

# Investor Engagement on Facial Recognition

2021 - 2023

## TERMS OF REFERENCE

June 2021\_Version 1

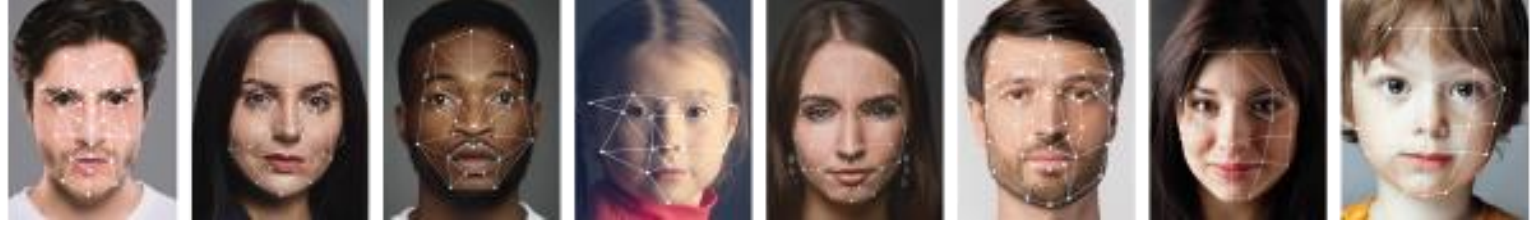
### Contents

INTRODUCTION .....	1
OVERVIEW AND PURPOSE.....	2
OBJECTIVES AND TIMELINE.....	2
MEMBERS .....	4
RESPONSIBILITIES.....	4
CONDUCT .....	6
CONFIDENTIALITY.....	6

### INTRODUCTION

This document is the terms of reference for the Investor Engagement on Facial Recognition (IEFR) initiative, which was formally established in June 2021, as the natural follow up of the [Investor Statement on Facial Recognition Technology](#).

It applies to the whole investor working group.



## OVERVIEW AND PURPOSE

CANDRIAM has initiated and organizes a collective and coordinated investor engagement with companies relating to human rights risks linked to the development & use of Facial Recognition Technology (FRT).

This engagement is underpinned by businesses' (including investors') responsibility to respect human rights and correct abuses when they occur in their business operation as set out in the *UN Guiding Principles on Business and Human Rights*. Investors need to use their leverage to address these harms through corporate engagement.

The purpose of the IEFR is to coordinate corporate engagement with companies involved in Facial Recognition in order to understand, mitigate and ideally halt human rights abuses caused by corporates development and use of FRT. The initiative has been formed in response to the massive deployment of facial recognition technology by law enforcement agencies and companies across the world and is aligned with investors' expectations listed in the dedicated [investor statement](#) released on June the 8th 2021.

The group of investors involved in IEFR will seek to engage in a dialogue with private & public companies in order to seek disclosure on their practices, implementation of appropriate due diligence as well as effective grievance mechanisms.

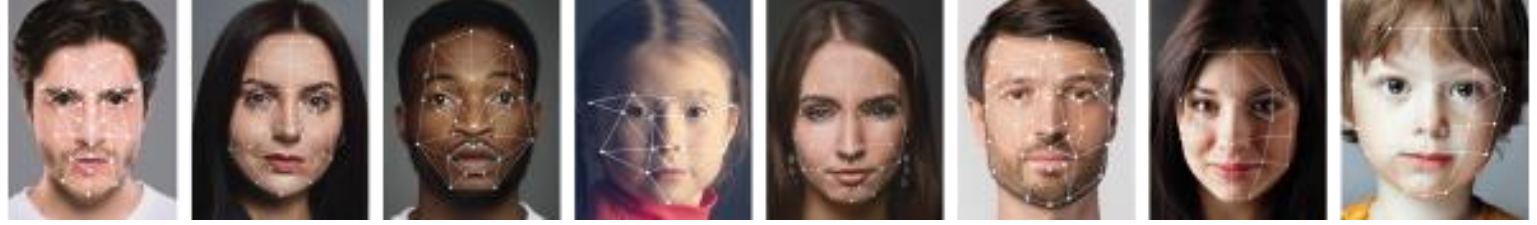
## OBJECTIVES AND TIMELINE

Specifically, four outcomes have been identified by investors to work towards:

1. **Learn** about the issues and the human rights abuses linked to FRT
2. **Dialogue (Phase I)** with companies to **understand** their exposure & practices
3. **Define** what constitutes **best practice** and what constitutes abuse
4. **Dialogue (Phase II)** with companies to **encourage best practice**

