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Businesses and human rights – our approach for investments

At Aberdeen Standard Investments, 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. Through engagement, we are able to influence positive changes where needed.

The issue

Human rights are typically under-researched in the investment community. They are often narrowly associated with government policy and international relations. However, companies, through their operations, 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 identify. Media headlines are riddled with allegations of abuses such as being associated 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 Aberdeen Standard Investments, 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 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. Therefore, we must 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.

Human rights should be assessed from both a top-down and bottom-up perspective.

- Top-down: While companies 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 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, the UNGPs can be used to guide risk-mitigation efforts. This 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 investments 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 collaboratively with others in the investment industry, academia and human-rights organisations is an important component of driving positive change. Aberdeen Standard Investments has 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. Aberdeen Standard Investments 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.

Responsible investing at Aberdeen Standard Investments

As a leading global asset manager, we believe that investing responsibly can help generate long-term value for our clients. We offer an extensive and growing range of investment solutions, as well as the very highest levels of service and support.

When investing our clients' capital, environmental, social and governance (ESG) considerations are an integral part of our decision-making. By understanding how ESG factors affect our investments, we believe 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 to support this work. A further 30 dedicated ESG asset-class analysts provide an additional layer of expertise.

For more detail, please visit our [website](#).

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