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## Human rights – our approach for investments

September 2021

[abrdn.com](https://abrdn.com)

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## Author



**Elizabeth Chiweshenga**  
Senior Responsible Investment Analyst

## Who we are

abrdn is a leading global asset manager dedicated to helping investors around the world reach their desired investment goals and broaden their financial horizons. The investment needs of our clients are at the heart of what we do. We offer a comprehensive range of investment solutions, as well as the very highest level of service and support.

# Introduction

**Every human being has a fundamental right to life and dignity. Although the international community has officially recognised these rights for over 70 years, the global pandemic highlights the immense challenges we continue to face in safeguarding human rights.**



**Rod Paris**  
Chief Investment Officer

As investors, we recognise the impact that human-rights issues can have on our investments and the role we can play in stimulating progress. We believe that working to uphold human rights offers us an attractive long-term investment case. So, for a number of years now, we've put assessments of risks and opportunities arising from human rights at the heart of our environmental, social and governance (ESG) approach.

More recently, the suffering and loss of life from Covid-19 have highlighted the evolving landscape for human rights and the challenges we continue to face. As the virus spread across all parts of the world, it completely changed the way that we live and interact with each other. The World Health Organization (WHO)<sup>1</sup> and the United Nations (UN) Office of the High Commissioner for Human Rights (OHCHR)<sup>2</sup> have stressed the need to integrate a human-rights-based approach in response to Covid-19. They note potential challenges in accessing healthcare, food security, privacy, access to education and safe working conditions, to name just a few.

For many, the pandemic has brought human-rights issues into sharper focus.<sup>3</sup> António Guterres, Secretary-General of the United Nations, described Covid-19 as "a human crisis that is fast becoming a human rights crisis."<sup>4</sup> The ramifications of the pandemic will be felt across all regions and industries, each of which has the opportunity and responsibility to respond in ways that uphold human rights.

At abrdn we take our responsibilities seriously and strive to keep improving. We have developed a human-rights approach across six areas of focus. This document provides transparency on our approach and the actions we are taking to deliver on our responsibilities as investors.

<sup>1</sup> World Health Organization (2020), Addressing Human Rights as Key to the COVID-19 Response [Online]. Available at <https://www.who.int/publications/i/item/addressing-human-rights-as-key-to-the-covid-19-response> (Accessed 29 September 2020).

<sup>2</sup> United Nations Office of the High Commissioner (2020), COVID-19 and its human rights dimensions [Online]. Available at <https://www.ohchr.org/EN/NewsEvents/Pages/COVID-19.aspx> (Accessed 29 September 2020).

<sup>3</sup> For example, see commentary from Diana Kearney and Sharmeen Contractor from Oxfam America in Responsible Investor online at <https://www.responsible-investor.com/articles/investorsembrace-human-rights-in-the-era-of-corona>.

<sup>4</sup> Guterres, A. (2020), We are all in this Together: Human Rights and COVID-19 Response and Recovery [Online]. Available at <https://www.un.org/en/un-coronavirus-communications-team/we-are-alltogether-human-rights-and-covid-19-response-and> (Accessed 29 September 2020).

# Our beliefs

## Our human-rights approach and role as investors are underpinned by four core beliefs.

### 1. Considering human-rights risks and opportunities as an integral part of our investment process while also achieving desired outcomes for our clients.

#### Risks and opportunities

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 may affect the rights of others and by influencing positive changes where needed.<sup>5</sup>

Human rights are typically an under-researched area in the investment community. However, there are many ways in which human-rights issues interact with investments. Media headlines are full of allegations of corporate abuses, such as 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. A lack of adequate human-rights protections can ultimately create significant social unrest that damages or disrupts the economy.

We believe that working to uphold human rights offers us an attractive long-term investment case. For countries, research has shown that human-rights protections can lead to an increase in development finance and foreign investment that boosts the economy.<sup>6</sup> For companies, respect for human rights can increase investor confidence and customer loyalty<sup>7</sup>, attract and retain skilled staff<sup>8</sup>, and make it easier to operate in complex environments.<sup>9</sup>

### 2. Fulfilling our human-rights responsibilities requires ongoing engagement and work to influence positive change. These are important parts of our role as active investors.

#### Research & engagement

As investors, we see our human-rights responsibilities as twofold. Firstly, to protect the value of our clients' investments. Secondly, to respect human-rights in our investment activities. In many ways, these responsibilities work hand in hand – adverse human rights impacts often make for bad investments. However, in some cases, the financial incentives for individual investees to respect human rights are currently insufficient or non-existent. This does not mean that investors should take no action or that we have no role to play.

As long-term investors, we must consider the bigger picture and recognise that respect for human rights can benefit everyone in the long run by facilitating peaceful, stable and inclusive societies. As active investors, we can use our influence to encourage positive change. We see this as a core part of our stewardship responsibilities. We regularly engage with companies and issuers, and integrate a rights-holder perspective into our thinking. This helps us understand human-rights issues from multiple perspectives and enables us to challenge existing practices and norms.

We believe that using our leverage in this way is a powerful tool. Through active engagement, we can help guide companies toward best practices and participate in complex, nuanced conversations aimed at addressing systemic human-rights issues. Where our contacts are unwilling to engage or we see insufficient progress, we may consider selling our holdings.



#### Our beliefs in practice

We provide human-rights insights for investment decision-makers through research and engagement. This helps us better understand the global human rights environment and assess the interaction between investments and human-rights.



#### Our beliefs in practice

We inform and influence management about human-rights risks through engagement and voting. These discussions can be challenging, given the political nature of some topics. But our extensive research efforts provide a balanced starting point for engagement.

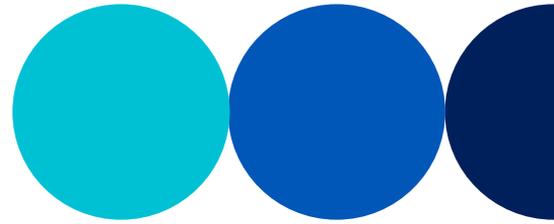
<sup>5</sup> While this document focuses on our approach to human-rights in our investment activities, we also integrate human-rights considerations into our wider group operating model. For more information on this, please refer to our Human Rights Statement at [abrdn.com](https://abrdn.com)

<sup>6</sup> Sources include: Vadlamannati, K. C., Janz, N., and Berntsen, Ø. I. (2018), "Human Rights Shaming and FDI: Effects of the UN Human Rights Commission and Council," *World Development*, vol.104, p.222-237; Blanton, S. L. and Blanton, R. G. (2007), "What Attracts Foreign Investors? An Examination of Human Rights and Foreign Direct Investment," *The Journal of Politics*, vol. 69, no. 1, pp.143-155.

