THE DANISH
INSTITUTE FOR
HUMAN RIGHTS

DOCUMENTING RESPECT FOR HUMAN RIGHTS IN THE FINANCIAL SECTOR

A 2023 SNAPSHOT OF DANISH FINANCIAL INSTITUTIONS

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EXECUTIVE SUMMARY

This report provides an initial benchmark of the human rights policies and self-reported human rights due diligence practices of 20 of the largest private Danish financial institutions (FIs), along with 2 state affiliated FIs, for the 2022 reporting period. The FIs represent four different financial sector categories: pension funds, banks, insurance companies, and investment management firms. The report examines how 22 of the largest Danish financial companies communicate to the public about their commitments and approaches to avoiding and addressing negative human rights impacts in relation to their financial activities.

As is the case for all business entities, FIs have a responsibility to respect human rights. This entails identifying their actual and potential negative impacts on human rights as well as publicly demonstrating their efforts to avoid and address those adverse outcomes.

The UN Guiding Principles on Business and Human Rights (UNGPs), adopted in 2011, define this concept as "a corporate responsibility to respect human rights." This concept provides an authoritative, global, minimum standard of expected conduct on business and human rights. Whilst initial implementation efforts focused mainly on real-economy companies (concerned with the production, purchase and flow of goods and services within an economy), recently attention has expanded to also cover questions around how FIs can best implement the UNGPs across their main activities, e.g., investment, lending, insurance underwriting, etc.

Consequently, there is a need to understand FIs' current implementation status and identify gaps and emerging good practice. Such information is relevant to gauge the potential of the financial sector in acting as a lever for increased respect for human rights by non-financial companies – the so-called 'force of finance'. It is further made relevant by recent growth in sustainability and Environmental, Social and Governance (ESG) claims by the financial sector, making it key to explore whether and how the ESG trend is resulting in improved human rights practices by FIs.

This benchmark seeks to fulfil such informational needs by examining the degree to which some of the largest Danish FIs document their efforts to meet the UNGPs and by identifying areas for improvement. This report does so by benchmarking the FIs on a total of 8 indicators derived from the UNGPs' 'corporate responsibility to respect' and existing human rights benchmark methodologies.

THE EIGHT INDICATORS IN A NUTSHELL

1. Commitment to respect human rights
2. Responsibility for and resources on human rights
3. Identifying human rights risks and impacts
4. Assessing risks and impacts – disclosing salient issues
5. Integrating and acting on risks and impacts
6. Engagement with affected stakeholders
7. Human rights grievance mechanisms
8. Remedying actual adverse impacts

Additionally, the report includes findings related to FIs' self-reported data on human rights performance in investment portfolios, as required by the Sustainable Finance Disclosure Regulation. This regulation requires FIs, amongst others, to report their principal adverse impacts on sustainability factors— such as human rights and labour rights— and explain any actions taken to address such negative impacts.

The report serves as a baseline study providing opportunities to track performance over time. It comes at a time when existing and future EU regulation related to corporate sustainability and sustainable finance is being negotiated and revised. The report aims to inform such regulative initiatives and discussions including around whether and how the financial sector should be included in the Corporate Sustainability Due Diligence Directive.

The benchmark relies on information publicly disclosed by the FIs themselves – including in response to disclosure requirements included in EU regulations. This includes formal policy documents, sustainability reports and statements as well as information on corporate websites. The focal point is the FIs' documentation of policies and processes adopted to avoid and address negative human rights impacts. Importantly, the benchmark therefore reflects how the FIs publicly communicate and document their approaches to human rights, rather than their actual performance on human rights.

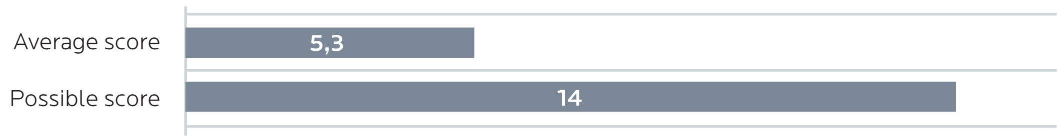
KEY FINDINGS

Overall, benchmark results reveal that most of the largest Danish FIs commit to respect human rights in their financial activities and have some disclosures in relation to human rights risk identification and management in the context of investments. The FIs overall have yet to communicate effectively how they implement such commitments in practice across financial activities and disclose the results of such efforts. The largest areas of deficiency include demonstrated engagement with affected stakeholders or their representatives, providing grievance mechanisms for human rights concerns, and ensuring remediation when human rights harms do arise in connection with financial activities.

KEY FINDING 1:
Danish FIs generally fail to demonstrate alignment with the UNGPs in relation to their financial activities.

- The average overall alignment score is 38% equalling an average score of 5,3 out of 14 possible points across the eight indicators (see figure 1). Given the UNGPs are a minimum standard of expected corporate conduct on human rights, this average arguably is far from where the largest FIs in Denmark are expected to fall.
- While 4 FIs have alignment scores between 61-71%, nearly three quarters of the FIs (73%) have an overall alignment score under 50% (equalling 7 points or less out of 14) and more than one third (36%) have an overall alignment score below 30% (equalling 4,7 points or less).
- There is a significant spread in performance across the FIs. 6 out of the 22 FIs score over 50% (equalling 7 points or more out of 14). Highest overall alignment score is 71% (10 points). Two FIs (both banks) have scores of 0 across all indicators.

FIGURE 1 AVERAGE OVERALL SCORE (NUMERICAL)



KEY FINDING 2:
Danish FIs perform best on committing to respect human rights, explaining how they identify human rights risks and impacts in their financial activities and act thereon.

- Highest overall scores are granted in response to disclosures around practices to identify human rights risks in relation to financial activities (average alignment score 76%), integrating and acting on risks (65%), and committing to respect human rights (60%).
- The relatively stronger score on human rights risk identification, a positive finding,

is contrasted by a low average alignment score (26%) on the results of such risk identification and assessment thereof. This entails disclosing an institution's salient issues, i.e. which human rights risks and impacts are most severe, among the risks identified when accounting for the FIs' portfolio, clients, activities etc. 16 of the 22 FIs have scores of 0 on this indicator.

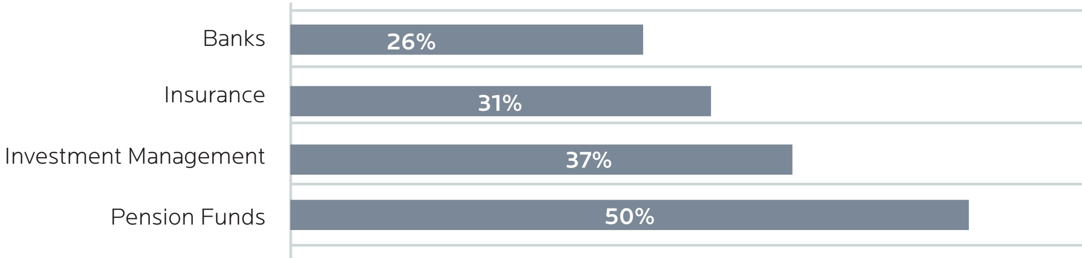
KEY FINDING 3:
Danish FIs generally perform worse on indicators involving engagement with affected people and ensuring remediation of human rights harms associated with financial activities.

- The lowest performing indicator concerns engagement with affected stakeholders or their legitimate representatives in relation to identifying and responding to human rights risks. The average score here is just 6% and 20 of the 22 FIs failed to disclose any information on this topic and received no credit.
- Remedies and grievance mechanisms is the lowest-scoring theme overall and contains the two lowest-scoring indicators behind the stakeholder engagement indicator (see above). Average alignment score on grievance mechanisms was 16% and just 11% for remedies.
- 14 of the 22 FIs received no credit on either indicator under the access to remedy theme (grievance mechanism and remedy).

KEY FINDING 4:
Pension funds on average perform best – banks poorest when it comes to documenting respect for human rights in their financial activities.

- Pension funds on average have the highest overall alignment score (50%) followed by investment management companies (37%), insurance companies (31%) and banks (26%) (see figure 2). However, with the UNGPs requirements set out as minimum requirements even the pension funds cannot be considered as 'high performers' in relation to documenting respect for human rights.
- Overall, the actors across categories have more policies and reporting in place around human rights management in investment as compared with other financial activities such as lending and insurance.
- Banks and insurance companies have a particularly wide variation on scores within their categories making it necessary to read the group averages with some caution. For example, the highest scoring bank scored 68% whilst two banks received scores of 0.

FIGURE 2 PERFORMANCE BY FINANCIAL INSTITUTION CATEGORY (PERCENTAGE)



Note 1: State-affiliated institutions excluded from this overview (more information in methodology annex)

KEY FINDING 5:
The FIs' Principal Adverse Impact reporting around human rights is quite varied and lacks robustness overall.

- Most of these FIs disclosed data in compliance with the Sustainable Finance Disclosure Regulation requirements.
- FIs reported a very low percentage (below 1%) for share of investments in companies that violated international standards on business and human rights.
- The quality and comparability of the data and the degree to which current indicators are meaningful proxies for capturing human rights risk exposure in the FIs' portfolios is a significant concern.

RECOMMENDATIONS

Given the results of this benchmark, the following recommendations are made to various stakeholders including FIs (those covered in this report and the sector at large), financial sector industry associations, the Danish Government and related supervisory authorities, civil-society, and other potential users of the information.

Since the benchmark focused on the Danish financial sector, recommendations are aimed in the first instance at Danish actors. However, the findings and recommendations may serve as inspiration to non-Danish actors keen to address financial sector alignment gaps around respect for human rights.

Financial Institutions

We urge FIs to improve the documentation of their respect for human rights including their human rights due diligence practices and where necessary the quality thereof. Priority should be given to aspects where this benchmark has illustrated the need for improvement. This includes:

1. Committing to and engaging with affected stakeholders and/or their representatives to inform the identification of human rights risks and responses thereto;

2. Ensuring effective mechanisms are in place for affected stakeholders to file human rights related grievances connected to the institution's financial activities and ensuring remediation where financial activities result in actual human rights harms. Either through use of leverage with business partners or directly where the FI contributes to such harm via its financial activities;
3. Better incorporating the concept of 'severity of impacts' in the approaches taken, including by identifying, prioritising, and disclosing the most salient human rights issues as they relate to the specificities of the FI's activities and client/investee composition;
4. Improving documentation of the actions taken in response to identified risks by sharing both qualitative case stories of how specific human rights risks are tackled and the results thereof as well as contextual information as a supplement to quantitative data allowing external stakeholders to understand the scale of the institution's prevention and mitigation efforts as compared with the degree of risk exposure (e.g. by including contextual information in connection with numbers published around voting, engagement, dialogues, social principal adverse impact indicators etc); and
5. In the case of banks, insurance companies and pension funds, demonstrating how human rights due diligence is conducted across all financial activities and not only as part of responsible investment.
6. In respect to Sustainable Finance Disclosure Related reporting, FIs should disclose more information about how the social and human rights principal adverse impacts indicators have been interpreted and measured as well as the effectiveness of their engagement strategies in respect to the impacts those indicators stand as a proxy for.

Financial sector associations

Gaps identified in this report are for the most part shared across the FIs assessed. In addition to tackling these gaps individually, FIs can and should collaborate including to scale the impact of improvements made. Industry associations (in Denmark including Forsikring & Pension and FinansDanmark) have a role to play in supporting members improve practices as it relates to human rights. We recommend that these associations:

7. Establish working groups or other fora specifically as it relates to human rights allowing members to share challenges, learnings and engage in peer discussions about ways forward;
8. Offer human rights related capacity development such as trainings, guidance material etc specifically in relation to areas of improvement identified in this report; and
9. Use the findings of this study in the design and approach taken to association activities including when representing the industry in relation to policy and regulatory developments.

Government and supervisory authorities

This benchmark highlights the need for the Danish Government to focus on the financial sector as part of a multi-faceted approach to implement the state duty to protect human rights in the context of business activities. This in part, is implemented by national supervisory authorities including the business authority and the financial supervisory authority (Erhvervsstyrelsen and Finanstilsynet). This should include:

10. Proactively working to ensure that current and future regulation relating to sustainable finance and corporate sustainability meaningfully captures and advances the financial sector's respect for human rights. This includes supporting financial sector inclusion in the upcoming Corporate Sustainability Due Diligence Directive as well as engaging with the revision of the Sustainable Finance Disclosure Regulation to ensure social principal adverse impact indicators and other disclosure requirements are better aligned with international standards on human rights;
11. Ensuring that transposition of relevant EU Directives in Danish law is informed by Danish companies' human rights related performance and areas of improvement, such as demonstrated in this report and previous benchmarks covering real-economy companies[1]. This includes the current transposition of the Corporate Sustainability Reporting Directive where the Danish Government is proposing a minimal implementation model. This benchmark as well as previous ones suggest that a more expansive model could be considered;
12. Ensure that supervisory authorities (Erhvervsstyrelsen and Finanstilsynet) tasked with overseeing the implementation of sustainability related regulation, incl. the Sustainable Finance Disclosure Regulation, are informed by the results of this benchmark when prioritizing their efforts and designing interventions e.g. focusing on the financial sector;
13. Supervisory authorities (Erhvervsstyrelsen and Finanstilsynet) should clarify the expectation on Danish financial actors to ensure respect for human rights throughout financial activities, for example in guidance, information notes or similar aimed at the industry; and
14. Prioritise guidance and capacity development efforts, e.g. by Erhvervsstyrelsen and Finanstilsynet, aimed at the financial sector including to foster a shared understanding of implementation of the respect for human rights in different parts of the sector as well as across different core financial activities. Such work can build on previous efforts and learnings around the Danish guidance on responsible investment. Use the results of this benchmark to tailor efforts focused on areas for improvement of select financial sector categories and activities where financial actors underperform overall (such as stakeholder engagement and remedy).

Civil society, academia and other stakeholders

Finally, civil society, academics and other groups can and do play an important role in disseminating broadly the results of this analysis and using it in engagement with FIs, governmental actors, media sources, and in their advocacy efforts to influence policy processes. In addition, their efforts are key to supplementing the insight provided by way of this report with additional information and data around Danish FI's respect for human rights. Finally increased dialogue and cooperation between such organisations and FIs would be important for improving the quality and impacts of FIs' efforts on human rights.

INTRODUCTION

It has been well over a decade since the adoption of the UN Guiding Principles for Business and Human Rights (UNGPs), the globally recognised framework articulating state duties and business responsibilities in preventing and addressing adverse human rights impacts of business activities. Since their unanimous endorsement by the UN Human Rights Council in 2011, much progress has been achieved, with governments and companies increasingly considering the framework as the key reference point to support their efforts on responsible business conduct. However, there is still progress to be made particularly in sectors that have infrequently been at the forefront of implementation efforts and discussions.

With this first benchmark documenting the Danish financial sector's respect for human rights, we aim to take stock and provide insight into the sector's strengths and weaknesses regarding management of human rights risks. The report complements previous snapshots of Danish real-economy[2] companies developed in 2020[3] and 2022[4] as well as the World Benchmarking Alliance's (WBA) 2022[5] global financial system benchmark, by adding a national human rights-focused snapshot.

The benchmark provides information on large Danish FIs' human rights disclosures related to their financial activities in line with the UNGPs. It applies a benchmarking methodology derived from the Corporate Human Rights Benchmark's (CHRB[6]) core UNGP indicators[7] that was adapted for the financial sector. It covers a set of 8 indicators across three themes: A) policy commitment, B) embedding respect and due diligence, and C) remedies and grievance mechanisms.

The report examines how 22 of the largest Danish financial companies communicate to the public about their commitments and approaches to avoiding and addressing negative human rights impacts related to their financial activities.

