

abrdrn Position Statement – Businesses and Human Rights

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The issue

Human rights are typically under-researched in the investment community. Human rights are often narrowly associated with government policy and international relations. But, through their products and 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. Around the world there are allegations of abuses including 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 human rights. 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.

Why is this important for investors?

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 view

At abrdrn, 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).

We expect all the companies in which we invest, regardless of their size, sector, operational context or ownership and structure, 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

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 the companies in which we invest on human-rights issues, working to protect the value of our clients' investments and influence positive changes where needed.

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

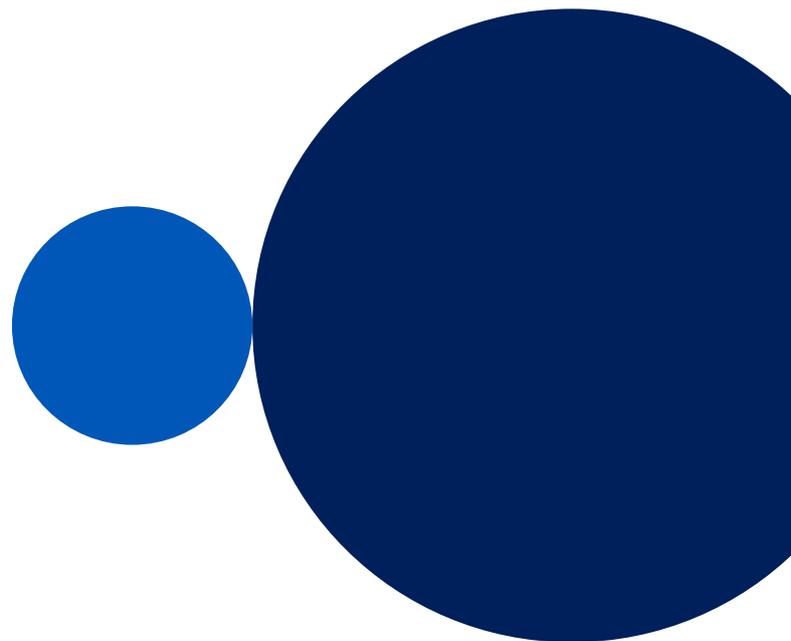
- **Top-down:** Although companies can impact human rights anywhere in the world, they face additional risks when operating in or sourcing key materials from countries that have a poor track record in human rights, weak rule of law or ongoing or residual conflict. Operating in complex environments requires 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 instance, 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 assessment of the company's efforts. These may include reviewing supplier mapping; policy commitments; due-diligence processes to identify, assess, mitigate and track risks; and processes to monitor impact and address any harm caused.

Engagement

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 limited disclosures 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.



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