<sup>7</sup> Sources include: Whelan, T. and Konthal-Sacco, R. (2019), "Research: Actually, Consumers Do Buy Sustainable Products," *Harvard Business Review*, 19 June 2019 [Online]. Available at <https://hbr.org/2019/06/research-actually-consumers-do-buy-sustainable-products> (Accessed 28 September 2020); The Neilson Company (2018), *What's Sustainability Got to Do with It?* [Online]. Available at <https://www.nielsen.com/wp-content/uploads/sites/3/2019/04/whats-sustainability-got-to-do-with-it.pdf> (Accessed 28 September 2020).

<sup>8</sup> For example, large technology companies have seen employee resignations and recruitment boycotts in response to allegations that their products are used to violate human rights.

<sup>9</sup> Research into the mining sector, in particular, has demonstrated the potential for project disruption and delays as a result of community conflict. For example, please see research from Davis and Franks for the Harvard Kennedy School, Shift and The University of Queensland at <https://www.business-humanrights.org/en/pdf-costs-of-company-community-conflict-in-the-extractive-sector>.



**3. Upholding human rights often relies on voluntary agreements and weak regulations. This is not enough. Improved corporate practices and stronger regulations are needed to support human rights.**

**Human-rights policy**

abrdn is wholly supportive of the 'Protect, Respect, Remedy' framework and the UN Guiding Principles for Businesses and Human Rights (the UNGPs). In line with these standards, governments have the responsibility to protect human rights, companies have the responsibility to respect human rights, and both have the responsibility to provide remedy for abuses that may occur. Too often, this dynamic relies on weak regulations and voluntary agreements from companies. Corporate disclosures on human rights are particularly lacking, making it difficult for investors to make informed decisions on human-rights issues.

In many countries, gaps in regulation and poor corporate practices make it too easy for human-rights abuses to occur without sufficient accountability. In our view, governments should strengthen the regulatory environment for human rights and take action to hold businesses accountable for the ways in which they may cause, contribute to or be directly linked to abuses. This would not only help provide remedy for those who have suffered, but also provide strong incentives for upholding human-rights.

Strong policies that stimulate action and enhance transparency will enable us to make better investment decisions and minimise any adverse impacts from our investments. We reflect this belief in our policy-advocacy activities, both individually and collaboratively with other investors.

**4. Human-rights challenges are often complex and persistent. Meaningful, lasting change requires a multi-stakeholder approach, including businesses, investors, governments, civil society and academia.**

**Collaboration**

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 necessarily guarantee that rights are upheld. In many cases, they merely change the nature of the challenges.

We use our leverage as an investor to influence positive change as much as possible, but there are limitations to what we can achieve in isolation. For example, we can divest from equity holdings where we are unsatisfied with the management of human rights issues. But in highly liquid public markets, where we are a minority shareholder, this is unlikely to have a significant impact on its own.

This is why we aim to increase our leverage by collaborating with other stakeholders. In many instances, this means combining our voice with those of other investors and asset owners to highlight policy concerns and to challenge corporate behaviours. This can also include discussions with non-governmental organisations (NGOs), trade unions and academia to better understand the changes needed to improve the human-rights environment. This can then feed through into our conversations with investee companies and issuers.



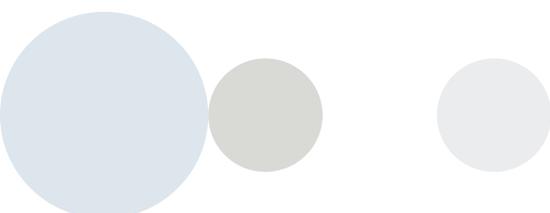
**Our beliefs in practice**

We joined over 100 investors in calling on governments in the United States, Canada and the European Union to implement mandatory corporate human-rights due diligence through regulation.



**Our beliefs in practice**

We are a member of the Investor Alliance for Human Rights and a signatory to the Principles of Responsible Investment (PRI). We have participated in multiple roundtables and workshops that bring together businesses, academics, policymakers and representatives of civil society to discuss human-rights challenges and identify best practices.



# Understanding human rights

**The atrocities seen during the Second World War brought concerted efforts to establish a system of internationally recognised human rights. The UN’s Universal Declaration of Human Rights (UDHR) was unanimously agreed in 1948 and has since formed the basis of the constitutions of several countries.**

The UDHR is codified into international law through the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR). Over 150 countries have ratified these conventions. Together, the UDHR, ICCPR and ICESCR form what is known as the International Bill of Rights. Additional UN treaties were also signed on specific issues, such as racial discrimination, torture, children’s rights and the rights of people with disabilities.

Workers’ human rights are addressed through eight core conventions of the International Labor Organisation (ILO). These assert the fundamental right of association and collective bargaining, the elimination of compulsory labour, the abolition of child labour, and the right to non-discrimination in employment. All eight of the ILO core conventions have been ratified by 138 countries.

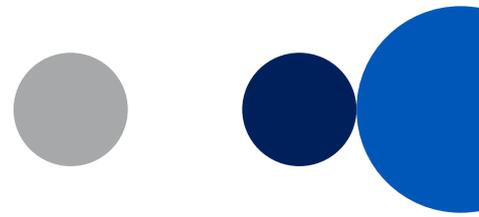
Although the term ‘human rights’ can often be used casually to describe a number of perceived entitlements, the agreed lists are focused on rights that are fundamental to preserving human life and dignity. Human rights are often grouped into three generations, as described in the table below.

