

# abrdn Position Statement – Governments and Human Rights

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## The issue

The atrocities seen during the Second World War brought concerted efforts to establish a system of internationally recognised human rights. The 1948 United Nations (UN) Universal Declaration of Human Rights (UDHR) was a landmark agreement in the international community, adopted unanimously by UN members. Subsequent UN declarations and regional conventions added detail about states' responsibilities, as well as clarity on specific issues such as racial discrimination, torture, children's rights and the rights of people with disabilities.

But, despite significant international discussion on human rights, the individual progress of each country varies – sometimes quite dramatically. Every country faces human-rights challenges, but some regions face additional headwinds such as ongoing conflict, political tension, lack of infrastructure and skills gaps.

Human-rights challenges are often complex and persistent, making them difficult to solve quickly in sustainable ways. While development and economic advancement often help, they do not guarantee that rights are upheld. In many cases, they merely change the nature of the challenges a country faces.

## Why is this important for investors?

Governments' capacity to protect human rights can impact investments in a number of ways, both positively and negatively. For example, fair employment opportunities and rising living standards enable people to participate more fully in society, which can stimulate productivity and spending that boosts the economy.

Governments that lack focus on human rights or participate in abuses not only miss out on economic opportunities, but can also create social unrest that damages or disrupts the economy. The economic impact of protests and social movements is often overlooked, but can be significant nonetheless. In France, for example, the central bank cut its 2018 growth forecasts in half, in part because of 'yellow vest' protests against economic inequality that slowed industrial production and services activity. Similarly, Bahrain's credit rating was downgraded following the Arab Spring protests of 2011, as rating agencies grew increasingly concerned about political and civil unrest. The downgrade called Bahrain's ability to repay debt into question, and many investors withdrew capital.

## Our view

When we invest in government securities, we expect the issuing countries to work to uphold human rights. We expect states to protect the human rights of their people, businesses to respect human rights, and both to take appropriate action to remedy any infringements of human rights.

At abrdn, we draw upon a number of international, legal and voluntary agreements for guidance on human-rights responsibilities and compliance. Our primary sources are the International Bill of Rights<sup>1</sup> and the core conventions of the International Labour Organisation (ILO)<sup>2</sup>, and the UN Guiding Principles on Business and Human Rights (UNGPs).<sup>3</sup>

<sup>1</sup> Comprising the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights.

<sup>2</sup> <https://www.ilo.org/global/standards/lang--en/index.htm>

<sup>3</sup> [https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)



## Our approach to investments

To understand the human-rights risks and opportunities of our investments in government securities, we draw on political and social research. We aim to form a forward-looking view that reflects how countries may be making progress or falling behind. We use these views to inform our analysis of more traditional financial-risk indicators, such as how easy it is for business to operate in certain regions, a country's ability to repay debt and the correct pricing of these risks. We have developed proprietary tools to support our efforts, including our environmental, social, governance and political (ESGP) framework and our Global Macro ESG index.

Our **ESGP framework** enables us to integrate ESGP risks into our emerging-market debt strategies. The framework brings together independently sourced quantitative measures in each risk area to form an overall ESGP score. We then use our analysis and expertise to assign a positive, negative or neutral direction of travel to each country. From a human-rights perspective, this includes an assessment of quality of infrastructure, gender equality and income equality (among others), which enables our teams to understand the risks arising from unequal social outcomes and public repression.

Recognising that the most successful societies blend strong economies with healthy environments, inclusive social policies, representative political institutions and fair legal frameworks, our Global Macro ESG index assesses c. 150 countries. It brings together substantial amounts of data to identify countries that are persistently dynamic in both economic and ESG terms. This index includes indicators related to human rights, such as "civil liberties" and "freedom of expression" scores.

## Engagement

Governments rely on foreign investors to help finance their development activities. In our public-policy and government-engagement activities, we set out the information required to undertake our risk assessments. We emphasise our expectations for our investments and encourage best practices. Given the political nature of some topics, these discussions can be challenging however, our extensive research efforts often provide an objective starting point for engagement.

In the absence of formal sanctions or client-mandated criteria, we do not automatically exclude countries from our investment universe based on human-rights issues. We prefer to take a research-led approach that acknowledges the complexity of such issues. Where we see limited progress, we will consider selling our holdings.

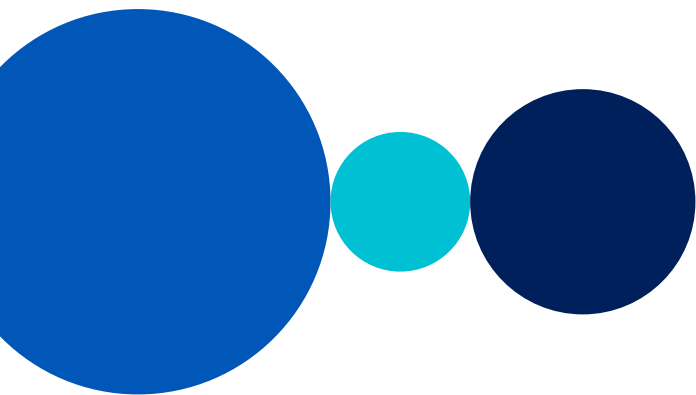
## Specific topics of interest

**Controversial weapons:** Please refer to our position statement on our website at [abrdn.com](http://abrdn.com).

**Oppressive regimes:** The term 'oppressive regimes' is subjective and not formally defined in international law. It typically refers to countries with systems or authorities that exercise power through malicious or unjust treatment, often in the form of human-rights abuses. At abrdn, government human-rights issues are integrated in our investment processes as described above. Our approach to corporate investment can be found in our position statement on our website. In the absence of formal sanctions or client-mandated criteria, we do not automatically exclude countries or companies from our investment universe based on their classification or dealings with oppressive regimes.

**The death penalty:** While the death penalty is a contentious issue for many, it remains legal in a number of countries. In the absence of client-mandated criteria, we do not automatically exclude countries or companies from our investment universe based on the use of or participation in the death penalty. We do, however, consider this as part of our broader analysis of human rights.

For more detail and content on human rights and other ESG issues, please visit our website at [abrdn.com](http://abrdn.com).



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