

Successful Launch of Shifting Gears Initiative Brings Focus on Human Rights in the Automotive Supply Chain

Members of the Tri-State Coalition for Responsible Investment are leveraging our collective power and voice as faith-based and responsible investors to engage with automotive companies in our portfolios to encourage respect for human rights and human dignity through the Shifting Gears initiative. Launched in January 2018, our campaign aims to improve human rights performance of automotive companies, where violations of forced labor, child labor, and poor working conditions are well documented in the supply chain. Members of the coalition are leading this investor engagement as part of their mission and ministry work to address human trafficking and child labor, as well as to better align their investment portfolios with their mission and values through active ownership.

Said Sister Ethel Howley, SSND, Schools Sisters of Notre Dame, Mid-Atlantic Province,

“Not long ago, a priest asked me how my working with large corporations to disclose their environmental and social policies fit in with the mission of the School Sisters of Notre Dame. After a few thoughtful minutes, I said, our engagements with these companies provide us with opportunities to further the reign of God here on Earth. The corporations significantly impact society. The policies and practices of these corporations affect our daily lives, our neighbors’, our friends’, and indeed all life throughout the universe. Therefore, we do need to determine whether they hold our values and are consistent with the teachings of the church.”



Campaign Goals

Tri-CRI members and staff built the foundation for a strategic advocacy campaign in our first year. Shifting Gears is a shareholder engagement with 23 car companies and key suppliers, in the form of dialogue between investors and company executives, where we discuss corporate policies and practices to ensure respect for human rights throughout their business activities and supply chains. The initiative aims to have impact by increasing awareness of the human rights risks in the automotive supply chain among the public and investors, and motivating companies to address these risks through responsible business practices, that include robust human rights due diligence.

Human rights due diligence is an framework for companies to identify, address, prevent, mitigate, and remedy human rights impacts of their business in order to meet the corporate responsibility to respect human rights under the UN Guiding Principles for Business and Human Rights (UNGPs).

We began with in-depth research, member capacity-building, and outreach to issue area experts to increase our understanding of child labor, forced labor, and hazardous work conditions in the automobile supply chain. These human rights risks were associated with commodities used in

car parts, such as mica for automotive paints, cobalt in electric vehicle batteries, rubber for tires, and leather for automotive seating. After mapping out which automakers and suppliers may be exposed to these risks and assessing each company's human rights policies and practices, we then narrowed down a focus list of companies to engage.

Responsive Company Engagement

We started by sending an investor letter in January 2018, which was our first time communicating with the majority of the 23 companies on our focus list for Shifting Gears. We were pleased that the company response rate to our outreach was incredibly high, with all but two companies responding. Company replies ranged from in-depth responses on their approach to human rights due diligence to less substantive responses that directed us to their websites.

More than half of the companies that responded to our investor letter were receptive to our request for a shareholder dialogue and in our first year, Tri-CRI members and staff participated in dialogues with 14 companies. This level of engagement allowed us to begin building relationships with companies that we had never before engaged, gain more insight to the processes and risks in the automotive sector and to see trends among each company's approach to human rights due diligence.

Strong Member Participation

Member participation is integral to the success of the Shifting Gears initiative thus far. Our engagements are on behalf of our member investment portfolios, where shares have been set aside for the duration of the engagement. 18 member institutions are active in the initiative, receiving updates and educational resources about the campaign that they can share within their own congregation. At least 14 members have actively participated in dialogues and monthly strategy calls as part of their own commitment to aligning mission and values and using their position as shareholders in a company to encourage companies to operate more responsibly and to respect human dignity.

Our Goals for 2019

As we turn to the next year of the engagements, we will focus more on specific objectives with each company where their progress may be lagging, such as strengthening human rights policy commitments, conducting a human rights risk assessment, or appointing a board member with human rights expertise. If we do not find that companies are sufficiently responsive or are not making the progress necessary to mitigate human rights risks, we may consider whether shareholder resolutions will be filed.

With support from research partners, we also plan to release a report on the 23 focus companies that will assess them and score them on key criteria on human rights performance, which will be the first of its kind for the automotive sector. This will help us continue to raise awareness among investors, companies, and other interested stakeholders.

As Tri-CRI members approach the Shifting Gears engagement, they are grounded in commitments to advance social justice and decent work for people around the planet.

Pope Francis reminds us in *Laudato Si* (190): *“Is it realistic to hope that those who are obsessed with maximizing profits will stop to reflect on the environmental damage which they will leave behind for future generations? Where profits alone count, there can be no thinking about the rhythms of nature, its phases of decay and regeneration, or the complexity of ecosystems which may be gravely upset by human intervention.”*

Visit <http://tricri.org/shifting-gears-campaign/> for more information.