Human rights are interrelated, interdependent and indivisible.<sup>10</sup> The Vienna Declaration and Programme of Action (1993) states, “The international community must treat human rights globally in a fair and equal manner, on the same footing, and with the same emphasis.” Generational categorisations do not constitute a hierarchy and do not necessarily reflect the specific covenants that contain each right (e.g. the right to a fair and public hearing is included in the ICCPR). Rather, generational categories can highlight the aims and requirements for upholding each group of rights, which aids in understanding progress and potential challenges. For example, while first-generation rights require non-intervention from the state, second-generation rights require resources and infrastructure that may or may not be readily available.

First-generation Rights	Second-generation Rights	Third-generation Rights
Civil & Political Rights	Economic, Social & Cultural Rights	Solidarity Rights
Aim to safeguard individuals	Aim to allow individuals to fully participate in society	Emphasise the shared experiences of communities
Require non-intervention from the state (aka negative rights)	Require resources and infrastructure to uphold rights	Require recognition of communities as collective rights-holders
Examples: <ul style="list-style-type: none"> <li>• Freedom from torture</li> <li>• Freedom from arbitrary imprisonment</li> <li>• Freedom of expression</li> <li>• Freedom of religion</li> <li>• Right to peaceful assembly</li> <li>• Right to participation in the cultural life of the community</li> </ul>	Examples: <ul style="list-style-type: none"> <li>• Right to health</li> <li>• Right to education</li> <li>• Right to food</li> <li>• Right to an adequate standard of living</li> <li>• Right to work</li> <li>• Right to collective bargaining</li> <li>• Right to a fair and public hearing</li> </ul>	Examples: <ul style="list-style-type: none"> <li>• Environmental rights</li> <li>• Right to development</li> <li>• Right to peace</li> <li>• Right to self-determination</li> <li>• Right to ownership of the common heritage of mankind</li> <li>• The rights of minorities</li> </ul>

NB The above list of rights is not exhaustive.

<sup>10</sup> UN Office of the High Commissioner for Human Rights (OHCHR) (2020), What are human rights? [Online]. Available at <https://www.ohchr.org/en/issues/pages/whatarehumanrights.aspx> (Accessed 17 September 2020).



## Our role and responsibilities

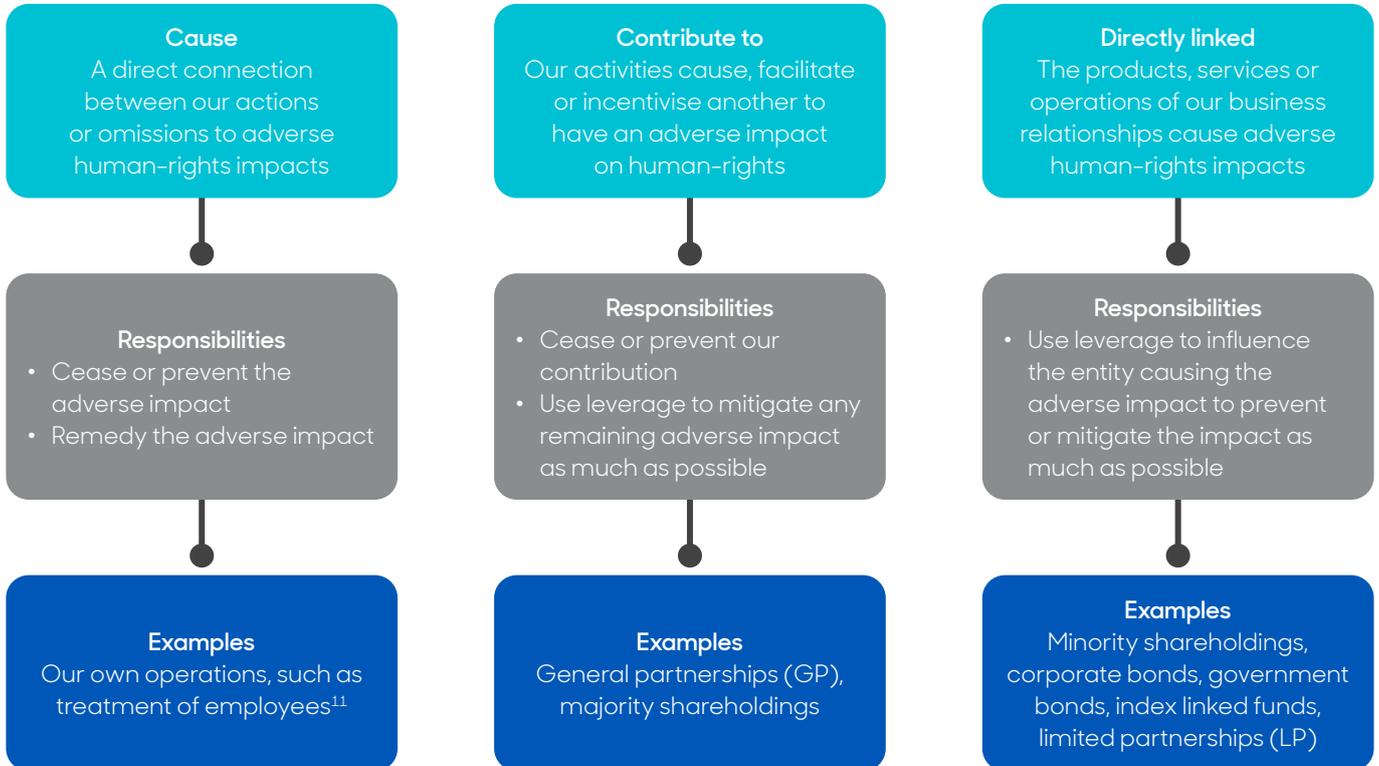
abrdrn wholly supports the 'Protect, Respect, Remedy' framework unanimously agreed by the UN Human Rights Council in 2008. This framework asserts:

- **The state's duty to protect** against human-rights abuses by third parties, including businesses. The state has a primary role in preventing and addressing corporate human-rights violations.
- **The corporate responsibility to respect** human rights, which applies to its own activities and through its relationships with third parties connected to those activities. This means implementing effective due diligence in order to avoid infringing on human rights and addressing any harm that occurs.
- **The need for access to effective remedy**, both judicial and non-judicial. Recognising that abuses may still occur, even if all appropriate steps are taken by states and companies, the framework stresses the need for effective grievance mechanisms and appropriate responses, be that through the courts or otherwise.

