PRAKARSA
Welfare Initiative for Better Societies

ResponsiBank Indonesia

A Handbook for Banks

Integrating Human Rights Principles and Gender Aspects in Financial Sector

2022

English version

Integrating Human Rights Principles and Gender Aspects in Financial Sector: A Handbook for Banks

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Bank, credit, human rights, gender, inclusive

Disclaimer:
This handbook was created to encourage responsible and sustainable financial business practices, particularly in the areas of human rights and gender integration in the financial industry. This handbook was created through collaboration between civil society organizations that are members of the ResponsiBank Indonesia Coalition. The contents of this book are entirely the responsibility of the authors. This research received funding from FFA – SIDA, Swedish Embassy in Bangkok.

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List of Abbreviations

ASFI	Asia Sustainable Finance Initiative
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CGIO	Center for Governance, Institutions & Organizations
CRC	Convention On the Rights of The Child
CSO	Civil Society Organization
EP	Equator Principles
FFI	Fair Finance International
FPIC	Free, Prior, and Informed Consent
GRI	Global Reporting Initiative
HAM	Human Rights
IDB	Islamic Development Bank
IFC	International Finance Corporation
ILO	International Labour Organization
KBLI	Indonesia Standard Industrial Classification
LJK	Financial Services Institutions
ESG	Environment, Social, and Governance
NBIM	Norges Bank Investment Management
OECD	Organization of Economic Co-operation and Development
OJK	Financial Services Authority
POJK	Financial Services Authority Regulation
SBFN	Sustainable Banking and Finance Network
SDGs	Sustainable Development Goals
SUSBA	Sustainable Banking Assessment
TJSL	Social and Environmental Responsibility
UN	United Nations
UNEP	United Nations Environment Program
UNGP	United Nations Guiding Principles on Business and Human Rights
WBA	World Benchmarking Alliance
WEPs	Women Empowerment's Principle
WWF	World Wide Fund for Nature

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Forewords

Business activities are closely related to human rights. Business can be a source of problems or a solution to human rights violations. High-risk sectors such as infrastructure, mining, large-scale agriculture, and technology to defense often operate with lack of community consent and causing land grabbing, forced relocation and threats to livelihoods. In these sectors, problems often arise from labor rights violations and gender injustice.

The United Nations Guiding Principles on Business and Human Rights (UNGPs) in 2011 formally stipulated that companies are responsible for respecting human rights, regardless of state obligations. This requires them to conduct human rights due diligence to assess actual and potential human rights impacts, act on the findings, track responses, and communicate how those impacts are being addressed. However, the UNGPs are not legally binding; the implementations are uneven on the ground. There are still rare cases where communities achieve remediation when their rights are violated.

Banks, like all businesses, have a responsibility to respect human rights and have the potential to affect all of these rights positively and negatively in various ways. The UNGPs specify that businesses can cause, contribute to, or be directly related to human rights violations. In this regard, banks themselves could cause human rights violations, for example, through discriminatory service practices to consumers, violations of workers' rights, and even through loans or other financial support for companies responsible for human rights violations.

This handbook was prepared as part of our commitment to contribute to inclusive, sustainable development by paying attention to gender equality and human rights aspects. Many examples in this Handbook show that banks have can face multiple risks if they ignore human rights issues in their lending and investment processes. Ignoring human rights issues, for example, will risk banks of lawsuits, fines, disruptions of financial performance, and a poor assessment of their reputations. This Handbook provides some references for banks to grow and jointly implement sustainable finance by encouraging the integration of human rights and gender aspects in their lending and investment processes.

Finally, I would like to thank the writing team and various parties involved in completing this Handbook. I hope this Handbook can provide recommendations for financial institutions, especially banks, to integrate gender equality aspects and the fulfillment of human rights in their every business process.

Jakarta, December 2022

Ah Maftuchan
Executive Director, The PRAKARSA

Executive Summary

Sustainable financing is essential as one of the efforts to mitigate climate and prevent environmental quality from worsening. Financial institutions, particularly the banking sector, can contribute positively by applying sustainable finance principles in the businesses they finance and in their investments.

Sustainable financing generally refers to processes that consider Environmental, Social, and Governance (ESG) factors in operating lending and investment frameworks. At the global level, sustainable financing refers to the Paris Agreement, which was signed on April 22, 2016. At the national level, the ratification of the Paris Agreement was undertaken through Law Number 16 of 2016. In its implementation, the Government of the Republic of Indonesia has conducted sustainable finance development measures through the Financial Services Authority (OJK) as outlined in the Sustainable Finance Roadmap. OJK has prepared this Roadmap in 2 stages, namely Phase I (2015 - 2019) and Phase II (2021 - 2025).

This Handbook covers regulations and guidelines related to sustainable finance at the global and national level. As we look at those existing rules and guidelines, it seems that the adaptations of the principles in environmental, social, and governance (ESG) issues – which are the references in sustainable finance – must still be strived. At the national level, improvements are still needed in regulations, in relation to the impact of ongoing financing on social issues, such as violations of human rights and gender equality, as universally recognized principles. How banks apply human rights principles with special attention to the gender aspects is the central point of this book, as it presents cases and various measures that banks have made to integrate these two aspects in the lending and investment frameworks.

Examples in this Handbook demonstrate risks for banks if they ignore human rights and gender issues in the lending and investment processes. Ignoring human rights issues, for example, will put banks at risk ranging from lawsuits, fines, and disruptions of financial performance, to poor judgment of the banks' reputations. On the other hand, integrating human rights and gender aspects into lending and investment processes will benefit banks financially and bring them good reputations. Paying attention to and appreciating the presence of groups with disabilities or businesses carried out and led by women, as the cases in this book show, instead provide advantages for banks through increased target market and good reputation.

The main challenge is, of course, how banks can mitigate human rights violations in the lending and investment processes that have serious impacts, such as forced land grabbing, environmental damage due to banks' funded projects, displacement of indigenous people from project sites, and the likes. From the examples presented, this Handbook provides many references for banks to grow and jointly implement sustainable finance by encouraging the integration of human rights and gender aspects in their lending and investment processes.

Chapter 1

Introduction

1.1 Background

The decrease in the environment's carrying capacity, both caused by human behavior and exploitation of natural resources, has created various impacts that are felt by the world's population. Excessive exploitation of natural resources has contributed to global warming. Climate change has also triggered numerous disasters, including floods, forest fires, and droughts. In addition to efforts to reduce impact by changing behavior, such as reducing the use of plastic and paper, campaigns to reduce the use of fossil-based vehicles have also been prevalent. Various parties have carried out measures to mitigate climate change including the financial sector, specifically banking sector. Banking sector, both at the national and global level, plays an important role, especially in financing businesss that have impacts to environmental quality degradation. In the current development, sustainable financing is essential to mitigate climate change triggered by the businesses being financed.

Sustainable financing generally refers to processes that consider Environmental, Social, and Governance (ESG) factors in investing in the financial sector, which leads to increased long-term investment toward sustainable economic activities (The World Bank, 2021). At the global level, sustainable financing refers to the Paris Agreement, signed on April 22, 2016. At the national level, the ratification of the Paris Agreement was carried out through Law Number 16 of 2016. In its implementation, the Government of the Republic of Indonesia, through the Financial Services Authority (OJK), has made efforts to develop sustainable finance as outlined in the Sustainable Finance Roadmap. The roadmap prepared by OJK consists of 2 stages, namely Phase I (2015 - 2019) and Phase II (2021 - 2025). The various rules drawn up, both at the global and national level, so far still need to be improved to adapt the principles in environmental, social, and governance (ESG) issues, which are the references in sustainable finance. In particular, there is still a need for improvements to regulations in relation to the impact of ongoing financing on social issues, such as violations of human rights and gender equality as a universally recognized principle.

Improvements in regulations and guidelines related to social issues, in this case, human rights and gender equality, are very relevant and urgent because of many negative cases due to activities financed by the banking sector. The Bank Rating Report conducted by Responsibank Indonesia in 2018 found that Financial Services Institutions (LJKs) in Indonesia still did not have specific credit and investment policies for business sectors that have high environmental and social risks. National banks' did not explicitly state their commitment to shift financing from fossil to renewable energy following the government's commitment to promote climate change adaptation by setting specific targets for reducing carbon emissions (PRAKARSA, 2019). Loss of livelihoods of local communities (including women) because businesses converted their land or the environment where they live, causing air pollution that deprived them of the right to live in a healthy environment, protests from the residents which are answered with physical or verbal violence, are examples of how improvements to the guidelines for the banking sector is becoming increasingly urgent to mitigate risks that may arise from banks' financing.

While many risks may arise for banks and society from neglecting human rights aspects in banks lending and investment practices, on the other hand, there are many advantages for banks when integrating human rights and gender aspects in lending and investing. The examples presented in Chapters III and IV of this handbook show that banks will get a more significant number of customers when they pay attention to marginalized groups, for example, people with disabilities. Not only will the number of customers rise, but the reputations will also increase. Paying attention to women and businesses run or led by women also provides banks with various benefits. Giving credit does not only encourage the process of empowering women, but more than that, it contributes to the economy in a broader sense.

1.2 Purpose of this Handbook

As stated in the Phase II Sustainable Finance Roadmap document (2021 – 2025) prepared by OJK, the biggest challenge in implementing sustainable finance is convincing business actors and the public that efforts to generate profits will be better and more sustainable if carried out by considering natural resources and social impact to the public (OJK, 2021).

In the context of sustainable finance development by the OJK, this Handbook is put forward in one part of the sustainable finance ecosystem in Indonesia, namely, as part of support from non-governmental organizations. Given this background, this Handbook was prepared by considering the need for banking sector to understand better social issues that arise or impacts of investments and loans they provide.

In this handbook, social issues referred to are human rights and gender. As institutions that provide credit or funding, banks have a strategic position to manage impacts or mitigate risks that may arise. Mitigating these risks can be done by adapting and implementing standards within each bank's lending and investment policy framework. Exploration of the concepts of human rights and gender will be presented in the chapters of this Handbook to help banks understand at a conceptual level and then look at the existing standards. Before going into human rights and gender issues more specifically, this Handbook will also present several regulations and guidelines at the national and global level.

A number of examples of how business world (corporations) and banks specifically adopt or pay attention to human rights issues and gender aspects in lending will also be presented in this Handbook. Hopefully, these examples will inspire banking community to apply these in their lending policies. In addition, this handbook will also present some cases as a further reference on the risks faced if banks neglect to pay attention to human rights and gender issues in the loans they provide. Overall, the Handbook is expected to be a manual for banks to grow and develop by applying sustainable finance principles.

1.3 Benefits of this Handbook

The regulations, guidelines, and case examples on sustainable financial practices presented in this book will serve as a reference for banks in developing lending and investment policy frameworks that align with sustainable finance principles. By reading this manual, readers (mainly banks) are expected to learn and understand the following:

1. The importance of integrating gender and human rights aspects in lending and investment frameworks.
2. Principles and steps in implementing human rights and gender aspects.
3. Examples of applying human rights and gender aspects in lending and investment frameworks.
4. Stages of developing a lending framework that integrates these two aspects.

This Handbook, as stated above, is part of the contribution of non-governmental organizations to:

1. Support the sustainable finance roadmap developed by the OJK.
2. Provide a framework for civil society organizations in monitoring banks' responsiveness to human rights and gender aspects.

Since sustainable finance is a trending topic, this book should become a reference in the dynamics and initiatives of sustainable finance in Indonesia.

1.4 Users of this Handbook

This Handbook is aimed explicitly at the banking sector in Indonesia. This book can also be a reference for other institutions that promote sustainable finance and advocate for protecting human rights and gender equality.

Chapter 2

Lending and Investment Frameworks: An Overview of the National and Global Level

2.1 Regulations and Guidelines for Banks at the National Level

The regulations and guidelines for banks in implementing sustainable finance principles at the national level consist of the following :

Figure 1. Regulations for Banks to Implement Sustainable Finance Principles in Indonesia

2.1.1 Law Number 16 of 2016 concerning the Ratification of the Paris Agreement on the United Nations Framework Convention on Climate Change

As stated in the elucidation of this law, the Paris Agreement is directed at increasing adaptability to the negative impacts of climate change towards climate resilience and low-emission development without threatening food production and preparing funding schemes towards low-emission and climate-resilient development.

