

LGIM's human rights expectations and approach



As a global investor, Legal & General Investment Management (LGIM) is committed to respecting and protecting human rights. We believe this is firmly part of our fiduciary duty of managing our clients' assets.

Summary

Human rights are rights inherent to all human beings, regardless of nationality, sex, national or ethnic origin, colour, religion, language, or any other status.¹ They range from the most fundamental - the right to life - to those basic essentials for living are such as the rights to food, education, work, health, sanitation and liberty. Human rights encompass a range of topics which are both urgent and systemic in nature. Human rights and the 2030 Agenda for Sustainable Development are inextricably linked. The 17 Sustainable Development Goals (SDGs) "seek to realize the human rights of all", and more than 90% of the targets directly reflect elements of international human rights and labour standards.² The pledge to "leave no one behind" mirrors the fundamental human rights principles of non-discrimination and equality.

Human rights and why they matter to investors

Having respect for human rights is not only the right thing to do, but also financially material. The United Nations (UN) Guiding Principles of Business and Human Rights (UNGPs) outline the duties of states and business under three pillars - protect, respect and remedy. As an investor, we understand the critical importance of human rights, especially to our clients to whom we have fiduciary duties as managers of their assets. If left unaddressed, investors – even those with minority shares in a company – may be inadvertently connected to adverse impacts of human rights breaches caused by, contributed to, or linked to investee companies as a result of their ownership or management of stakes in those companies. This is not only a reputational risk to investors but also a financial risk. For example, it is estimated that the G20 has imported an estimated US\$468 billion of risk goods connected to modern slavery.³ An estimation of US\$496 million of shipment value was impacted by the US Uyghur Forced Labor Prevention Act (UFLPA), with 868 shipments denied in 2022.⁴ Hence, we believe managing human rights is financially material. We need to understand whether there are systematic human rights risks connected with our investment activities; if they are participating, facilitating, enabling and/or benefiting from directly or indirectly human rights violations and abuses, and we need to show how we can take action to manage and mitigate those risks.

Respecting human rights is also becoming imperative to business compliance and licenses to operate. Various jurisdictions have issued policies and regulations related to human rights. Enabling human rights is becoming essential for market access and compliance management. The International Labour Organization (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises (MNEs) and Social Policy and the Organisation for Economic Co-operation and Development (OECD) Guidelines for MNEs expect international investors to adhere to responsible business conduct and standards. Additionally, the European Union's Corporate Sustainability Due Diligence Directive (CSDDD) aims to foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations into companies' operations and corporate governance. Furthermore, inadequate management of human rights issues in supply chains can pose potential market entry barriers. A new generation of domestic laws, such as California's Transparency in Supply Chain Act, Japan's Guidelines on Corporate Human Rights Due Diligence, the French Corporate Duty of Vigilance Law and the

¹ <https://www.un.org/en/global-issues/human-rights>

² <https://www.unpri.org/download?ac=11953>

³ <https://cdn.walkfree.org/content/uploads/2023/05/17114737/Global-Slavery-Index-2023.pdf>

⁴ <https://www.cbp.gov/newsroom/stats/trade/uyghur-forced-labor-prevention-act-statistics>

LGIM's human rights expectations and approach

German Supply Chain Due Diligence Act, are pushing for more robust human rights due diligence in supply chains. Last but not least, the UK, Australia, Canada and Hong Kong have since announced their respective Modern Slavery Acts that require businesses within their jurisdictions to outline commitments, actions and disclosure to prevent and tackle modern slavery in their operations and supply chains.

As a global investor, we focus on the greatest risks and how we can influence our investee companies. We believe companies have significant roles to play and have the responsibility to manage and mitigate human rights risks. Companies should provide effective remedies to victims of business-related human rights harm. Managing the business elements of human rights within operations and value chains enables companies to establish safeguards to carry out economic activities and to minimise risks and costs. Such risks can include but are not limited to failing to obtain and maintain the company's social license to operate, reputational damage, trade barriers, supply chain disruptions, consumer or group boycotts, exposure to legal liability (including costs related to compensation, fines, settlements) and adverse government action, adverse action by investors and business partners, and reduced productivity and morale of employees.

LGIM's approach

As a responsible investor and a responsible corporate citizen, we commit to respecting and protecting human rights to the best of our abilities and support the human rights principles described in this document, guided by international principles and standards:

- International Bill of Human Rights⁵
- United Nations Guiding Principles for Business and Human Rights (UNGPs)
- United Nations Global Compact (UNGC)
- International Labour Organization's (ILO) labour standards
- International Labour Organization's (ILO) Core Conventions
- The OECD Guidelines for Multinational Enterprises (MNEs)

These standards focus on human rights, society, labour and environment. We believe this helps our clients avoid reputational damage and to proactively manage related financial risks.