The UN Guiding Principles for Businesses and Human Rights (UNGPs) were subsequently agreed in 2011, adding further clarity on implementing the framework.

The UNGPs have become the authoritative standard on business and human rights. Many other voluntary standards and reporting initiatives, including the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multi-National Enterprises, Global Reporting Initiative (GRI) and ISO 26000, have subsequently integrated these principles into their requirements.

The UNGPs are our primary source for understanding our responsibilities and what we should expect from our investments. According to this guidance, when identifying actual or potential adverse human-rights impacts, the action we must take depends on our level of involvement: whether we cause, contribute to, or are directly linked to these impacts. The levels of involvement and our associated responsibilities are illustrated below, along with examples of how we may be involved in our own activities, products or services.



Importantly, our level of involvement does not determine whether to take action, but how we should take action. As the diagram illustrates, the use of leverage is a fundamental part of our responsibilities as an investor. This is why active engagement is such a core part of our human-rights approach.

<sup>11</sup> For further information on how we approach human rights in our operations and across abrdrn, please refer to our Human Rights Statement at abrdrn.com

# Our approach

**Our focus on human rights gives us high-quality insights into trends, risks and opportunities. This is integrated into our decision-making, drives positive outcomes for our clients and demonstrates our commitment to respecting human rights.**

Our human-rights approach for investments is built around six areas of focus. We show our main objectives for each area below.

Focus	Objective	Aim
Research	Provide high-quality human-rights insights and thematic research across asset classes and regions. This draws on corporate and economic research, as well as insights from human-rights organisations (such as NGOs and trade unions) and academia.	<p>Drive positive outcomes for our clients by integrating high-quality human-rights insights into investment decision-making</p> <p>Fulfil our responsibility to respect human-rights by using leverage to challenge practices and influence positive change</p>
Investment Integration	Understand the potential financial impacts of human-rights risks and opportunities across regions and sectors, integrate these into our investment decisions and understand the implications for our portfolios.	
Client Solutions	Understand client expectations in relation to human-rights issues and incorporate this into our stewardship approach. For products with specific labour and human-rights criteria, additional research and consideration is made for capital-allocation decisions.	
Engagement & Voting	Better understand investee management of human-rights risks and opportunities. Consider the rights-holder perspective through discussion with human-rights organisations (such as NGOs and trade unions) and academia. Use leverage to challenge investee practices and encourage improvements through engagement and voting.	
Collaboration	Collaborate with human-rights-related industry associations and participate in relevant initiatives. Engage with peers and policymakers to stimulate improvements and best practice.	
Disclosure	Disclose how we use our leverage to influence practices in our engagement and voting reports.	

# Our actions

Here, we detail the actions that we take to deliver against our objectives across the six areas of focus for human rights.

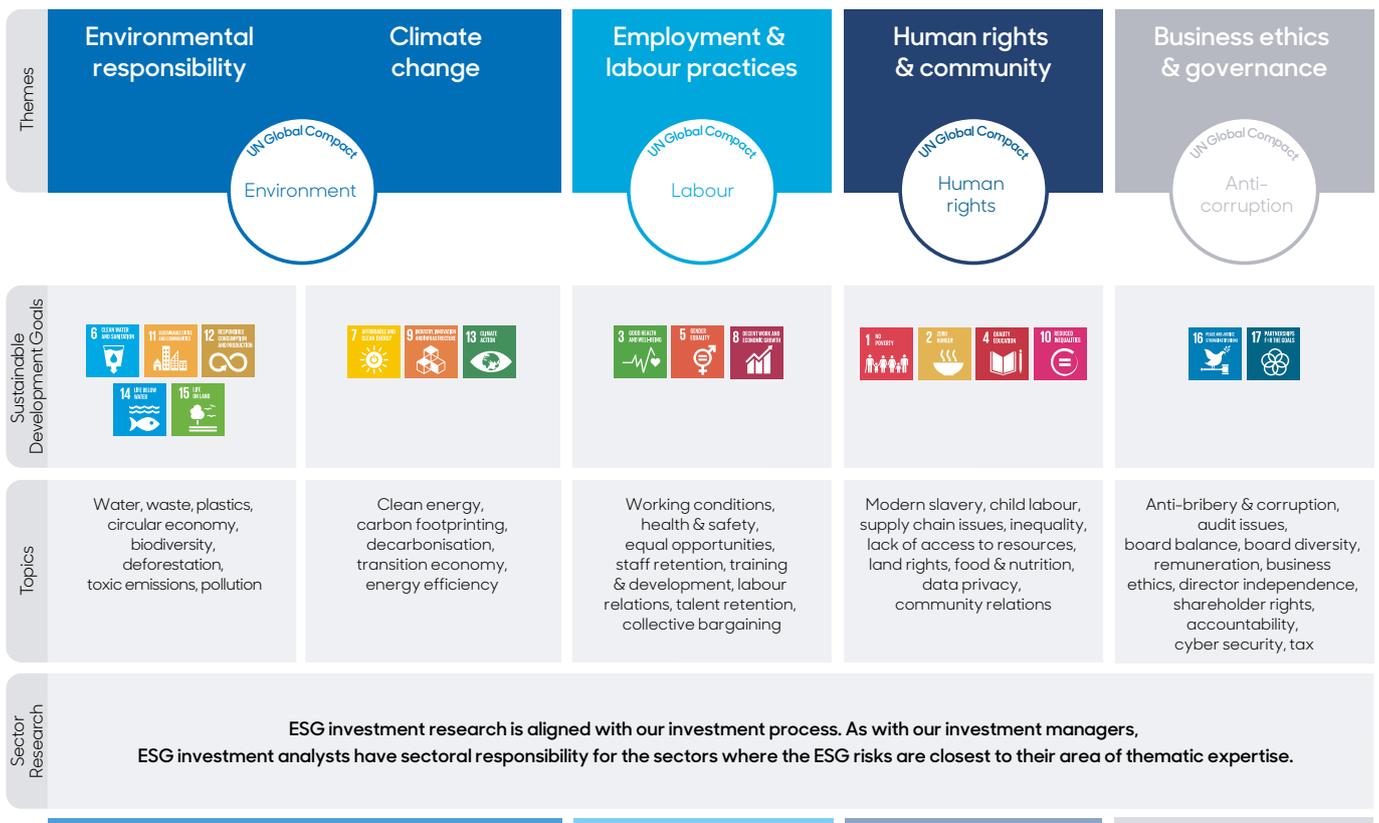
## Research

High-quality research that drives investment decisions and positive outcomes is a core component of our investment strategy. This includes human-rights research, which is undertaken by investment analysts and portfolio managers across asset classes. We also have a dedicated human-rights analyst within our ESG investment research team. This analyst provides insights on key regulatory and industry trends across regions and researches specific human-rights risks and opportunities. This is done in collaboration with the abdrn research institute.