2.1.2 Presidential Regulation Number 82 of 2016 concerning the National Strategy for Financial Inclusion

In the Appendix to Presidential Decree 82/2016, inclusive finance is defined as a condition when every member of the public has access to a variety of quality formal financial services in a timely, smooth, and safe manner at affordable costs in accordance with their needs and capabilities in order to improve welfare. Inclusive finance emphasizes providing financial services based on the different needs of each community. Even though it covers all segments of society, inclusive financial activities are focused on groups that have not been served by formal financial services, as follows:

1. Low-income communities

Low-income communities are the 40% (forty percent) lowest-income community group based on the BPS Integrated Database. This group has limited or no access to all types of financial services, including social assistance recipients, community empowerment program beneficiaries, and entrepreneurs with limited resources to expand their businesses.

2. Micro and small business actors

Are business actors, as referred to in Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises.

3. Cross-group Communities

Communities included in this group are:

- Migrain workers
- Women
- Community Groups with Social Welfare Problems (PMKS)
- Communities in underdeveloped areas, borders, and outer islands
- Groups of students, students, youth

2.1.3 Financial Services Authority Regulation (POJK) Number 51/POJK 03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuer Companies, and Public Companies

As stated in Article 1 point (8) of this POJK, sustainable finance is interpreted as comprehensive support from the financial services sector (including the Bank) to create sustainable economic growth by harmonizing economic, social, and environmental interests.

Article 2 paragraph (1) of this POJK requires Financial Services Institutions (LJKs), Issuer Companies, and Public Companies to implement sustainable finance, using the 8 (eight) principles mentioned in Article 2 paragraph (2) as follows:

1. Principle of responsible investment
2. Principle of sustainable business strategy and practice
3. Principle of social and environmental risk management
4. Principle of governance
5. Principle of informative communication
6. Principle of inclusiveness
7. Principle of development of priority leading sector
8. Principle of coordination and collaboration

In implementing Sustainable Finance, Article 4 paragraph (1) of this POJK requires LJKs to prepare a Sustainable Finance Action Plan (RAKB). The RKAB must be submitted by LJKs to OJK every year (in Article 4 paragraph (2)).

2.1.4 Technical Guidelines for Banks regarding the Implementation of POJK Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions (LJKs), Issuer Companies, and Public Companies

As mentioned in the Introduction section, this Technical Guide for Banks is designed to provide technical explanations regarding the following matters:

1. Practical Meanings of the Principles of Sustainable Finance
2. Sustainable Finance Program Priorities
3. Strategic steps in Implementing the Sustainable Finance Program
4. Outline and contents of the Sustainable Finance Action Plan (RAKB)
5. Outline and contents of the Sustainability Report (SR)
6. Criteria and categories of Sustainable Business Activities
7. Allocation and use of Social and Environmental Responsibility (TJSL) funds to support the implementation of Sustainable Finance

However, this Technical Guide does not cover procedures for implementing risk management, including economic, social, environmental, and governance components – which banks urgently need in enforcing sustainable finance.

2.1.5 Indonesian Green Taxonomy Document – OJK 2022

The Green Taxonomy, as stated in the Indonesian Green Taxonomy Document issued by OJK, is defined as a classification of economic activities that support efforts to protect and manage the environment and mitigate and adapt to climate change. This document is essential for banks (as part of the Financial Services Sector) to better understand and classify green activities more efficiently. In practice, this document can assist banks in regularly monitoring lending/financing/investment.

In the Green Taxonomy document issued by OJK, the classification is arranged based on the Standard Classification of Indonesian Business Fields (KBLI), which is divided into 3 categories, namely:

1. Green (*do no significant harm, apply minimum safeguard, positively impact to the environment, and align with the environmental objective of the taxonomy*). Business activities included in this green category are those that protect, improve, and increase the quality of environmental protection and management, as well as climate change mitigation and adaptation and comply with governance standards set by the government and apply best practices at the national or international level.

2. Yellow (*do no significant harm*). Business activities included in the yellow category are those that meet several green criteria/thresholds. The benefits of these business activities for environmental protection and management must still be determined through measurement and support of other best practices.

3. Red (harmful activities). Business activities that do not meet the yellow and green criteria/thresholds fall within this category.

Two thousand seven hundred thirty-three sectors and sub-sectors have been studied in this Green Taxonomy document, with 919 of them included in the KBLI level 5. Of the 919 sub-sectors, 15 are included in the green category. At the same time, the other 914 cannot be directly categorized in the green sector. This green taxonomy document has also recorded 198 new sub-sector proposals from several technical ministries and related stakeholders.

The mapping of sectors and sub-sectors in this Green Taxonomy document has been adjusted to achieve sector targets in the Nationally Determined Contribution (NDC), per the Presidential Decree Number 98 of 2021 and sectors/sub-sectors in the 2017 KBLI. The sectors related to the NDC include the Energy, Forestry, Agriculture, Waste, and Processing Industries.

2.2 Regulations and Guidelines for Banks at the Global Level

The regulations and guidelines for the Bank in implementing sustainable finance principles at the global level are as follows:

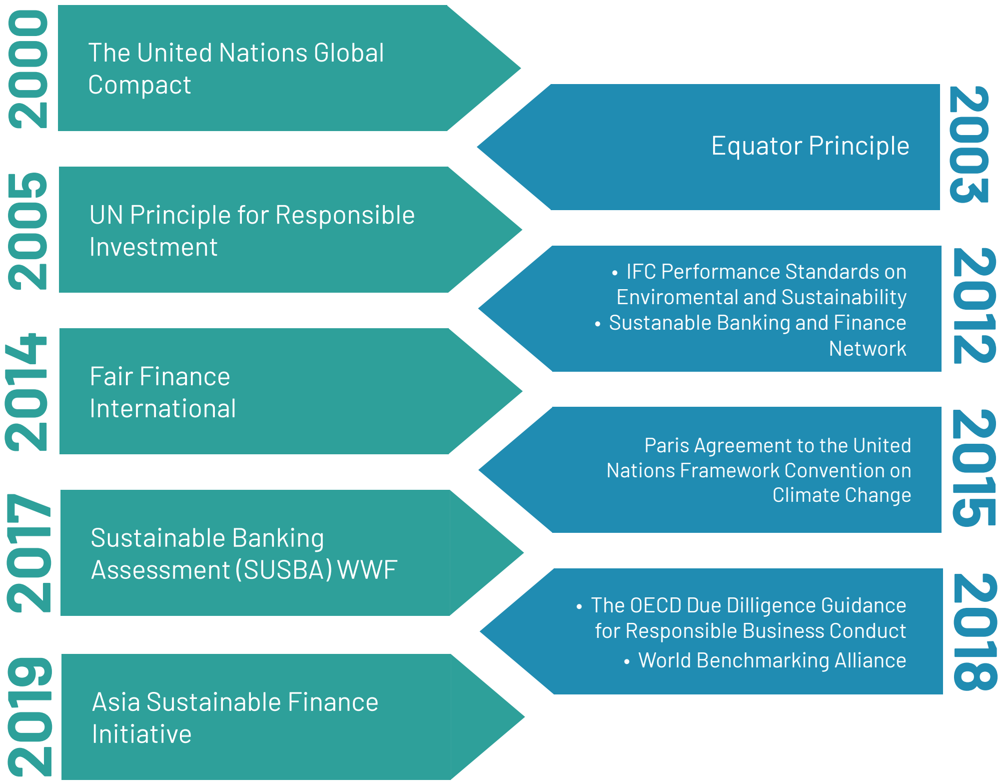

Figure 2. Regulations and Guidelines for Banks at the Global Level

2.2.1 Paris Agreement to the United Nations Framework Convention on Climate Change

The Paris Agreement on the United Nations Framework Convention on climate change was signed by the Indonesian Government on April 22, 2016, followed by ratification through Law Number 16 of 2016. The Agreement, as stated in the Explanation of Law Number 16 of 2016, is legally binding and implemented by all countries with the principle of shared responsibility that is differentiated and based on their respective capabilities and assigns responsibility to developed countries to provide funding, capacity building, and technology transfer to developing countries. In addition, the Agreement also mandates a more effective and efficient increase in bilateral and multilateral cooperation to carry out climate change mitigation and adaptation actions with funding support, technology transfer, capacity building supported by transparency mechanisms, and sustainable governance.

2.2.2 The United Nations Global Compact

The UN Global Compact is an initiative formed in 2000 aimed at mobilizing companies worldwide to support sustainable development in carrying out their business. The UN Global Compact offers 10 principles for companies or the business sector related to human rights, labor, environment, and anti-corruption. The ten principles are as follows:

- **Prinsip 1** — Bisnis harus mendukung dan menghormati perlindungan hak asasi manusia yang diakui secara internasional.
- **Prinsip 2** — Harus dipastikan bahwa bisnis (yang berjalan) tidak terlibat dalam pelanggaran hak asasi manusia
- **Prinsip 3** — Bisnis harus menjamin kebebasan berserikat dan penghormatan atas hak untuk bernegosiasi secara berkelompok
- **Prinsip 4** — Penghilangan dari segala bentuk pemaksaan kerja
- **Prinsip 5** — Penghapusan/pelarangan pekerja anak
- **Prinsip 6** — Penghapusan diskriminasi terkait pekerjaan dan profesi
- **Prinsip 7** — Bisnis harus mendukung pendekatan yang penuh kehati hatian atas masalah masalah lingkungan
- **Prinsip 8** — Mengambil inisiatif untuk mempromosikan tanggungjawab atas lingkungan yang lebih besar
- **Prinsip 9** — Mendorong pembuatan dan penyebaran teknologi yang ramah lingkungan
- **Prinsip 10** — Bisnis harus bekerja melawan segala bentuk korupsi, termasuk di dalamnya suap dan

2.2.3 The United Nation Principle for Responsible Investment

The UN Principles for Responsible Investment work to understand the implications of investment on environmental, social, and governance factors. This independent agency operates under the auspices of the United Nations to encourage investors to make responsible investments, increase returns, and better manage risks. A group of international investors developed responsible investment principles to reflect the increasing relevance of environmental, social, and governance issues in investment practices. 6 principles have become the commitment of the signatories to this agreement, namely:

Prinsip 1
Para pihak akan memasukkan isu LST kedalam analisis investasi dan proses pengambilan keputusan.

Prinsip 2
Para pihak akan menjadi pemilik yang aktif dan memasukkan isu LST dalam kebijakan dan praktek kepemilikan.

Prinsip 3
Para pihak akan mencari cara yang tepat dalam memaparkan isu LST terkait investasi yang dijalankan

Prinsip 4
Para pihak akan mempromosikan penerimaan dan implementasi atas prinsip prinsip ini di dalam industry investasi

Prinsip 5
Para pihak akan bekerja Bersama sama untuk meningkatkan efektifitas dalam menerapkan prinsip prinsip ini

Prinsip 6
Para pihak akan memberikan laporan atas aktifitas serta kemajuan masing masing dalam penerapan prinsip prinsip ini

2.2.4 The OECD Due Diligence Guidance for Responsible Business Conduct

This document provides detailed guidance on how companies should conduct due diligence in six (6) stages, namely:

1. Embed responsible business action in policies and management systems
2. Identify and examine actual and potential adverse impacts related to the operations (of companies), products, and services provided
3. Cease, prevent, and mitigate negative impacts
4. Track implementation and results
5. Communicate how impacts are being managed or resolved
6. Prepare for or cooperate with remediation when appropriate

2.2.5 International Finance Corporation (IFC) Performance Standards on Environmental and Sustainability

This document has been effective since 1 January 2012 as part of a sustainability framework intended for clients as a guide to identifying risks and impacts. IFC also provides this document to prevent, mitigate, and manage risks and impacts to implement a sustainable business. In direct investment cases, IFC requires clients to apply the Performance Standards in theme (1) to address environmental and social risks and impacts to enhance development opportunities. The Performance Standards, which cover 8 (eight) themes, can also be applied by other financial institutions.

