



abrdn Position Statement – Labour and Employment

July 2024

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The issue

Companies are under increasing scrutiny from consumers, civil society and regulators regarding the treatment of their direct employees and the workers along their supply chains. This scrutiny places companies at risk of encountering various regulatory, operational, and reputational challenges. Furthermore, the evolution of work practices, technological advancements, and shifting consumption patterns introduce additional complexities.

Why is this important for investors?

Human capital – the intellect, skills, attitudes and abilities of a company's workforce – is a key driver of value creation.¹ Investing in human capital is critical for firms that want to become more innovative, increase their productivity and improve their brands and reputation. There is also a positive correlation between the way companies manage their human capital and their financial performance.² For example, improvements in cognitive diversity, the fairness of pay, the quality of training and development, and work-life balance can boost firms' competitive advantage and thus their long-term earnings potential.³

Our view

At abrdn, we understand the connection between a company's workforce practices and its long-term success. We encourage companies to respect labour rights, enhance job quality, and thereby contribute to the development of stronger societies. We refer to the ILO Core Conventions and the OECD Guidelines for Multinational Enterprises for guidance on best practices.

The availability and usability of workforce data remains a challenge for all investors. Reporting is not comprehensive, and even when data is available, it is often inconsistent and inaccurate. That makes analysis more difficult.

We use our voice as investors to encourage our investments to report a greater amount of data and to ensure that it is of higher quality.

Our approach to investments

The complex nature of labour and employment issues means that we can't take a one-size-fits-all approach. When assessing a company's workforce practices, we consider a range of factors in our analysis. This requires us to use a methodology that combines baseline criteria, such as compliance with national regulations and internationally recognised labour standards,⁴ with metrics tailored to different sectors and jurisdictions (such as right to freedom of association and collective bargaining). We take both sector and geographical factors into account in our risk analysis of labour issues.

At a company level, we examine a mix of qualitative data and quantitative workforce-related key performance initiatives. We cross-reference these against labour-related controversies uncovered by the media, concerns raised by non-governmental organisations and the views of other watchdog organisations.

Engagement

Given the complexity of labour and employment issues, as well as limited 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 needed.

Where companies are unwilling to engage or show limited progress, we consider how to increase our influence through collaborations or to exercise our influence through voting and shareholder resolutions if possible. As a last resort, we may consider selling our holding. For further information on our approach to engagement, please see our Engagement Policy on our website.

¹ Haskel and Westlake. (2018) Capitalism without Capital: the Rise of the Intangible Economy.

² Bernstein, A and Beeferman, L. (2015) The Materiality of Human Capital to Corporate Financial Performance.

³ Larsson, D and Mörling, A. (2015) The Causal Relationship between Human Capital & Stock Performance – A quantitative study on the Stockholm Stock Exchange.

⁴ E.g. ILO (International Labour Organisation) Conventions, UN Global Compact, and those developed by OECD.



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