Our ESG investment team regularly produces thematic notes that discuss the implications of ESG trends across asset classes.

Human rights are typically an under-researched area in the investment community, and corporate disclosures are generally very poor. Therefore, some of our usual information sources, which would normally feed into our investment research, are not available to us. In undertaking human-rights research, we frequently rely on independent sources such as NGOs, trade unions, international development organisations and academia. We also get useful insights from non-profit organisations such as the Corporate Human Rights Benchmark, the Access to Medicine Index and the Access to Nutrition Initiative (ATNI).

## Human rights represents one of our five thematic research pillars



## Investment integration

Human rights span a wide array of issues, from the right not to be tortured or enslaved to the right to quality education, healthcare and food. As our investments can span thousands of different assets and various asset classes, tackling human-rights issues can seem daunting.

For this reason, we focus our human-rights work on high-risk areas. We identify high-risk areas based on the severity of potential adverse human-rights impacts and the likelihood of the impact occurring. In practice, this means considering human rights from both a macro (or top-down) and micro (or bottom-up) perspective.

### Top-down assessment

We draw on political and social research to understand the human-rights environment and its interaction with our investments. Our aim here is to identify key rights at risk in countries and regions, using proprietary ESG frameworks and indices. At the investment level, this research is used to inform our analysis of both government and corporate securities.

For government securities, we 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 a country's ability to repay debt and the correct pricing of these risks.

For corporate investments, businesses can affect human rights anywhere in the world. Companies face additional risks when operating in or sourcing key materials from countries with a poor track record in human rights, with a weak rule of law, or where they are dealing with ongoing or residual conflict.

**"We draw on political and social research to understand the human-rights environment and its interaction with our investments."**

## Macro-level insights

abrdn has developed proprietary tools that add top-down human-rights insights to our research.

Our proprietary environmental, social, governance and political (ESGP) framework helps 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 own 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 the quality of infrastructure, gender equality, and income equality (among others). This enables our teams to understand the risks arising from unequal social outcomes and public repression.

In 2019, we launched our social capitalism project, which recognises that the most successful societies blend strong economies with healthy environments, inclusive social policies, representative political institutions and fair legal frameworks. This research is underpinned by a proprietary ESG index for 135 countries, which brings together substantial amounts of data to identify countries that are persistently dynamic in both economic and ESG terms. We have adapted our ESG index to create a dedicated human-rights index. This index combines data on 17 key human-rights areas aligned to the UDHR, including quality of life, education, freedom of expression and access to justice (among others). In this way, we have significantly increased our understanding of the global human-rights environment.

## Bottom-up assessment

The salient human-rights risks that a company faces also vary by the types of activities in which it is involved. The nature of human-rights impacts from mining operations, for example, is very different from those of an IT software company. Land rights and community consent is much more relevant to the former while the right to privacy would be more pertinent to the latter.

On the next page, we provide a high-level summary of key human-rights issues by industry. This list is not exhaustive. Many businesses have complex business models, corporate structures, supply chains and/or business partnerships that can change the nature of salient human-rights issues.

	Banking & Finance	Construction & Engineering	Energy & Utilities	Extractives	Food Producers	Health Care & Pharma	Hotels & Leisure	Info & Communication Technology	Textiles & Apparel
Access & affordability	Dark Blue		Cyan		Dark Blue	Blue			
Access to water			Cyan	Grey	Dark Blue				Dark Blue
Child safety								Grey	
Environmental impact on communities		Blue	Cyan	Grey	Dark Blue				
Forced and/or child labour		Blue		Grey	Dark Blue		Cyan		Dark Blue
Freedom of association & collective bargaining		Blue		Grey	Dark Blue		Cyan		Dark Blue
Freedom of speech								Grey	
Health & safety		Blue	Cyan	Grey	Dark Blue		Cyan		Dark Blue
Human rights defenders			Cyan	Grey					
Indigenous peoples and land rights			Cyan	Grey	Dark Blue				
Privacy	Dark Blue					Blue		Grey	
Product safety					Dark Blue	Blue			
Security forces			Cyan	Grey					
Women's rights					Dark Blue			Grey	Dark Blue

## Investment implications

From a financial perspective, there are multiple incentives to ensure respect for human rights. For companies, these include the following:

- A strong corporate reputation can boost investor confidence, strengthen business partnerships, increase customer loyalty<sup>12</sup> and help attract and retain skilled staff.<sup>13</sup>
- A robust human-rights approach allows companies to operate more efficiently and effectively – particularly amid complex or unfamiliar environments, or areas of ongoing or residual conflict.<sup>14</sup>
- Regulators are increasingly calling for mandatory human-rights due diligence and reporting.<sup>15</sup> Companies that can demonstrate a robust approach will avoid penalties.

At the country level, a lack of focus on human rights or any participation in abuse can create social unrest that damages or disrupts the economy. This may force governments to increase borrowing to cover budget deficits. In addition, if countries are deemed less suitable places to invest by multinational corporations because of human-rights issues, this can have a substantial effect on cross-border capital flows. This is an important consideration for us when assessing whether a country can continue to rely on these investment inflows to support the economy in the future.

<sup>12</sup> Please refer to footnote 7.

<sup>13</sup> Please refer to footnote 8.

<sup>14</sup> Please refer to footnote 9.

<sup>15</sup> For example, in Europe, the European Commission has announced plans to implement mandatory corporate human-rights due diligence from 2021; France implemented its Corporate Duty of Vigilance Law from 2019; the Netherlands implemented its Child Labor Due Diligence Law in 2020; and the EU Conflict Minerals Directive will take full effect from 2021. Existing regulations in the US include Section 1502 of the Dodd-Frank Act and the California Transparency in Supply Chains Act 2012. Modern slavery regulations are also in place or under consideration in the UK, Canada, Australia and Hong Kong.