HUMAN RIGHTS BENCHMARKS AND MONITORING INDUSTRY PROGRESS

While evaluating companies' human rights performance through benchmarking comes with several limitations, different decision-makers, including politicians and investors, are increasingly paying attention to human rights benchmark rankings. Thus, benchmarks have not only become a tool for generating transparent data on corporate human rights performance but have also enabled more targeted decision-making.

In Denmark, asset owners and managers use Danish and global human rights benchmarks in the screening of and engagement with portfolio companies as well as welcome regular studies to identify gaps and pressure investee companies to improve their performance and relevant disclosures.

Some of the same asset owners and managers have now been assessed themselves for the purposes of this benchmark. Hopefully, the benchmarked institutions will receive the findings with a similar interest. Ideally, findings and recommendations will inform internal as well as industry-level discussions on how the UNGPs apply not only to investee companies and clients but also to FIs themselves as well as what applications means for policy commitments, due diligence practices, and disclosures.

READERS GUIDE

This report first includes a short presentation of the underlying methodology. More information about methodology, risks, and limitations can be found in annex 1. Next, it presents the overall findings, specific findings related to the themes covered (policy commitment, due diligence, and access to remedy) as well as a comparative section looking at findings across the four financial sector categories included (banks, pension funds, insurance and investment management companies). It finally includes a separate chapter presenting and analysing the data provided by covered institutions in response to the Sustainable Finance Disclosure Regulation and specifically the introduction of principal adverse impact indicators including related to human rights. Conclusions and recommendations are captured in the last section.

METHODOLOGY AND PROCESS

FIs in the present study were selected based on their market shares. In order to capture variations across the financial sector landscape, the benchmark assessed the top five FIs by market share in each of four categories—banking, investment management, pension funds, and insurance. In addition, two state-affiliated FIs have been included: the Danish Development Finance institution and a state affiliated pension fund. The study focuses on Danish FIs and thus in the few instances that it features FIs with foreign ownership the focus is on the Danish branch. See table 1 for an overview of included FIs.

Given the financial sector's unique position and leverage as financier of the broader economy, the benchmark looks at FIs' human rights disclosures across their financing activities[8], recognizing that the most severe human rights impacts are likely to arise not in their own operations but rather in the businesses and value chains with which they engage on financial activities. "Financing activities" refers to the core functions an institution undertakes by nature of its role within the financial sector. The term encompasses: for banks, financial services (such as loans) provided to individual or corporate clients as well as investing; for pension funds and investment management companies investment practices as services provided to clients; and for insurers, insurance underwriting as well as investment. The study further does not consider the FIs' human rights impacts in connection with procurement and the upstream supply chain. Although there may be connections to severe impacts amongst suppliers of goods and services, the study focuses on where the FIs' footprint is largest i.e. their financial activities.

TABLE 1 FINANCIAL INSTITUTIONS INCLUDED IN THE BENCHMARK.

Financial Institution	Category
Alm. Brand	Insurance company
AP Pension	Pension fund
ATP Pension	Pension fund (state-affiliated)
BI Management (BankInvest)	Investment management company
Codan	Insurance company
Danica Pension	Pension fund
Danske Bank	Bank
Danske Invest	Investment management company
Gjensidige	Insurance company
Investeringsfonden for Udviklingslande (IFU)	Development Finance Institution (state-affiliated)
Jyske Bank	Bank
Jyske Invest	Investment management company
Nordea Invest	Investment management company
Nykredit Invest	Investment management company
PensionDanmark	Pension fund
PFA Pension	Pension fund
Ringkjøbing Landbobank	Bank
Spar Nord Bank	Bank
Sydbank	Bank
Topdanmark	Insurance company
Tryg	Insurance company
Velliv	Pension fund

Note 2. Alm. Brand acquired Codan in 2022. Although part of the same overall group they operate as separate legal entities and have been assessed as such.

Figure 3 below describes the different steps of the benchmark methodology. FIs included in the benchmark were informed via e-mail upon initiation of the project. FIs were also given the opportunity to review and comment on the draft assessment prior to consolidation. However, this was not a requirement and FIs were not awarded points for engagement. The aim of this process was to allow FIs to inform the research team of any public documents or information that had been overlooked during the assessment. A more in-depth explanation of the institution selection and engagement processes can be found in Annex I.

FIGURE 3 BENCHMARKING PROCESS

Notification & data colletion	Initial assessment	Engagement on draft scorecards	Final analysis	Publication
DIHR notifies benchmarked financial institutions of upcoming assessment.	Research team carries out the initial assessment based on institutions' publicly available information.	Each financial institution receives a draft scorecard and has an opportunity to review and provide feedback.	Research team evaluates feedback received, finalises institution assessments and performs cross-institutional quality assurance.	DIHR publishes the benchmark report and encourages stakeholders to use results to drive learning and change.

The study applies 8 indicators derived from the Core UNGP Indicators developed by the CHRB[9], with references to the WBA Financial System Benchmark methodology[10], and adaptations to reflect the financial sector and the purposes of this benchmark as detailed in Annex I.

TABLE 2 FINANCIAL SECTOR BENCHMARK INDICATORS

		Available Points				Max. Score
Theme A: Commitment						
1.	Commitment to respect human rights	0	1	1,5	2	2
Theme B: Embedding and due diligence						
2.	Responsibility for and resources on human rights	0	1	1,5	2	2
3.	Identifying human rights risks and impacts	0	1	1,5		1,5
4.	Assessing human rights risks and impacts	0	1	1,5		1,5
5.	Integrating and acting on human rights risk and impacts	0	1	1,5		1,5
6.	Engagement with affected and potentially affected stakeholders	0	1	1,5		1,5
Theme C: Grievance and Remedy						
7.	Grievance mechanisms for affected and potentially affected stakeholders	0	1	1,5	2	2
8.	Remedying adverse human rights impacts	0	1	1,5	2	2
	Total: maximum points					14

Table 2 captures the included indicators, the themes they cover and the scoring available for each indicator. The selected indicators cover three key measurement areas: **Policy Commitment** (indicator 1), **Embedding Respect and Human Rights Due Diligence** (indicators 2-6), and **Remedies and Grievance Mechanisms** (indicators 7-8).

The benchmark methodology is based solely on publicly available information from policy documents, 2022 annual reports, and other relevant materials found on FIs' websites. Therefore, the results are merely a proxy for FIs' approach and commitment to human rights, not a measure of a given institution's actual performance nor its real impacts on the enjoyment of human rights. Readers and users of this report are encouraged to take a holistic view of the scores and trends, rather than focus on marginal differences between FIs' scores on particular indicators.

The study was carried out during June-November 2023 and thus provides a snapshot at a precise point in time. Findings should not be generalised to the entire Danish financial sector. Many influential banks, investment managers, pension funds, and insurance companies—including some with explicit commitments and practices related to human rights—are not represented in the benchmark.

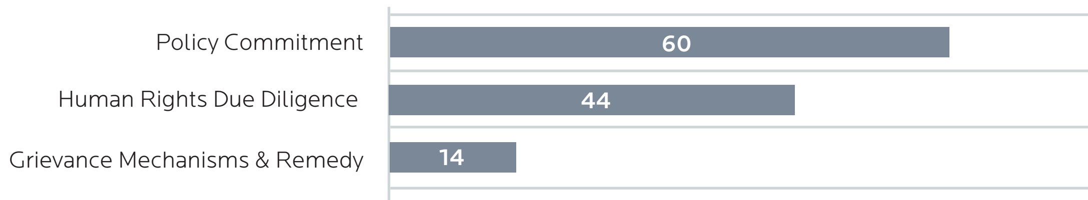
OVERALL RESULTS

The average overall alignment score is 38%, equalling an average score of 5,3 out of 14 possible points across the 8 indicators, which suggests significant room for improvement among Danish FIs to demonstrate a comprehensive approach to human rights management of their financial activities. Importantly, the indicators cover minimum requirements on human rights and the overall alignment percentage is therefore far from where the largest FIs in Denmark are expected to be.

Almost three-quarters of the FIs scored under 50% overall and more than one third scored below 30%. Only 6 out of 22 -FIs scored over 50%. The highest overall alignment score is 71%. Two FIs (both banks) have scores of 0 across all indicators.

Thematically, the results overall (see figure 4) reveal that most of the largest FIs in Denmark commit to respect human rights (average alignment score 60%) but have yet to communicate effectively how they implement such commitments in practice and engage with affected stakeholders or their representatives (average alignment score 44%) and ensure access to remedy when human rights harms do arise (average alignment score 14%). Although unsurprising this general trend of weaker results across the three elements of the UNGPs is concerning as especially the two second components around due diligence and remediation are the ones that are key to ensuring effective implementation of respect for human rights, whereas policy commitments are no guarantee of such implementation.

FIGURE 4 AVERAGE ALIGNMENT SCORES ACROSS THE THREE THEMES



Within the three themes the highest overall scores are granted in response to disclosures around practices to identify human rights risks in relation to financial activities (average alignment score 76%), integrating and acting on such risks (average alignment score 65%) (both theme B) and committing to respect human rights (average alignment score 60%) (theme A). The relatively stronger score on human rights risk identification, which is a positive finding, is however contrasted by a low average alignment score (26%) around the results of such risk identification and assessment thereof. This entails disclosing an institution's salient issues, i.e. which human rights risks are most severe amongst the risks identified taking into account the FIs' portfolio, clients, activities etc. 16 of the 22 FIs have scores of 0 on this indicator. Lowest performing indicator is one on engaging with affected stakeholders or their legitimate representatives in relation to identifying and responding to human rights risks. The overall average score is just 6% and all but two FIs disclosed no information on this topic and received no credit.

Remedies and grievance mechanisms is the lowest-scoring theme overall and contains the two lowest-scoring indicators after the one on stakeholder engagement (see above). Average alignment score on grievance mechanisms was 16% and on remedies just 11%. 14 of the 22 FIs received no credit on either indicator under the access to remedy theme (grievance mechanism and remedy).

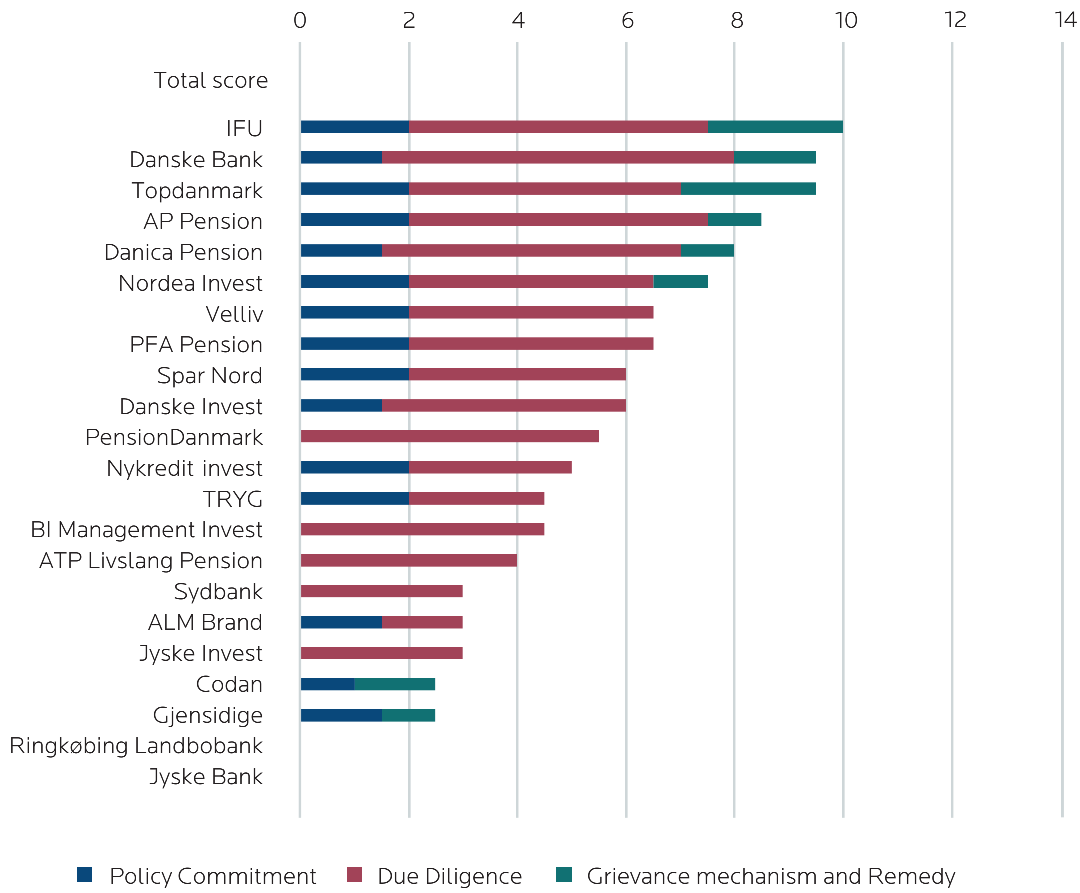
Table 3 below shows the results by institution.

TABLE 3 OVERALL RESULTS BY FINANCIAL INSTITUTION INCLUDING BREAKDOWN BY THEME (NUMERICAL)

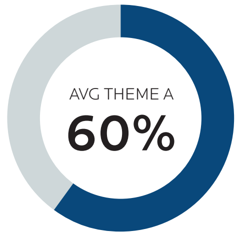
% score	Financial institution	Institution type	Total score (Max 14)	Policy commit-ments (Max 2)	Embedding respect & human rights due diligence (Max 8)	Remedies & grievance mechanisms (Max 4)
> 50%	IFU	Development Finance Institution (state-affiliated)	10	2	5,5	2,5
	Danske Bank	Bank	9.5	1,5	6,5	1,5
	Topdanmark	Insurance company	9.5	2	5	2,5
	AP Pension	Pension fund	8.5	2	5,5	1
	Danica Pension	Pension fund	8	1,5	5,5	1
	Nordea Invest	Investment management	7.5	2	4,5	1
< 50% > 30 %	PFA Pension	Pension fund	6.5	2	4,5	0
	Velliv	Pension fund	6,5	2	4,5	0
	Danske Invest	Investment management	6	1,5	4,5	0
	Spar Nord	Bank	6	2	4	0
	PensionDanmark	Pension fund	5,5	0	5,5	0
	Nykredit Invest	Investment management	5	2	3	0
	Tryg	Insurance company	4.5	2	2,5	0
	BI Management Invest	Investment management	4,5	0	4,5	0
< 30% > 10 %	ATP	Pension funds (state-affiliated)	4	0	4	0
	Sydbank	Bank	3	0	3	0
	ALM Brand	Insurance company	3	1,5	1,5	0
	Jyske Invest	Investment management	3	0	3	0
	Codan	Insurance company	2.5	1	0	1,5
	Gjensidige	Insurance company	2.5	1,5	0	1
0%	Ringkøbing Landbobank	Bank	0	0	0	0
	Jyske Bank	Bank	0	0	0	0

Figure 5 illustrates the results per FI with a breakdown by theme.

FIGURE 5 SCORES PER FINANCIAL INSTITUTION BREAKDOWN BY THEME



THEME A
POLICY COMMITMENT



Theme A aims to assess the extent to which Danish FIs publicly and formally commit to respect human rights throughout their financing activities. Indicator 1 asks whether and how each institution has committed to respect internationally recognised human rights in its publicly available materials or statements of policy.

UNGP 16 states that businesses should express their commitment to respect human rights through a publicly available statement of policy that is approved at the highest level of governance and communicated to internal and external stakeholders.

In order to receive credit on Indicator 1, FIs must have an explicit commitment to respect human rights, or to work continuously to do so, throughout their financing activities. More vague expressions, such as "recognising", "being based on" or "striving to comply with" human rights, do not suffice, nor do commitments that apply only to an institution's own operations or upstream suppliers in relation to procurement of goods and services. Participation in larger sustainability initiatives that may include human rights amongst other sustainability priority areas, such as UN Global Compact participation, does not in and of itself grant scores in relation to this indicator, though it signifies awareness of and engagement on human rights issues.