2.2.6 Equator Principles

The Equator Principles (EPs) are standards or benchmarks for the financial industry to determine, examine and manage environmental and social risks in (funded) projects. The EPs are intended to be a uniformly adopted standard and risk management framework for financial institutions, used to identify, assess, and manage environmental and social risks when financing projects. The EP4 document published in July 2020 is the latest edition of the Equator Principles – which has been effective for financial institutions since 1 October 2020. The document's preamble clearly states that in project funding, financial institutions will fulfill obligations to respect human rights – in line with the United Nations Guiding Principles on Human Rights by conducting due diligence on human rights (Equator Principles Association, 2020). Project funding with a total capital cost of US$10 million or more must apply these EPs (which consist of 10 principles).

2.2.7 Sustainable Banking and Finance Network (SBFN)

SBFN is a platform for knowledge sharing and capacity building related to sustainable finance for regulators in the financial sector and industry associations in all countries experiencing relatively fast economic growth. The SBFN, facilitated by IFC and the World Bank, helps mobilize information, resources, and practical support to members to design and implement national initiatives that advance sustainable finance at the national, regional, and global level. In this network, members have committed to bringing their financial sector towards sustainability, with 2 objectives, namely:

1. To improve environmental, social, and governance (ESG) risk management – including risks related to climate change – across the financial sector.
2. To increase capital distribution in activities with positive environmental and social impacts, including mitigation and adaptation to climate change.

The SBFN offers a measurement framework that reflects the activities, strategies, and tools members use to promote sustainable finance in their respective countries. The SBFN Measurement Framework is based on 3 (three) overlapping themes (pillars) in Sustainable Finance: Environmental, Social, and Governance Integration, Climate Risk Management, and Sustainable Activity Funding. The SBFN Measurement Framework consists of 3 complementary components, namely (1) Progression Matrix, (2) Pillar Benchmarking, and (3) Sector Data and Case Studies.

2.2.8 Asia Sustainable Finance Initiative (ASFI)

ASFI is a multistakeholder forum supported by the World Wide Fund for Nature (WWF) Singapore, which aims to harness the financial sector's power to create a low-carbon and climate-resilient economy that is the spirit of the Global Development Goals (SDGs) and the Paris Agreement. The ASFI Forum is based in Singapore, bringing together global industry, academics, and a number of scientific or scientific-based resources to jointly support financial institutions in Asia in implementing best practices in an environmental, social, and governance (ESG) context. ASFI supports financial institutions to understand better and includes ESG material in the decision-making process throughout its primary business through 6 (six) focus areas, namely (1) Standard Preparation, (2) Research and Tools preparation, (3) Engagement with investors, (4) Green Financial Solutions, (5) Regulations and Guidelines, and (6) Capacity Building (ASFI, 2022).

2.2.9 Sustainable Banking Assessment (SUSBA) WWF

SUSBA is an interactive tool developed by WWF in collaboration with the Center for Governance, Institutions & Organizations (CGIO) at the National University of Singapore (NUS). These tools are specifically used to examine banks' performance in implementing Corporate Governance and ESG integration. In the tools compiled by WWF, there are 6 pillars for implementing ESG integration at the banks, namely (1) Purpose, (2) Processes, (3) Policies, (4) People, (5) Product (Product), and (6) Portfolio. The six pillars and indicators for assessing ESG integration for the Bank can be seen in the following matrix:

Table 1. ESG Integration Assessment Indicators for Banks

Pillar	Indicators
Purpose	• Sustainability strategy and stakeholder engagement • Participation in sustainable finance initiatives and policy advocacy with the government or regulators
Process	• Examining ESG risks in transaction and client approvals • Perform engagement and supervision of clients
Policies	• Public statements on issues related to ESG • Public statements on certain/specific sectors
People	• Responsibility for ESG • Environmental and social training for staff and performance evaluation
Product	ESG integration in products and services
Portfolio	• ESG risk assessment and mitigation at the portfolio level • Public disclosure of disclosure risks and ESG targets

2.2.10 World Benchmarking Alliance

The World Benchmarking Alliance (WBA) has developed methods to measure and encourage companies' contribution to Sustainable Development Goals (SDGs). WBA aims to promote private sector engagement in the SDGs through seven system transformations needed to put economies and societies on a more resilient and sustainable path.

1. **Social Transformation**
Incentivise responsible practices that support an inclusive and fair economy and transform systems that leave no one behind.

2. **Agriculture and Food System Transformation**
Produce healthy and nutritious food for the entire growing world's population; avoid excess/hoarding; and enable farmers, fishermen, and families to have a decent standard of living.

3. **Decarbonization and Energy Transition**
Significantly reduce the world's dependence on carbon-based energy through a fair and equitable transition, provide universal access to modern energy services, and adapt to climate change.

4. **Environmental Transformation and Biodiversity**
Preserve nature for the future so that natural resources remain available for future generations.

5. **Digital System Transformation**
Achieve an inclusive, safe, and secure digital economy and society – where people from all walks of life, in both developed and developing countries – can share the benefits of digital technology fairly.

6. **Urban Transformation**
Create sustainable and inclusive cities that are safe, resilient, liveable, and environmentally friendly.

7. **Financial System Transformation**
Ensure that the financial system allows for a more sustainable allocation of resources and a more accurate representation of risks and opportunities in line with planetary limits and social conventions.

2.2.11 Fair Finance International (FFI)

The Fair Finance International Network (FFI) was established in 2014 as a development of the work of the Fair Finance Guide in the Netherlands. FFI is a collaborative effort of a coalition of civil society organizations (CSOs) in Belgium, Brazil, Cambodia, Germany, India, Indonesia, Japan, Netherlands, Norway, Pakistan, Sweden, Thailand, the Philippines, and Vietnam. Most coalition members have created websites that users and other interested parties can use to compare the financial and investment policies of their financial institutions on various issues across sectors and industries. In addition, the coalition regularly publishes case studies on specific topics, and how financial institutions implement sustainability criteria in their daily practice. FFI also pressures banks, insurers, and other assessed financial institutions to improve their policies and practices. It also influences regulators to develop and enforce adequate regulations.

Fair Finance International developed a bank assessment methodology to verify which sustainability issues play a role in policies and are applied by financial institutions when assessing demand for credit and selecting investments. The elements that will be measured by CSOs collaborating in Fair Finance International are related to financial institutions' environmental, social, and governance criteria in financing and investment policies. These elements are determined based on international standards and initiatives related to sustainable finance, such as the Principles for Responsible Investment, Equator Principles, IFC Performance Standards, OECD Guideline for Multinational Enterprise, and other standards and initiatives. These elements are grouped under three themes:

Table 2. Bank Policy Assessment Themes with FFGI Methodology

Cross-Sectoral Themes	Sectoral Themes	Operational Themes
• Animal welfare • Climate change • Corruption • Gender Equality	• Armament • Financial Sector • Fisheries • Food	• Consumer Protection • Financial Inclusion • Remuneration
• Health • Human Rights • Labor Rights • Nature • Taxes	• Forestry • Housing and Real Estate • Manufacturing Industry • Mining • Oil and Gas • Power Generation	• Transparency and Accountability

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Chapter 3
Human Rights Issues in Banking Sector

3.1 The importance of understanding human rights principles for business – including Financial Institutions or banking sector

3.1.1 General Definition of Human Rights

What are human rights? Human rights are rights that are inherent or attached to humans from birth, regardless of race, gender, nationality, ethnicity, language, religion, and other status (UN, n.d). At the international level, rules related to human rights refer to the UN Charter and the Universal Declaration of Human Rights, which were signed in 1945 (UN Charter) and 1948. In international human rights law, the rights inherent to all human beings from birth are regulated in 2 main covenants, namely the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights, which came into effect in 1976. The Indonesian Government has ratified the two covenants through Law Number 11 of 2005 concerning Ratification of the International Covenant on Economic, Social and Cultural Rights and Law Number 12 of 2005 concerning Civil and Political Rights.

What is included in Civil and Political Rights?

Civil and political rights, as regulated in the International Covenant on Civil and Political Rights, include the following:

- Freedom of movement
- Equality before the law
- The right to a fair trial and the presumption of innocence
- Freedom of thought, freedom of belief, and religion
- Freedom of expression and opinion, and peaceful assembly
- Freedom of association, participation in public affairs and elections
- Protection of minority rights

The International Covenant on Civil and Political Rights also prohibits the following:

- Arbitrary deprivation of life
- Torture, and cruel and degrading treatment and punishment
- Slavery and forced labor
- Arrest and forced detention
- Forced privacy intervention
- War propaganda, discrimination, and advocacy of hatred based on race and religion

Meanwhile, those included in the Economic, Social and Cultural Rights as regulated in the International Covenant on Economic, Social and Cultural Rights are as follows:

- The right to work in just and favourable conditions
- Right to social protection, to an adequate standard of living, and to the highest attainable standard of physical and mental existence
- The right to work in just and favorable conditions
- Right to social protection, to an adequate standard of living, and the highest attainable standard of physical and mental existence
- The right to education and to enjoy the benefits of cultural freedom and scientific progress

Then what is human rights violation? Article 1 point 6 of Law Number 39 of 1999 concerning Human Rights states as follows:

Article 1 point 6 of Law Number 39 of 1999 concerning Human Rights

Human rights violations are any actions of a person or group of people, including state officials, whether intentional or unintentional or negligence, which unlawfully reduces, impedes, limits, and/or revokes the human rights of a person or group of people guaranteed by this law – and does not obtain, or it is feared that they will not get a fair and correct legal settlement, based on the applicable legal mechanism.

Human rights violations can be divided into gross and ordinary human rights violations. In the elucidation of Article 104 paragraph (1) of Law Number 39 of 1999 concerning Human Rights, it is stated that what is meant by gross human rights violations are genocide, arbitrary killings/extrajudicial killings, torture, enforced disappearance, and enslavement or systematic discrimination.

In the concept of human rights, the fulfillment of rights is the state's responsibility. In Article 71 of Law Number 39 of 1999 concerning Human Rights, it is stated that:

Article 71 of Law Number 39 of 1999 concerning Human Rights

The government is obligated and responsible to respect, protect, uphold and promote human rights regulated in this law, and international law regarding human rights accepted by the Republic of Indonesia.". Furthermore, in Article 72 it is stated that "Obligations and responsibilities of the Government as referred to in Article 71, include steps for effective implementation in the legal, political, economic, social, cultural, state defense, and other fields.

3.1.2 Human Rights in Business, including in Banking Sector

As mentioned by UNEPFI (2014), many of the risks and direct human rights issues facing the financial industry are common to all businesses, such as those relating to how employees are treated, how new products are developed and communicated, or how labor relations are handled in the supply chain when purchasing goods and services. By defining contractual standards in this area, businesses can uphold human rights.

However, financial institutions may be exposed to human rights issues when offering clients financing or financial-related strategic consideration. The provision of support by these financial institutions also facilitates the sustainability and development of the business being run.

Although banks differ in influence and control over their clients, according to UNEPFI, banks are at risk of being associated with human rights violations due to their clients' activities. In UNEPFI's notes,

the following are case examples where banks could be implicated in being involved in human rights violations:

- When security personnel from a mining company commit violence in response to protests at the mining site by residents who oppose a mining project that bank finances.
- Activities in mining projects funded by banks have resulted in environmental damage such as water and air pollution and the destruction of biodiversity – which have led to or resulted in impacts on health conditions, deprivation of opportunities to earn income, and impacted the livelihoods of local communities (including women) .
- Forced land use change for bank-financed projects has resulted in the loss of local community livelihoods.
- Projects funded by banks have involved bribery and corruption cases.

By looking at how bank financing activities can be exposed to human rights violations, it is vital for financial institutions – in this case, banks, to pay attention to and understand the principles of human rights in their financing activities and investments. In a fairly complex relationship between financial institutions and business activities, understanding human rights principles is expected to mitigate the risks faced – especially social risks as part of the ESG aspects, which must be implemented in the context of sustainable finance.

According to the WWF International Report (WWF, 2014), issues related to social and human rights aspects include:

- Labor and worker rights, including compliance with international labor standards from the ILO and essential international health and safety norms that are cross-sectoral and supply chain in nature.
- Community health and safety, including capacity and commitment to manage risks to local communities posed by clients or as a result of a transaction. This includes risks from explosions, vehicle and transportation impacts, or infrastructure failure.
- Consultation processes (for example: informed prior consent from local communities to activities affecting them) and resettlement agreements (physical or economic) that may be required due to a transaction.

