Encourage Human Rights Due Diligence:** Ask investment managers to identify, prevent, and mitigate adverse impacts, in line with the UNGPs and OECD guidance, and use active ownership to influence investee companies.

6. **Provide Clear and Accessible Disclosure:** Report on how social risks are integrated into policies, oversight, and stewardship activity. Highlight measurable progress and challenges.

The table below provides additional detail on the six key steps that universities can take to embed social factors into their investment decision-making.

Practical Steps for Canadian Universities		
Step	**Explanation**	**Additional Guidance**
1. Define Investment Beliefs and Policy Commitments	Clarify the principles and convictions that guide investment decisions. These beliefs anchor policies and provide direction in complex environments.	**Incorporate into the SIPP:** Integrate social risk management into the Statement of Investment Policies and Procedures (SIPP) or responsible investment policies. **Reference frameworks:** Some asset owners reference international norms such as the UN Guiding Principles on Business and Human Rights (UNGPs) in their policies and proxy voting guidelines and define expectations for managers' stewardship practices.
2. Prioritize Focus Areas	Carry out a materiality assessment to identify the social risks and opportunities most relevant to the portfolio. Results should inform policies, stewardship and advocacy efforts.	**Use a logical framework:** Apply structured tools such as the PRI prioritization framework to identify and prioritize social risks focused on a country, sector and company assessment. This framework can be used to address other social factors including Indigenous rights, racial equity and labour rights. See: ***How to Identify Human Rights Risks: A Practical Guide in Due Diligence***
3. Embed Expectations into Manager Selection and Oversight	Incorporate social risk expectations—such as respect for human rights, racial equity, and Indigenous rights—into RFPs, due diligence, and contracts.	**Contractual arrangements and tools:** • RFPs may request managers to provide information and specific examples of risk management, social factor integration, and stewardship practices. • Use side letters or agreements to specify ESG commitments, disclosure requirements, and reporting not included in standard limited partnership agreements. • Strengthen oversight through proxy voting audits, scoring frameworks[12], and regular performance reviews.

12 SHARE. *University Asset Manager Questionnaire.* Available at: https://share.ca/wp-content/uploads/2024/04/University-Asset-Manager-Questionnaire-FINAL-Locked.pdf.

4. **Encourage Human Rights Due Diligence**	Human rights due diligence is a continuous process to identify, assess, and prevent or mitigate harms or material risks from investment activities.	**Structured frameworks:** The *Saliency-Materiality Nexus* developed by the Heartland Initiative is an example of a structured framework for evaluating the severity of human rights risks (impact materiality) and their potential to give rise to reputational, regulatory, and financial risks (financial materiality). These kinds of tools support consistent and forward-looking assessments across sectors, geographies, and asset classes, and can be deployed by both asset owners and their managers. [13]
5. **Provide Clear and Accessible Disclosure**	Transparent reporting reinforces accountability and helps asset owners demonstrate integration of social risk management across investments.	**Asset owners could disclose:** • Responsible investment beliefs and policies. • Findings from materiality assessments or social factor prioritization exercises. • Stewardship and engagement activities focused on social issues. • Progress toward outcomes such as mitigation of human rights risks or strengthened corporate practices. • Manager selection and oversight practices.
6. **Collaborate to Build Influence and Learning**	Universities are well-positioned to amplify their impact through advocacy efforts and collaboration with peers, service providers, and civil society.	**Participation in collaborative investor networks** can support: • Shared learning and resources. • Collective engagement with companies. • Advocacy to enhance implementation of global norms. • The development of investor norms on social factor governance. **Collaborative shareholder engagement initiatives** can also provide a platform for investors to influence corporate behavior more effectively than acting alone.

13 Heartland Initiative. *The Saliency–Materiality Nexus.* Available at: https://heartland-initiative.org/the-saliency-materiality-nexus/.

Conclusion

This primer has outlined the relevance of social factors to institutional investment, discussing at a high level how issues such as human rights, labour rights, Indigenous rights, and racial equity can impact financial performance, stakeholder wellbeing, and broader market risks. Through thoughtful mandate design, enhanced due diligence, manager oversight, and collaboration, university pension funds and endowments can better understand and address these social risk factors.

Appendix A:

National & International Laws and Standards for Responsible Business Conduct

International Human Rights Law

Human rights are rights inherent to all human beings, regardless of their nationality, place of residence, sex, national or ethnic origin, colour, religious, language, or any other status. Human rights were first formally recognized at the international level through the Universal Declaration of Human Rights, adopted by the United Nations in 1948. A key instrument of international human rights law is the International Bill of Human Rights. In Canada, human rights are protected by the Constitution and the Canadian Bill of Rights as well as in federal, provincial and territorial laws.

International Humanitarian Law (IHL)

International Humanitarian Law and human rights laws are two distinct but complementary bodies of law. IHL governs conduct in armed conflict through the 1949 Geneva Conventions and subsequent protocols.[14] These conventions require humane treatment during war and extend to conflicts involving colonial domination, occupation, or racist regimes. Canada's Geneva Conventions Act (1985) and subsequent adoption of the 1977 protocols make IHL violations by Canadian entities punishable, even if committed abroad.[15] As such, adherence to IHL is materially relevant for companies operating in Canada.