KEY FINDINGS – POLICY COMMITMENT

- Each FI assessed makes some reference to human rights in its publicly available materials.
- The majority of FIs assessed (15/22) have a publicly available statement of policy committing it to respect human rights.
- The vast majority of the FIs assessed (18/22) specifically refer to the UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises. Some however refer to such instruments without including a commitment to act in accordance therewith.
- Half of the FIs assessed (11/22) has a policy commitment approved at the highest level of governance.

FIGURE 6. NUMBER OF COMPANIES ACROSS SCORES, POLICY COMMITMENT

1. COMMITMENT TO RESPECT HUMAN RIGHTS

The average score for this indicator is 1.2 out of 2 (60%), making it the second highest-scoring indicator in the benchmark after Indicator 3: Identifying Human Rights Risks and Impacts.

The policy commitment to respect human rights can often be the first step envisioned by the UNGPs to embed corporate respect for human rights throughout business activities. The policy commitment sets the tone for an institution's approach to human rights and hence provides an important internal and external reference point for subsequent implementation efforts.

Every FI assessed in this benchmark made some reference to human rights in its disclosures, even if not all met the criteria for a formal policy commitment on human rights.

To receive a **baseline score** of **1 point**, an FI must have a publicly available statement committing it to respect human rights or state a commitment to the Universal Declaration of Human Rights (UDHR) or the International Bill of Human Rights. **15 FIs met this element of Indicator 1.**

An additional five FIs noted human rights related commitments, e.g., to screen investments for breaches of international norms such as the UDHR, or generally expecting business partners to respect human rights, but did not have a formal, overarching commitment to respect human rights throughout their financing activities and thus received no credit.

Additional credit was available to FIs meeting the first element.

- FIs that also commit to the UNGPs, or the OECD Guidelines for Multinational Enterprises could receive an additional **half-point**. These additional commitments signify attention to responsible business conduct standards and guidance on how businesses can meet their corporate responsibility to respect human rights. **12 FIs received credit for this element.**
    - A further 6 FIs made reference to the UNGPs and/or the OECD Guidelines but could not receive points because they had not met the baseline criteria of having a policy commitment to respect human rights.
- Policy commitments approved at the highest level of governance could gain an additional **half-point**. Approval by the highest governing body, such as the Board of Directors or Supervisory Board, indicates that human rights is considered a key component of the FI's business and sets the "tone at the top" that is needed to embed respect for human rights within the core values and culture of the institution. **11 FIs met this element.**

THEME B
EMBEDDING RESPECT AND HUMAN RIGHTS DUE DILIGENCE

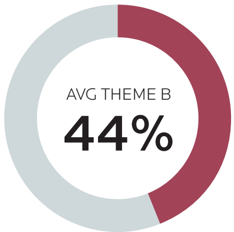


TABLE 4 INDICATOR OVERVIEW THEME B

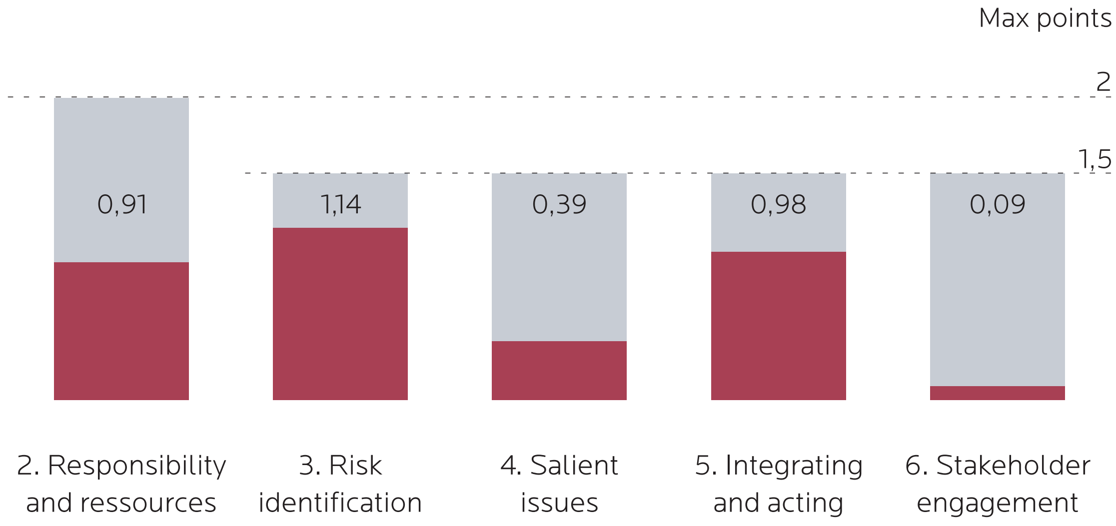
Indicators	
2.	Responsibility for and resources on human rights
3.	Identifying human rights risks and impacts
4.	Assessing human rights risks and impacts (salient issue disclosure)
5.	Integrating and acting on human rights risk and impacts
6.	Engagement with affected and potentially affected stakeholders

Theme B examines how Danish FIs embed the commitments to respect human rights covered under Theme A (see section above), including how the FIs assign responsibility and resources to ensure implementation of respect for human rights. It further covers implementation of human rights due diligence (HRDD) to avoid and address negative human rights impacts. HRDD focuses on risks to people, as opposed to risks to the FI itself, although the two often overlap. For human rights due diligence to be effective it needs to be informed by engagement with affected stakeholders and/or their legitimate representatives. For the same reason this is the final aspect covered under theme B.

The benchmark assesses the FIs based on five indicators (see table 4):

- Indicator 2 covers responsibility and resources for human rights within the institution.
- Indicators 3-5 cover the next steps of the HRDD process: identifying, assessing, and integrating and acting upon identified human rights risks and impacts, respectively. Reinforcing human rights policy commitments with due diligence processes ensures that FIs take a systematic and proactive, rather than ***ad hoc*** or reactive, approach to human rights.
- Indicator 6 covers engagement with affected stakeholders and/or their representatives, which when centred meaningfully in HRDD can ensure identified risks and impacts are informed by and responsive to the rightsholders affected by financing activities.

FIGURE 7 AVERAGE ALIGNMENT SCORES PR INDICATOR IN THEME B

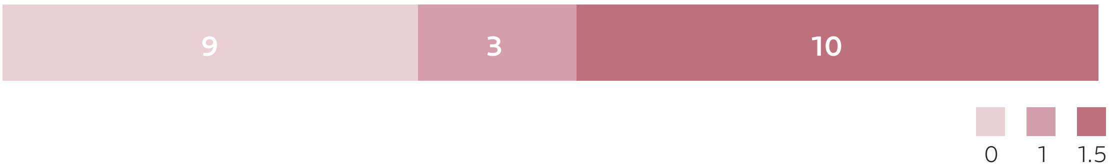


KEY FINDINGS

- More than half of the FIs assessed (14/22) indicated senior responsibility for human rights implementation and decision-making.
  - Only one institution received full credit for further disclosing how it assigns day-to-day responsibility and allocates resources and expertise on human rights.
- Within the theme FIs scored highest on identifying human rights risks and impacts. More than three-quarters (17/22) of the FIs assessed describe their processes to identify human rights risks and impacts, with almost all (16/22) receiving additional credit for describing how these processes are applied in a dynamic and/or regular manner.
- However, FIs performed less strongly on the next steps following risk identification. Around a quarter of the FIs assessed (6/22) disclose what they consider to be their salient human rights issues and five of these that they assess and prioritise impacts based on their severity to people rather than based on their financial materiality.
- Almost two-thirds of the FIs assessed (15/22) described their processes for integrating and acting upon identified human rights risks, overwhelmingly in the context of investment such as through exclusion, use of voting rights, active ownership and company dialogues to mitigate and prevent risks within their investment portfolios. Less info was available about actions to prevent and mitigate human rights harms in other financial activities such as lending and insurance.
- Engagement with affected stakeholders or their representatives is largely missing from the FIs' sustainability efforts. Only two of the FIs assessed disclosed information about their engagement with affected or potentially affected stakeholders making it the lowest-scoring indicator in the benchmark.

2. RESPONSIBILITY FOR AND RESOURCES ON HUMAN RIGHTS

FIGURE 8 INDICATOR 2 - NUMBER OF COMPANIES ACROSS SCORES



The average score for this indicator is 0.9 out of 2 possible points (45%).

By dedicating resources to human rights management, a company demonstrates its commitment to upholding the human rights principles it espouses and strengthens its capacity to undertake HRDD. Assigning responsibility in and across relevant functions is a crucial first step in embedding a commitment to human rights in the company. Disclosing about the area indicates to internal and external stakeholders which areas of the business have oversight and responsibility.

To receive a **baseline score** of **1 point**, a FI must indicate the senior manager role(s), function(s) or department(s) accountable for implementation and decision-making on human rights. **14 FIs met this element of Indicator 2.**

Among the 8 FIs that did not meet this element, nearly all shared information about oversight of sustainability, ESG, or social responsibility that, while not sufficiently descriptive on human rights to receive credit, indicate related functions. As in DIHR's 2020 and 2022 benchmarks of real-economy companies[11], research and analysis suggest that most FIs operate with 'sustainability', 'ESG', or 'corporate responsibility' governance systems of broader scope to capture both social and environmental issues, where human rights responsibility may be included implicitly. Without explicit indications that such governance systems include human rights, they are not recognised by the indicator including to account for the risk that such systems.

Additional credit was available to FIs meeting the first element.

- FIs that also disclosed information about day-to-day responsibility for human rights across relevant internal functions received an additional **half-point**. Disclosing this additional detail indicates how and who within the FI oversees human rights work within regular business operations. **10 FIs received credit for this element.**
- FIs disclosing how they allocate resources and expertise for the day-to-day management of human rights could gain an additional **half-point**. Such information supplements the prior elements of Indicator 2 by indicating whether and how the institution ensures responsible roles, departments, or functions are sufficiently resourced with knowledge on human rights. **Only 1 institution met this element.**

3. IDENTIFYING HUMAN RIGHTS RISKS AND IMPACTS

FIGURE 9 INDICATOR 3 - NUMBER OF COMPANIES ACROSS SCORES

The average score for Indicator 3 is 1.14 out of 1.5 possible points (76%). This is the highest-scoring indicator in the benchmark, although the performance still does not equal full alignment.

Responsible business conduct standards expect FIs to identify human rights impacts with which they may be involved, including actual impacts (past or current) as well as potential impacts (those which could arise – also referred to as human rights risks). This benchmark assessed how FIs identify human rights risks and impacts throughout their financing activities.

To receive a **baseline score** of **1 point**, an FI must describe its overall, cross-cutting and ongoing approach to identify human rights risks and impacts**.** Over **two-thirds of the FIs assessed (17 of 22)** described such processes as applied to their financing activities. Of the 5 receiving no credit, all acknowledged their financing activities as a source of potential risk to people and planet and described general processes for risk-screening, though they described only general processes for norm-based screening or sustainability considerations, without full processes devoted to identifying human rights risks and impacts.

FIs could receive **an additional half-point** for further describing how its risk identification processes are applied in a dynamic manner, i.e., applied regularly or triggered by new financial activities, new business decisions, or changes in operating environments. **Almost all (16) FIs received this additional half-point and thereby full credit on Indicator 3.**

Given the structure of this indicator and the need for risk identification processes to apply across ***all*** relevant financing activities, investment management companies and pension funds may more easily receive credit than banks and insurance companies. The former can receive baseline credit for language on screening their investments for human rights risks, while the latter would additionally have to describe how such screening or risk-identification applies to their insurance and banking services. The data bear out this challenge, as described in the following section, Results by FI Type.

Risk identification is critical to human rights due diligence and hence it is positive that so many of the FIs describe efforts in this regard. However, it is important to note that many of the points granted were given in response to descriptions of broad risk screenings that include human rights. Oftentimes these consist primarily of so-called ESG controversy screenings, which have received significant methodological critique, for example a recent journal publication underlines how the odds of being covered as part of a controversy rating are five times higher for companies headquartered in English-language countries than for companies in other language regions[12]. Needless to say, this is problematic from a perspective of using this as the primary method for human rights screening. The screenings are further often misaligned with the UNGPs' expectations around risk identification including that these should a) focus on risks to people rather than financial or reputational risks, b) involve engagement with affected stakeholders or their representatives and c) consider impacts across all internationally recognised human rights. Controversy screenings oftentimes fall short on all these requirements and hence care should be taken to avoid over-interpreting the results on this indicator to imply that this is an area of 'best practice'.

4. ASSESSING HUMAN RIGHTS RISKS AND IMPACTS

FIGURE 10 INDICATOR 4 - NUMBER OF COMPANIES ACROSS SCORES

The average score for Indicator 4 is 0.39 out of 1.5 possible points (26%), making it the second lowest-scoring indicator under Theme B and forth lowest overall.

Indicator 4 aims to measure how FIs assess their identified human rights risks and impacts by examining whether they disclose their most salient risks and whether /how they are considering their impacts' severity.

Saliency is a concept explaining how businesses, including FIs, should prioritise potential negative impacts for attention based on their severity (how serious the impact will be) and likelihood (the chance of the impact arising).

Severity is defined in the UNGPs to include the scale (the gravity of the impact), scope (how widespread the impact is) and irremediability (whether, if the risk arises, it can be remedied to restore those affected to their priori enjoyment of their rights) of human rights risks.

Over three-quarters of the FIs assessed (16/22) received no credit for this indicator.

To receive a **baseline score** of **1 point**, a FI must disclose what it considers to be its salient or most severe human rights risks and impacts. Broadly disclosing "human rights" as a source of risks, as many FIs do, does not suffice. An institution must detail the specific human rights risks or impacts that it deems most salient–most likely to seriously affect stakeholders–throughout its financing activities.

DOUBLE MATERIALITY

FIs should report not only on how human rights issues affect their business (i.e., their investments or financial returns), but also how their financing activities affect people and planet. Double materiality broadens the set of stakeholders to include not only shareholders and business partners, but also consumers, workers throughout the value chain, and local communities, in alignment with international expectations on business and human rights.

The concept of double materiality is still relatively new for many businesses and FIs but is receiving increased attention given its incorporation in the recent reporting standards under the Corporate Sustainability Reporting Directive.

Only 6 FIs received credit for disclosing what they consider to be their salient or most severe human rights risks and impacts throughout their financing activities. 5 of those FIs also described how they consider severity within their assessments, thus receiving full credit. The binary nature of results under this indicator may reflect that, while most FIs do not yet determine and disclose their salient human rights risks, those that do rely on the UNGPs concept of severity to guide that determination.

The low scores on this indicator reads particularly interesting in light of the stronger scores on human rights risk identification (see indicator 3 above). Indeed, robust risk identification and assessment procedures should allow FIs to identify risks of higher severity. Some FIs highlight how the practice of disclosing salient issues is a better fit for real-economy companies than financial companies, including because FIs' exposure is so broad spanning almost all sectors and geographies. However, conversely others argue that exactly due to the broad risk exposure it is key that FIs look closer at the composition of e.g. investment or client portfolios to be able to prioritise resources towards managing higher severity risks.

5. INTEGRATING AND ACTING ON HUMAN RIGHTS RISKS AND IMPACTS

FIGURE 11 INDICATOR 5 - NUMBER OF COMPANIES ACROSS SCORES

The average score for Indicator 5 is .98 points out of 1.5 possible points (65%), making it the second-highest scoring indicator overall.

To address negative human rights impacts, FIs are expected to act to prevent, mitigate, and/or remediate the negative human rights impacts identified across financing activities.

