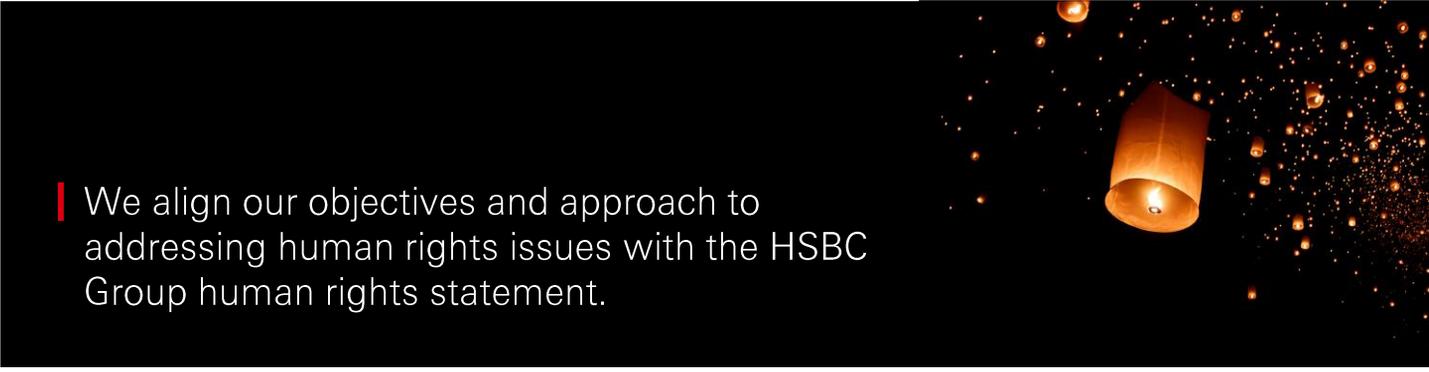


4.3 Human Rights



| We align our objectives and approach to addressing human rights issues with the HSBC Group human rights statement.

Our position

In the last ten years, there has been an increasing scrutiny of human rights impacts of business operations and their supply chains. Companies are expected to identify human rights violations by their subsidiaries and by companies with which they have an established commercial relationship, such as through the supply chain. Failure to identify such issues can subject a company to legal and reputational risks.

To fulfil our fiduciary duty to clients and as a responsible corporate citizen, we are committed to promoting business respect for human rights amongst our investee companies. We are guided by international principles and standards, and expect our portfolio companies to adhere to these standards:

- ◆ United Nations Universal Declaration of Human Rights (UDHR);
- ◆ International Labour Organization's (ILO) labour standards;
- ◆ United Nations Guiding Principles for Business and Human Rights (UNGP);
- ◆ United Nations Global Compact (UNGC); and
- ◆ The OECD Guidelines for Multinational Enterprises (MNEs)

We have signed up to Advance, a stewardship initiative launched by the PRI for investors to take action on human rights and social issues, and will be participating as a Lead Investor.