- Impacts on indigenous peoples, local communities, minorities, women, and other vulnerable groups that may be directly or indirectly affected by clients' businesses.
- Impact on cultural or religious heritage (tangible and intangible heritage).

In addition to the issues mentioned above, human rights issues also cover the following cases:

- Regarding the salary gap between female and male employees
- Regarding child labor
- Related to the rights of youth
- Rights of groups with disabilities

3.2 Several Basic Principles and Explanations

3.2.1 United Nations Guiding Principles on Business and Human Rights

This guide was prepared by the UN Secretary General's Special Envoy on issues of human rights and transnational corporations, and other types of business. It has been widely promoted by international and regional organizations, countries, business circles, industry networks, trade unions, and civil society organizations (OHCHR, 2012). This guide reflects and is built on 3 (three) pillars, namely 'Protect, Respect and Remedy' as a framework consisting of 31 principles. All the principles in this guide provide a step-by-step framework for each country to ensure and encourage the attention of businesses on human rights. In addition, this guide also provides a blueprint for companies to respect human rights and benchmarks/standards for parties to ensure that the companies pay attention to human rights.

The three pillars of the Business and Human Rights Framework, as proposed by Professor John Ruggie (Special Envoy of the UN Secretary-General) in 2008 (UNEPFI, 2014), are as follows:

- The obligation of the state to **provide protection** against violations of human rights by third parties – including the business sector.
- Corporate responsibility to **respect** human rights.
- Greater/outside access for victims to an effective **remedy**, both judicial (through court) and non-judicial (outside court)..

Specifically, regarding the second pillar, company's responsibility to respect human rights in its activities is based on five basic principles in the UN Guiding Principles on Business and Human Rights, namely:

1) Business entities must respect human rights. This means that they must avoid (efforts to) violate the human rights of other parties and must resolve resolve the effects of

human rights violations in which they are involved.

2) Human rights that business entities are obliged to respect refers to human rights that have been recognized internationally, as stated in international rules on Human Rights and principles related to fundamental rights set out in the Declaration of the International Labor Organization on Basic Principles and Rights in the World of Work.
3) The responsibility to respect human rights requires business entities to prevent as a cause or contributor to severe impacts of human rights violations through their activities and take care of the impacts that exist if violations have occurred. In addition, business entities must also prevent or mitigate the impact of human rights violations directly related to the implementation of their business, products, and services provided by business relationships, even though they (business entities) do not contribute to the impact.
4) The responsibility of business entities to respect human rights applies to all types of businesses – regardless of size, sector/field, operational context, ownership, and structure. However, the scale and complexity of how a business entity can carry out its responsibilities will vary – with regard to these factors (size, sector, etc.) and with regard to the severity of the impact of the human rights violations that occur.
5) To be able to fulfill their responsibility to respect human rights, business entities must have appropriate policies and processes for the size of their business and the situation they face, which consist of:
    a. Policy commitment to be able to fulfill their responsibility to respect human rights
    b. The due diligence process on human rights issues to identify, prevent, mitigate, and carry out considerations on how they will deal with the impacts that have been caused related to human rights
    c. Processes to enable correction of the impact of human rights violations where a business entity causes or contributes to the violations

3.2.2 *United Nations Environment Program (UNEP) Finance Initiative – Human Rights Guidance Tool for the Financial Sector*

UNEP FI (2014) guides several fundamental business and human rights questions to measure initial indications of a company's human rights awareness. Some of these basic questions are as follows:

Does the company have a written policy on human rights?

In this case, there is a specific policy or position statement related to human rights, or human rights (issues) are covered in some other policies (for example, codes of conduct, policies related to CSR/corporate sustainability documents, policies in specific sectors, and policies related to recruitment, employment, health and safety, and community relationskeamanan serta hubungan masyarakat).

Has the policy related to human rights been fully implemented? Has the implementation of the policy been integrated into the main business processes?
The company can provide evidence of how they have operational processes in place that ensure that policies are implemented, train people in them, and monitor and communicate the implementation of policies. Several companies use the Global Reporting Initiative (GRI) Framework to report on human rights-related matters as part of their environmental, social, and governance reports. Indications of good practices will be a determining process for identifying and managing real human rights impacts and communicating the good practices effectively.

Does the company have a due diligence system related to human rights that has been implemented previously?
Ideally, a human rights-related due diligence system would be integrated into critical internal functions and processes. The due diligence system thoroughly investigates the company's assets, liabilities, business risks, and others. The system should define how companies identify, prevent, mitigate, and quantify severe human rights-related impacts. The due diligence process should not be in the public domain, so discussions with clients will be needed to understand their systems.

Does the company make a public commitment to human rights?
Company websites, annual reports, or corporate CSR/sustainability reports can promote the Universal Declaration of Human Rights. The company can also participate in the UN Global Compact or other international initiatives that include commitments related to human rights. It can also mention the framework and guidelines from the United Nations.

Does the company encounter important/significant human rights issues in its business activities?
Some companies are associated with high-profile human rights issues or risks in their own business and supply chain (for example: work situations, child labor, operating in areas with poor human rights records, operating in sensitive areas – regarding health and environmental issues). In this situation, conducting a human rights impact assessment would be appropriate.

3.3 Integrating Human Rights Principles (Protect, Respect, Remedy) in the Lending and Investment Framework

Banks and other financial institutions must immediately integrate human rights principles into the lending and investment framework to encourage the implementation of Sustainable Finance. The principles formulated in several guidelines can be adopted in the banks' policies regarding client loans. Several considerations related to human rights must be written clearly in the lending policy, especially related to the impact caused by the projects being financed. As a form of respect for human rights, banks must openly state their commitment in a policy statement that addresses (UNGP, 2011):

a) Approvals by the highest level/senior official of the business entity.

b) That the commitment be delivered by relevant expertise both internally and externally.

c) Expectations set regarding human rights issues on business entities from personnel, business partners, and other parties directly connected with business operations, products, and services provided.

d) That the commitment be made available publicly and communicated internally and externally to all personnel, business partners, and other relevant parties.

e) Reflections of commitments in the operational policies and procedures required to incorporate them across all business entities.

Some illustrations of the implementation of principle 16 of the UNGPs by Banks include:

- Banks convey their commitment to respect human rights openly in their mission statement/vision and mission which the public can access through a website or a written declaration posted in each service office.
- The Bank conducts consultations with parties or institutions that have expertise related to human rights and business issues.
- The Bank has measurable targets in regarding human rights, both internally in relations with staff and externally in relations with clients. For example, the Bank will not provide funding for activities resulting in human rights violations/disrespect of human rights.
- And so on.

One example that can be noted from banks' commitment to respect human rights is one carried out by Norges Bank Investment Management (NBIM), as a separate part of the Central Bank of Norway, which is responsible for the operational management of government pension funds (Government Pension Fund Global). NBIM is always said to ensure that the company has a policy to respect human rights and relevant considerations integrated into the company's business strategy, risk management, and reporting (NBIM, 2016).

Furthermore, to measure the risks related to human rights, business entities (in this case, the banks) must identify and examine all kinds of actual and potential impacts of human rights violations that may involve the Banks – either through their activities as well as from their business relationships (with clients). The process of measuring this risk should proceed as follows:

a) Utilize expertise related to human rights issues from within and/or from outside/ independently.

b) Increase meaningful consultation with potentially affected groups and other relevant stakeholders, which is appropriate for the size of the business entity (in this case, the banks) and the nature and context of their businesses.

Several illustrations of the implementation of principle 18 of the UNGPs by banks are as follows:

- Conducting internal capacity building by organizing human rights and business-related training for staff
- Carrying out a stricter review process for loans that will be offered regarding the potential for human rights violations in activities that will receive funding
- Conducting consultations with groups potentially affected by the activities/projects to be carried out by credit recipients.
- And so on.

For banks to be trusted with dealing with impacts related to human rights, they must be prepared to communicate this externally – especially when matters related to these impacts are raised by or on behalf of affected stakeholders. Business entities (including banks) which that present human rights risks with severe impacts in their implementation or operational context must submit a formal report regarding how they manage the impacts. The entire communications efforts must be carried out in the following manner:

a) In a form and frequency that reflects the human rights impacts of companies/banks and are accessible to the intended audience.

b) Providing sufficient information to evaluate the adequacy of the response of the banks/business entities to the impacts related to human rights that have occurred

c) Are timely and not posing a risk to affected stakeholders, as well as to personnel or legal requirements of business confidentiality.

Several illustrations of the implementation of principle 21 of the UNGPs by banks are as follows:

- Presenting an annual report that the public can access regarding the impacts arising from project activities funded by the banks.
- Carry out the verification process on reports made by the public about the effects arising from activities financed by the banks.
- Communicating with affected parties in full confidentiality to protect the rights of affected communities.

Regarding corrective action (remediation), referring to principle 22 of the UNGP, where banks/entities have been identified as the cause or contributing to a severe impact, they must provide themselves or cooperate in correcting action through a legal process.

3.4 Several Case Examples – lending/investment practices that have or have not adopted human rights principles in business

Quoting a report prepared by the Australian Human Rights Commission in 2017, while there are so many analyses on advantages and methodologies related to ESG integration, there are still few analyses specifically related to human rights. This reflects the relative complexity of human rights issues within the broader ESG risk universe. In its later linkages, there is a more significant potential for investors not to fully understand and realize the relevance and practice/implementation of human rights in investment activities (Australian Human Rights Commission, 2017. If we pull it back, the same report also mentions the results of a survey of a number of asset managers related to ESG issues in 2015 by the Chartered Financial Analyst Institute. The survey has identified several challenges in integrating human rights into investment. Respondents who thought that social issues such as human rights have relevance are less than 50%. The reasons given by those who do not consider ESG issues are as follows (Australian Human Rights Commission, 2017):

1) Lack/absence of requests from clients/investors (highest percentage)
2) Lack of information/data
3) Insufficient knowledge to be able to consider ESG issues

Against this background, many arguments are considered important for integrating human rights aspects into investment activities, including those related to financial risks such as fines, lawsuits, or declining financial performance. In addition, the integration of human rights aspects is also related to risks related to reputation, such as customer loyalty and trademark integrity. Failure to pay respect to human rights will tend to incur costs in the longer term. Some examples of how human rights issues can expose companies to financial costs/risks include the following (Australian Human Rights Commission, 2017):

1. TUNTUTAN HUKUM

There have been many cases/lawsuits based on human rights issues aimed at companies worldwide, especially topics of civil cases. Many of these cases are fought through national legal regulations related to discrimination, privacy/personal matters, workers' rights, or occupational health and safety. In addition, there are also many lawsuits/cases related to land acquisition. Among these cases, some could be resolved, but many became a burden to the company for years and could not be resolved.

Let us look at the cases in Indonesia. Many examples can be submitted regarding lawsuits related to human rights issues, for example, the demands made by the people affected by the construction of the Cirebon PLTU. The community was recorded as having filed lawsuits 2 (two) times, namely in 2016 and 2017 (Responsibank, 2022). In 2016, 5 fishermen from Kanci Kulon Village filed a lawsuit against PLTU Cirebon 2 regarding an environmental permit. This plea was based on the potential for adverse impacts from PLTU operations on the quality of the environment: water, air, and sea - in the fishermen's catchment areas. In 2017, some villagers from Kanci Kulon filed lawsuits for the second time. In the two processes that were filed, lawsuits by the community then received responses such as pressure, intimidation, and threats from the company. The community's lawsuits against the PLTU continued with complaints submitted by the community and their companion group – in this case, the Responsibank Coalition – to the banks that were part of the consortium that financed the Cirebon PLTU, including ING Bank and JBIC (ResponsiBank Indonesia, 2021).