To receive a **baseline score** of **1 point**, an FI must describe its overall, cross-cutting approach to prevent, mitigate and/or remediate human rights risks or impacts throughout its financing activities. **Around two-thirds of the FIs assessed (15 of 22) met this element.** All 15 did so through descriptions of active ownership or company dialogues in response to human rights risks and impacts within companies' operations and value chains. In the context of investment, the concept of 'active ownership' typically covers the efforts an investor can take to engage with portfolio companies around sustainability topics. Active ownership takes the form of for example portfolio company dialogues to use leverage, using voting rights and divestment. Outside the context of investment three banks additionally reported on employee trainings and client dialogues to integrate human rights risk management within their credit arms. No FIs described engagement processes explicitly designed to remediate human rights impacts, which aligns with the pattern of low scores under Theme C: Remedies and Grievance Mechanisms.

An additional half-point was available to FIs providing an example(s) of specific actions taken or to be taken to address identified human rights risks or impacts in the last three years. **13 of 22 FIs** – the majority of those receiving credit under this indicator – disclosed at least one example warranting credit. Examples typically stem from the investment context and takes the form of case stories in annual sustainability reports describing e.g., divestment from Russia due to human rights concerns in the context of the current war or use of voting rights in relation to a specific company on human rights grounds as well as disclosing the number of company dialogues focused on human rights.

Whilst it is indeed positive that this indicator is one of the higher scoring indicators in the benchmark case should be taken in not necessarily inferring that this in an area of 'best practice'. Important caveats include that many asset owners often rely on asset managers for proxy-voting as well as company dialogues. The benchmarked FIs overall could provide more transparency around such services allowing externals to understand what they do themselves, what asset managers do on their behalf, and what they do to ensure asset managers do indeed meet their expectations. This role share is specific to the investment industry and deeply embedded in how asset owners and managers organise sustainability efforts. However, from a UNGPs perspective, the practice brings questions around whether acting on human rights risks can indeed be outsourced and where this is the case what exercising leverage and monitoring performance of asset managers may look like. In addition, whilst it is positive that many of the covered FIs provide examples and numbers to demonstrate action taken in the last reporting year, such cases and numbers are often provided without context (e.g. 25 dialogues with portfolio on human rights in 2022). Without contextual information it is close to impossible for externals to assess whether this number is to be considered good or bad practice, whether such dialogue meetings were 'tea and biscuit' chats or genuine structured engagement raising concerns around 'engagement washing'.

6. ENGAGEMENT WITH AFFECTED AND POTENTIALLY AFFECTED STAKEHOLDERS

FIGURE 12 INDICATOR 6 - NUMBER OF COMPANIES ACROSS SCORES

The average score for Indicator 6 is 0.09 out of 1.5 possible points (6%). This is the lowest-scoring indicator in the benchmark.

Engagement with affected stakeholders is clearly a very nascent practice amongst Danish FIs. However, such practice is at the heart of the due diligence expectation flowing from the UNGPs. UNGP 18 notes that the human rights risk-identification process should "[i]nvolve meaningful consultation with potentially affected groups and other relevant stakeholders," seeking "to understand the concerns of potentially affected stakeholders" in order to assess a business's human rights impacts accurately. UNGP 20 notes that companies' efforts to monitor and track the effectiveness of their human rights risk management should "Draw on feedback from both internal and external sources, including affected stakeholders". UNGP 21 notes that a company should communicate on how they address their human rights impacts externally "particularly when concerns are raised by or on behalf of affected stakeholders."

WHO ARE AFFECTED STAKEHOLDERS?

FIs' stakeholders are often understood to include shareholders, investee companies, clients as well as other business partners such as suppliers or customers.

In the context of the corporate responsibility to respect human rights, "affected stakeholders" include workers, consumers, and local communities who can be negatively affected by financing activities, such as the activities of portfolio companies or clients. In human rights contexts, these groups are often referred to as rightsholders.

For the purposes of Indicator 6, engagement with other business stakeholders, such as customers or shareholders in the context of e.g. materiality assessments, do not count for credit.

Identifying all affected and potentially affected stakeholders throughout complex global and cross-sectoral financing operations can be challenging. Compared to real-economy companies, FIs are often several steps further removed from their affected stakeholders, who include communities and value-chain workers across their financing activities as well as the FIs' own workers, consumers, and communities in which they operate. light of these difficulties, businesses including FIs may employ different approaches to engagement with affected stakeholders, for example, by consulting stakeholders' legitimate representatives, such as civil society organisations, unions, or community representatives. Yet many FIs do not employ these proxy approaches, instead treating stakeholder engagement as the purview of real-economy companies.

To receive a **baseline score** of **1 point** on Indicator 6, an FI must disclose information on its engagement with affected and potentially affected stakeholders or their legitimate representatives in relation to identifying or addressing its human rights risks and impacts or tracking the effectiveness of its response to identified impacts. **Only two FIs met this requirement.**

An additional half-point was available to FIs providing a case study or example(s) to illustrate how their stakeholder engagement looks in practice. **No FIs received credit for this element.**

STAKEHOLDER ENGAGEMENT AS PART OF HUMAN RIGHTS DUE DILIGENCE

Meaningful engagement with affected stakeholders is essential for realising corporate respect for human rights. Both internal and external stakeholders should be consulted throughout the HRDD process. Without stakeholder views to inform risk assessments, an FI may overlook significant human rights impacts or misdirect its efforts to address them. Including to compensate for methodological weaknesses in risk screening processes on human rights relying primarily on quantative data, such as controversy screenings, stakeholder engagement is critical to ensure that the risks identified reflect the reality of an institution's impacts on people and that prevention, mitigation, and remediation efforts are effective and responsive to rightsholders.[13]

THEME C
REMEDIES AND GRIEVANCE MECHANISMS

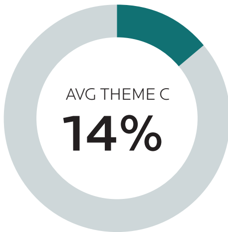
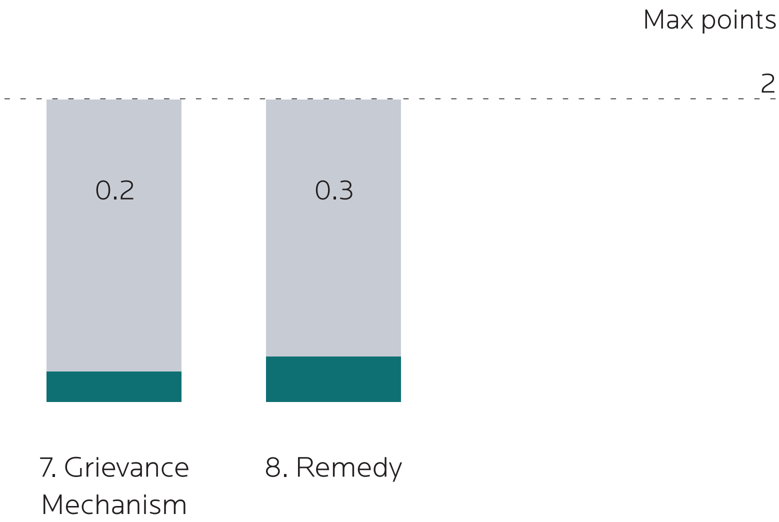


FIGURE 13 AVERAGE ALIGNMENT SCORES PR INDICATOR IN THEME C



Theme C aims to assess the extent to which Danish FIs enable access to remedy when actual adverse human rights impacts ("human rights harms") arise within their financing activities. It covers a company's approach to providing or cooperating in remediation when human rights harms have occurred. Indicator 7 asks whether FIs have established – or participate in existing – grievance mechanisms through which affected stakeholders can raise concerns. Indicator 8 looks at whether FIs describe their approach to providing or enabling timely remedy for stakeholders if human rights harms arise.

The UNGPs (principle 22) expect that companies, including FIs, participate or provide for remedy where they have caused or contributed to actual negative impacts on human rights. Investors are oftentimes 'directly linked' to the impacts occurring one step removed from them in connection with portfolio companies, clients etc. In such cases, they are not required to take part in remedy, although they can take a role in ensuring it happens e.g. by using leverage through active ownership to ensure the portfolio company enables remedy.

FIs are however not always necessarily 'only' directly linked to impacts playing out amongst business relationships. In the context of investments for example, situations of 'contribution' could arise where investors have significant managerial control over a company (e.g., in certain General Partnerships), holds high ownership stakes and/or could or should have known about the harm, but provided insufficient preventive actions[14] . An investor's involvement with an impact may also change over time e.g. to go from direct linkage to contribution due to poor quality of actions to prevent or mitigate the issues.

Good practice among investors could be to include a commitment to remedy in relevant policies along with details explaining how the institution approaches remedy including by describing how an institution ensures access to remedy is available with investee companies, e.g. by screening for the presence of a human rights-related grievance mechanism or companies' cooperation in other judicial/non-judicial investigations of human rights concerns, and by raising this issue in its engagements with companies not least where there are cases of actual impacts.

REMEDY: THE THIRD PILLAR

Access to remedy is a foundational concept in the UNGPs and in human rights law. It is based on the general principle that, if harm is done, that harm should be rectified.

The third and final pillar of the UNGPs focuses on access to remedy for stakeholders affected by business operations. UNGP 22 further notes that, "[w]here business enterprises identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in their remediation through legitimate processes" which can include judicial proceedings, state-based processes, operational- or company-level grievance mechanisms, and industry or multi-stakeholder initiatives.

Although remedy is sometimes interpreted to always mean financial compensation many other forms of remedy can be relevant depending on the harm in question.

KEY FINDINGS

- Theme C was the lowest-scoring theme in the benchmark, reflecting significant room for improvement around remediation for human rights harms. This aligns with DIHR's prior snapshots of real-economy companies, which also found the lowest performance on grievance mechanisms and access to remedy.
- Only 6 FIs assessed reported that they establish or participate in grievance mechanisms through which affected stakeholders may raise human rights-related concerns leading to an overall alignment score of just 16%
  - While most of the FIs assessed maintain whistle-blower hotlines, they largely focus on internal stakeholders providing avenues to 'blow the whistle' on ethical or other wrongdoings elsewhere in the organisation and are generally not providing channels to escalate concerns around human rights harms occurring in the organisations, financing activities nor are they accessible to potentially affected stakeholders outside the institution.
- Only 4 FIs assessed described their approach to providing or enabling timely remedy for affected stakeholders when causing or contributing to adverse human rights impacts leading to an overall alignment score of 11%. No FIs received full credit on this indicator, and research found no examples of remediation efforts beyond Denmark for broader human rights impacts incurred across financing activities.

7. GRIEVANCE MECHANISMS FOR AFFECTED AND POTENTIALLY AFFECTED STAKEHOLDERS

FIGURE 14 INDICATOR 7 - NUMBER OF COMPANIES ACROSS SCORES

The average score for Indicator 7 is 0.3 out of 2 possible points (16%). This is the highest-scoring indicator under Theme C but the third lowest within the benchmark overall.

Companies including FIs should establish or participate in effective grievance mechanisms accessible to stakeholders who may be adversely affected by their activities.

To receive a **baseline score** of **1 point**, a FI must describe its own mechanism(s) or explain that it participates in a third-party or shared mechanism, accessible to those potentially affected to raise human rights-related complaints or concerns related to its financing activities. The mechanism must be accessible to both internal and external stakeholders, e.g. workers as well as consumers and communities throughout the value chain. An explicit reference to human rights is not required, but a mechanism that is specifically designed to cover other topics (e.g. a hotline for employees to report corruption) must make clear to stakeholders that it can be used for human rights concerns related to the institution's financial activities as well. **6 of the 22 FIs assessed (23%) met this element.**

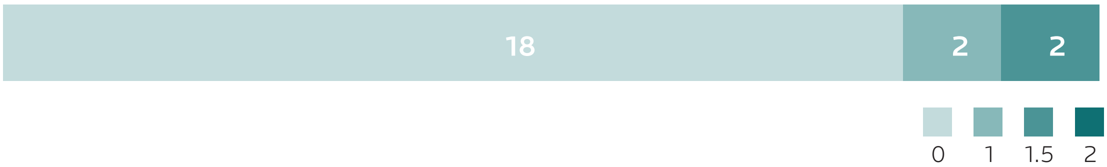
While nearly all FIs assessed described some form of whistle-blower hotline through which employees or business partners could flag wrongdoing, these hotlines generally did not indicate that they could be used for human rights, social, or sustainability concerns, including those related to financial activities, nor that they would be accessible to external affected stakeholders such as affected communities or workers throughout the value chain of e.g. portfolio companies.

Additional credit was available to FIs meeting the first element.

- FIs could receive an **additional half-point** if they encourage their business partners or investee companies to set up or participate in such grievance mechanisms, e.g. through company engagement or as stated in a policy commitment. **Only two FIs received credit for this element.**
- FIs describing how they ensure the mechanism is effective could also receive an additional **half-point**. UNGP 31 outlines effectiveness criteria for grievance mechanisms, such as designing mechanisms in consultation with users, making them available in multiple languages, or raising awareness of the mechanism through, for example, specific communications or training. **No FIs received credit for this element**, raising the question of whether the few grievance mechanisms identified are accessible or responsive to the stakeholders affected.

8. REMEDYING ADVERSE HUMAN RIGHTS IMPACTS

FIGURE 15 INDICATOR 8 - NUMBER OF COMPANIES ACROSS SCORES



The average score for this indicator is 0.2 out of 2 possible points (11%), making it the lowest-scoring indicator under Theme C and the second lowest in the entire benchmark, after Indicator 6: Engagement with Affected and Potentially Affected Stakeholders.

To receive a **baseline score** of **1 point**, an FI must describe its approach to providing or enabling timely remedy for affected stakeholders if it causes or contributes to human rights harms. If the institution had not identified any harms which it causes or to which it contributed, it could receive credit for describing the approach it would take to enable remedy e.g. in a company policy. **Only three FIs received credit for this element.**

Additional credit was available to FIs that met the first element and had engaged in remediation of actual human rights impacts.

- FIs could receive an **additional half-point** if they described their approach to monitoring implementation of the agreed remedy. **No FIs assessed met this requirement.**
- An institution could also receive an **additional half-point** for describing changes made to its systems, processes, or practices to prevent recurrence of similar adverse impacts in the future. **Only two FIs received credit for this element** – both insurance companies who were found to be discriminating against pregnant customers and received a judicial order to adjust their practices. This result illustrates how judicial intervention may prompt reflection and reporting on an institution's approach to remedy – but also highlights the dearth of proactive efforts to enable remedy for broader human rights concerns throughout financing activities.

RESULTS BY FINANCIAL SECTOR CATEGORY

The benchmark includes four types or categories of FIs. Performance varied within each category. Each institution type – banking, investment management, pension funds, insurance companies, and two state-affiliated FIs – had both high and low scorers. Readers should thus exercise caution when generalising results to identify trends across institution categories (e.g., the performance of insurance companies vs. the performance of investment management companies overall). With this caveat, this section includes a short comparison of results across the four categories (see average alignment scores in figure 16 and performance sorted by institution in table 5). IFU and ATP are not included in the category averages presented in this section.