## Client solutions

abrdn currently offers products<sup>16</sup> with explicit human-rights criteria in equity and fixed income. These products fall into three categories:

- Impact investing focused on companies that contribute to positive social and environmental outcomes.
- Values-driven funds, such as ethical strategies, that screen securities on human-rights criteria.
- Sustainable responsible investment (SRI) in which companies with poor ESG performance are excluded.

## Impact investing

Our impact-investing solutions aim to support the delivery of measurable, positive environmental and social impacts while also seeking to generate strong financial returns. Our approach is based on identifying positive impacts and allocating capital aligned with the UN Sustainable Development Goals (SDGs). This currently includes a global equity strategy that looks for investment opportunities across all of the SDGs (e.g. access to medicine, education and finance).

## Ethical

Our ethical equity and bond strategies seek to generate attractive returns and, in addition to a range of environmental and social criteria, exclude companies involved in significant human-rights controversies. These can take the form of a breach of the UN Global Compact or repeated controversies over a set period of time (e.g. three years rolling), for example.

## SRI

Our range of equity and fixed-income SRI strategies is designed to avoid companies with weak ESG performance or exposure to controversial activities, and to target attractive long-term financial returns in a sustainable way. Our assessment of ESG performance includes, but is not limited to, corporate management of human-rights risks and opportunities.

In addition, for emerging-market debt, our ESGP framework has been used to develop a SRI strategy that excludes the poorest-scoring countries from investment. The exclusion criteria focuses on the governance and political pillars, which include indicators on rule of law, freedom of the press and state fragility, among others.

## abrdn's impact investing framework

	Pillars	Sub-goals
 	Circular Economy	Resource efficiency Material recovery and reuse
 	Sustainable Energy	Access to energy Clean energy Energy efficiency
   	Food & Agriculture	Access to nutrition Food quality Sustainable agriculture
  	Water & Sanitation	Access to water & hygiene Clean water Water efficiency
  	Health & Social Care	Access to healthcare & social care Enhanced healthcare Drug development
  	Financial Inclusion	Access to financial services
  	Sustainable Real Estate & Infrastructure	Affordable housing Eco-construction Improved access
   	Education & Employment	Access to education and skills development Quality employment and job creation

<sup>16</sup> Not all products available in all of the countries in which we operate.

## Engagement and voting

We see regular engagement with companies and bond issuers (government and corporate) as essential to understanding the management of human-rights risks and opportunities. This engagement allows us to gain insights and communicate our expectations to stakeholders.

We expect states to protect human rights, businesses to respect human rights, and for both to take appropriate action to remedy any infringements on human rights.

More specifically, we expect all companies in which we invest to do three things:

- Continually work to understand their actual and potential impacts on human rights.
- Establish systems that actively ensure respect for human rights.
- Take appropriate action to remedy any infringements on human rights.

We expect states to continually work to uphold human rights. We strongly encourage governments and policymakers to consider how the regulatory environment can be strengthened to protect human rights. We do this through our ongoing engagement with issuers, as well as through our collaborative initiatives and policy advocacy activities.

### Considering the rights-holder perspective

To fully understand human-rights issues, we must consider the perspective of the people affected (or likely to be affected) by adverse impacts – the rights-holders. We rarely have access to the individuals affected by the policies, activities, products, services or business relationships of our investees. We therefore look to representative organisations for insights. This can include the UN and its Special Rapporteurs, NGOs, international development agencies, trade unions and non-profit organisations.

They publish research reports on human-rights topics and in some instances contact us for ongoing dialogue. We welcome the work of these organisations, as it adds significant value to our research efforts and often provides recommendations that we can take to our investee companies and issuers.

### Using our leverage through engagement and voting

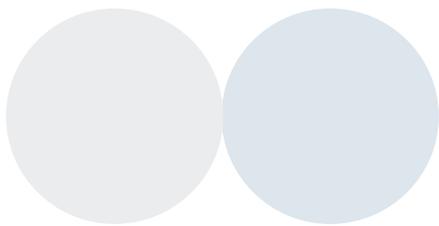
Using our leverage to drive improvements is a core element of our stewardship approach. As a large global investor, we are often in a position of influence, which can be used to drive positive change. We prioritise engagement with companies and issuers in these situations:

- The business model and/or activities have a high potential for adverse human-rights impacts.
- We believe there are gaps between human-rights policy and its implementation.
- We have identified the human-rights environment or operating context as high risk.
- The company or issuer has a known history of adverse human-rights impacts.
- Reports from affected groups or rights-holder representatives raise significant concerns.

Our policy is to encourage companies and issuers to use the UNGPs to guide their approach to identifying and managing human-rights issues.

We also encourage increased transparency and meaningful public disclosure, as this helps us to make more informed investment decisions on human-rights issues. abrdn supports the UN Guiding Principles Reporting Framework and encourages companies to disclose in line with its guidance. An overview of this framework is included below.

UN Guiding Principles Reporting Framework		
<b>Reporting principles</b>		
A. Setting human rights in the business context B. Meeting a minimum threshold of information	C. Demonstrating ongoing improvement D. Focusing on respect for human rights E. Addressing the most severe impacts on human-rights	F. Providing balanced examples from relevant geographies G. Explaining any omission of important information
 <b>PART A</b> Governance of respect for human-rights	 <b>PART B</b> Defining the focus of reporting	 <b>PART C</b> Management of salient human-rights issues
<ul style="list-style-type: none"> <li>• Policy commitment</li> <li>• Embedding respect for human rights</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of salient issues</li> <li>• Determination of salient issues</li> <li>• Choice of focal geographies</li> <li>• Additional severe impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Specific policies</li> <li>• Stakeholder engagement</li> <li>• Assessing impacts</li> <li>• Integrating findings and taking action</li> <li>• Tracking performance</li> <li>• Remediation</li> </ul>
Source: UN Guiding Principle Reporting Framework, available online at <a href="https://www.ungpreporting.org/">https://www.ungpreporting.org/</a> (Accessed 12 October 2020)		



In our equity investments, we also exercise our influence through our voting activities. Companies are increasingly faced with shareholder resolutions at their annual or extraordinary general meetings that raise a wide range of environmental and social issues, including human rights. We have supported a number of resolutions aimed at increasing transparency of human-rights risks and due-diligence practices.

