

Investor Statement for mandatory human rights due diligence legislation in Switzerland

We are a group of 23 global institutional investors with CHF 395 billion in assets under management. We believe that sustainable development matters equally to both companies and their shareholders. For this reason, we encourage companies in our investment portfolios to address material environmental, social and governance (ESG) issues and improve their respective practices. The Swiss market is of great importance to us and we hold substantial stakes in many companies listed in Switzerland. According to a study by Swiss Sustainable Finance (SSF) the volume of sustainable investments in Switzerland has grown 83% from 2017 to 2018 and stands now at CHF 717 billion.¹

We are writing to urge the members of the upper house of Swiss parliament to back the introduction of mandatory human rights due diligence by supporting the counter-proposal to the responsible business initiative as approved by a large majority of the lower house in June 2019. Such legislation will help Swiss companies to avoid breaches of human rights and environmental standards in their subsidiaries and supply chains. The concept of human rights due diligence is based on the United Nations Guiding Principles on Business and Human Rights ('Ruggie framework') and is aligned with the OECD Guidelines for Multinational Enterprises. According to these principles, companies must first review their business relationships and activities with a view to identifying potential risks to people and the environment. They must then take effective measures to address the potentially negative impacts identified and report about these two steps in a transparent manner.

As institutional investors, we have the responsibility to consider whether the companies we are investing in might have negative impacts on human rights and if so, to contribute to preventing and mitigating those impacts². This has been described in detail in several international documents, for example the OECD guidance document "Responsible Business Conduct for Institutional Investors – Key Considerations for due diligence under the OECD Guidelines for Multinational Enterprises" (2017).

We also believe that analyzing how companies manage material ESG issues leads to better informed investment decisions. Reputational damage and operational risks because of human rights breaches can have a significant negative financial impact on our portfolio companies. The disclosure and mechanisms required by mandatory human rights due diligence would enable investors to assess the human rights and environmental oversight and mitigation systems implemented by Swiss companies thereby allowing institutional investors to fulfil their fiduciary duty towards their beneficiaries.

Several jurisdictions – for example the European Union, the United States, Great Britain, France, the Netherlands or Italy - have implemented related legislation to increase transparency and ensure the sound management of corporate supply chains. Several others like Germany, Austria, Luxembourg, Denmark or Finland are in the process of discussing such legislations. As Prof. John Ruggie, the Former UN Special Representative on Business & Human Rights has put it "by

¹ "Swiss Sustainable Investment Market Study 2019", Swiss Sustainable Finance, June 2019.

² "Making Finance Work for People and Planet", Investor Alliance for Human Rights, March 2019.

reaching a workable compromise on the Citizen's Initiative, Switzerland would not be alone in adopting more progressive steps (...). Other countries have already taken such steps. Safeguarding the Swiss brand is in the interest of all Swiss, be they natural or legal persons"³.

As investors, we are convinced that combined private sector and policy action will help to eliminate human rights and environmental breaches in subsidiaries and supply chains of Swiss companies and thus strengthen the investment case of Swiss companies and reinforce the appeal of Switzerland as a global financial hub. This is why we support the balanced counter-proposal to the Swiss responsible business Initiative. The responsible business initiative counter proposal is already supported by important representatives of the Swiss private sector, such as the Groupement des entreprises multinationales (which represents over 90 multinational companies active in Switzerland), the Swiss Retail Stakeholder Group (which represents the four leading Swiss retailers), as well as the Swiss Trading and Shipping Association (representing 190 Swiss companies active in commodity trading and shipping).

Finally, we believe that the proposal is perfectly aligned with Switzerland's long standing humanitarian tradition and the country's commitment towards protecting human rights worldwide.

- Alternative Bank Schweiz
- Bank J. Safra Sarasin
- Boston Common Asset Management
- Caisse de pensions de la fonction publique du canton de Neuchâtel (prévoyance.ne)
- Caisse de prévoyance de l'Etat de Genève
- Caisse Intercommunale de Pensions
- CANDRIAM
- CAP Prévoyance - Fondation de prévoyance intercommunale de droit public de la Ville de Genève, des Services industriels de Genève et des communes genevoises affiliées
- de Pury Pictet Turrettini & Cie SA
- Dominican Sisters ~ Grand Rapids (MI)
- Ethos Foundation
- Friends Fiduciary Corporation
- Gewerkschaft Unia
- Heartland Initiative
- Miller/Howard Investments, Inc.
- NEI Investments
- Pensionskasse Stadt Zürich
- Personalvorsorgekasse der Stadt Bern
- Retraites Populaires
- SHARE
- Shareholders for Change
- Sisters of the Holy Names of Jesus and Mary
- Sisters of the Presentation of the BVM of Aberdeen SD

³ "Statement on Swiss Citizens' Initiative", John G. Ruggie, Former UN Special representative on Business & Human Rights, 10 June 2018.