FIGURE 16 AVERAGE TOTAL SCORE BY FINANCIAL INSTITUTION CATEGORY

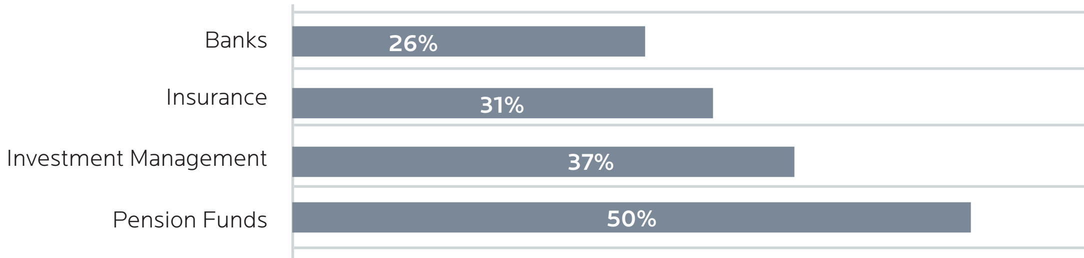


TABLE 5 OVERVIEW OF RESULTS SORTED BY FINANCIAL INSTITUTION CATEGORY, TOTAL AND BREAKDOWN BY THEME

Financial institution	Institution type	Total score (Max 14)	Policy commit-ments (Max 2)	Embed-ding respect & human rights due diligence (Max 8)	Reme-dies & grievance mecha-nisms (Max 4)
Nordea Invest	Investment management	7.5	2	4,5	1
Danske Invest	Investment management	6	1,5	4,5	0
Nykredit Invest	Investment management	5	2	3	0
BI Management (BankInvest)	Investment management	4,5	0	4,5	0
Jyske Invest	Investment management	3	0	3	0
Danske Bank	Bank	9.5	1,5	6,5	1,5
Spar Nord	Bank	6	2	4	0
Sydbank	Bank	3	0	3	0
Ringkøbing Landbobank	Bank	0	0	0	0
Jyske Bank	Bank	0	0	0	0
Topdanmark	Insurance company	9.5	2	5	2,5
Tryg	Insurance company	4.5	2	2,5	0
ALM. Brand	Insurance company	3	1,5	1,5	0
Codan	Insurance company	2.5	1	0	1,5
Gjensidige	Insurance company	2.5	1,5	0	1
AP Pension	Pension fund	8.5	2	5,5	1
Danica Pension	Pension fund	8	1,5	5,5	1
PFA	Pension fund	6.5	2	4,5	0
Velliv	Pension fund	6,5	2	4,5	0
PensionDanmark	Pension fund	5,5	0	5,5	0
ATP	Pension fund (state-affiliated)	4	0	4	0
IFU	Development Finance (state-affiliated)	10	2	5,5	2,5

TABLE 6 AVERAGE RESULTS BY FINANCIAL INSTITUTION CATEGORY AND THEME

Institution Category	Theme A (Max 2)	Theme B (Max 8)	Theme C (Max 4)	Totals (Max 14)
Pension funds	1,5	5,1	0,4	7
Investment management	1,1	3,9	0,2	5,2
Insurance companies	1,6	1,8	1	4,4
Banks	0,7	2,7	0,3	3,7

*Note IFU and ATP not included in category averages (further info in methodology annex)

Overall, investment management companies scored highest across the three themes (overall alignment score 50%), followed by investment management companies (37%), then insurance companies (31%) and finally banks (26%).

Table 6 presents category average scores across the three themes. Stronger performances by certain institution types may reflect the nature of the methodology and the human rights disclosures assessed, rather than indicating more developed practice among investment management companies and pension funds compared to banks and insurance companies. Investment management companies and pension funds could more easily receive credit on certain indicators under Theme B, where they most notably outperformed other institution types:

- **Indicator 3: Identifying Human Rights Risks and Impacts.** This indicator requires that institutions describe risk identification processes that apply across ***all*** relevant financing activities. Investment management companies and pension funds could meet this requirement by describing investment screening processes, while banks and insurance companies additionally must describe how such screening or risk-identification processes apply to their banking (lending and credit) or insurance services, respectively.
  - All investment management companies and all pension funds received full credit on this indicator most often based on language around screening of their investments for human rights risks.
  - Two banks and three insurance companies received no credit on this indicator: Though they described human rights risk identification processes including in many cases in relation to their investment arms, they did not describe how they apply across ***all*** relevant financing activities.

- **Indicator 5: Integrating and Acting on Human Rights Risks and Impacts.** Similarly, this indicator assesses FIs' efforts to prevent, mitigate, and/or remediate adverse human rights impacts across ***all*** relevant financing activities. Investment management companies and pension funds could meet this requirement by describing engagement with investees on human rights issues, e.g., through active ownership or company dialogues. Banks and insurance companies describing similar engagement processes would not receive credit unless they also described how they seek to address human rights risks within their banking and insurance services, respectively.

- All investment managers and pension funds received full credit on this indicator.
- One insurance company received credit for this indicator.
- Three of five banks received no credit for this indicator.

These data indicate that, regardless of the area of the financial sector, risk identification processes are more developed on the investment side, with progress to be made on non-investment financial activities, products, and services.

Certain types of FIs performed higher on select themes. Insurance companies, for example, although coming out as the second to lowest-performing category scored highest on both **Theme A: Governance and Policy Commitments** and **Theme C: Remedies and Grievance Mechanisms**:

- Theme A: Every insurance company received credit for having a policy commitment to respect human rights, and 4 of the 5 received additional credit for commitments to the UNGPs or OECD Guidelines and/or board-level approval (**Indicator 1**).
- Theme C: Aside from IFU, the state-affiliated development finance institution and AP Pension, two insurance companies (TopDanmark and Codan) were the only FIs to receive credit for **Indicator 8**, describing their approach to providing remedy and how they have changed processes to prevent recurrence of human rights harms. However, as noted above, these disclosures and internal changes came in response to a judicial order and may not reflect a more robust approach to remedy within the insurance sector as compared to other FIs.

However, many indicators revealed little difference in performance among the institution types. For example, **Indicator 2: Responsibility for and Resources on Human Rights** and **Indicator 6: Engagement with Affected and Potentially Affected Stakeholders** saw credit spread across banks, insurance companies, pension funds, and investment managers.

REPORTING UNDER SUSTAINABLE FINANCE DISCLOSURE REGULATION

The data collection for the Financial System Benchmark overlapped with the publication by FIs of their first Principal Adverse Impact (PAI) Statements as required by the EU Sustainable Finance Disclosure Regulation (SFDR) (See textbox below).

Principal adverse impacts (PAI) are understood as negative effects on the environment, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters. According to art 4 (2) of the SFDR the PAI Statement should include at least:

1. information about policies on the identification and prioritisation of principal adverse sustainability impacts and indicators;
2. a description of the principal adverse sustainability impacts and any actions in relation thereto taken or, where relevant, planned;
3. brief summaries of engagement policies;
4. a reference to the adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting.

WHAT IS THE EU SUSTAINABLE FINANCE DISCLOSURE REGULATION?

The EU Sustainable Finance Disclosure Regulation aims to improve the transparency of FIs amongst others in respect to their consideration of sustainability risks and adverse impacts in investment decisions and advice. At its core, the SFDR is a reporting regulation that is meant to benefit financial consumers and drive responsible business conduct practices in the wider economy by channelling financial flows towards sustainable companies. The SFDR entered into force in March 2021, but its implementation took place in a staggered approach to allow entities in scope to prepare and gather relevant data.

The SFDR require FIs to disclose, whether, and if so, how they consider the principal adverse impacts of their investment decisions on sustainability factors by publishing a statement on due diligence policies with respect to those impacts. Those who do not consider their principal adverse impacts should explain why. For FIs with more than 500 employees, the disclosure of the diligence statement is mandatory.

The information provided in the PAI statement, especially in respect to policies, engagement policies and references to international standards, was factored in the assessment of the FIs´ alignment with the UNGPs presented in the sections above.

The analysis in this section primarily focuses on the reported data on PAI, which from 2023 onwards should follow a pre-defined reporting template introduced by the Regulatory Technical Standards[15] of the SFDR in force since 1st January 2023. The reporting template include a list of pre-defined mandatory and optional quantitative indicators serving as proxies for principal adverse impacts, as well as columns where

FIs can explain in narrative form the actions taken and planned to address those adverse impacts. The focus has been on the human rights/social indicators – 6 mandatory indicators (see table 7 below) and 17 optional indicators from which FIs should at least select one.[16]

TABLE 7 OVERVIEW OF MANDATORY SOCIAL PRINCIPLE ADVERSE IMPACT INDICATORS

Category	Indicator number	Indicator
Social and employee matters	10	Share of investments in investee companies that have been involved in violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises
	11	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	12	Average unadjusted gender pay gap of investee companies
	13	Average ratio of female to male board members
	14	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
Sovereign investments	16	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law

PAI indicator reports were identified for 15 out of the 22 benchmarked FIs and have been included in the analysis below.

General observations

The introduction of a standardized list of mandatory indicators serving as proxies for PAI was meant to enable the comparison of sustainability performance across time and FIs. Our analysis, however, reveals challenges in comparing the data reported in relation to human rights because of (i) the ambiguous, unclear formulation of some of the indicators leaving a lot of room for (mis)interpretation, (ii) little granular information provided by the FIs assessed on their own interpretation of the indicators especially in relation to the more ambiguous indicators, (iii) varying levels of data coverage and methodological limitations reported by FIs. In general, the comparability is stronger for those indicators articulated in a clear, precise and narrow manner (i.e. indicator 13 on the average ratio female/male Board members) and weaker for those indicators that are broad and combine many issue areas (i.e. indicator 10 on violations of UN Global Compact and OECD Guidelines).

The PAI mandatory indicators, as they are currently articulated and reported against, generally fail to give external stakeholders a meaningful insight into the FIs´ decision making process underlying their identification and prioritization of salient human rights adverse impacts. The two mandatory indicators measuring the investees´ alignment with standards such as the UN Global Compact[17] and OECD Guidelines for Multinational Enterprises, are overly broad and unclear. While the inclusion of narrower, specific, outcome related indicators such as the 2 gender discrimination proxies (i.e. gender pay gap, female/male Board members ratio) is positive, it is difficult to assess whether these adverse impacts would have been identified by the FIs assessed as their most severe impacts in the absence of the regulator´s requirements. Admittedly, the question of prioritization of adverse impacts is probably one of the most challenging implementation aspects of the UNGPs in a financial sector context. From a financial consumer perspective, transparency around it is however a prerequisite for meaningfully comparing the sustainability approaches across FIs. Moreover, such transparency would give FIs an opportunity to strategize about when it is more effective to coordinate active ownership efforts around specific human rights issues. The absence of such information from their reporting is primarily due to the general misalignment of SFDR with the standard of due diligence outlined in the UNGPs.

Introducing indicators that are predetermined to constitute principal adverse impact takes a different approach to that of the UNGPs which require businesses, including investors, to identify through due diligence their potential and actual human rights impacts and take action to prevent and mitigate such impacts. When doing so, entities are asked to consider *all* human rights and identify those most at risk of adverse impacts related to business activities (see also benchmark findings on indicator 5, above). By including some human rights and not others in the list of mandatory indicators, the regulator risks driving due diligence attention and efforts towards some human rights only at the expense of consideration of all impacts and prioritisation of those most severe. Falling short of a far-reaching review of the SFDR, FIs should consider complementing the reporting against PAI indicators with information on the processes in place to identify and prioritise specific adverse impacts across their portfolios. To provide more specificity to their reporting, FIs could consider making use of some of the optional indicators that are slightly more granular and allow disclosure on specific human rights impacts (e.g. forced labour, child labour, work related injuries). So far, of the 15 FIs covered, 7 included data on one optional indicator, 4 reported on two optional indicators and 4 reported no data on the optional indicators.

FIs can do more to complement their quantitative reporting on the PAI indicators with qualitative data, including to compensate for the weaknesses of the indicators. The reporting templates includes two columns for narrative form, i.e. an ´explanation´ column and a column for ´actions taken to address the impacts and actions planned for next reference period´. The information provided in the ´explanation´ column, which a minority of FIs used, varied– some FIs simply mentioned the data coverage, some the external data provider used, and some provided information on the probability and severity of the adverse impact. FIs in the Danske Bank Group provided the most extensive information, which was useful to gauge their approach to interpreting the indicator as well as to assessing the severity of the impact. The type of information inputted in the second column seems to be more consistent across the FIs assessed.

In this column, they generally indicated their standard policies and processes for addressing adverse impacts, e.g. exclusion, engagement, disinvestment, with a few specifying the number and/or name of the companies they engaged with, excluded, etc. However, none provided information about the results and/or effectiveness of their active ownership efforts.

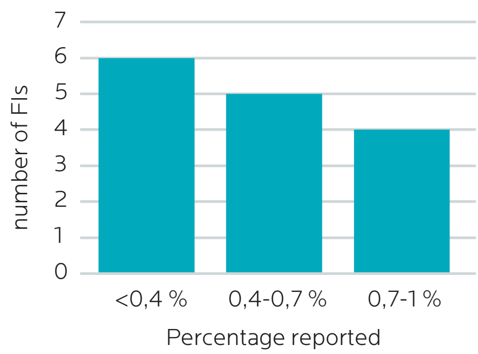
Indicator specific observations

Indicator 10: Share of investments in investee companies that have been involved in violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises

For this indicator, all FIs reported a percentage lower than 1 (see table 8 below) with one reporting 0% and most FIs (6 FIs) reporting data under 0.4%.

TABLE 8 DATA REPORTED FOR PAI 10

Institution	Percentage reported
Nykredit Invest	0,42%
Danske Invest	0,05%
BI Management (BankInvest)	0,71%
Nordea Invest	0,31%
Jyske Invest	0,42%
AP Pension	0,2%
ATP Pension	0%
Danica Pension	0,9%
Sydbank	0,1%
Spar Nord	1%
Ringkøbing Landbobank	0,6%
Jyske Bank	0,42%
Velliv	0,75%
PensionDanmark	0,6%
Danske Bank	0,04%



The interpretation and comparison of the data is hindered by the inherent ambiguity of this indicator. The international standards referenced include both process elements (i.e. policies, due diligence systems, grievance mechanisms) as well as outcome elements (i.e. prevention of adverse impacts). A violation of those international standards can be interpreted to refer to both the absence of processes and the involvement of the respective companies in human rights abuses. Only the 3 FIs that are part of the Danske Bank Group provided information that allowed us to infer how the indicator was interpreted. Danske Invest Management included this information "Given that companies without policies may not necessarily find themselves in non-compliance with UNGC/OECD guidelines...."[18]. If we generalize based on this single statement, this indicator is most likely to measure instances where investee companies were involved with actual adverse impacts. Most ESG data providers would collect and provide such data in their controversy screenings which identify companies involved in past or ongoing ESG related cases prompting media or NGO attention. However, such screenings have been shown to have various shortcomings, including a tendency to focus only on the small number of adverse impacts that make news headlines typically in some sectors more than others, inconsistent measurement methodologies across ESG data providers, and the inadequate reflection of any mitigation and remediation efforts in respect to those controversies. Moreover, both the UN Global Compact and OEDC Guidelines cover more subject matters (environment, corruption) in addition to human rights, making it difficult to use this indicator to appreciate the extent of adverse human rights impacts associated with the FIs´ investments.

Indicator 11: Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises

The range of the data reported for this indicator is in contrast noticeably large, with the lowest percentage reported being 0,19% and the highest percentage 74,13% (see table 9 below). Discerning a general trend based on this data is challenging.

TABLE 9 DATA PROVIDED FOR PAI 11

Institution	Percentage reported
Nykredit invest	46.80%
Danske Invest	13.4%
BI Management (BankInvest)	49.58%
Nordea Invest	0.19%
Jyske Invest	48.18%
AP Pension	10.3%
ATP Pension	42.10%
Danica Pension	8%
Sydbank	53.6%
Spar Nord	27.4%
Ringkøbing Landbobank	30.3%
Jyske Bank	48.18%
Velliv	74.13%
PensionDanmark	44.1%
Danske Bank	9.3%

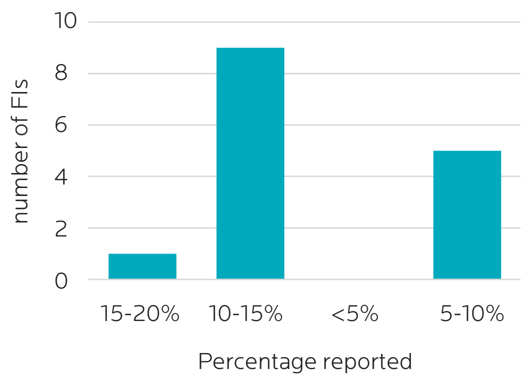
As with the previous indicator, this indicator leaves room for a lot of interpretation. It is not clear if the policies to monitor compliance with UNGC Principles or OECD

Guidelines refer to human rights policies as per the expectations set by the UNGPs. Given that one of the optional indicators explicitly refers to ´a lack of a human rights policy´, it can be inferred that this mandatory indicator was designed to cover something different. The reference to 2 different aspects of the corporate responsibility to respect human rights, i.e. existence of policies and existence of grievance mechanisms, in the same indicator equally complicates the interpretation of the data as it is unclear what the data reported stands as a proxy for.
None of the FIs assessed provided sufficient information on how this indicator was interpreted or offered more insight into how the reported percentage was derived.

