



EXPLAINER SERIES

NORMS-BASED SCREENING

EVERGREEN CONSULTANTS

Norms-based screening typically acts as an additional layer of negative screening. It often excludes companies or government debt that fail to meet internationally accepted 'norms' such as the UN Global Compact or the Paris Agreement, for example.

These are also known as 'controversy screens' or the negative screening of unethical behaviour by companies. This translates into the selection or exclusion of companies as a result of issues being detected through the norms-based investment process.

The following categories provide examples of the conventions that are considered when including norms-based screening.

The Ten Principles of the UN Global Compact

By incorporating the Ten Principles of the UN Global Compact into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
 Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 Principle 4: the elimination of all forms of forced and compulsory labour;
 Principle 5: the effective abolition of child labour; and
 Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
 Principle 8: undertake initiatives to promote greater environmental responsibility; and
 Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Source: unglobalcompact.org.

Principles for Responsible Investments

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

In implementing the Principles, signatories contribute to developing a more sustainable global financial system.

Source: unpri.org.

UN Framework Convention on Climate Change / Paris Agreement

The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016.

Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

To achieve this long-term temperature goal, countries aim to reach global peaking of greenhouse gas emissions as soon as possible to achieve a climate neutral world by mid-century.

The Paris Agreement is a landmark in the multilateral climate change process because, for the first time, a binding agreement brings all nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects.

Source: unfccc.int

Sustainable Development Goals

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth - all while tackling climate change and working to preserve our oceans and forests.

17 SUSTAINABLE DEVELOPMENT GOALS



Source: un.org

UN Guiding Principles on Business and Human Rights

Key features of the corporate responsibility to respect human rights:

The responsibility relates explicitly to the risks to human rights that can result from companies' activities and business relationships. There is increasing evidence that risks to human rights frequently converge with risks to business, for example, through operational disruptions, reduced productivity and challenges securing new business. However, risk to human rights is the starting point for the Guiding Principles and for this Reporting Framework.

Identifying and addressing human rights risks effectively requires an understanding of the perspectives of those who may be impacted. This means engaging wherever possible with those individuals whose human rights may be directly affected, or with their legitimate representatives. Where such direct engagement is not possible, companies may be able to gain insights into their perspectives through consultation with other stakeholders, including relevant independent experts, human rights defenders and others in civil society, and through reports and resources they have developed.

The responsibility to respect human

rights applies across the company's own activities and also to its business relationships. Business relationships include the company's business partners, businesses in its value chain (including those that are one or more tiers removed) and any other business, government or other entity that is directly linked to its operations, products or services. The responsibility to respect therefore extends beyond impacts the company may cause or contribute to through its own activities and includes impacts that are linked to its operations, products or services without any cause or contribution on the company's part. However, the nature of the responsibility is different in each instance. For more explanation of these distinctions, see the commentary to UN Guiding Principle 19.

The responsibility to respect human rights is distinct from a company's efforts to support or promote human rights. Projects or other initiatives by companies to support or promote human rights can make a significant contribution to societies, but they are voluntary undertakings. By contrast, it is a baseline expectation of all companies, regardless of size, sector or operating context, that they at a minimum, avoid infringing on human rights, and that they address any harms with which they are involved. This responsibility cannot be offset by social investment or philanthropic activities.

Source: ungpreporting.org.

International Bill of Human Rights (comprising the UDHR 1948 and ICCPR 1966)

The International Bill of Human Rights was the name given to UN General Assembly Resolution 217 (III) and two international treaties established by the United Nations. It consists of the Universal Declaration of Human Rights (adopted in 1948), the International Covenant on Civil and Political Rights (ICCPR, 1966) with its two Optional Protocols and the International Covenant on Economic, Social and Cultural Rights (ICESCR, 1966). The two covenants entered into force in 1976, after a sufficient number of countries had ratified them.

Source: ohchr.org

United Nations Convention against Corruption

The United Nations Convention against Corruption is the only legally binding universal anti-corruption instrument. The Convention's far-reaching approach and the mandatory character of many of its provisions make it a unique tool for developing a comprehensive response to a global problem. The Convention covers five main areas: *preventive measures, criminalization and law enforcement, international cooperation, asset recovery, and technical assistance and information exchange*. The Convention covers many different forms of corruption, such as

bribery, trading in influence, abuse of functions, and various acts of corruption in the private sector. A highlight of the Convention is the inclusion of a specific chapter on asset recovery, aimed at returning assets to their rightful owners, including countries from which they had been taken illicitly. The vast majority of United Nations Member States are parties to the Convention.

Source: unodc.org

International Labour Organization's Fundamental Conventions

The International Labour Organisation's Governing Body has identified eight "fundamental" Conventions, covering subjects that are considered to be fundamental principles and rights at work: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.

The eight fundamental Conventions are:

1. *Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)*
2. *Right to Organise and Collective Bargaining Convention, 1949 (No. 98)*
3. *Forced Labour Convention, 1930 (No. 29) (and its 2014 Protocol)*
4. *Abolition of Forced Labour Convention, 1957 (No. 105)*

5. *Minimum Age Convention, 1973 (No. 138)*

6. *Worst Forms of Child Labour Convention, 1999 (No. 182)*

7. *Equal Remuneration Convention, 1951 (No. 100)*

8. *Discrimination (Employment and Occupation) Convention, 1958 (No. 111)*

Source: ilo.org.

Convention on Cluster Munitions

By ratifying or acceding to the Convention on Cluster Munitions (CCM), States Parties commit to never use, produce, stockpile or transfer cluster munitions. In addition, States Parties commit to promote universal adherence to the CCM; destroy stockpiled munitions; clear contaminated land and conduct risk education; assist victims; provide technical, material and financial assistance to other States Parties; undertake transparency measures; and enact legal, administrative and other measures to implement the Convention.

Source: clusterconvention.org.

UN Convention on the Rights of the Child

Thirty years ago, world leaders made a historic commitment to the world's children by adopting the United Nations Convention on the Rights of the Child – an international agreement on childhood.

It's become the most widely ratified human rights treaty in history and has helped transform children's lives around the world.

The full Convention on the Rights of the Child has 54 articles in all. Articles 43-54 are about how adults and governments should work together to make sure that all children get all their rights.

Source: unicef.org.au

OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards. The Guidelines are the only multilaterally agreed and comprehensive code of responsible business conduct that governments have committed to promoting.

Source: oecd.org.

Ottawa Convention on Landmines

The Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction, typically referred to as the "Ottawa Convention" or "Mine Ban Treaty," seeks to end the use of

anti-personnel landmines (APLs) worldwide. It was opened for signature on December 3, 1997, and it entered into force on March 1, 1999.

Source: armscontrol.org.

Treaty on the Non-Proliferation of Nuclear Weapons

The Treaty on the Non-Proliferation of Nuclear Weapons (NPT) is a landmark international treaty whose objective is to prevent the spread of nuclear weapons and weapons technology, to promote cooperation in the peaceful uses of nuclear energy and to further the goal of achieving nuclear

disarmament and general and complete disarmament. The Treaty represents the only binding commitment in a multilateral treaty to the goal of disarmament by the nuclear-weapon States. Opened for signature in 1968, the Treaty entered into force in 1970. On 11 May 1995, the Treaty was extended indefinitely. A total of 191 States have joined the Treaty, including the five nuclear-weapon States. More countries have ratified the NPT than any other arms limitation and disarmament agreement, a testament to the Treaty's significance.

Source: un.org.