2. DENDA

A total of 35 listed companies were fined 88 million Brazilian Real (44 million US dollars) by an institute in Brazil, The Brazilian Institute of Environment and Renewable Natural Resources. These companies did not share their profits with the indigenous people (Erickson -Davis, 2010). This case illustrates the importance of respecting the rights of indigenous people by the companies in carrying out their activities. In Indonesia, with traditional communities that are still widely found in various regions, sharing benefits, and recognizing their existence is an important matter that business entities must remember when running their operations. Some examples of how companies' operations have had an impact on the presence of local communities include the case of the Anak Dalam tribe in Jambi Province, whose living areas are contained in the operational areas of oil palm companies and businesses in the forestry sector (HPH, HTI), and also the case of the other tribes living in the working areas of mining companies, oil palm and the forestry sector in Papua, Kalimantan, Sumatra, and other regions.

A BBC Indonesia article for 23 May 2022 presented an investigation by the BBC, The Gecko Project, and Mongabay. In the article, it was written that the Orang Rimba or Anak Dalam tribe in Tebing Tinggi Village, South Sumatra, admitted that they handed over their land to a palm oil company in 1995, which they said promised prosperity in the future. However, after three generations, their land has been replaced by oil palm plantations, while the Orang Rimba community have instead gone through prison and poverty. This BBC Indonesia article claims that the community could potentially lose trillions of rupiah annually because palm oil companies have failed to fulfill their obligations to build plasma, as mandated by law (BBC, 2022).

3. DISRUPSI ATAS AKTIFITAS PERUSAHAAN

Disruptions to company activities are common, for example, in mining companies. To quote John Ruggie, the inventor of the Guiding Principles on Business and Human Rights, in an interview (give reference here): *""for a world-class mining business that requires around US$3 to 5 billion in capital to start up, there are costs of around 20 to 30 million dollars per week for operational disruptions by (local) communities"* (Australian Human Rights Commission, 2017). In Indonesia, illustrations of the costs that companies must be bear related to operational disruptions can be found in various areas where mining companies carry out their operational activities. One example of disruption is when the community claims that project vehicles passing through their village roads have caused dust pollution and caused road damage. A group of community members make claims to the company and charge fees for each vehicle that passes. If their demands are not met, the project vehicles cannot pass, which causes operational activities to be disrupted. In the end, the contractors often take shortcuts, so that project activities are not hampered by fulfilling the demands of this group of people. Another example is when goods sent by ship cannot be unloaded immediately because a group of community members require a certain fee so that the goods can be unloaded from the ship.. Things like these need an initial screening process to avoid additional costs burdening companies in a long term.

3. KERUSAKAN ATAS REPUTASI PERUSAHAAN

In addition to costs incurred, such as fines and others, another cost that must be incurred by companies related to cases related to human rights issues is the time and resources used by staff and senior management of the company to deal with allegations of human rights violations – starting from conducting investigations, respond and report to stakeholders, to investors, to the media as well as to the public. As mentioned in an article in The Economist (2015), today's company reputation is very dependent on the company's ethical behavior – which is very important for consumers, especially generation Z, and millennials. The image of the brand is essential for the company to maintain. A survey conducted by The Economist in 2015 stated that the experience of the business sector in respecting human rights is carried out mainly by acting ethically and maintaining good relations with workers and others, and not by carrying out short-term risk management or financial considerations (The Economist, 2015).

Among the little attention and consideration on human rights issues in the ESG universe, assessments of human rights issues have so far been incorporated in social impact assessments – which are required in the lending framework at both the national and international level. In cases in the fashion industry, for example, issues related to unfair wages have emerged and become global campaigns. Human rights violations in the fashion world became the spotlight when the Rana Plaza factory in Dhaka, Bangladesh, collapsed on April 24, 2013, and resulted in the death of 1132 factory workers and more than 2500 other people injured (ILO, 2023). In ILO records this incident is one of the worst tragedies in the industrial world, as it has opened the world's eyes to the terrible conditions faced by garment/fashion industry workers. Such is the case with the use of violence and human rights violations committed by security forces in oil and mining companies on a large scale almost all over the world (especially in developing countries). Issues related to the rights of women workers and child labor can also be added here, which are commonly encountered especially in the fashion and palm oil industries. However, the companies' responses to the issue of emerging human rights violations are more reactive in nature and, in the long run, have not changed the company's ethical behavior.

As mentioned earlier, human rights issues also include issues related to child labor and also the rights of groups with disabilities. One outstanding example of a prominent investor directly focusing on a child rights -focused business case is Norges Bank Investment Management's (NBIM) Investor Expectation on Children's Rights (UNICEF, n.d). The document issued in 2008 focuses on 4 areas as follows:

- Preventing company actions related to the worst forms of child labor
- Maintaining the minimum age limit of laborers/workers
- Promoting child welfare (explicitly based on the Convention on the Rights of the Child/ CRC)
- Governance structure

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The NBIM document is intended as a reference for responsible investors and serves as an indicator of the best practices of companies at the global level. An explanation of why children's rights should be an issue for investors is set out in the document as follows:

From an ethical point of view, several issues have a higher level of importance than protecting children's rights. However, efforts to safeguard children's rights are also crucial from a financial perspective because:

First, the board of directors must be careful, as part of its fiduciary responsibility (a thorough investigation of the company's assets, liabilities, business risks, etc.) with the shareholders – considering the economic impact of social issues, including child labor.

Second, poor education and health for future generations of workers and consumers will form a weak and insufficient basis for future production and employment, resulting in economic losses for investors and businesses and increasing the risk of social instability and unrest.

Third, corporate behaviors that violate the rights and health of children distort the market system in ways that threaten the legitimacy of individual companies, markets, and of course the global market economy. Rules/orders to enhance the moral and legal legitimacy of the market system – through general rules and regulations and company-specific initiatives – are thus of primary interest to global investors with long-term positions. Rules designed to protect the rights and integrity of children must stand at the center of this process.

Finally, from investor's perspective, unwillingness to take corporate responsibility in resolving and fighting child exploitation may indicate weak company management in dealing with external factors and risks.

As mentioned in UNICEF and Save the Children's documents regarding children's rights and initiatives related to business principles, the latest attempt to define a business case has been carried out by UNICEF in a paper entitled Children are Everyone's Business: A Work Book on Children's Rights for the Corporate Sector (UNICEF, 2010). This document describes the "business case" as follows:

Reducing risk: Are there children exposed to risks from your company's products and operations, opening up opportunities for companies to take responsibility? Can safeguards/ guidelines related to health, safety, and product responsibilities be more effective if the guidelines are sensitive to the interests and vulnerabilities of children?

Doing business better: Could understanding the role of employees, suppliers, customers, and the community around the industry, as well as children and parents, help your company to do better in its recruitment and retention, productivity, and reputation and in securing its license to operate?

Creating value for children: Does your business understand how to create value for children, both as customers, as potential customers (in the future), as users of your products, and as youth workers or apprentices? Is your business expanding its market or gaining a competitive advantage by better-serving children in its value chain?

Contributing to a society that is right for children: Can understanding the impact of your business on broader sustainability issues such as water scarcity, climate change, and biodiversity help you and your stakeholders think long-term together? Can understanding and expressing sustainability issues and how they impact children help spark support for actions seen as intangible? Can directing community investment toward children help build a better environment for your business?

Concerning the rights of persons with disabilities, a report published by IFC clarifies that there are clear business reasons for banks to promote disability inclusion within their organizations and in the broader environment (IFC, 2022). Diversity, Equity, and Inclusion (DEI) for all groups, including people with disabilities, are precise and up-to-date business performance issues. Research conducted by Accenture, as cited in the IFC report, shows that American companies that lead in disability inclusion enjoy 28% higher yields and 30% higher profit margins than their counterparts. An important note in the IFC report is that people with disabilities represent a significant but often underserved market for financial services. Therefore, banks that increase accessibility to their products and services can broaden their customer base. The inclusion of groups with disabilities is also mentioned as necessary for attracting investment.

As part of its ongoing work with banks, businesses, and investors to increase economic inclusion for people with disabilities, IFC surveyed 12 leading banks to highlight emerging and evolving practices regarding disability inclusion. The twelve banks are Australia and New Zealand (ANZ) Banking Group, Bank of America, Barclays Bank, Citi, Credit Agricole, Deutsche Bank, HSBC Holdings, JPMorgan Chase, Societe Generale, Standard Chartered, TD Bank Group, and Wells Fargo, which are located primarily on developed countries such as Australia, Europe, and the United States.

The six areas of action of the banks highlighted in the IFC survey are as follows:

01 Increasing the contribution of persons with disabilities in the workplace

02 Creating team leadership and an inclusive workplace

03 Encouraging agendas related to disability inclusion in banking

04 Offering products and services that respond to the needs of people with disabilities

05 Implementing disability inclusion commitments in goods and services procurement and investment practices

06 Building partnerships that focus on disability and outreach to the community

Meanwhile, examples carried out by the banks in each of their action areas are as follows:

1. Increasing the contribution of people with disabilities in the workplace:
    - Well Fargo's inclusive recruitment program focuses on full-impact hiring and proactively encourages recruiting people with diverse abilities. The recruitment program also provides a hotline for job seekers with disabilities who request accommodation in the job application process.
    - Societe Generale has internal controls to ensure that the language and wording used in job advertisements and materials used in the recruitment process are inclusive. Managers have been asked to interview qualified candidates with disabilities.
    - Credit Agricole and Societe Generale have adopted specific recruitment targets for persons with disabilities.
    - Deutsche Bank saves/reserves some external jobs for individuals with disabilities through a long-term partnership with the Association of Shelterred Workgroups in Germany.
    - ANZ's Spectrum program offers job opportunities to the autistic community using a unique recruitment process. TD Bank and JP Morgan Chase did the same thing.
    - Societe Generale partners with Montpelier Business School to provide scholarships to students with disabilities and recruit new graduates. Barclays and Bank of America have also collaborated through various programs to support persons with disabilities.

2. Creating team leadership and an inclusive workplace
    - TD Bank, in collaboration with Humphrey's Group, runs the Enabling Leaders program, which was explicitly created to support advancing workers with disabilities into leadership roles through training in communication skills.
    - Wells Fargo has committed to promoting diversity at all management levels by identifying and supporting candidates with disabilities with the potential for advancement into management and senior management positions.
    - Deutsche Bank and HSBC support the professional development of workers with disabilities by designing and regularly reviewing company-wide mentoring processes, training, and other professional development programs to ensure all workers have full and equal access to opportunities in their implementation.

- TD Bank and Well Fargo explicitly prohibit harassment of workers, vendors, job seekers, and customers based on their physical or mental disabilities.
- HSBC developed a program called the Global Disability Confidence Program which provides a strategic framework for projects targeting workplace adjustments, data and reporting, digital accessibility, and staff training on disability issues

3. Encouraging agendas related to disability inclusion in banking
   - ANZ, Bank of America, Barclays, Citi, Deutsche Bank, HSBC, and Standard Chartered are signatories to The Valuable 500, a global initiative of 500 CEOs committed to advancing disability inclusion in and through their organizations.
   - Societe Generale is a member of the ILO's Global Business and Disability Network, which includes several leading multinational companies to promote disability inclusion.
   - Standard Chartered has developed a toolkit entitled Building a Disability Confident Workplace to raise awareness of the barriers that people with disabilities face in the workplace. The toolkit also describes steps that can be taken by other companies to support inclusion and publishes an inclusive language guide.
   - Barclays has documented its experience of becoming more inclusive in building disability and mental health trust by sharing initiatives and insights to inspire other organizations to advance in disability inclusion.

4. Offer products and services that respond to the needs of people with disabilities Efforts made by banks as a form of service that responds to the needs of people with disabilities are as follows:
   - Improving ATM accessibility, such as: lowering machine height and providing voice guidance and ATM keypad/button that has high color contrast.
   - Ensuring physical accessibility/affordability of the Banks' branches, including step-free access.
   - Making customer service accessible to customers who are deaf or hard-of-hearing.
   - Adding accessibility features to digital platforms and online banking: simplifying layouts, using larger and high-contrast fonts, sound, and audio settings, etc.