Indicator 12: Average unadjusted gender pay gap of investee companies
The percentage reported ranged from 0,8% (the lowest) to 17,82 % (the highest). Most FIs (9/15) reported a score between 10-15% (see table 10 below).

TABLE 10 DATA PROVIDED FOR PAI 12

Institution	Percentage reported
Nykredit invest	13.4%
Danske Invest	0.8%
BI Management (BankInvest)	17.3%
Nordea Invest	10.56%
Jyske Invest	11.48%
AP Pension	2.2%
ATP Pension	12.70%
Danica Pension	0.84%
Sydbank	12.30%
Spar Nord	11.7%
Ringkøbing Landbobank	3.3%
Jyske Bank	11.48%
Velliv	14.82%
PensionDanmark	13.5%
Danske Bank	0.80%



Many FIs noted challenges associated with the data collection for this indicator notably low data coverage (for one FI as low as 3,9%). The internal processes for collecting data on this indicator, as well as the design of responses to address this adverse impact, seem to be in the very early stages.

Indicator 13: Average ratio of female to male board members
The percentage reported ranged from 13.60% (the lowest) to 38% (the highest). Eleven out of 15 FIs assessed reported a score in the 30-38% bracket (see table 11 below). Positively, seven FIs reported clear expectations including targets on the representation of women on boards and highlighted concrete measures they take to meet these targets.

TABLE 11 DATA PROVIDED FOR PAI 13

Institution	Percentage reported
Nykredit invest	36.8%
Danske Invest	15.1%
BI Management (BankInvest)	30.74%
Nordea Invest	33.98%
Jyske Invest	34.91%
AP Pension	33.2%
ATP Pension	26.90%
Danica Pension	18%
Sydbank	32.80%
Spar Nord	38.4%
Ringkøbing Landbobank	34.8%
Jyske Bank	34.91%
Velliv	32.23%
PensionDanmark	33.6%
Danske Bank	13.60%

This is one of the indicators that allows a comparison of FIs´ performance because of its clear formulation, availability of data and provision of useful contextual qualitative information by the FIs assessed.

Indicator 14: Share of investments in investee companies involved in the manufacture or selling of controversial weapons
With one exception,[19] all FIs reported 0%. Most usefully provided the list of controversial weapons excluded from their portfolios.

Indicator 16: Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law
This indicator applies to investments in sovereigns. Of those FIs that reported in percentage, the lowest value reported is 0% and the highest 51,6% (see table 12 below).

TABLE 12 DATA PROVIDED FOR PAI 16

Institution	Percentage reported
Nykredit invest	4%
Danske Invest	5.4% (58 countries)
BI Management (BankInvest)	11.24% (6 countries)
Nordea Invest	2.45% (2 countries)
Jyske Invest	6 countries
AP Pension	51.6% (48 countries)
ATP Pension	0%
Danica Pension	5 countries
Sydbank	6% (3 countries)
Spar Nord	3.2% (4 countries)
Ringkøbing Landbobank	0%
Jyske Bank	6 countries
Velliv	0%
PensionDanmark	8% (7 countries)
Danske Bank	5.6% (62 countries)

The formulation of this indicator has several shortcomings making it hard to decipher whether the large variation in numbers provided are due to large differences in portfolio compositions or rather differences in methodology taken to provide the data. Moreover, there are numerous international instruments covering ´social issues´.[20] In the absence of specification of which international treaties and conventions should be considered, there is ample room for discretion in interpreting this indicator. The sheer diversity of human rights issues that this indicator can potentially measure eventually renders it an unreliable proxy for the seriousness of adverse sustainability impacts of different FIs.

The level of detail provided by the FIs assessed as to how this indicator was measured varies. Some mentioned the use of proprietary, in-house methodologies but without additional information on what issue areas were considered. The 3 entities in the Danske Bank Group provided most insight into the measurement of the indicator: "The screening framework is based on quantitative factors and a qualitative overlay. It seeks to identify countries with severe under performance on single, or a combination of, sustainability dimensions that also have negative, or 'status quo', sustainability trajectories. 40% of the assessment in the model relates to indicators such as for instance freedom of assembly, freedom of opinion and expression, Indigenous peoples' rights, Women's and girls' rights Arbitrary arrest and detention, Extrajudicial or unlawful killings, Security forces and human rights, Torture and other ill-treatment, Child labour, Forced labour, Migrant workers, Modern slavery, and Occupational health and safety."[21]

Some FIs mentioned following the sanctions imposed by EU, UN, US to exclude companies from their portfolios.

Optional indicators

There are 17 optional indicators for social and employees and respect for human rights that FIs can choose to report on in addition to the mandatory indicators. Table 13 below includes an overview of the optional indicators selected by the included FIs. Only 11 of the 15 FIs assessed reported on the optional indicators.

TABLE 13 OVERVIEW OF REPORTING ON OPTIONAL INDICATORS

Indicator	Number of FIs that selected the indicator
Indicator 1: Share of investments in investee companies without a workplace accident prevention policy	1
Indicator 6: Share of investments in entities without policies on the protection of whistleblowers	3
Indicator 8: Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)	1
Indicator 9: Share of investments in entities without a human rights policy	5
Indicator 10: Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts	1
Indicator 14: Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	4

The 2 indicators most selected for reporting include those on the existence of a human rights policy and severe human rights issues and incidents.[22]

It can be argued that these 2 indicators partially overlap with the mandatory indicators 10 (“investments in investee companies that have been involved in violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises”) and 11 (“investments in companies without policies to monitor compliance with UNGC and OECD Guidelines….”). In the absence of clear definitions of these indicators by the regulator and lack of information from the FIs assessed, we tested this assumption by comparing the data provided for these 4 indicators.

The tables below include the percentages disclosed by the FIs reporting on these indicators for the two sets of indicators.

TABLE 14 COMPARATIVE OVERVIEW OF MANDATORY VS OPTIONAL INDICATORS: FOCUS ON POLICIES

Institutions	% reported on mandatory indicator "…investments in companies without policies to monitor compliance with UNGC and OECD Guidelines…."	% reported on optional indicator "…investments in entities without a human rights policy"
Danske Invest	13,4%	15,3 %
Danica Pension	8%	9%
Sydbank	53,6%	9,80%
Velliv	74,13	8,04 %
Danske Bank	9,3%	10,60%

In relation to the indicators focusing on policies, 3 FIs (all part of the same group) reported data that is within close range, with the optional indicator receiving higher scores. However, the data reported by the other 2 FIs is starkly divergent. The different scores reported suggest that these indicators have been interpreted differently by the FIs assessed and/or their data providers despite their seeming overlap.

TABLE 15 COMPARATIVE OVERVIEW OF MANDATORY VS OPTIONAL INDICATORS: FOCUS ON VIOLATIONS

FMPs	Score reported on mandatory indicator "…investments in investee companies that have been involved in violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises"	Score reported on optional indicator "Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis"
NyKredit	0,42 %	0,01%
Nordea invest	0,31 %	3,12%
Jyske Invest	0,42 %	0%
Spar Nord	1%	0%

In relation to the indicators focusing on violations, three FIs reported a lower percentage for the optional indicator than the mandatory. This can potentially be explained by FIs interpreting the mandatory indicator as covering other subject matters in addition to human rights (even though the indicator is included in the social cluster in the template for the PAI statement). One institution, however, reported a percentage for severe human rights incidents that is much higher than the percentage reported for violations of UNGPs/OECD Guidelines. This is puzzling as human rights incidents are typically understood as a clear violation of the UN Global Compact and OECD Guidelines. All in all, the different scores reported suggest that these indicators have been interpreted differently by the FIs assessed and their data providers despite their seeming overlap.

Conclusion

The analysis of the limited sample of PAI statements reviewed as part of this Financial Sector Benchmark indicates that more needs to be done, by both the regulator and FIs, to leverage the SFDR as a regulatory instrument that can increase transparency for end consumers and scale up alignment with responsible business conduct standards. As it stands now, the usefulness and comparability of data is impaired by poorly designed indicators that leave ample room for interpretation, incomplete alignment with international standards such as the UNGPs[23], and practical challenges in data collection. Moreover, the data provided remains insufficient to allow external stakeholders to meaningfully identify the most severe human rights impacts identified by FIs in their portfolios and the effectiveness of their efforts to exercise leverage over investees in that respect. Below are included recommendations to the regulator and FIs to address these shortcomings.

The European Commission should use the comprehensive assessment of the SFDR launched in September 2023 to review all the social PAI indicators to ensure they are aligned with the expectations of human rights due diligence under the UNGPs and are specific enough to allow consistent interpretation and measurement by FIs. Moreover, the list of mandatory indicators should be expanded to cover in a more balanced manner the variety of adverse human rights impacts in the global economy and investors´ business relationships.

FIs should disclose more contextual information about how the indicators have been interpreted and measured, as well as more information about the effectiveness of their engagement strategies in respect to the human rights challenges that those indicators stand as a proxy for. Moreover, given that investors can be involved with adverse impacts that are not covered by the pre-defined mandatory PAI indicators, FIs should consider making more use of the optional indicators as well as indicating whether there are other PAI identified that are not adequately captured in the regulator´s template, but that have been prioritized for active ownership efforts.

CONCLUSION AND RECOMMENDATIONS

More than ten years has passed since the adoption of the UNGPs and there has been a lot of focus on implementation or lack thereof of this global standard by companies in the real economy. The results of this benchmark however indicate that more information and discussion is needed around FIs' implementation of human rights due diligence as it relates to their different financial activities.

An average alignment score of 38% across the 22 large Danish FIs included in this benchmark highlights that most of these FIs are still in the early stages of demonstrating that they respect human rights in their financing activities. With the UNGPs requirements constituting a minimum standard of expected corporate conduct on human rights, 38% is arguably far from where the largest FIs in Denmark are expected to fall.

Although the benchmark findings should not be generalised to cover the financial sector at large, findings from this study raise concern around the performance of smaller FIs, which typically have fewer resources for the sustainability agenda let alone its human rights components. The results in Denmark further raise concern around the potential performance levels of FIs based in countries which may have less sustainability related regulation and momentum.

Key findings overall indicate significant room for improvement and include:

- Almost three quarters of the FIs (73%) have an overall alignment score under 50% (equalling 7 points or less out of 14) and more than one third (36%) have an overall alignment score below 30% (equalling 4,7 points or less);
- Pension funds on average have the highest overall alignment score (50%) followed by investment management companies (37%), insurance companies (31%) and banks (26%);
- Lowest performing indicator covers engaging with affected stakeholders in relation to identifying and responding to human rights risks. The average alignment score is just 6% and all but two FIs disclosed no information on this topic and received no credit;
- Remedies and grievance mechanisms is the lowest-scoring theme overall and contains the two lowest-scoring indicators after the one on stakeholder engagement. Average alignment score on grievance mechanisms was 16% and on remedies just 11%. 14 of the 22 FIs received no credit on either indicator under the access to remedy theme; and
- A final area for improvement has to do with disclosure of salient issues and prioritisation of efforts based on severity of impacts. The corresponding indicator resulted in an overall alignment score of 26%. 16 of the 22 FIs have scores of 0 on this indicator.

Emerging areas of stronger practice include disclosures around identifying human rights risks in relation to financial activities (average alignment score 76%), integrating and acting on risks (65%) and committing to respect human rights (60%). However, whilst it is positive that many FIs disclose information around human rights risk identification and action, questions remain around the quality and robustness of underlying methodologies and approaches and their corresponding results or lack thereof.

Overall, benchmark results reveal that most of the largest Danish FIs commit to respect human rights in their financial activities and have some disclosures in relation to human rights risk identification and management in the context of investments. The FIs overall have yet to communicate effectively how they implement such commitments in practice across financial activities and disclose the results of such efforts. The largest areas of deficiency include demonstrated engagement with affected stakeholders or their representatives, providing grievance mechanisms for human rights concerns, and ensuring remediation when human rights harms do arise in connection with financial activities.

Recommendations

Given the results of this benchmark, the following recommendations are made to various stakeholders including FIs (those covered in this report and the sector at large), financial sector industry associations, the Danish Government and related supervisory authorities, civil-society, and other potential users of the information.

Since the benchmark focused on the Danish financial sector, recommendations are aimed in the first instance at Danish actors. However, the findings and recommendations may serve as inspiration to non-Danish actors keen to address financial sector alignment gaps around respect for human rights.

Financial Institutions

We urge FIs to improve the documentation of their respect for human rights including their human rights due diligence practices and where relevant the quality thereof. Priority should be given to aspects where this benchmark has illustrated the need for improvement. This includes:

1. Committing to and engaging with affected stakeholders and/or their representatives to inform the identification of human rights risks and responses thereto;
2. Ensuring effective mechanisms are in place for affected stakeholders to file human rights related grievances connected to the FI's financial activities and ensuring remediation where financial activities result in actual human rights harms. Either through use of leverage with business partners or directly where the FI contributes to such harm via its financial activities;
3. Better incorporating the concept of 'severity of impacts' in the approaches taken, including by identifying, prioritising, and disclosing the most salient human rights issues as they relate to the specificities of the FI's activities and client/investee composition;
4. Improving documentation of the actions taken in response to identified risks by sharing both qualitative case stories of how specific human rights risks are tackled and the results thereof as well as contextual information as a supplement to quantitative data allowing external stakeholders to understand the scale of the FI's prevention and mitigation efforts as compared with the degree of risk exposure

(e.g. by including contextual information in connection with numbers published around voting, engagement, dialogues, social principal adverse impact indicators etc); and

5. In the case of banks, insurance companies and pension funds, demonstrating how human rights due diligence is conducted across all financial activities and not only as part of responsible investment.
6. In respect to Sustainable Finance Disclosure Related reporting, FIs should disclose more information about how the social and human rights principal adverse impacts indicators have been interpreted and measured as well as the effectiveness of their engagement strategies in respect to the impacts those indicators stand as a proxy for.

Financial sector associations

Gaps identified in this report are for the most part shared across the FIs assessed. In addition to tackling these gaps individually, FIs can and should collaborate including to scale the impact of improvements made. Industry associations (in Denmark including Forsikring & Pension and FinansDanmark) have a role to play in supporting members improve practices as it relates to human rights. We recommend that these associations:

7. Establish working groups or other fora specifically as it relates to human rights allowing members to share challenges, learnings and engage in peer discussions about ways forward;
8. Offer human rights related capacity development such as trainings, guidance material etc specifically in relation to areas of improvement identified in this report; and
9. Use the findings of this study in the design and approach taken to association activities including when representing the industry in relation to policy and regulatory developments.