The initially planned timeline is as follows :

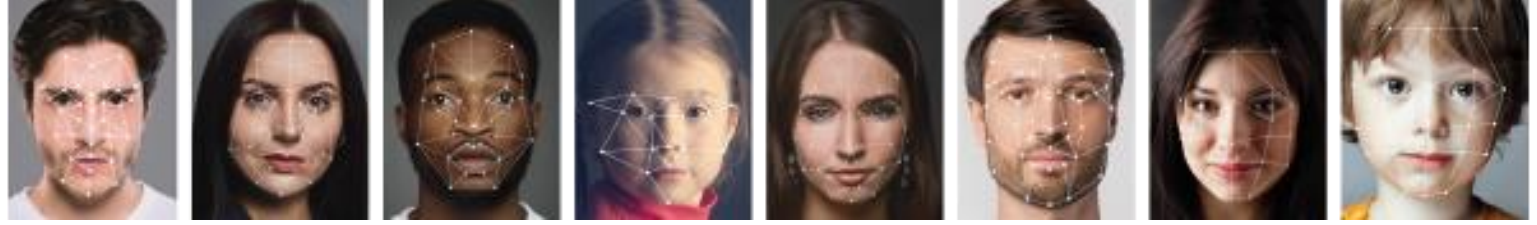
- **June 2021 – End August 2021 :**
  - identification of involved investors,
  - finalisation of the list of target companies
  - definition of investors' leading and supporting roles
  - Drafting of an Engagement Letter Model
  - Definition of Engagement Phase I - Evaluation framework



- **September 2021**
  - Start of Phase I Engagement : Letters sent to target companies
  - Completion of Phase I - Evaluation framework
  
- **October 2021 – March 2022**
  - Phase I Dialogue with target companies
  - Drafting of FRT Profile for every target company (based on Phase I - questions framework)
  
- **April / May 2022**
  - Definition of best practices based on Phase I engagement outcomes and exchanges with interested third parties
  - Writing of a Phase I engagement outcomes' paper (anonymized results, main findings, global picture & focus on best practices).
  - Phase I Outcome paper sent to target companies for comment
  
- **June 2022**
  - Phase I Outcome paper publicly released
  
- **September 2022 – March 2023**
  - Phase II Dialogue to support adoption of best practices at target companies
  - Completion of FRT profile for every target company
  
- **April/ May 2023**
  - Drafting EIFR progress report
  - Decision regarding possible escalation measures for some target companies.
  
- **June 2023**
  - Public Release of EIFR progress report

During the duration of the IEFR initiative, regular calls will be organized :

- Educational calls with third parties to increase the group's knowledge of FRT
- Organisation calls for administrative purposes
- Engagement Follow up calls



## MEMBERS

These terms of reference apply to the Investor Engagement on Facial Recognition (IEFR) initiative.

Members of the initiative should be committed to participating for the duration of the collaborative engagement and agree to the present Terms of Reference. Members are thus expected to commit to the initial two-year term. If the initiative extends its mandate beyond this, standard terms will be reviewed.

Asset owners, investment managers, and service providers or investor networks that have assets under management can join the collaborative engagement. Where practical, investor networks should disclose to the investor group, and in correspondence with companies, the names of their members who they are representing for the engagement.

Under the term 'member' is considered any organization joining the IEFR initiative. Every member will nominate a representative considered by other members as its primary contact. Appropriate colleagues of the member's referent contact can also take part to calls or IEFR initiative's events or works.

A list of the IEFR initiative members (including primary contacts' details) is maintained in a separate document.

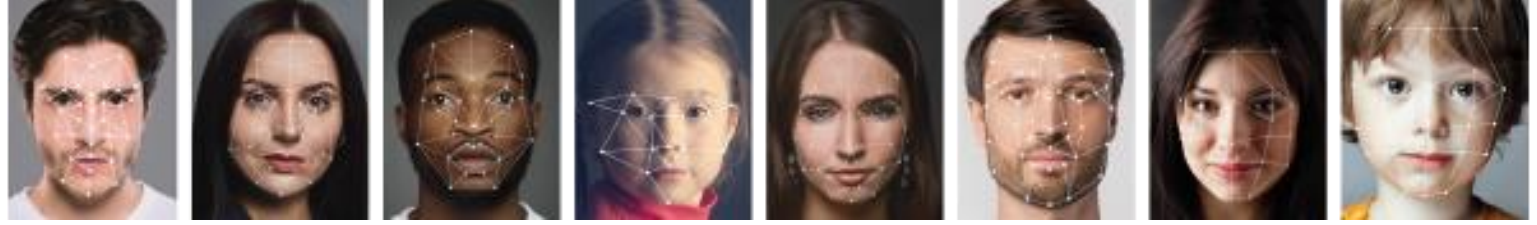
## RESPONSIBILITIES

### **CANDRIAM, Organiser & facilitator, Secretariat**

CANDRIAM plays an active role in coordinating the IEFR investor group and commits to:

- Defining project objectives, strategy and timelines, based on input from members
- Providing organisational guidance
- Providing expertise from either internal or external sources, convening, and facilitating regular meetings of members.
- Coordinating meetings, providing agendas producing meeting minutes, briefings and publications, etc.
- Ensuring the group moves forward and adheres to agreed timelines on a best effort basis
- Assisting the group in applying the companies' evaluation framework and assessing the impact of the engagement.
- Supporting the development and publication of any external outputs the group may produce (e.g. ranging from media communications, reports etc.).
- Taking part in efforts to raise public awareness of the initiative and activities to grow support for its objectives.

Following appropriate input from members, CANDRIAM retains final sign-off of any output that is published under the name of the IEFR initiative.



### **Engagement Working Group members**

In the present collaborative engagement members are responsible for the dialogues with target companies. In particular :

- Members are responsible for the engagement dialogues with companies that they undertake as part of a collaborative engagement.
- By participating in an engagement, members confirm that they are able to devote sufficient time to the project and duties, as defined below. Proactive participation from all members is crucial for an effective engagement group

CANDRIAM has the authority to remove signatory participants that do not abide by the agreed commitment levels and invite other organisation to participate.

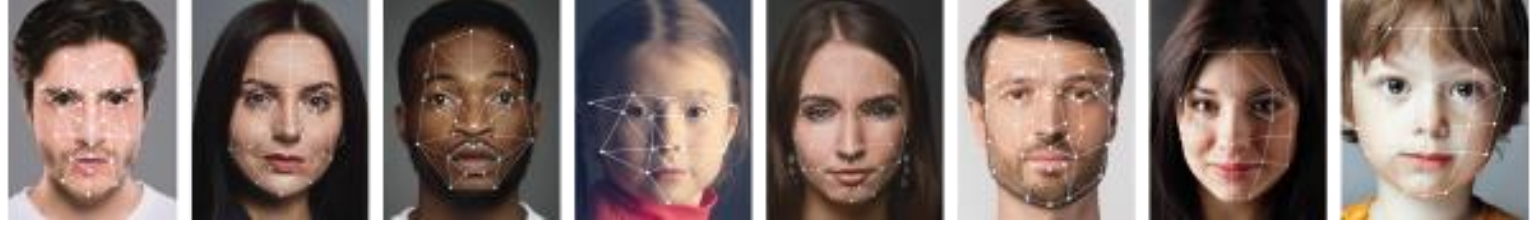
### **Members may participate in the initiative as leading or supporting investors.**

Typical rights and responsibilities for **leading investors** include:

- Joining regular group calls, the frequency of which will be based on project needs.
- Signing joint letters.
- Leading dialogues with selected target companies, and adding information to relevant evaluation frameworks for the companies they lead on.
- Being the main point of contact for investors and the company in coordinating and liaising on engagements.
- Coordinating with other supporting investors, to define the engagement strategy and agenda setting for dialogues.
- Reporting back to the working group on progress, at least on a quarterly basis.
- Informing the group of any engagement strategy involving filing resolutions with companies they lead on and committing not to make an explicit connection to the work of the group in relevant official documentation without consent of all other IEFR members.
- Joining company meetings led by other members when of interest and appropriate according to the leading investors involved
- Voluntary speaking commitments to present the work of the group.
- Outreach and engagement with peers in relation to the work of the group.

The choice of *Lead Investor* for a given targeted company will be driven by :

- the member's effective ownership of the company securities,
- the member's geographic proximity to the target company.



Typical rights and responsibilities for **supporting investors** include:

- Participating in regular calls, the frequency of which will be based on project needs.
- Signing joint letters
- Indicating specific companies where they are prepared to join meetings or calls, and provide feedback, information and input to the leading investor
- Joining company meetings led by other members when of interest and appropriate according to the leading investors involved
- Sharing information with the group (e.g. on issues, countries and companies)
- Voluntary speaking commitments to present the work of the group.
- Outreach and engagement with peers in relation to the work of the group.