- JP Morgan Chase has opened a prominent branch for deaf and hard-of-hearing customers on H Street in Washington, DC, a significant American Sign Language community center.
- Standard Chartered India has launched a special sign language service plan for clients in the priority segment regarding hearing impairment. They are also working on producing product offering videos in sign language for savings accounts, time deposits, credit cards, wealth offerings, and loans, enabling hard-of-hearing clients to understand the Bank's products better.
- Bancolombia created a unique website for customers and users with disabilities – in movement and reduced movement functions. The website displays inclusive care guidelines and documents that describe the Bank's policies and practices that support people with disabilities.
- Santander Argentina created an application called 'Hablalo,' which means 'talk about this' to encourage communication with people who have difficulties using the Bank's services.

5. Implementing disability inclusion commitments in goods and services procurement practices, and investment.
    - Credit Agricole issues social funds (social bonds) to promote inclusive growth and state financial programs that support groups without jobs during the crisis/ pandemic COVID-19 in France.
    - Citi guarantees sustainable and social funding to support social initiatives targeting disadvantaged groups in society, such as people with disabilities, as well as providing preferential contracts to service companies owned by veterans with disabilities who participate in guaranteeing funds. Deutsche Bank does the same thing.
    - With its Supplier Diversity program, TD Bank helps promote fair conditions. It encourages the inclusion of people with disabilities in the procurement of goods and services by prioritizing suppliers that are at least 51% owned and run by individuals with disabilities.
    - Citi offers contracts with preference to small and medium enterprise suppliers owned by minorities, including those owned by veterans with disability services.
    - Banks in France promote disability inclusion by procuring goods and services from businesses that employ people with disabilities. Societe General purchased 6.6 million Euros or 7.7 million US Dollars from the protected worker sector in 2018. Meanwhile, Credit Agricole is committed to increasing it by 50% in the collective agreement made.
    - Barclays has published an Accessibility Guide for suppliers to raise awareness of the importance of disability inclusion and communicate the Bank's expectations for suppliers regarding accessibility.

- The supplier code of conduct drafted by HSBC requires suppliers to commit to removing barriers to assignments for persons with disabilities, ensuring the provision of accessible services and products, and promoting their commitment to disability inclusion at the external level.

6. Building partnerships that focus on disability and outreach to many people.
   - Wells Fargo has supported initiatives related to worker health and financial health for people with disabilities through their partnership with the non-profit National Disability Institute (NDI), financing the establishment of the NDI Financial Resilience Center as an online information hub to help people with disabilities respond to financial difficulties caused by the COVID-19 pandemic.
   - Barclays participated in STEPtember, a fundraising initiative for the Celebral Palsy Research Foundation in America, and sponsored the ReelAbilities Film Festival as America's largest film festival dedicated to showing films by or about people with disabilities.
   - TD Bank and Bank of America are long-standing sponsors and partners of Special Olympics, a global movement that provides year-round sports training and athletic competitions for people with intellectual disabilities.
   - Citi has partnered with the International Paralympic Committee to sponsor several athletes competing at the Paralympic Games in Tokyo in 2020.
   - Wells Fargo has been recorded as having donated more than US$100 million to more than 15,000 non-profit organizations that support people with disabilities since 2015. This bank is also a sponsor of the BELL Academy of the National Federation of the Blind, which provides visually impaired children with braille instruction and independent life skills training. Children visit Well Fargo branches for hands-on, interactive learning opportunities on how to manage money and use banking services.

Chapter 4

Gender Issues in Banking Sector

4.1 The Importance of Understanding Gender in Business in Banking Sector

4.1.1 General Definition of Gender

Though a reasonably popular word, the term "gender" is often misinterpreted. Gender is often assumed to be the same as "women", and everything related to gender is viewed as women's business. In fact, gender refers to the socially constructed characteristics of women and men. It includes the norms, behaviors, and roles associated with being a woman and a man and the implications for social relations. In contrast to biological sex, which is universal, gender, as a social construction, varies from one society to another, is interchangeable, and can change from time to time.

The issue is that gender is hierarchical, which often results in inequality. Gender inequality can be found in several forms, such as:

- **Subordination**, which is often interpreted as being subordinated to one group because of gender views, often resulting in gender-based domination. Due to existing gender views, women are often second, especially in decision-making or other strategic positions.
- **Discrimination based on gender**, such as differences in pay for the same work, because women are considered as additional earners in the family or women's work is viewed not as difficult as men's work.

- **Pelabelan atau *stereotyping***, For example, women are often labeled emotional, so opportunities for self-development are limited. Men are perceived as husbands who are afraid of their wives when sharing parenting and domestic work roles with women.
- **Violence**, ywhich can take various forms, from physical, psychological, and economic to sexual violence.
- **Double burden**, which occurs when the workload of caring for and domestic is attached as the responsibility of women, yet at the same time, women also share roles with men in productive activities.

For this reason, efforts to promote gender equality and justice are needed to ensure equal rights, responsibilities, and opportunities for women and men and girls and boys. In order to achieve gender justice, special action/affirmation is often required to reduce inequality due to a long social process. An example of affirmative action is the quota for women in training activities or for legislature members.

Apart from affirmative action, there is also gender mainstreaming strategy which is a process of considering the perceptions, experience, knowledge, and interests of women and men in policy-making, planning, and decision-making. An example of a mainstreaming strategy is ensuring that a program that provides credit to farmers conducts socialization through women's groups to answer the problem of lower access to information for female farmers (than for male farmers). These two strategies, which consist of a special strategy and a mainstreaming strategy, are the twin-track approach needed to achieve gender equality and justice.

4.1.2 Gender in Business

Data cited by the Women's Forum for the Economy and Society shows that nearly 224 million women entrepreneurs worldwide participate in the ownership of around 35% of companies in the formal economy (Women's Forum for the Economy & Society, 2019). However, the report also states that, on average, global corporate or government spending on women-owned businesses accounts for less than 1% in any country. It is argued that this not only hinders companies led and owned by women but also limits women's economic empowerment more broadly, which can hamper business and economic growth. On the other hand, there is data showing that 34% of companies that diversify by involving women-owned enterprises have positively impacted their business profits. It was further stated that gender-responsive investment and the provision of financial services for women entrepreneurs would be able to expand and diversify markets for financial services and products.

In conjunction with the previous chapter on human rights aspects/issues, women's rights represent human rights themselves. So, what needs to be understood about gender issues in the business sector? Gender in the business sector can include several things as follows:

1) Recognition of the existence and role of women in business, whether they are owners or leaders of the company.
2) Recognition of women's rights as workers, such as granting their rights to maternity/childbirth leave, providing a place for breastfeeding in the workplace/office, menstruation leave, and so on.
3) Application of the principle of non-discrimination in granting credit loans to women as business owners.
4) Application of the principle of non-discrimination in the remuneration received by women workers.

Recognition of the existence of women, both in their positions as business people and as workers, has been found in many regulations and guidelines, starting from the Beijing Declaration, CEDAW, and various conventions related to gender equality from the ILO. In particular, in the context of financial innovation, UN Women works with actors from financial institutions and the private sector to bridge the identified barriers in financing that pays attention to women (gender financing) (UN WOMEN, 2021).

4.2 Some basic principles and their explanations

The principles of women's empowerment, as stated in UN Women, include the following 7 (seven) principles (WEPs, 2020):

Principle 1
High-level corporate leadership

Principle 2
Treat all women and men equally in employment without discrimination

Principle 3
Health, good conditions, and safety for workers

Principle 4
Education and training for career advancement

Principle 5
Enterprise development, supply chain, and marketing practices

Principle 6
Community initiatives and advocacy

Principle 7
Measurement and reporting

The Women Empowerment's Principle (WEPs) Gender Gap Analysis Tool

This document is a business sector-driven guide designed to help companies worldwide examine gender equality performance in the workplace, market, and community. This tool/ measurement is based on the WEP Principles. It uses a global framework with solid support from the business sector, the United Nations, governments, and civil society. This tool was developed in consultation with more than 170 companies, with questions based on actual company practice and international standards and indicators. This tool was invented as a joint project of the UN Global Compact, UN Women, Multilateral Investment Fund from IDB, and IDB Invest.

There are 18 questions in this measuring tool, which include the internal settings (related to the companies' commitment to management) and external settings (related to the companies' relationship with clients). The complete eighteen questions in the questionnaire to examine gender inequality in companies are as follows (WEPs, 2020):

1) Does your company have a commitment and support for gender equality and women's empowerment?
2) Does your company have non-discrimination and equal opportunity policies, both stand-alone policies and those that are clearly included in broader company policies?
3) Does your company have an approach to ensure non-discrimination and equal opportunity in recruitment?
4) Does your company have an approach to ensure non-discrimination and equal opportunity in the professional development and promotion process?
5) Does your company have an approach to ensure that women and men receive equal pay/remuneration?
6) Does your company provide and support paid leave for women giving birth (maternity leave)?

7) Does your company provide and support paid/paid leave for male workers to care for their children?

8) Does your company have an approach to support employees' roles as parents and caregivers?

9) Does your company have an approach to accommodate work-life balance for all employees?

10) Does your company have an approach to ensuring an environment free from violence, harassment, and sexual exploitation?

11) Does your company have an approach to meet the specific needs of women in terms of health, safety, and hygiene/hygiene at work and on the way to work?

12) Does your company have an approach to promote access to quality health services that meet the specific health needs of female employees?

13) Does your company take proactive steps in procurement to expand working relationships with women-owned businesses in the value chain and when contracting with partners/vendors?

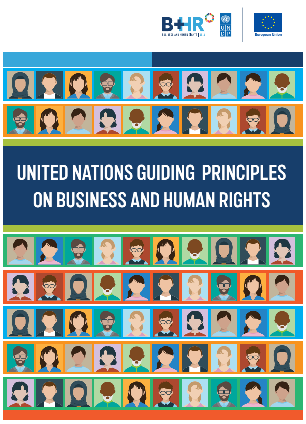
14) Does your company encourage suppliers and partners/vendors to improve their performance in terms of gender equality?

15) Does your company have an approach to responsible marketing that pays attention to the reflection of gender stereotypes?

16) Does your company have an approach to developing products and/or services to examine the different impacts on women and men?

17) Does your company have policies and processes to ensure responsibility for respecting the rights of women and girls in the local communities where the company operates?

18) Does your company have an approach to include gender aspects in corporate social responsibility (CSR) activities, philanthropy, public advocacy, and partnerships?



Gender guidance for the Guiding Principle for Business and Human Rights

This guide is the product of the United Nations Working Group on Human Rights, transnational corporations, and other business ventures. The Working Group has been asked to integrate a gender perspective in its mandate to promote the dissemination and implementation of the UNGP (United Nations Guide on Business and Human Rights). Starting in 2017, the Working Group created a project which aimed to increase sensitivity among stakeholders to the need to adopt a gender perspective in implementing the UNGPs and to develop practical guidelines both for countries and for business entities. These guidelines were then presented in a Working Group report submitted to the UN Human Rights Council in June 2019. The gender framework contained in this report was then used to develop specific guidance (including illustrations at the implementation level) on each of the 31 principles in the UNGPs (UNDP & UN Working Group for Business and Human Rights, 2020).

In particular, the company's responsibility to respect human rights (especially related to gender aspects) can be seen in the following principles:

Principle 11

Business entities are responsible for preventing human rights violations against women and resolving the adverse effects of human rights violations involving business entities. To fulfill this responsibility, business entities must contribute to substantively achieving gender equality and prevent the spread or recurrence of discrimination against women in all business operations.

Several illustrations in the implementation of this principle are as follows:

- Business entities must create an environment that makes it easy for women to gain access to all opportunities equal to access obtained by men. For example: sexual harassment, differences in wages received by women, lack of facilities for personal hygiene and work that is not friendly to menstruation will discourage women from taking up employment opportunities and staying in jobs.
- Business entities should take steps to support women workers to form trade unions and take leadership positions within them.
- Business entities should explore innovative ways to promote women's human rights and engage in advocacy to change legal rules and discriminatory social practices.
- Business entities should find ways to offer loans and access to financial institutions to women, including women who do not own property – because of discrimination in legal rules and social practices.
- And so on.

Principle 12

In order to respect the internationally recognized rights of women, business entities should consider (among other instruments) the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and the Convention on the Rights of the Child (CRC) as relevant in all situations and throughout activities carried out.