Government and supervisory authorities

This benchmark highlights the need for the Danish Government to focus on the financial sector as part of a multi-faceted approach to implement the state duty to protect human rights in the context of business activities. This in part, is implemented by national supervisory authorities including the business authority and the financial supervisory authority (Erhvervsstyrelsen and Finanstilsynet). This should include:

10. Proactively working to ensure that current and future regulation relating to sustainable finance and corporate sustainability meaningfully captures and advances the financial sector's respect for human rights. This includes supporting financial sector inclusion in the upcoming Corporate Sustainability Due Diligence Directive as well as engaging with the revision of the Sustainable Finance Disclosure Regulation to ensure social principal adverse impact indicators and other disclosure requirements are better aligned with international standards on human rights;
11. Ensuring that transposition of relevant EU Directives in Danish law is informed by Danish companies' human rights related performance and areas of improvement, such as demonstrated in this report and previous benchmarks covering real-economy companies[24]. This includes the current transposition of the Corporate Sustainability Reporting Directive where the Danish Government is proposing a minimal implementation model. This benchmark as well as previous ones suggest that a more expansive model could be considered;

12. Ensure that supervisory authorities (Erhvervsstyrelsen and Finanstilsynet) tasked with overseeing the implementation of sustainability related regulation, incl. the Sustainable Finance Disclosure Regulation, are informed by the results of this benchmark when prioritizing their efforts and designing interventions e.g. focusing on the financial sector;
13. Supervisory authorities (Erhvervsstyrelsen and Finanstilsynet) should clarify the expectation on Danish financial actors to ensure respect for human rights throughout financial activities, for example in guidance, information notes or similar aimed at the industry; and
14. Prioritise guidance and capacity development efforts, e.g. by Erhvervsstyrelsen and Finanstilsynet, aimed at the financial sector including to foster a shared understanding of implementation of the respect for human rights in different parts of the sector as well as across different core financial activities. Such work can build on previous efforts and learnings around the Danish guidance on responsible investment. Use the results of this benchmark to tailor efforts focused on areas for improvement of select financial sector categories and activities where financial actors underperform overall (such as stakeholder engagement and remedy).

Civil society, academia and other stakeholders

Finally, civil society, academics and other groups can and do play an important role in disseminating broadly the results of this analysis and using it in engagement with FIs, governmental actors, media sources, and in their advocacy efforts to influence policy processes. In addition, their efforts are key to supplementing the insight provided by way of this report with additional information and data around Danish FIs' respect for human rights. Finally increased dialogue and cooperation between such organisations and FIs would be important for improving the quality and impacts of FIs' efforts on human rights.

ANNEX I: METHODOLOGY & PROCESS

The benchmark assessed FIs' human rights disclosures based on publicly available information across eight indicators. The indicators were derived from the Core UNGP Indicators developed by the Corporate Human Rights Benchmark (CHRB)[25], with references to the WBA's Financial System Benchmark methodology[26] and adaptations to reflect the financial sector as detailed below. Whilst the WBA's Financial System Benchmark methodology included many more indicators including to cover a wider range of sustainability topics, including environmental and governance-related ones, this first human rights-oriented benchmark of Danish FIs is deliberately lean to cater for a UNGPs-focused first review of the FIs' ability to document alignment with this internationally recognized minimum standard of expected behaviour.

ABOUT THE BENCHMARK INDICATORS

Table 16 gives an overview of each indicator and the scores available. Sections below include detailed indicator by indicator information.

TABLE 16 FINANCIAL SECTOR BENCHMARK INDICATORS AND SCORING

		Available Points				Max. Score
Theme A: Commitment						
1.	Commitment to respect human rights	0	1	1,5	2	2
Theme B: Embedding and due diligence						
2.	Responsibility for and resources on human rights	0	1	1,5	2	2
3.	Identifying human rights risks and impacts	0	1	1,5		1,5
4.	Assessing human rights risks and impacts	0	1	1,5		1,5
5.	Integrating and acting on human rights risk and impacts	0	1	1,5		1,5
6.	Engagement with affected and potentially affected stakeholders	0	1	1,5		1,5
Theme C: Grievance and Remedy						
7.	Grievance mechanisms for affected and potentially affected stakeholders	0	1	1,5	2	2
8.	Remedying adverse human rights impacts	0	1	1,5	2	2
	Total: maximum points					14

For the purpose of this benchmark all indicators apply to an FIs' *financing activities*[27], rather than its own operations or upstream supply chain. This approach reflects the unique influence of FIs, which govern financial flows throughout the broader economy and whose most severe human rights risks may arise within their core business i.e. their financing activities, rather than among their own employees or upstream suppliers. This benchmark thus focuses on financing activities to provide a targeted view of Danish financial actors' documented respect for human rights as it relates to their 'core business'. Needless to say, this focus should not be interpreted to mean that FIs have no human rights related responsibilities inhouse or vis-à-vis- suppliers and other upstream business partners.

Indicator 1: Does the financial institution have a publicly available policy statement committing it to respect human rights throughout its financing activities?

UNGPS REFERENCE

UNGPs 11, 12, and 16

Scoring Guidelines

2 points total. Partial credit possible:

- **1 point**: The FI's policy statement commits to respect human rights OR internationally recognised human rights OR the rights under the Universal Declaration of Human Rights OR the International Bill of Human Rights.
- **Additional credit** (FI must meet above criteria for 1 point):
  - **,5 point**: The policy statement ***also*** commits the FI to the UN Guiding Principles on Business and Human Rights OR the OECD Guidelines for Multinational Enterprises.
  - **,5 point**: The policy commitment is ***also*** approved by the highest governance body.

This indicator can be met if the commitment is cross-cutting, applying to all activities, even if it does not explicitly mention the institution's financing activities.
This indicator is not met if the commitment applies only to the institution's own operations or supply chain, or if it is not a formal commitment (e.g., loosely mentioned within a report or website only).

WBA/CHRB REFERENCE

- CHRB Core UNGP Indicator A.1.1: Commitment to respect human rights.
- WBA Financial System Benchmark Indicator C.15: Commitment to respect human rights.

The scoring guidelines for Indicator 1 mirror the CHRB's scoring guidelines, with one deviation: The CHRB gave one full extra point (1 point) for a policy statement also committing the company to the UNGPs or OECD Guidelines. This benchmark awards a half-point (,5 point) for such a commitment, as well as a half-point if the policy commitment is approved by the highest governing body, to reflect UNGP 16a. An FI could receive a half-point for either element or one point for both.

Indicator 2: Does the financial institution outline responsibility for and resources on human rights across relevant functions?

UNGP REFERENCE
UNGP 19

Scoring Guidelines
2 points total. Partial credit possible:
- **1 point**: The FI indicates the senior manager role(s), functions or departments accountable for implementation and decision-making on human rights.
- **Additional credit** (FI must meet above criteria for 1 point):
  - **,5 point**: The FI *also* includes information about the organisation of the day-to-day responsibility for human rights across relevant internal functions.
  - **,5 point**: The FI *also* includes information on how it allocates resources and expertise for the day-to-day management human rights.

WBA/CHRB REFERENCE
- CHRB Core UNGP Indicator B.1.1: Responsibility and resources for day-to-day human rights functions.

This benchmark offers two elements for additional credit (,5 point each), for a total of one additional point (2 points total) if an FI meets both criteria. This differs from the CHRB's scoring guidelines, in which a company must meet both criteria in order to score one full extra point; half-points are not available. The scoring guidelines for Indicator 2 otherwise mirror those of CHRB.

Indicator 3: Does the financial institution describe its process(es) to identify its human rights risks and impacts throughout its financing activities?

UNGP REFERENCE
UNGPs 17 and 18

Scoring Guidelines
1,5 points total. Partial credit possible:
- **1 point**: The FI describes its overall, cross-cutting and ongoing approach to identifying the human rights risks and impacts related to its financing activities.
- **Additional credit** (FI must meet above criteria for 1 point):
  ,5 point: The FI describes how these processes are applied in a dynamic manner, i.e., triggered by new financial activities, new business decisions, changes in the operating environment OR applied periodically in a recurring manner.

A process that identifies only risks seen as "financially material" to the FI (i.e. negatively impacting the financial return) is insufficient. To receive credit, the FI must have a process to identify social/human rights risks (impact materiality) even if they are not financially material.

A risk identification process that is implemented only once also doesn't qualify, e.g., a one-off human rights impact assessment; the requirement is a continuous risk identification system.

WBA/CHRB REFERENCE

- CHRB Core UNGP Indicator B.2.1: Identifying human rights risks and impacts.
- WBA Financial System Benchmark Indicator C.17: Identifying human rights risks and impacts.

For a baseline score (1 point), CHRB requires a company to describe its processes to identify human rights risks and impacts "in specific locations or activities, covering its own operations AND through relevant business relationships, including its supply chain." The present benchmark adjusted CHRB's indicator to apply to the financial sector, removing references to specific locations and activities, as well as the supply chain, and referring instead to a process cutting across the institution's financing activities.

This benchmark awards additional credit (,5 point) if the institution describes how its processes are applied dynamically, i.e. triggered by new financial activities, new business decisions, or changes in the operating environment, or periodically in a recurring manner.

CHRB awarded one extra full point (for a total of 2 points) if the company met these criteria and also described how it consults with affected stakeholders and human rights experts in risk and impact identification. This benchmark does not include stakeholder consultation in Indicator 3, instead assessing stakeholder engagement separately in Indicator 6.

Indicator 4: Does the financial institution disclose what it considers to be its salient / most severe human rights risks and impacts?

UNGP REFERENCE

UNGPs 17, 18, and 24

Scoring Guidelines

1,5 points total. Partial credit possible:

- **1 point**: The FI discloses what it considers to be its salient / most severe human rights risks and impacts.
- **Additional credit** (FI must meet above criteria for 1 point):
  - **,5 point**: The FI describes how OR that it has considered severity in its assessment of risks and impacts associated with its financing activities.

WBA/CHRB REFERENCE

- CHRB Core UNGP Indicator B.2.2: Assessing human rights risks and impacts.
- WBA Financial System Benchmark Indicator C.18: Assessing human rights risks and impacts.

To align with financial sector characteristics the present benchmark simplifies the scoring process by excluding CHRB's requirement of a description of how relevant factors (e.g., geographical, social, and economic) are taken into account and how the assessment process applies to its supply chain; or public disclosure of the results of risk and impact assessments.

The present indicator gives additional credit (,5 point) if the FI discloses that has considered severity in its risk and impact assessment, in line with UNGP 24.
CHRB awarded one full extra point (for a total of 2 points) if the company involved affected stakeholders in the process. This benchmark does not include stakeholder consultation in Indicator 4, instead assessing it separately under Indicator 6.

Indicator 5: Does the financial institution describe how it takes action to prevent, mitigate and/or remediate its human rights risks and impacts throughout its financing activities?

UNGP REFERENCE
UNGPs 17 and 19

Scoring Guidelines
1,5 points total. Partial credit possible:
- **1 point**: The FI describes its overall, cross-cutting approach to prevent, mitigate and/or remediate its human rights risks and impacts throughout its financing activities.
- **Additional credit** (FI must meet above criteria for 1 point):
  - **,5 point**: The FI provides at least one example of specific actions taken or to be taken to address identified human rights risks or impacts in the last three years.

Engaging with business relationships, such as clients, customers, asset managers or investee companies (e.g., via human rights-related stewardship activities, active ownership and using leverage, such as dialogue with companies, voting for or against shareholder proposals, exclusion or divestment) can qualify for credit where this explicitly relates to acting on human rights concerns.

WBA/CHRB REFERENCE
- CHRB Core UNGP Indicator B.2.3: Integrating and acting on human rights risks and impact assessments.
- WBA Financial System Benchmark Indicator C.19: Integrating and acting on human rights risk and impact assessments.

The present benchmark differs from CHRB's scoring for this indicator in several ways:
- CHRB required companies to describe their approach to preventing, mitigating, and/or remediating their ***salient*** human rights issues (emphasis added). The present benchmark does not include "saliency" in its scoring guidelines, instead assessing saliency in Indicator 4 and untying indicator 5 from 4. An FI that does not disclose which human rights issues it considers "salient" could thus still receive credit under Indicator 5 if it describes its approach to avoid and address human rights risks and impacts.
- The present benchmark awards additional credit (,5 point) for an example of specific actions taken, which CHRB instead treated as an alternative way for a company to score one point.
- To align with financial sector specificities the present benchmark excludes CHRB's language referring to the supply chain and specific activities or operations.
- CHRB awarded one full extra point (for a total of 2 points) if the company consulted affected stakeholders in the process. The present benchmark excludes stakeholder consultation from this Indicator 5, instead assessing it separately under Indicator 6.

Indicator 6: Does the financial institution disclose information about its engagement with affected and potentially affected stakeholders or their legitimate representatives in relation to identifying, addressing, or tracking its human rights risks and impacts?

UNGP REFERENCE

UNGPs 18, 20, and 21

Scoring Guidelines

1,5 points total. Partial credit possible:

- **1 point**: The FI discloses information about its engagement with affected and potentially affected stakeholders or their legitimate representatives (e.g., NGOs, unions, etc.) in relation to identifying or addressing its human rights risks and impacts or in relation to tracking the effectiveness of its response to identified impacts.
- **Additional credit** (FI must meet above criteria for 1 point):
  - **,5 point**: The FI has an example or case study illustrating its engagement with affected and potentially affected stakeholders.

Stakeholders in this context typically include workers, local communities, and/or consumers/users that can be negatively affected by financing activities such as the activities of portfolio companies. For the purposes of this indicator other business stakeholders such as business partners, customers or shareholders do not count as stakeholders.

WBA/CHRB REFERENCE

- WBA Financial System Benchmark Indicator C.20: Engagement with affected and potentially affected stakeholders
- CHRB Indicator B.1.8: Approach to engaging with affected stakeholders.

Indicator 6 does not map directly onto one of the Core UNGP Indicators. As noted above, the Core UNGP Indicators assess stakeholder consultation within Indictors B.2.1 (identifying human rights risks and impacts), B.2.2 (assessing human rights risks and impacts), and B.2.3 (integrating and acting on human rights risks and impact assessments).

The present benchmark uses a separate indicator to assess FIs' engagement with affected stakeholders, in line with the approach taken in the WBA's Financial System Benchmark. In doing so, the research team aims to provide a standalone reference point which can capture FIs' levels of engagement with affected stakeholders thereby potentially adding more emphasis to the importance of engaging with affected stakeholders.

Indicator 7: Does the financial institution have in place a channel(s) or mechanism(s), or participate in a third-party or shared mechanism, accessible to affected and potentially affected stakeholders to raise human rights-related complaints or concerns related to the institution's financing activities?

UNGP REFERENCE

UNGPs 22, 29, 30, and 31

Scoring Guidelines

2 points total. Partial credit possible:

- **1 point**: The FI has in place a channel(s)/mechanism(s), or participates in a third-party or shared mechanism, accessible to affected and potentially affected stakeholders (internal and external) to raise human rights-related complaints or concerns related to the institution's financing activities.
- **Additional credit** (FI must meet above criteria for 1 point):
  - **,5 point**: The FI describes how it ensures the mechanism(s) is effective (e.g., designed in consultation with users, available in all appropriate languages, that potentially affected stakeholders are made aware of it (e.g., specific communication(s)/training)).
  - **,5 point**: The FI also encourages its business relationships incl. investee companies to set up such a grievance mechanism or channel, or to participate in a third-party or shared mechanism, accessible to affected and potentially affected stakeholders to raise human rights-related complaints or concerns.

Stakeholders in this context typically include workers, local communities, and/or consumers/users that can be negatively affected by financing activities such as the activities of portfolio companies. For the purposes of this indicator, other business stakeholders such as business partners, customers or shareholders do not count as stakeholders.

The FI can get credit without explicitly mentioning "human rights" in the description of the channel(s)/mechanism(s), but it must be clear that the channel(s)/mechanism(s) can be used for human rights-related concerns (e.g., workplace safety, environmental damage in the community, etc.).

Whistle-blower-type mechanisms whose descriptions focus only on anti-bribery, corruption, or financial wrongdoing would not qualify. Mechanisms open only to internal stakeholders (own employees) OR relevant only to breaches of internal policies would not qualify.