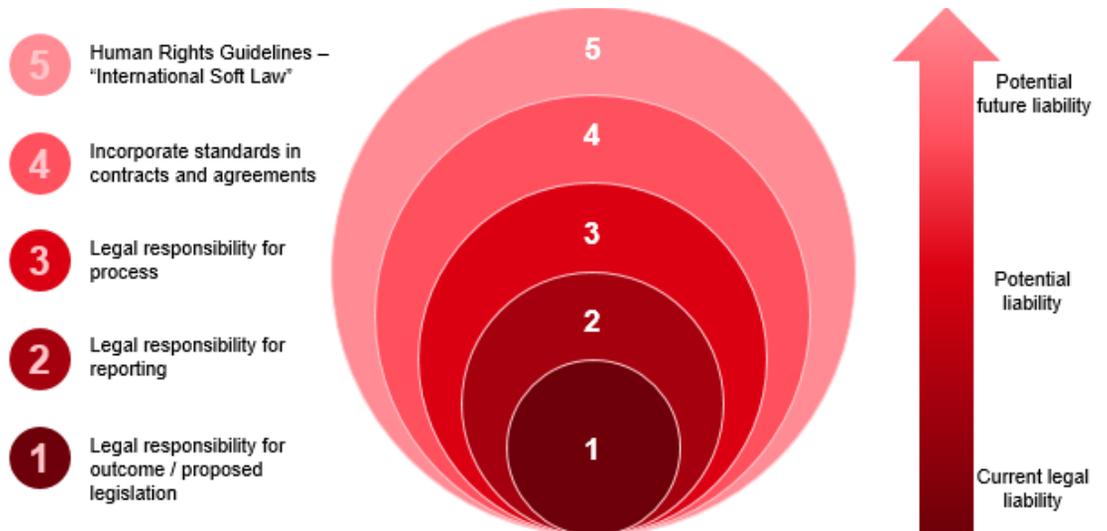
What we do

We recognise that human rights issues are complex and have become increasingly politicised. Alleged human rights violations in a company's operations and/or supply chain present risks both for our clients' investments and the reputation of HSBC AM.

We seek to apply an approach that is independent and fact-based, considering the salience of human rights issues. We engage with companies under the consideration of not only "hard laws", such as the French Duty of Vigilance, UK Modern Slavery Act, Hong Kong Modern Slavery Bill, and California Transparency in Supply Chain Act, but also globally recognised principles such as the UNGP and UNGC, and expectations that may incur future liability for companies⁸.

8. Diggs, Regan and Parance (2019) Business and Human Rights as a Galaxy of Norms *Georgetown Journal of International Law*, Vol. 50, No. 2, 309.

Business and Human Rights as a Galaxy of Norms⁹



How we engage

We work with investment teams to engage with portfolio companies when UNGC non-compliance or human rights related controversies are identified through our existing ESG integration processes. In addition to this, we are guided by 'A Roadmap For The Next Decade Of Business And Human Rights'¹⁰, published by the UN Working Group on Business and Human Rights in November 2021. The Roadmap draws attention to the key role of other influencing parties of business practices beyond regulators and investors: from business lawyers to other corporate advisory providers, including accounting firms, auditors, social audit and assurance providers, management consultancies, and public relations firms. We may engage more broadly with these stakeholders if we consider that they can play a role in helping companies improve in their human rights practices.

We also participate in collaborative engagements through industry associations or working groups to amplify our voice, escalate concerns, or enhance access to company management.

9. Diggs, Regan and Parance (2019) Business and Human Rights as a Galaxy of Norms *Georgetown Journal of International Law*, Vol. 50, No. 2, 309.

10. [UN Working Group on Business and Human Rights: UNGPs 10+ A Roadmap For The Next Decade Of Business And Human Rights, November 2021](#)

What we expect

Through our engagement with portfolio companies, we aim to provide effective guidance on how they should respect human rights throughout their operations, provision of products/services and value chain management, and encourage them to communicate their impacts.

Following the Galaxy of Norms, we start with corporate compliance of hard laws such as modern slavery acts, and communicate on our expectations on the company's disclosure, such as identifying human rights risks in in business operations and value chains, and incorporating human rights as a salient issue in its enterprise risk management and strategic planning. We also expect companies to adequately respond and take appropriate action in a timely manner against allegations and controversies.

On reporting and disclosures, companies should establish a public policy statement committing to respecting human rights, and report on any human rights risk assessment or impact assessment for key products and services. Over time, we may also expect companies to disclose data on grievance and remedy case studies.

Moving outward from the Galaxy of Norms, companies should develop a robust human rights due diligence process to identify, assess, integrate, respond, track and communicate adverse human rights impacts in their operations, products/services and supply chain. This should be based on a set of clear definitions of salient human rights issues arising from company's business sector and operations based on their geographical footprint. In the longer term, companies may look to establish a forward-looking human rights heat map which serves as a risk assessment and prioritisation tool highlighting high risk areas among product/services, operations, and supply chain etc.

To ensure portfolio companies remain proactive and forward-looking, we may expect them to map out a human rights strategy, identify ways to contribute to the three key pillars of the UNGP and the progression of industry practices through relevant industry initiatives and standards. We also expect to see evidence of effective board oversight of a forward-looking and comprehensive human rights management programme.



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