Several illustrations in the implementation of this principle are as follows:

- Business entities must integrate gender equality policies in all departments/sections and throughout business operations in implementing the responsibility to respect women's human rights. This requires the building of personal capacity as well as business partners' regarding women's human rights and gender equality.
- Business entities must be aware of the multilevel discrimination faced by women caused by being connected to various backgrounds at the same time: different women can get different impacts from business activities – depending on the variables such as age, skin color, caste (as in India/South Asian countries), social class, ethnicity, religion, language, literacy, access to economic resources, marital status, sexual orientation, gender identity, disability, living in a rural area, as well as displacement, indigenous people, and minority status.
- Suppose business entities have caused a significant impact on indigenous women. In that case, they must take responsibility for their rights – including the right to self-determination and free prior consent (FPIC) – which are set out in the Indigenous and Tribal Peoples Convention, 1989 (No. 169) of the ILO and the UN Declaration on the Rights of Indigenous Peoples.
- And so on.

Principle 13

All business entities, including micro, small, and medium enterprises, must take appropriate steps in line with the UNGPs to respect women's rights, including those working in the informal economy.

Several illustrations in the implementation of this principle are as follows:

- Business entities should use their influence over business partners to promote respect for women's human rights.
- Business entities should map out the workers in the informal economy sector that are part of their supply chain, identify specific issues related to gender and take appropriate steps to resolve these issues.
- Business associations, including small and micro enterprises, should raise awareness among members and build the capacity of association members to implement gender equality.

Principle 14

Business entities should integrate gender frameworks and guidelines in all existing policies and processes to implement all aspects of their responsibility to respect human rights under the UNGPs, by making policy commitments, conducting due diligence on human rights issues, and taking corrective actions for severe human rights impacts – caused by or incurred by their contributions:

- Business entities should use tools such as the WEPs Gender Gap Analysis Tool to examine the nature and extent of gender discrimination in their overall operations and to check the effectiveness of their existing rules regarding gender equality.
- Business entities must integrate gender equality as an overlapping issue in all policies, processes, and strategies in all sections/departments and not just make gender equality a matter of diversity and inclusion only relevant to the human resources section/department.

Principle 15

Business entities must embed their commitment to respect women's human rights and contribute to achieving substantive gender equality in gender equality policies that are built in a participatory bottom-up process but adopted at the top level. The policies can take the form of stand-alone documents or be integrated into the company's general human rights policies.

Several illustrations in the implementation of this principle are as follows:

- Business entities should develop and periodically review a gender equality policy in meaningful consultation with women, women's organizations, women human rights defenders, and gender experts.
- The gender equality policy should include the following provisions:
- Cite relevant international standards such as CEDAW, and CRC, refer to gender frameworks and guidelines for UNGPs, and consider the overlapping character of discrimination.
- Contains measurable targets and indicators and clearly states what is expected of business partners.
- Be delivered to all parties, internally and externally, including women workers and staff, in an accessible format and language.
- Be integrated into the operational processes of all departments/sections within the company.

Principle 16

Business entities must explicitly integrate a gender perspective in taking human rights due diligence steps in accordance with the UNGPs. Human rights due diligence that is still ongoing must cover potential and actual impacts on women's human rights caused by impacts due to contributions from business entities or related/directly linked to operations or products and services from business relationships owned by the entities.

Several illustrations in the implementation of this principle are as follows:

- Business entities must internalize gender as an equality issue rather than treating it as a 'tix-box exercise' or an adjunct in the human rights due diligence process.
- Suppose a business entity needs to identify priority areas where the risk of severe impacts is particularly significant. In that case, this identification process should be carried out with the participation of potentially affected communities, including women and women's organizations.
- Business entities must always place sexual harassment and gender-based violence as the risks of the worst human rights impacts. The business entity must have zero tolerance/zero tolerance for such effects in the companies' overall operations.

Principle 17

In identifying and examining all potential as well as adverse impacts on human rights that have occurred, business entities must adopt a gender-responsive approach, invite the participation of gender experts, and carry out in-depth consultations with potentially affected women, women's organizations (including organizations grassroots) and women human rights defenders.

Several illustrations in the implementation of this principle are as follows:

- In order to overcome practical obstacles, patriarchal norms, or threats of violence that might disempower women and affected women to participate in the impact assessment process, business entities must take a proactive approach and adopt innovative ways (for example: providing child care during meetings or holding separate meetings with women).
- Affected communities will view participation in consultations as meaningful only if the consultations take place before the project starts, sufficient information about the project is provided in an easily accessible and timely manner, the needs expressed by the community are taken into account and seriously discussed, and good communication transparent and sustainable.
- And so on.

Principle 18

Business entities must provide sufficient and easy-to-access information to the parties on a regular basis. Both information and ways of communicating must be responsive to gender discrimination and the different impacts experienced by women.

Several illustrations in the implementation of this principle are as follows:

- Business entities should take appropriate steps to ensure that the means used to convey information are accessible to potentially affected women.
- Suppose the communication conveyed relates to sexual harassment and gender-based violence. In that case, business entities must respect victims' rights regarding privacy and may not disclose their identity or other personally identifiable information from victims to prevent social stigmatization and subsequent victimization.
- And so on.

Principle 19

Business entities should provide themselves, or cooperate in preparing transformative reviews related to gender where they are identified as causing or contributing to the occurrence of severe impacts on human rights.

Several illustrations in the implementation of this principle are as follows:

- Remedial measures offered by business entities for sexual harassment and gender-based violence (cases) must be responsive to women's experiences. Compensation agreements, for example, may not exclude access to judicial or non-judicial mechanisms, and agreements not to disclose information may not be used – unless requested by the affected women.
- In addition to specific impact review processes, review processes in appropriate cases should also aim at making systematic changes in discriminatory power structures. For example, suppose complaints about sexual harassment in factories are not taken seriously due to the low number of women in managerial positions. In that case, this imbalance must be resolved

4.3 Integration of Gender Aspects in the Lending and Investment Framework

Seeing the impact that an activity/project can have on women and the opportunities that can result from recognizing the role of women in management and as business actors, the integration of gender aspects into the lending and investment framework should be carried out by the banking world to encourage sustainable finance. Let us look at the currently available guidelines regarding gender aspects in business. Banks can adopt these principles in their lending framework or their general policies.

One of the references to integrating gender aspects into investment that can be found today is a framework called Gender Lens Investing (GLI). The definition of GLI, as stated in the Gender Lens Investing in Southeast Asia report published by Australian Aid, is the careful adoption of gender factors/aspects into investment analysis and decisions to improve business and social results (Australian Aid, 2021). There are 3 entry points in the GLI framework as follows:

1. Provision of capital for women-led businesses and businesses that are gender-forward/The gender lens referred to in this case is as follows:
   - Women-led businesses
   - Products or services with a disproportionate impact on women
   - Gender diversity in the company
   - Presence of women in the supply chain
2. Applying a gender lens throughout the investment process. This is done by mitigating gender bias and identifying opportunities in the following stages:
   - *Deal origination*
   - *Structuring*
   - *Evaluation*
   - *Post investment engagement*
   - *Exit (deal)*
3. Applying gender diversity in investment institutions. This is done by promoting opportunities for women to develop at all organizational levels through policies and work culture in talent pipelines (visualization of candidates in the employee recruitment process).

The current GLI is gaining success globally; financial managers have started recognizing that GLI is an intelligent investment. It was also added that in the existing report, GLI could positively impact the lives of women and girls, help mitigate gender inequality, and expand access to finance for women entrepreneurs who have historically been an exception in investment (Australian Aid, 2021).

4.4 Case examples - lending/investment practices that have integrated aspects of Gender Lens Financing

Root Capital's Invoice Financing for Female Coffee Farmers in Gayo, Sumatra

Investments that target women's empowerment can also be investments that are profitable and have a strong social dimension. One of them can be shown by the experience of Root Capital, which provides invoice financing for women coffee farmers in Gayo, Sumatra. This started in 2014 when Root Capital provided loans to women coffee farmers who were members of the Ketiara coffee cooperative in Gayo. This unique women's cooperative was formed in 2009 and had around 2,000 farmers as members, a bold initiative amid a very patriarchal society culture. Root Capital started with a US$550,000 loan, with which the Ketiara cooperative could buy coffee between harvests and then sell it on the export market. In 2015, the loan was increased to $1 million, and US$1.5 million in 2016. The loan has been repaid by the cooperative in full. This cooperative consists of female farmers, some of whom are women victims of conflict, including women heads of households. A membership and institutional system has been built that makes this cooperative successful and able to target the global market more by pocketing organic fair trade certification. The premium from this certification becomes a social investment for women, especially for increasing capacity related to good agricultural practices for women and increasing women's health status.

Bank of Palestine and Support for Women SMEs

In its case study report, IFC (reference) writes that one of the leading programs at the Bank of Palestine (BOP), one of the largest banks in Palestine, is Felestineya (in Arabic means Palestinian women). This program aims to increase women's participation in the main BOP program related to work participation and meeting the financial needs of women, including women entrepreneurs. Starting in 2014, BOP and IFC designed the Mini-MBA program to improve the performance of women-owned companies, mainly from the capital aspect. The program combines access to customized financial products with non-financial services, including networking, mentoring, coaching, and business information, to encourage the growth of women-owned SMEs.

In 2016, IFC provided a loan commitment of $75 million to BOP, setting aside at least 15 percent, or $11.25 million, for loans to women-owned SMEs. Apart from facing political instability, women entrepreneurs in Palestine face gender-based barriers such as limited mobility, limited management skills, low self-confidence, more limited networks, and problems with access to finance. The Mini-MBA program developed solutions to address these problems through short practical training (such as introducing the Lean Canvas business model and leadership), packaged through sessions of a maximum of 4 hours to make it more flexible for women. The program also developed a mentorship and business coaching clinic for these women entrepreneurs, involving senior BOP employees as coaches. To support capacity building, online learning models and the provision of online teaching materials were also carried out.

This program provided benefits for women, such as increasing women's employment by 28% and increasing women's self-confidence due to increased knowledge and skills, such as better bookkeeping and financial management practices, which resulted in increased profits. The program was also reported to expand business networks to an average of 37 new customers, ownerships of bank and checking accounts for businesses, and women's access to financial products, including outside of lending, such as access to digital payment programs. Meanwhile, for banks, this program increased sales of financial service products, both collateralized and non-collateral loans (to address collateral problems faced by women). This program built a new image of the bank as a women-friendly bank.

Bulbank and the Banking Program for Women

Berfond et al. (2014), in their publication results, wrote that in 2011 Bulbank established the "Donna" program, a program for independent, confident, and modern women. This step reflected the growing trend of economically active women, which yet still received less attention from banks. The bank offered various financial and non-financial support products specifically designed for women at different business and life cycle stages. Its main innovations included financial products such as Donna Mortgage Loan (reduced installments during pregnancy), Donna Leasing (flexibility of installments in the first year of pregnancy and facilitation of free baby seats), and Donna Time Deposits (with an increased interest rate of 0.25% until the child is three years). The bank also increased the number of women sales agents, used advertisements for women that portrayed independence and confidence, provided children's play areas and books at branch offices, and facilitated clients to connect with the Bulgarian Women's Council, which was a network of influential women leaders. The bank also provided business trainings for female SME clients. These steps yielded tangible benefits for Bulbank. This can be seen from the increase in female clients (from 70% to 84%), the average income of Donna customers, which was 4% higher than that of bank customers in general, and the ratio of non-performing loans (NPL), which was two times lower than that of bank customers in general. This performance had attracted many other banks to develop similar programs and approaches because, so far, women were a segment that had received less attention but has real potential.

Business Case for Indigenous People

The principle of social inclusion, especially respecting the rights of communities, including indigenous peoples, has also been adopted by banks, asset managers and investment companies. This is done by instituting policies to identify, assess, prevent, and reduce risks (Birss and Finn, 2022). Several examples in this study show concrete steps in integrating social inclusion for indigenous peoples in company policies and business operations. It can be seen from the experience of the Calvert Social Investment Fund, which adopted specific criteria on the rights of indigenous peoples based on international instruments, and the example of the institutionalization of screening policies to prevent disrespectful or exploitative acts to indigenous peoples by Trillium Asset Management. An interesting example is also shown by BlackRock, the world's largest asset manager, who is pushing for new norms related to social inclusion by expressing the hope that companies will obtain Free-prior informed consent (FPIC) from indigenous peoples for business decisions taken. On the other hand, securities regulators such as the European Commission, who reviewed the Non-Financial Reporting Guidelines, adopted the principle of social inclusion to increase transparency in how companies manage social and environmental challenges.