In addition, several IHL treaties regulate the use of specific weapons. Treaties such as the Ottawa Convention (Anti-Personnel Mine Ban), Convention on Cluster Munitions (CCM)[16], and Convention on Certain Conventional Weapons (CCW)[17] restrict or prohibit certain weapons.

14 International Committee of the Red Cross. *Geneva Convention I (1949).* Available at: https://ihl-databases.icrc.org/en/ihl-treaties/gci-1949; and International Committee of the Red Cross. *Protocol Additional to the Geneva Conventions of 12 August 1949 (Protocol I, 1977)*. Available at: https://ihl-databases.icrc.org/en/ihl-treaties/api-1977?activeTab=1949GCs-APs-and-commentaries.

15 Government of Canada. *Geneva Conventions Act (Consolidated).* Available at: https://laws-lois.justice.gc.ca/eng/acts/g-3/fulltext.html; and Senate of Canada. *Export and Import of Arms: Human Rights Considerations.* Standing Senate Committee on Human Rights, June 4, 2018. Available at: https://sencanada.ca/content/sen/committee/421/RIDR/Reports/2018-06-04_ExportandImport_e.pdf.

16 Convention on Cluster Munitions. (n.d.). *The Convention on Cluster Munitions.* Available at: https://www.clusterconvention.org/; United Nations Office for Disarmament Affairs. (n.d.). The Convention on Certain Conventional Weapons. Available at: https://disarmament.unoda.org/the-convention-on-certain-conventional-weapons/.

17 International Campaign to Ban Landmines. *Anti Personnel Mine Ban Convention (Ottawa Convention).* Available at: https://www.apminebanconvention.org/en/.

Canada has incorporated these into domestic law, banning or controlling relevant production, transfer, and investment activities through export controls and controlled goods regulation.[18] Current Canadian federal regulations do not explicitly prohibit financial investments in companies involved in the production or transfer of weapons covered under these conventions, leaving the applicability of these legal requirements to investors unclear.[19]

International Standards for Responsible Business Conduct

Responsible Business Conduct (RBC) standards and norms encompass a wide range of principles and guidelines aimed at promoting ethical and sustainable business practices. The Canadian government has articulated its expectation that Canadian companies operating abroad adopt best practices, including following internationally respected guidelines on RBC.

I. UN Guiding Principles on Business and Human Rights

The UN Guiding Principles on Business and Human Rights (UNGP) are a set of voluntary international guidelines to help both states and companies prevent and remedy human rights abuses in business relations. They represent the most authoritative, normative framework guiding responsible business conduct and addressing human rights abuses in business operations and global supply chains.[20]

The UNGPs do not create new obligations under international law for states or companies but define a global standard against which their conduct can be assessed, defining:

1) the state's duty to protect human rights in business operations; 2) companies' duty to respect human rights; and 3) victims' rights to remedies.

18 Government of Canada. (1997). *Anti-Personnel Mines Convention Implementation Act, S.C. 1997, c. 33.* Available at: https://lois-laws.justice.gc.ca/eng/acts/A-11.5/FullText.html; Government of Canada. (2014). *Prohibiting Cluster Munitions Act.* Available at: https://laws-lois.justice.gc.ca/eng/acts/P-24.8/page-1.html; Government of Canada. (2019). *Export and brokering controls handbook.* Available at: https://www.international.gc.ca/trade-commerce/controls-controles/reports-rapports/ebc_handbook-cce_manuel.aspx?lang=eng#toc_b_7.
19 Davies Ward Phillips & Vineberg LLP. (2015, April 2). *Impact for investors of Canada's implementations of its commitments under the Convention on Cluster Munitions.* Available at: https://www.lexology.com/library/detail.aspx?g=b632af74-928c-46b5-a6e4-4dd22236f964.
20 United Nations Development Programme (UNDP). *UN Guiding Principles on Business and Human Rights: Brochure.* Available at: https://www.undp.org/sites/g/files/zskgke326/files/migration/in/UNGP-Brochure.pdf.

II. OECD Guidelines for Multinational Enterprises

The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises on Responsible Business Conduct (MNE Guidelines) are a comprehensive set of government-backed recommendations covering a wide range of topics, including human rights, labour rights, the environment, bribery, consumer interests, disclosure and taxation.[21] A 2023 update added guidance on climate change, biodiversity, technology and supply chain due diligence.[22]

The OECD Guidance for Institutional Investors (2017) is a resource to help investors evaluate investments against the OECD MNE Guidelines and manage risk across different asset classes. Each signatory country maintains a National Contact Point (NCP) to promote the guidelines and facilitate a non-judicial mechanism to assess issues arising from alleged non-compliance. As these processes are non-judicial, participation is voluntary and NCP recommendations and determinations are non-binding.

