

We view human rights and labour rights as universal principles as articulated in both the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises. Human rights issues are relevant to businesses, and we believe that they can present a material financial risk for investments that we make. We also believe that respect for human and labour rights is fundamental to advancing the UN Sustainable Development Goals (SDGs). They are therefore considered as part of our sustainability analysis in our investment process.

The UNGPs set out a framework based on Protect, Respect and Remedy. The UNGPs outline how states and businesses should implement:

- The state duty to **protect** human rights,
- The corporate responsibility to **respect** human rights, and
- Access to **remedy** for victims of business-related abuses.

These are complemented by the OECD Guidelines for Multinational Enterprises which set out recommendations from governments to multinational enterprises on how to carry out business sustainably and responsibly, and specifically in the context of human rights, respect the internationally recognised human rights of those affected by their activities.

We expect companies to comply with the UNGPs and observe the OECD Guidelines for Multinational Enterprises. We also expect companies to comply with and report on any relevant regulatory obligations that apply in markets in which they are listed or operate. We believe companies should engage with supply chains, employees, customers and other stakeholders to avoid contributing to negative human rights impacts.

The potential risks arising from poor management of human rights and labour rights include:

- Operational risks, business continuity risks or loss of licence to operate.
- Regulatory risks, driven by existing and new laws which can lead to substantial penalties.
- Reputational risks which can undermine the licence to operate and lead to loss of customers.

## Roles and responsibilities

Martin Currie's Stewardship and ESG Council guides the implementation, operation and effectiveness of our human rights approach and is supported by our ESG Working Group which includes a representative from each of our investment teams. The investment teams have ultimate responsibility for implementing the policy.

## Our investment approach

We recognise that businesses and their associated supply chains are complex and that there is the possibility that certain companies that we invest in may cause or contribute to adverse human rights impacts. Our ability to identify these and to have influence on mitigating them is driven by our integrated sustainability analysis and our focus on active ownership – notably engagement and proxy voting. We also recognise that human rights issues and exposure will vary by company, industry, sector and geography and therefore encourage companies to disclose their approach where the potential risks are material.

Our assessment of the potential impact and relevance of human rights risks is incorporated into our proprietary Sustainability risk ratings. This is supported by specific proprietary tools that help identify those companies that present enhanced risks with regards to, for example, modern slavery such as particular industry or geographic risks or the presence of human rights related controversies. Where we identify potential risks, we may engage with the company concerned, setting out clear objectives for what we are looking to achieve and measure progress against these objectives. Where we identify a high level of risk as part of our initial due diligence on a company, we may decide not to proceed with the investment.

## Active ownership

As long-term investors, active ownership is at the core of our approach with a particular focus on engagement and advocacy through proxy voting. Where we identify a potential human rights issue, we may engage with the company concerned and will do so in a constructive manner with the aim of supporting demonstrable change in the behaviours and activities of the company where necessary. We may engage on potential and actual negative impacts on human rights when they are material and relevant to the investment case.



We engage companies across a range of sectors on a variety of human rights areas including:

- Child labour.
- Forced labour / modern slavery.
- Supply chain labour management.

For each engagement we set out a clear objective and measure progress against this. We may also use our proxy votes to advocate for change where this supports our engagement objective. Ultimately, through these activities we are looking to support and encourage companies to build a more sustainable long-term business in the belief that this ultimately contributes to a better financial return for our clients.

Although most of our engagement is private, we have participated in a wide range of collaborative efforts to address specific systemic issues that impact companies held in our clients' portfolios. Finding a coalition of like-minded shareholders is a good way of sharing knowledge and can generate more tangible results than acting alone specifically in relation to systemic issues. With regards to human rights and labour engagement we are participating in Advance, a stewardship initiative that was launched at the end of 2022 where institutional investors work together to take action on human rights and social issues. At a high-level, three key expectations have been set for the focus companies:

- Implement the UNGPs as the guardrail of corporate conduct on human rights.
- Align their political engagement with their responsibility to respect human rights.
- Deepen progress on the most severe human rights issues in their operations and across their value chains.

Martin Currie is leading this collaborative engagement with one of the target companies in this initiative.

## CONTACT



David Sheasby

Head of Stewardship, Sustainability & Impact

T: 44 (0)131 479 4819

E: [dsheasby@martincurrie.com](mailto:dsheasby@martincurrie.com)

**Martin Currie Investment Management Limited**, registered in Scotland (no SC066107) **Martin Currie Inc**, incorporated in New York and having a UK branch registered in Scotland (no SF000300), 5 Morrison Street, Edinburgh EH3 8BH. Tel: (44) 131 229 5252 Fax: (44) 131 222 2532 [www.martincurrie.com](http://www.martincurrie.com).

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