Digital Banking di Kongo

IFC (2019), in its publication, writes that in the Democratic Republic of the Congo, people are finding ways to expand banking services which is a particular challenge due to the scarcity of financial institutions. The banking penetration rate in the Democratic Republic of the Congo was meager, at only 17 percent, only half of the average in Sub-Saharan Africa. Financial inclusion for women was lower because men were seen as the head of the household, and women needed their husband's permission to open a bank account. Given the weak infrastructure and post-conflict environment that are hallmarks of the DRC, establishing a network of physical branches outside the capital city of Kinshasa would be too costly. However, some banks used innovative models - such as, for example, digital agent networks - to bring banking services to more people. IFC and microfinance institution FINCA DRC have teamed up in a $37.4 million partnership to advance digital banking services that provide banking services to low-income customers.

This partnership supports the expansion of financial inclusion through digital banking and agents. Digital financial services agents are small business owners who offer FINCA banking services alongside established businesses. FINCA has successfully recruited female business owners as agents. In a country where women own only 8 percent of registered companies, the agency has recruited women into 27 percent of agency positions in Kinshasa, and is bringing formal banking services to otherwise unbanked women. The agent network launched in 2011 and now hosts more than 60 percent of FINCA transactions. Female agents are, on average, more successful than male agents, recording 12 percent more FINCA transactions per month and 16 percent higher net profit across their entire business.

Chapter 5
Integrating Human Rights Principles and Gender Aspects in Lending and Investment Framework: Towards Inclusive and Sustainable Finance

5.1 Operationalizing Human Rights and Gender Aspects in Banks' Business Processes

Indeed, operationalizing human rights and gender principles as part of social issues in banks' business processes cannot be done quickly. There are steps to follow – especially at banks' internal level. These steps at the internal level can start from preparing and increasing capacity and, more importantly, preparing banks' willingness to actualize sustainable finance together. Reflecting on the guidelines, principles, rules, and good practices at the national and global level, the lengthy work of improvement should be done immediately. At the external level, partnership with other parties by networking at the national, regional, and international level becomes essential.

With reference to the guideline, principles, rules, and case studies presented in the previous chapters, the operationalization of human and gender rights principles can be achieved in the following ways:

At the internal level:

- Conducting capacity building for staff through trainings related to human rights and gender themes
- Developing internal documents/guidelines for providing credit and services that integrate human rights and gender principles
- Implementing stricter due diligence regarding human rights and gender in every credit provision

- Making efforts to improve human rights a requirement in providing credit
- Providing incentives for achievement of targets related to human rights fulfilment in providing credit
- Offering banking products/services that pay attention to or give impact on vulnerable groups such as people with disabilities, women, children, and youth
- Internally implementing human rights and gender principles in treatment of staff such as by providing equal pay and opportunities for promotion the managerial positions between male and female staff, setting time limit for work, and freedom for employees to participate in unions
- Assigning staff/forming a division for specifically handling sustainability, human rights, and gender issues
- Assigning staff at the managerial/senior level to oversee the integration of human rights and gender principles in bank's operationalizations
- *Iterative learning*, namely the process learning by doing in a repeated cycle

In the context of due diligence carried out by banks, we can refer to the efforts made by TMB Tanachart Bank, Thailand. TMBTanachart Bank has adopted policies related to human rights and a risk assessment system as part of their due diligence (Laplane, 2022). The policies articulate the Bank's commitment to international principles and standards and show how these principles and standards are implemented in practice.

As part of due diligence related to human rights, TMBTanachart Bank conducts a human rights-related risk assessments as a periodical review to map human rights issues systematically – whether they are still potential or have materialized. This risk assessment is carried out every 3 years to identify, assess, prevent, and mitigate risks related to human rights throughout the value chain of the businesses being carried out.

The matrix below shows how TMBTanachart Bank carries out their assessment of risks and impacts related to human rights:

Table 3. TMBTanacharat Bank's Risks and Impact Assessment related to Human Rights

Risks and Impact Assessment related to Human Rights		
Scoping	**Risk Identifications**	**Prioritizations over Risks**
• Reviewing human rights issues that are most relevant to the bank's business activities by looking at the measurements used by other banks • Examining risks in the bank's areas of operations and human rights issues in the banking world from civil society organizations and NGOs	• Identify all human rights issues most relevant to the bank's business activities, value chain, and new business relations (mergers, acquisitions, joint ventures) • Identify all stakeholder groups impacted through reviews and meetings with the relevant stakeholders	• Looking into inherent risks and applicable considerations/ mitigation measurements to identify the residual risks • Prioritize the most important human rights issues and preparing additional mitigations needed

Source: Human Rights Risk Assessment, Summary Report, TMBTanachart Bank Public Company Limited

At the External Level:

- Collaborating with other banks and building networks nationally, regionally, and internationally. It is also important to collaborate with non-government agencies or research institutions in developing and preparing for the internal guideline to implement human rights and gender aspects
- Conducting consultations with experts/practitioners who can assist in the process of understanding and building internal capacity regarding aspects of human rights and gender
- Encouraging clients to adopt a roadmap of fulfilling human rights in their business activities
- Encouraging clients to engage external consultants to support mitigation activities
- Conducting continuous dialogue with clients regarding human rights and gender issues
- Conducting open continuous dialogue with government agencies

5.2 Challenges from internal and external levels

Several challenges can be identified at the internal and external levels in realizing the integration of human rights and gender principles in lending and investment practices. The challenges faced at the internal level include:

- Comprehensive understanding of human rights and gender aspects, as well as various guidelines and principles contained in regulations, both at the national, regional, and international level
- Banks' willingness to move from conventional patterns to new patterns, which centers on sustainability as the primary basis in lending and investment processes. In this case, one of the indicators is the integration of human rights and gender principles.
- Willingness to collaborate with external parties, ranging from banking circles, business practitioners, non-governmental organizations working on various social issues, and experts.
- Processing banking products or services that encourage the fulfillment of human rights for vulnerable groups and support investment with a gender lens (Gender Lens Investing).
- Support from capital owners in integrating human rights and gender principles in the banks' services.

The challenges from the external side in integrating human rights and gender principles are as follows:

- The banking world, in general, has not seen the integration of human rights and gender principles as essential and profitable for their business. However, if we look at the case examples in Chapters 3 and 5, it is certain that the banking world will start thinking about integrating human rights and gender principles in running its business.
- Changes in views on lending that focus on environmental, social and governance aspects implemented at the international level have not influenced national banks to do the same. The processes to encourage this shift in views must be continued.
- Although various guidelines have been found at the international and regional level, guidelines for granting credit that specifically integrate human rights and gender principles have not been found at the national level. In this case, the preparation of guidelines at the national level becomes increasingly urgent to be realized

5.3 Opportunity for Growth for Banks/Financial Institutions

Behind the number of challenges banks face in integrating human rights and gender principles in running their business, there are many opportunities for banks to grow and develop and participate in encouraging the realization of sustainable finance by integrating human rights and gender in their business activities. The examples presented in Chapter 4 regarding applying gender lens investing, for example, provide many examples of how extending credit to businesses conducted or led by women can provide optimal results. Giving credit does not only encourage the process of empowering women, but more than that, it contributes to the economy in a broader sense. In addition, as exemplified in Chapter 3, paying attention to groups with disabilities will provide benefits by reaching more customers and strengthening branding for the company/bank. In services, branding is crucial.

An opportunity to grow and develop there are several stages for the banks to make it happen, namely:

- Develop plans and grow internal awareness. Various guides, references, and available case examples can be used as a reference for banks in preparing their business plans.
- Develop internal guidelines for banks by integrating human rights and gender principles. Banks can ask for help from experts/practitioners in preparing guidelines.
- Establish a roadmap in realizing sustainable finance principles as a guide for bank operations.
- Network with other banks at national, regional and global level. Networking will help banks share information and experiences in implementing new sustainable business practices.

Banks' stages in integrating human rights and gender principles require full support from the government/financial services authority. The Green Taxonomy Document issued by the Government must be supplemented with specific guidelines, especially on social issues (including human rights and gender). The preparation of guidelines for the integration of human rights and gender principles will support the internal processes that each bank will carry out. In addition, opening discussions with civil society must continue to be carried out to expand support in implementing services that integrate human rights and gender principles. Realizing sustainable finance as a joint work with various parties will help the Banks grow and develop while not neglecting their business objectives.

For conducting self-assessments, several indicators/assessment elements for fulfilling human rights and gender equality compiled by the Fair Finance Guide International (FFGI) in 2021 can be a reference (Laplane, J, and L. van Loenen, 2021). Each of the indicators/assessment elements can be seen in the following table:

Table 4. Elements of Bank Policy Assessment on the Theme of Gender Equality Based on the FFGI Methodology

Measured Elements for Gender Equality	
Policies related to the internal actions of financial institutions	Policies related to the companies financed or targeted for investment by financial institutions
• The financial institutions have gender-sensitive policy commitments that explicitly do not tolerate any form of gender-based discrimination in work assignments and jobs. • The financial institutions have policies that do not tolerate gender-based violence in the workplace, including verbal, physical, and sexual harassment. • The financial institutions have a system that actively manages fair/equal pay. • The financial institutions have systems to prevent and mitigate gender discrimination from clients. • The financial institutions guarantee at least 30% participation and equal access of women and men in the Board of Directors, Executive and Senior Management positions • The financial institutions guarantee at least 40% participation and equal access of women and men in the board of directors (Board of Directors), Executive and Senior Management positions	• The companies have made a policy commitment to mitigate human rights-related risks faced by people as a consequence of their gender (male/female) • The companies have a policy that does not tolerate gender-based violence in the workplace, including verbal, physical and sexual harassment. • The companies have a system in place that actively manages fair/equal pay. • The company has a system in place to prevent and mitigate gender discrimination from clients. • The companies guarantee at least 30% participation and equal access of women and men in the Board of Directors, executive and senior management positions. • The companies guarantee at least 40% participation and equal access of women and men in the Board of Directors, executive and senior management positions. • The companies provide targeted professional development for employees to promote equal access for women to positions at the senior level

• The financial institutions provide targeted professional development for workers to promote equal access for women to senior-level positions.	• The companies include gender criteria and women's rights in their job bidding and operational policies. • The companies include clauses/ conditions related to compliance with gender criteria and women's rights in contracts with sub-contractors and suppliers.

Table 5. Elements of Bank Policy Assessment for Human Rights Fulfillment Themes Based on FFGI Methodology

Measured Elements for Human Rights Fulfilment	
Policies related to the internal actions of financial institutions	Policies related to the companies financed or targeted for investment by financial institutions
• The financial institutions respect all human rights mentioned in the United Nations Guiding Principles on Business and Human Rights. • The financial institutions have policies that do not tolerate various forms of discrimination in work assignments and employment, including those based on gender, race, ethnicity/ethnicity, sexuality and physical ability.	• The companies respect all human rights mentioned in the United Nations Guiding Principles on Business and Human Rights. • The companies have a policy commitment to fulfill their responsibility to respect human rights. • The companies have a due diligence process related to human rights to identify, prevent, mitigate, and take responsibility for actions that impact human rights. • The companies have processes that allow for remediation of all severe impacts related to human rights caused by the company's activities or where the company has contributed (to the occurrence of these severe impacts).

	• The companies establish or participate in an effective operational-level grievance mechanism for individuals and communities that may be seriously affected. • The companies respect the rights of indigenous people during the company's operational period. • The companies prevent conflicts related to land rights and control over natural resources by conducting genuine consultations with local communities and obtaining free, prior and informed consent (FPIC) in relation to the indigenous peoples. • The companies prevent conflicts related to land rights and control over natural resources by obtaining free, prior and informed consent (FPIC) from people who have customary tenure rights. • The companies have special attention to respecting the rights of children.

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