WBA/CHRB REFERENCE

- CHRB Core UNGP Indicators C.1: Grievance mechanism(s) for workers and C.2: Grievance mechanism(s) for external individuals and communities
- WBA Financial System Benchmark Indicators C.21: Grievance mechanisms for workers and C.22: Grievance mechanisms for external individuals and communities

The present benchmark combines the CHRB Core UNGP Indicators on grievance mechanisms for workers and for external individuals and communities, respectively, into a single indicator on grievance mechanisms for affected stakeholders. This approach aims to align with UNGPs 29 and 30, which call for businesses or collaborative initiatives (e.g., industry associations or multi-stakeholder initiatives) to establish effective grievance mechanisms.

The scoring guidelines for Indicator 7 otherwise mirror those of the CHRB, with two deviations: to allow for partial additional credit (,5 point each) rather than one full extra point for meeting all elements; and to focus on financing activities rather than the supply chain.

Indicator 8: Does the financial institution provide for or cooperate in remediation for affected stakeholders where it has caused or contributed to actual adverse human rights impacts?

UNGP REFERENCE
UNGPs 19 and 22

Scoring Guidelines
2 points total. Partial credit possible:
- **1 point**: For adverse human rights impacts which the FI has caused or to which it has contributed, it describes the approach it took to provide or enable a timely remedy for affected stakeholders OR if no actual adverse impacts have been identified it describes the approach it would take to provide or enable timely remedy for affected stakeholders.
- **Additional credit** (FI must meet above criteria for 1 point AND must have engaged in remediation of an actual impact):
  - **,5 point**: The FI describes its approach to monitoring implementation of the agreed remedy.
  - **,5 point**: The FI also describes changes to systems, processes, and practices to prevent recurrence of similar adverse impacts in the future.

WBA/CHRB REFERENCE
- CHRB Core UNGP Indicator C.7: Remedying adverse impacts.
- No equivalent indicator in WBA Financial System Benchmark

The scoring guidelines for Indicator 8 mirror the CHRB's scoring guidelines, with one minor deviation: The present benchmark awards additional credit only if the FI has engaged in remediation of an actual impact, whereas CHRB allowed companies to score additional points if no adverse impacts had been identified by describing the approaches it would take should such impacts arise.

ABOUT THE BENCHMARK PROCESS

Approach to Documentation & Data Collection
The benchmark draws solely upon publicly available information from policy documents, annual reports, and other relevant sustainability and human rights materials found on institution websites. Therefore, the results reflect FIs' approach to disclosure and communication, rather than their performance, on human rights. The results are merely a proxy for FIs' approach and commitment to human rights, not a measure of a given institution's actual practices nor its actual impacts on the enjoyment of human rights.

The study seeks to apply uniform, objective criteria to each institution. However, FIs operate in different spheres of the financial system, serve different clients, employ different financing instruments, and may use different language to describe their approach to human rights. The scoring and corresponding results necessarily include an interpretive margin. Consequently, the research team encourages readers and users to place greater emphasis on general trends rather than upon marginal differences in scoring among FIs.

The benchmark was carried out during June-November 2023 based on publicly available data from the FIs listed in Table 17 below. It provides a snapshot at a precise point in time and should not be generalised to the entire (Danish) financial sector. Many influential banks, investment managers, pension funds, and insurance companies—including some explicitly committed to respecting human rights—are not represented in the benchmark. This study should therefore be seen as an overview of some of the largest Danish FIs' disclosure on their level of engagement with human rights in their financial activities.

Selection of financial institutions

FIs in the present study were selected based on their 2022 market shares. In order to capture the broad landscape of the financial sector, the benchmark assessed the top five FIs by market share in each of four categories—banking, investment management, pension funds, and insurance. Given the different functions and activities of each type of institution, market share was determined separately for each category:

- For banks, by total assets based on data provided by Eikon Financial and the World Benchmarking Alliance[28]
- For investment management companies, by total assets based on statistics from FinansDanmark[29]
- For pension funds, by gross premiums and membership fees based on data from Insurance & Pension Denmark (F&P)[30]
- For insurance companies, by gross premium income based on data from Insurance & Pension Denmark (F&P)[31]

The benchmark also assessed two state affiliated FIs: Denmark's Investment Fund for Developing Countries (IFU) and ATP Livslang Pension.

The study focuses on Danish FIs and thus in the few instances that feature FIs with foreign ownership the focus is on the Danish branch.

Other approaches and sources could have been used for selection of FIs which may have led to other results.

TABLE 17 FINANCIAL INSTITUTIONS INCLUDED IN THE BENCHMARK

Financial Institution	Category
Danske Bank A/S	
Jyske Bank A/S	
Ringkjøbing Landbobank A/S	
Spar Nord Bank A/S	
Sydbank A/S	Banks
Alm. Brand A/S*	
Codan*	
Gjensidige (Danmark)	
Topdanmark A/S	
Tryg A/S	Insurance companies
AP Pension	
Danica Pension	
PensionDanmark	
PFA Pension	
Velliv	Pension funds
BI Management A/S (BankInvest)	
Danske Invest Management A/S (Danske Invest)	
Jyske Invest Fund Management A/S (Jyske Invest)	
Nordea Invest Fund Management A/S (Danmark) (Nordea Invest)	
Nykredit Portefølje Administration A/S (Nykredit Invest)	Investment management companies
ATP Livslang Pension	Pension fund (state-affiliated)
Investeringsfonden for Udviklingslande (IFU)	Development Finance Institution (state-affiliated)

*Two insurance companies on the list, Alm. Brand and Codan, combined in 2022 when the Alm. Brands group acquired Codan. However, Codan maintains its independent brand identity, and the two FIs provide separate polices and materials on human rights on their respective websites. The benchmark thus assessed both entities separately, with a goal of facilitating discussion on how the merged company can adopt best practices from the two entities.

Similarly, FIs owned by the same corporate group but operating as separate legal entities providing different financial services were assessed separately including in recognition of the difference of implementing due diligence in a bank's lending vs investment activities for instance. This includes, Jyske Bank and Jyske Invest Fund Management, and Danske Bank, Danske Invest Management, and Danica Pension. Some of these separate legal entities do however rely on the same group-level policies or communicate jointly about management of human rights. Where this is the case, the same sources (e.g. a group-level human rights policy) could inform scoring on several FIs belonging to the same group. Credit was only awarded if each institution referred to or cited the relevant group-level policy. Separate entities would not receive credit for a group-level policy that is not mentioned in their own reporting or on their websites, as the absence of a reference to such policies may make them inaccessible to affected stakeholders or reflect a difference in implementation.

In addition to the top five FIs in the four financial sector categories the benchmark deliberately includes two additional state-affiliated FIs. This is due to the UNGP emphasis on the 'state-business nexus' and the importance of ensuring that state affiliated economic actors act with respect for human rights. In addition to the two included FIs (IFU and ATP) the list initially included a third publicly affiliated FI the Export and Investment Fund of Denmark (EIFO), which was formed in 2022 by merging three separate state funds (Vækstfonden, Denmark's Green Investment Fund, and Denmark's Export Credit (EKF).[8] However, because EIFO was newly established at the time of this study, policies were not yet available for the merged entity nor publicly accessible for the three previously separate funds. The research team thus excluded EIFO from this benchmark. EIFO will be assessed in potential future benchmarks.

Engagement with Financial Institutions

FIs included in the Danish benchmark were informed via e-mail once selected. The research team gave each institution the chance to comment on its draft scorecard after the initial assessments were complete. The FIs had two work weeks to react on the initial scoring. However, this was not a requirement, and FIs did not receive additional points for responding. The aim of this engagement was to give FIs the opportunity to flag any public documents or information that the research team had overlooked during the assessment process. General comments or reference to internal policies or practice was not sufficient to affect scoring, but reference to information of relevance in the public domain was considered and where relevant reflected in the final consolidation of scores.

In general, we observed a high level of engagement (with 86% providing feedback) and strong interest in understanding the methodology and assessment criteria. In addition to providing detailed feedback on particular scoring results and suggesting additional sources of relevance, several FIs reached out with questions about the indicator reasoning and expressed interest in understanding better the different expectations around human rights built into different indicators.

RISKS & LIMITATIONS

Methodological Approach

The present benchmark, in line with the approach to the CHRB and WBA's financial system benchmark, relies on public information disclosed by FIs with the aim of driving further transparency on human rights commitments, systems, and processes as well as improvements in the quality of information disclosed. Relying on public disclosures carries significant limitations. As noted above, the results of this study reflect FIs' communication and transparency around human rights policies and processes – not their actual impacts on human rights. Indeed, several FIs included in the benchmark, including those that perform well, have faced allegations of involvement in human rights harms[32].

The CHRB and WBA indicators are well-defined, and the research team sought to maintain that clarity and avoid potential gaps in our revised indicators. However, certain methodological weaknesses are inevitable. These include:

- The weight of words: FIs could receive different scores based on slight differences in language. For example, an institution that "commits to respect human rights and the UN Guiding Principles" would receive full credit (2 points) on indicator 1: Commitment to respect human rights, while an institution that "has respect for human rights and subscribes to the UN Guiding Principles" would receive no credit, because its phrasing does not constitute a commitment as envisioned by the UNGPs. This approach runs the risk of artificially inflating or deflating scores of FIs with similar approaches but different phrasing. However, the research team elected to follow this approach in an effort to be conservative rather than generous in the scoring and to spark discussion among FIs, potentially prompting stronger and more precise language in disclosures.
- Comparing communications: The methodology may not always capture the efforts of FIs that fail to communicate using the language of human rights and social impacts. As such, there is a risk that the benchmark findings may reveal more about company's ability to communicate its human rights approach and to disclose information on policies and processes in a manner aligned with UNGP requirements rather than its actual human rights performance.
- To provide a streamlined first human rights benchmark of Danish FIs this benchmark's approach excludes several indicators from the full CHRB methodology, such as those relating to human rights training or serious human rights allegations, and from the WBA's financial system benchmark, such as the governance (Measurement Area A), planetary (Measurement Area B), or workforce-focused (Measurement Area C) indicators.

Future iterations of the benchmark will likely tweak the methodology, to incorporate learnings from this first iteration, to keep pace with international developments and standards, and to improve upon the abovementioned and other limitations. Conducting regular benchmarks provides an opportunity to track FIs' progress over time, while creating strong incentives for FIs to improve their scores. At the same time, changes to the methodology will also introduce challenges to meaningful comparison of benchmark data.

In light of these risks and limitations, we encourage readers to apply discretion when comparing the results of the Danish financial sector benchmark with WBA's financial system benchmark or other benchmarks of the broader financial sector.

Quality Assessment

Though the research team made every effort to apply the approach detailed above objectively and impartially, errors by or personal biases of researchers could still cause subjective interpretation of empirical data. The research team utilized Excel spreadsheets to facilitate structured collection of data and ensure that indicators were scored consistently on an institution-by-institution basis.

WBA's Financial Transformation team provided feedback on initial applications of the methodology to ensure correct interpretation of indicators. Throughout the preliminary assessment phase, the WBA provided guidance and feedback on draft scorecards and individual elements when further clarification was needed.

DIHR's team that oversaw the Danish CHRB snapshot of real-economy companies also provided insight on application of the CHRB Core UNGP Indicators and were involved in the indicator design choices. This team performed two rounds of quality assurance of the scoring; before and after feedback from the FIs. The team also conducted a final consistency check of the assessments to ensure consistency of the methodology approach across the full list of FIs assessed.

Relationships between DIHR and Financial Institutions Included in the Benchmark
DIHR, through its previous corporate engagement activities and ongoing work with the financial sector, has had collaborations or relationships with some of the FIs included in the benchmark, for example to provide trainings or advisory services. DIHR did not work directly with any of these FIs during the assessment process aside from its seat on IFU's Sustainability Advisory Board, where DIHR is represented by Department Director Elin Wrzoncki. Because the methodology relies on publicly available information only, DIHR did not utilise any additional knowledge from its engagements with any FIs in connection with this benchmark and has not identified any conflicts of interest.

ENDNOTES

1 Documenting respect for human rights | The Danish Institute for Human Rights
2 The real economy concerns the production, purchase and flow of goods and services within an economy. It is contrasted with the financial economy, which concerns the aspects of the economy that deal purely in transactions of money and other financial assets, which represent ownership or claims to ownership of real sector goods and services. Batko, M. (2013). The Real Economy and the Finance Economy. Munich: BookRix
3 Danish companies' documentation of their human rights work | The Danish Institute for Human Rights
4 See note 1 above.
5 WBA21_financial-system-benchmark_v4.pdf (worldbenchmarkingalliance.org).
6 Corporate Human Rights Benchmark | WBA (worldbenchmarkingalliance.org)
7 CHRB-Methodology_COREUNGP_2021_FINAL.pdf (worldbenchmarkingalliance.org). The 12 Core UNGP Indicators are extracted from the full CHRB methodology (The Methodology for the 2022–2023 Corporate Human Rights Benchmark | World Benchmarking Alliance) to provide a quick snapshot of a company's approach to human rights management and whether they are implementing the relevant requirements of the UNGPs.
8 "Financing activities" refers to the core functions an institution undertakes by nature of its role within the financial sector. The term encompasses: for banks, financial services (such as loans) provided to individual or corporate clients as well as investing; for pension funds and investment management companies investment practices as services provided to clients; and for insurers, insurance underwriting as well as investment.
9 See note 7 above.
10 See note 5 above.
11 See note 1 and 2 above.
12 Ralf Barkemeyer, Christophe Revelli, Anatole Douaud, Selection bias in ESG controversies as a risk for sustainable investors, Journal of Cleaner Production, Volume 405, 2023
13 United Nations Global Compact, Stakeholder Engagement in Human Rights Due Diligence – A Business Guide: https://www.globalcompact.de/migrated_files/wAssets/docs/Menschenrechte/stakeholder_engagement_in_humanrights_due_diligence.pdf and Investor Alliance for Human Rights: the human rights toolkit (page 13) https://investorsforhumanrights.org/sites/default/files/attachments/2022-03/Full%20Report-%20Investor%20Toolkit%20on%20Human%20Rights%20May%202020_updated.pdf
14 mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf & https://www.unpri.org/download?ac=11953
15 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2022.196.01.0001.01.ENG
16 Note that the European Supervisory Authorities proposed changes to the list of PAI social indicators in December 2023. See European Supervisory Authorities, Final report on draft regulatory technical standards (4 December 2023). Because

the publication of their report coincided with the finalization of the Financial Sector Benchmark, this chapter does not make any commentary on the suggested revisions.

17 Note that the European Supervisory Authorities proposed the replacement of the reference to the UN Global Compact with the UN Guiding Principles on Business and Human Rights for this indicator. See European Supervisory Authorities, Final report on draft regulatory technical standards, p. 6 (4 December 2023).

18 Danske Invest Management, PAI statement, 30 June 2023, p.28.

19 Nykredit Invest reported 0.03%.

20 For example, there are 9 core human rights treaties, 190 ILO conventions on labour rights and approximately 100 treaties in the area of humanitarian law.

21 Danske Invest Management, PAI statement, 30 June 2023, p.41.

22 Annex 1 of the RTS of SFDR, defines a human rights policy as a policy commitment approved at board level on human rights that the economic activities of the investee company shall be in line with the UN Guiding Principles on Business and Human Rights.

23 See, for example, the DIHR response to the 2023 consultation organized by the European Supervisory Authorities for an overview of areas of misalignment.

24 See note 1 above

25 See note 6 and 7 above

26 See note 5 above

27 See note 8 above

28 Eikon Financial Analysis & Trading Software | Refinitiv

29 FinansDanmark, Investeringsfondsstatistikker: Statistikker i Excel

30 F&P, Markedsandele for pensionsselskaber (2022)

31 F&P, Markedsandele for skadesforsikring (2022)

32 For example, Colombianske aktivister til Nykredit: "De penge I giver til Glencore har blod på sig." - Danwatch; Danske pensionskasser investerer milliarder i autoritære afrikanske regimer - Danwatch; Mänskliga rättigheter | Fair Finance; Guide BankTrack – Danske Bank

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