III. ILO Core Conventions

The ILO's "fundamental" or Core Conventions cover freedom of association and bargaining rights, forced labour, child labour, non-discrimination, and workplace safety—forming the "minimum social floor" of workers' rights. Most countries, including Canada, have ratified and incorporated them into domestic law.
While the ILO conventions apply to states, the *ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy* adapts them for corporate and investor use in promoting decent work policies in direct operations and supply chains.

IV. United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)

Adopted in 2007, UNDRIP is a non-binding international framework that outlines Indigenous peoples' rights to self-determination, land, culture, and free, prior, and informed consent (FPIC) for projects affecting their territories.

While UNDRIP is not a legally binding treaty, its principles have been incorporated into some state-level laws. In Canada, the United Nations Declaration on the Rights of Indigenous Peoples Act (2021)[23] and British

21 OECD. *OECD Guidelines for Multinational Enterprises.* Available at: https://mneguidelines.oecd.org/mneguidelines/.
22 OECD. *National Contact Points (NCPs).* Available at: https://mneguidelines.oecd.org/ncps/
23 Government of Canada, Department of Justice. *About the Declaration.* Available at: https://www.justice.gc.ca/eng/declaration/about-apropos.html.

Columbia's Declaration on the Rights of Indigenous Peoples Act (2019),[24] require alignment of federal and British Columbia laws with UNDRIP. While these laws do not directly impose obligations on companies, they do indirectly affect companies by reshaping approval processes, consultation standards and making FPIC a practical expectation for many projects.

There is currently no internationally recognized multilateral instrument dedicated to evaluating company compliance with UNDRIP. UNDRIP, however, informs the OECD MNE Guidelines, UN frameworks and emerging policies on Indigenous consultation.

National laws

In addition to international laws and frameworks, many jurisdictions have enacted domestic human rights regulations. For example, in Canada, the Fighting Against Forced Labour and Child Labour in Supply Chains Act (2023) requires eligible companies to report on steps they have taken to prevent forced or child labour in their supply chains.[25]

The following table summarizes the domestic legal implementation considerations and requirements of various international humanitarian laws, human rights laws and standards for responsible business conduct.

24 Government of British Columbia. *United Nations Declaration on the Rights of Indigenous Peoples.* Available at: https://www2.gov.bc.ca/gov/content/governments/indigenous-people/new-relationship/united-nations-declaration-on-the-rights-of-indigenous-peoples.
25 Government of Canada. *Justice Laws Website: Fighting Against Forced Labour and Child Labour in Supply Chains Act.* Available at: https://laws.justice.gc.ca/eng/acts/F-10.6/page-1.html.

Legal Standard or Instrument	Application		
	Canada	U.S.	EU
International Human Rights Laws			
International Bill of Human Rights			
International Covenant on Economic Social and Cultural Rights	Ratified but not directly incorporated into domestic law	Signed but not ratified	Ratified by all EU members and several non-EU nations in Europe, mixed domestic application
International Covenant on Civil and Political Rights	Canada legally bound to uphold internationally. Some rights in the ICCPR are mirrored in the Canadian Charter of Rights and Freedoms but Canada has not fully implemented all provisions	USA legally bound to uphold internationally. Some rights in the ICCPR are mirrored in US law but US has not fully implemented all provisions	Ratified by all EU member states, and several other non-EU nations in Europe, mixed domestic application
International Humanitarian Laws			
Geneva Convention (1949 & 1977)	Legally binding (applicable to corporations under Canadian Geneva Convention Act)	Legally binding	Legally binding
Anti-Personnel Mine Ban Convention (Ottawa Convention)	Legally binding (applicable to Canadian companies under the Anti-Personnel Mines Convention Implementation Act)	Not a signatory but has taken some steps to limit its use of these weapons	All EU member states are parties to the Convention

Convention on Certain Conventional Weapons (CCW)	Legally binding (CCW regulates the use of specific weapons included in the Protocols. Applicable to Canadian companies through the Criminal Code and the Export and Import Permits Act)	Legally binding	Legally binding
Convention on Cluster Munitions (CCM)	Legally binding (Prohibiting Cluster Munitions Act)	Not a signatory	Majority of EU member states have ratified
Canadian National Law			
Fighting Against Forced Labour and Child Labour in Supply Chains	Legally binding (applicable to corporations and University operations if criteria met)	N/A	N/A
Responsible Business Conduct			
UN Guiding Principles on Business and Human Rights	Not legally binding	Not legally binding	Not legally binding
OECD Guidelines for Multinational Enterprises	Not legally binding National Contact Point (NCP) facilitates mediation for disputes	Not legally binding National Contact Point (NCP) facilitates mediation for disputes	Not legally binding but domestic law alignment in some countries National Contact Points (NCP's) facilitates mediation for disputes

OECD Guidelines for Institutional Investors	Not legally binding	Not legally binding	Not legally binding
ILO Core Conventions	Ratified. Some differences in application across provinces	Partial ratification. Some differences in application across states	Broadly ratified and incorporated into domestic law with some exceptions
Indigenous Rights			
UN Declaration on the Rights of Indigenous Peoples	Not directly enforceable federally but applies to all BC laws. Federal laws expected to progressively align with UNDRIP	Not aligned	Broadly endorsed but not incorporated domestically


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