We believe that using our leverage in this way is a powerful tool. Through active engagement, we can help guide companies toward best practices and participate in complex, nuanced conversations aimed at addressing systemic human-rights issues. Where our contacts are unwilling to engage or we see insufficient progress, we will look for ways to increase our leverage, e.g. by joining collaborative industry groups. As a last resort, we may consider selling our holdings.

### Why would we continue to invest?

In some instances, we may believe or be informed that our investments are causing, contributing to or linked to adverse human-rights impacts, but we continue to invest. In making our decision, we consider the following:

- The event or issue may be subject to investigation, or we may question the strength of the information.
- Divestment could result in us losing our leverage, meaning we could no longer influence positive changes.
- The entity is taking concerted action to remedy the adverse impact and change its practices, demonstrating positive improvements that reduce future risks. In these cases, we often set time-bound targets for the company to meet our expectations of progress.
- In some cases, divestment may have additional adverse effects or may exacerbate existing ones.
- We also consider the importance of the investment to our portfolio from a financial perspective.<sup>17</sup> This consideration must be carefully balanced against the potential risks to abrDN from ongoing investment (e.g. reputational risk).

Given the complex and persistent nature of human-rights issues, we prefer to take a research-led approach to ensure that we make informed decisions and can influence improvements. Where our contacts are unwilling to engage or we see insufficient progress, we may consider selling our holdings.

## Collaboration and influence

Providing support and actively engaging with a range of industry associations and human-rights organisations can increase our leverage and provide valuable forums for discussing best practices. We collaborate on a number of initiatives to encourage action and transparency.

We are members of the Investor Alliance for Human Rights, the investor coalition supporting the UN Guiding Principles Reporting Framework, the Principles for Responsible Investment (PRI) and the UN Global Compact. We have also expressed our support in specific areas of human-rights issues, such as access to nutrition, the moderation of social-media content, eradicating modern slavery and a just transition to a low-carbon economy.

In addition, we seek to influence policymakers where possible. A lack of transparency and accountability makes it difficult for us to make informed decisions on human-rights issues. We encourage governments to strengthen the regulatory environment to protect human-rights and take action to hold businesses accountable for their role in adverse impacts. For example, we recently joined over 100 investors in calling on governments in the United States, Canada and the European Union to implement mandatory corporate human rights due diligence in regulations.

We've provided further details in the Appendix.

## Disclosure

abrDN supports the UN Guiding Principles Reporting Framework and encourages companies to disclose in line with its guidance.

In our own disclosures, we publish quarterly ESG reports on our website to provide details about our research, engagement and voting activities. We include engagement examples, as well as the number of meetings and voting by ESG topic over the quarter.

All of our voting records can also be found on our website. This includes how we voted on every resolution for every company, as well as details of our voting policies.

We update this document regularly to demonstrate the progress and decisions we are making in relation to our investment approach to human rights.

In 2020, we worked with our parent company, then Standard Life Aberdeen, to support improvements to our own human-rights disclosures across the group. For further information on the steps we are taking to respect human rights for our employees, supply chain and communities, please refer to our Human Rights Statement at [abrDN.com](http://abrDN.com).

<sup>17</sup> For funds or strategies with explicit investment criteria in relation to human rights, we also ensure that ongoing investment would be consistent with client expectations for the portfolio. Where this is not the case, we will exit our position in line with the agreed mandate.



## Our structure

**We reflect the importance of human-rights considerations in our structure. This provides support to investment managers and analysts who need to consider human rights in their daily investment decision-making.**

Human rights is a core pillar for our ESG investment research team. The team includes a dedicated ESG human-rights specialist who leads on our six areas of focus. This is done in collaboration with many areas across the business.

From an operational perspective, our group-wide sustainability team also includes a dedicated manager focusing on social impact.

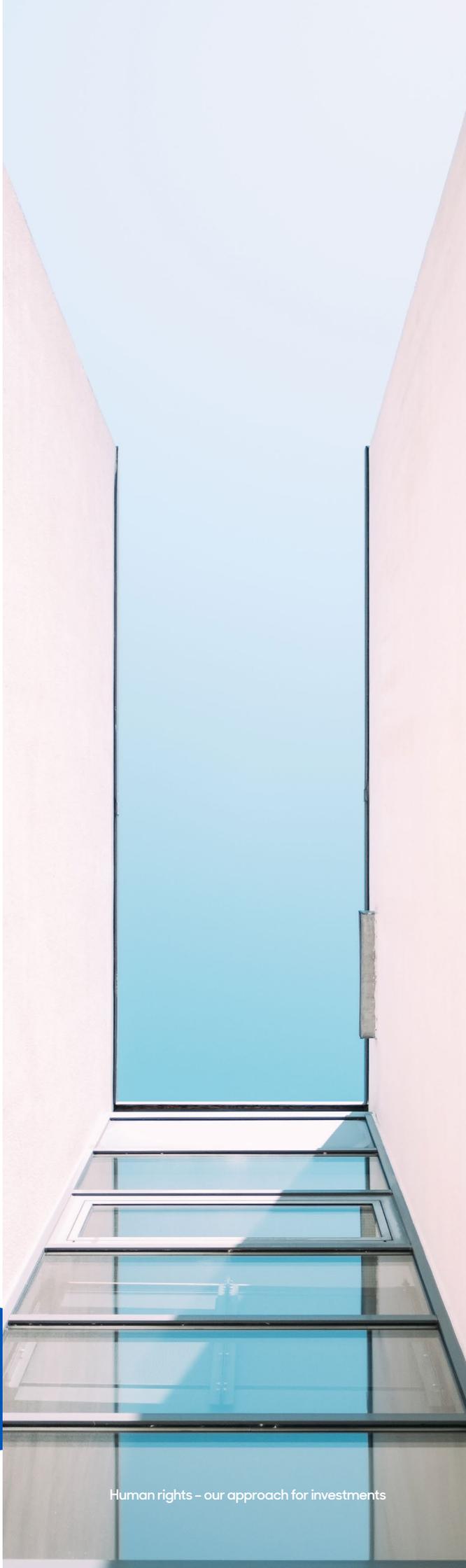


# What's next

**We are working to move things forward across all six areas of focus. In this section, we set out our current human-rights priorities.**