Members are advised to become *Supporting Investors* of target companies of which they hold securities.

There may be more than one *Leading Investor* to advance dialogue with the same target company. In this case, *Leading Investors* will share equal rights and responsibilities.

By participating in this collaborative engagement all members, agree to abide by the confidentiality and non-disclosure arrangements noted in dedicated section below.

## CONDUCT

IEFR members should treat their fellow members with courtesy and respect. Individuals are contributing their valuable time, knowledge and insights, and work on the basis of mutual trust and the spirit of collaboration. Failure to meet these requirements may lead to the member being removed from the coalition.

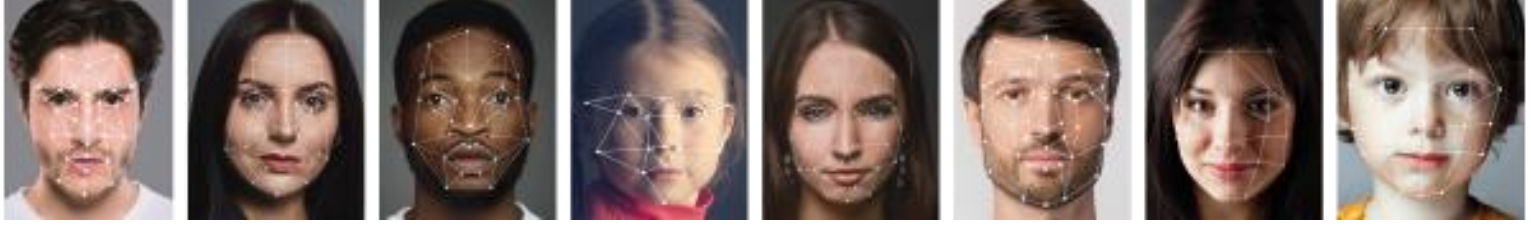
## CONFIDENTIALITY

Members must refrain from using this forum for explicit commercial purposes and should focus on furthering the goals and objectives as defined above. Failure to meet these requirements may also lead to the investor being removed from the initiative.

Unless other circumstances agreed by all members, the broad theme of the engagement, its existence, and high-level indications of its progress will be disclosed by CANDRIAM. Disclosure of additional information related to the engagement will be encouraged only whenever trust between parties (investors and target companies) is not at risk.

**The discussions held between members of the IEFR group will remain confidential.** The group will follow the Chatham House Rule, whereby information disclosed during a meeting may be reported by those present, but the source of that information may not be explicitly or implicitly identified.

Members can publicly share the progress of the group on an aggregated basis, but not naming target companies. CANDRIAM must be systematically informed ahead.



The following information will be made public as part of this investor working group:

- The names of the members
- The number of meetings held with target companies.

The following information will be kept private:

- During the engagement process, the names of company and of their representatives under engagement will not be publicly disclosed unless this has been explicitly and formally agreed i.e. as a means to escalate the group's engagement or commend companies that have responded positively.
- Members may not disclose publicly which investor is engaging with which company nor the progress of dialogue. They may however disclose such information for reporting purpose to their clients when they lead or support the engagement on the considered company but detailing their role & the name of the lead investor. It is also their responsibility to ensure that the confidentiality of the engagement is understood and agreed by these same clients.
- Discussions during group conference calls and company updates shared by leading investors or others, unless this has been explicitly and formally agreed.

CANDRIAM may record group calls for internal purposes (i.e. note taking). Recordings are not circulated, as they are presumed to be confidential and sharing them could increase the risk that discussions inadvertently appear in the public domain. Where recordings of group discussions are taken, CANDRIAM will state at the start of the call that the call is being recorded for note-taking purposes. Call recordings will be deleted once the IEFR initiative is closed.

Where external experts present to groups on a particular topic, with their prior permission a webinar or audio recording may be taken and shared with investors as a resource.

Should parties in the engagement group wish for their involvement to remain private, the other parties will agree to respect their wishes by not disclosing their names.

The above confidentiality and disclosure arrangements do not limit participants from disclosing information which: a) they are able to reasonably establish as previously known to them; or b) is in the public domain at the time of disclosure.

CANDRIAM is empowered to speak publicly on behalf of the IEFR Initiative within the terms of any confidentiality agreement in place for the group. Other members may also be permitted to do so when it has been explicitly and formally agreed by the CANDRIAM.