

abrdn Position Statement – Business and Human Rights

September 2021

For professional investors (in Switzerland for Qualified Investors) only. Not for use by retail investors.

At abrdn, we have a duty to our clients to understand the ways in which human rights may affect the value of their investments. We also have a duty to respect human rights in our own activities, by fully understanding the ways in which our investments affect the rights of others. Engagement allows us to exert a positive influence for change where it is needed.

The issue

Human rights are typically under-researched in the investment community. They are often narrowly associated with government policy and international relations. But, through their operations, companies are intrinsically linked to human rights. Over the last few decades, globalisation and innovative technologies have increased the corporate influence on human rights.

Examples of business's impact on human rights are easy to find. Media headlines are riddled with allegations of abuses including associations with conflict (particularly over natural resources), the prohibitive costs of lifesaving medicines, the destruction of the environment on which communities depend for their livelihood, and the perpetuation of slave-like conditions in supply chains. However, companies can also have a positive influence on the rights of communities and peoples. For example, companies can use mobile technologies that provide access to finance, help to distribute humanitarian aid, ensure the safety and security of vulnerable women, and facilitate social activism that addresses injustice.

From a financial perspective, companies and investors have multiple incentives to ensure respect for human rights.

- A strong corporate reputation can boost investor confidence, strengthen business partnerships, increase customer loyalty and help to attract and retain skilled staff.
- A robust human-rights approach allows companies to operate more efficiently and effectively, particularly in complex or unfamiliar environments, or in areas of ongoing or residual conflict.

- Regulators are increasingly calling for mandatory human-rights due diligence and reporting. Companies that can demonstrate a robust approach will avoid penalties.

Our expectations for investments

At abrdn, we draw upon a number of international, legal and voluntary agreements for guidance on corporate human-rights responsibilities and compliance. Our primary source is the UN Guiding Principles on Business and Human Rights (UNGPs).

“All business enterprises, regardless of their size, sector, operational context, ownership and structure, have the responsibility to respect all human rights.”

UN Human Rights Council¹

We expect all the companies in which we invest to do the following:

1. work continuously to understand their actual and potential impacts on human rights,
2. establish systems that actively ensure respect for human rights; and
3. take appropriate action to remedy any infringements of human rights.

Our approach to investments

Analysis

Reporting on human rights can help investors understand the risks and opportunities arising from these issues. However, corporate human-rights disclosures are currently very weak. So we need to take an active role in assessing and engaging with our investments on human-rights issues, working to protect the value of our clients' investments and influence positive changes.

¹ Revised Draft Treaty on Business and Human Rights 2019, OEIGWG Chairmanship Revised Draft 16 July 2019.



Business and Human Rights – Cont.

We assess companies' impact on human rights from both a top-down and bottom-up perspective.

- **Top-down:** Although they can impact human rights anywhere in the world, companies face additional risks when they are operating in or sourcing key materials from countries that have a poor record in human rights, weak rule of law or ongoing or residual conflict. Operating in complex environments requires a robust approach to human-rights due diligence and a full understanding of the unique challenges that the specific environment creates.
- **Bottom-up:** The salient human-rights risks that a company faces vary by the types of activities it conducts. For instant, the human-rights impacts from mining operations are very different from those of an IT software company. Land rights and community consent are much more relevant to the former, but the right to privacy would be more relevant to the latter.

Once the salient human-rights issues have been identified, we use the UNGPS to guide our risk-mitigation efforts. These may include supplier mapping; policy commitments; due-diligence processes to identify, assess, mitigate and track risks; and processes to monitor impact and address any harm caused.

Engaging for change

Many challenges remain, even for companies with the most advanced approaches to human rights. Given the complexity and range of human-rights issues, as well as the general lack of disclosure from companies, an active engagement approach is an extremely useful tool for investors. We use our ongoing engagement activities to better understand our investments and encourage improvements.

Where companies are unwilling to engage or show limited progress, we consider how to exercise our influence through voting and shareholder resolutions where possible. As a last resort, we may consider selling our holding.

Collaborative working

Working with others in the investment industry, academia and human-rights organisations is an important component of driving positive change. We have participated in multiple collaborative engagement initiatives with the Principles of Responsible Investing (PRI), including one focused on human rights in extractives industries. We also participate in roundtables and working groups focused on achieving a just transition to a low-carbon economy. abrdn is a signatory to the Investor Alliance for Human Rights' call on governments to implement mandatory human-rights due diligence in line with the UNGPs.

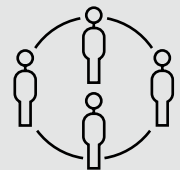
Sustainable investing at abrdn

As a leading global asset manager, we believe that investing sustainably can help generate long-term value for our clients. How and where the world chooses to invest has critical implications for the well-being of society and our planet. Equally, investments that could have negative social and environmental impacts can pose risks for the investment performance we can deliver for our clients.

Environmental Social and Governance (ESG) considerations are an integral part of our decision-making when investing your capital. By understanding how ESG factors affect our investments, we believe that we can generate better outcomes for our clients, society and the wider world.

To help us achieve this, our dedicated, 20-strong ESG Investment team works closely with colleagues across all asset classes. Dedicated ESG asset-class analysts provide an additional layer of expertise.

Please visit our [website](#) for more detail.



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