- **Continued in-depth research** on human-rights issues. This research aims to highlight the financial implications for our investments and identify best practices. This helps us to make more informed investment decisions and use our influence in meaningful ways.
- **Enhanced due diligence** in high-risk areas. For many years, abrdn has undertaken research and engagement with our investee companies and issuers on human rights issues. But we know that there's room for improvement. We aim to make our work more structured and efficient, enabling us to use our global position to share insights across regions and sectors in three ways:
  - **Creating a cross-team labour and human-rights working group where research, insights and concerns can be shared and discussed.**
  - **Developing a clear human-rights framework to assess high-risk sectors and use this to inform engagement planning.**
  - **Focusing thematic research on emerging human-rights issues and trends, with an aim to develop forward-looking, proactive views.**
- **Continue to engage** with companies and issuers. Our goal is to encourage best practices and disclosure in line with the UN Guiding Principles Reporting Framework. We will also continue to reflect our views through voting and shareholder resolutions in relation to human-rights issues.
- **Develop new products and solutions** to meet growing client demand for socially responsible investments.
- **Ongoing collaboration** with industry associations and human-rights organisations. In particular, the Investor Alliance for Human Rights, which focuses on the corporate responsibility to respect human rights, corporate engagement, and robust business and human-rights policies.

This document will be updated regularly to demonstrate the progress and decisions we are making in relation to human rights.



# Appendix

**We support and actively engage with a range of human-rights associations and initiatives to understand best practices and increase our leverage. Here, we set out some examples.**

## **Investor Alliance for Human Rights**

We joined the Investor Alliance for Human Rights in 2020. The Alliance is a collective action platform that includes over 160 investors and aims to put an investor's responsibility to respect human-rights into practice. Through this platform, we can connect with other investors to discuss issues and best practices, join collaborative engagement initiatives, and participate in discussions on emerging human rights issues across sectors. The Alliance also publishes multiple reports and guides on human-rights issues, including an Investor Toolkit on Human Rights and guidance on Engaging the ICT Sector on Human Rights.

## **UN Guiding Principles Reporting Framework**

We joined the investor coalition supporting the UN Guiding Principles Reporting Framework in 2020. As part of the coalition, we encourage companies to provide meaningful disclosure of human-rights performance in line with the framework. We are actively working within the abrdn group to improve our human-rights performance disclosures, through the publication of this document as well as the updated Human Rights Statement.

## **Principles for Responsible Investment (PRI)**

As a signatory of the PRI, we have access to collaborative engagement initiatives and guidance on human-rights matters. In the past, we have participated in collaborative work that was focused on human rights in extractives industries.

We are currently part of the PRI's online platform discussions on social-media content and the just transition to a low-carbon economy.

## **UN Global Compact**

In 2017, we joined the UN Global Compact, the world's largest corporate sustainability initiative. The UN Global Compact promotes 10 principles, which serve as a baseline for companies to fulfil their responsibilities to people and the planet. Six of the 10 principles relate to workers' rights and human rights:

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** Make sure that they are not complicit in human-rights abuses.

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** The elimination of all forms of forced and compulsory labour;

**Principle 5:** The effective abolition of child labour; and

**Principle 6:** The elimination of discrimination in respect of employment and occupation.

Membership of the UN Global Compact enables us to access guidance on best practices. We also submit regular communications on progress to the UN Global Compact to disclose our own efforts as a company to uphold the 10 principles. For further information on our group-wide approach to respect for human rights, please also refer to our Human Rights Statement on our website.

### Access to Nutrition Initiative (ATNI)

abrdn has supported the ATNI for a number of years. ATNI undertakes extensive research on global nutrition and regularly assesses companies in its Global Access to Nutrition Index. Most recently, we supported their release of an Investor Expectations on Nutrition, Diets and Health document. This document sets out four investor expectations related to corporate governance, strategy, lobbying and transparency for food and beverage manufacturers and retailers.

### Social-media content

Over the past year, we participated in a collaborative initiative led by New Zealand Super Fund targeting social-media companies. The issue of objectionable online content has escalated significantly in the last couple of years. The aim of this initiative is to encourage social-media companies to strengthen controls to prevent the spread of objectionable content online. In addition to encouraging a proactive approach, this engagement helps us assess how these companies are preparing for potential regulation changes and to understand the challenges they are facing given resources and technology limitations.

### Modern slavery

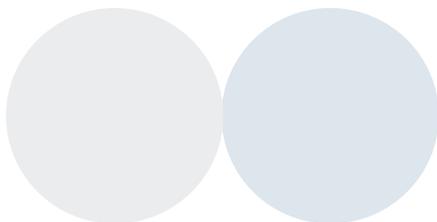
Besides undertaking our own focused engagement on modern slavery, we have also joined CCLA Investment Management's 'find it, fix it, prevent it, report it' collaborative engagement project against modern slavery. The ultimate goal of the project is to use the leverage of investors to improve the efficacy of corporate action to identify and provide remedy to victims of modern slavery in their supply chain.

The project's advisory committee includes members from CCLA, the Business and Human Rights Resource Centre, the Investment Association, the PRI and the University of Nottingham, among others. We are contributing to the project by leading collective engagements with some of our investee companies in high-risk sectors and by participating in meetings led by others.

### A just transition

We are a signatory of the 2018 Statement of Investor Commitment to support a just transition to a low-carbon economy by integrating workforce and social dimension into climate practices. We have committed to take action in one or more of the following:

- **Investment strategy** – integrate workplace and community issues into climate-change policies and investment beliefs, dialogue with stakeholders and mandates.
- **Corporate engagement** – include workforce and community issues in climate-related engagement on corporate practices, scenarios and disclosures.
- **Capital allocation decisions** – design investment mandates across asset classes that link decarbonisation, climate resilience, decent work and inclusive growth.
- **Policy advocacy and partnerships** – support the inclusion of the just transition in regional, national and international policies, contribute to place-based partnerships.
- **Learning and transparency** – develop systems to review and communicate progress.



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