We acknowledge the complexity of human rights issues and the potential impacts. How a company integrates human rights into business strategy and decisions is critical. As a global investor, we focus on using our leverage to influence and hold investee companies accountable for their human rights performance and to raise standards. When referring to human rights⁶ in our expectations for companies, LGIM considers the following salient topics⁷ to be most relevant to business, where companies can collectively impact and drive material changes. This is not intended to be an exhaustive list of human rights topics; we would expect companies to identify the salient topics that are relevant and material to their operations and value chains.

Salient human rights topics

Child labour

Gender equality, discrimination and equal treatment

⁵ [International Bill of Human Rights | OHCHR](#)

⁶ <https://bhr-navigator.unglobalcompact.org/issues/>
<https://www.ohchr.org/en/topics>
<https://www.worldbenchmarkingalliance.org/research/social-transformation-framework/>
<https://investorsforhumanrights.org/issues>

⁷ <https://www.ungpreporting.org/resources/salient-human-rights-issues/>

LGIM's human rights expectations and approach

Modern slavery ⁸	Access to remedy - employees and third parties
Migrant workers	Freedom of association/ collective bargaining
Indigenous peoples ⁹	Privacy and data protection
Land and housing rights ¹⁰	Customer and employee privacy
Labour rights ¹¹	
Occupational health & safety	
Living wage	

We know more needs to be done as the list of topics of human rights is not set in stone, and needs to be regularly reviewed and updated based on assessments of expectations and risks. We believe it is vital that companies proactively identify, assess and address human rights issues within their operations and value chains, and that they pay attention to the rising expectations of regulators, investors and a broader set of stakeholders.

We also recognise that human rights need to be considered through an holistic lens, assessing the economic, social and environmental aspects of this issue. This is reflected in the inclusion of human rights considerations and potential overlaps in other engagement themes LGIM focuses on, including but not limited to human capital, just transition, climate adaptation, deforestation, digitization, transparency, nutrition, and so forth.¹² Hence, the topic of human rights should not be tackled in isolation.

Developing our capacity to assess human rights risks and opportunities

LGIM adopts various approaches, from screening to integration and engagement, in taking human rights into consideration in our investment stewardship and investment activities. Where relevant and available, human rights related metrics are incorporated into tools that are used within our investment due diligence processes in supporting investment analysis.

Human rights have been a key focus area for LGIM for several years. We have incorporated screening of companies' performance on human rights, labour, the environment and corruption as covered under UN Global Compact (UNGC)'s in specific LGIM funds since 2018; our proprietary Future World Protection List captures companies that are perennial violators of the UNGC.¹³ Furthermore, our Global Research and Engagement Groups (GREGs) have integrated various human rights relevant topics when evaluating companies held in portfolios, and we have also established a framework for approaching human rights in the context of sovereigns in our investments. We will continue to review and refine our human rights due diligence approach in evaluating related risks and identifying opportunities in our portfolios.

⁸ Forced labour is included in modern slavery

⁹ Indigenous Peoples' rights, including free, prior, and informed consent (FPIC); land rights; natural resource rights; human rights defenders; labour rights (<https://investorsforhumanrights.org/issues/indigenous-peoples>)

¹⁰ Companies acquiring land may impact human rights, including by disrupting the livelihoods of local communities by not establishing the ownership and use of lands before purchase, or by providing inadequate compensation for loss of or damage to land caused by company operations (<https://investorsforhumanrights.org/issues/land>)

¹¹ Working conditions and working time are covered in labour rights

¹² Please refer to LGIM Investment Stewardship [page](#) to understand our policies and expectations on relevant engagement themes.

¹³ <https://www.lgim.com/uk/en/responsible-investing/investment-stewardship/#rating-companies>

LGIM's human rights expectations and approach

LGIM is a firm believer in engagement rather than divestment and we have therefore sought to influence change at companies identified as having breached one or more of the 10 principles underlying the UNGC.

Working with stakeholders

As a global, systemic issue, human rights requires a market-wide approach. That is why engagement with governments and regulators is so important. We will continue to engage with policymakers as well as other stakeholders such as stock exchanges, non-governmental organisations (NGOs) and other relevant market participants on human rights.

Taking action as companies in which we invest

LGIM seeks to protect clients' assets through raising market standards and best practice. One of the ways we do this is through the expectations we set of investee companies in public markets. Our engagement with company boards and executive directors is central to advancing on all our stewardship themes, and human rights are no exception.

We believe in collaboration and we regularly work with peers and other stakeholders. By joining forces with collaborative organisations, we aim to broaden our reach and strengthen our voice in improving the human rights credentials of the companies in which we invest as part of our commitment to address human rights issues. This will not only allow us to further assess potential risks to human rights violations at these companies, but also to push for greater transparency and progress in their respective markets. We set out the collaborative organisations and commitments related to human rights to which LGIM has signed up below. We look forward to expanding our collaborative engagements with the broad range of third parties with whom we work.

Organisations	Key human rights issues
PRI Advance	Human rights and social
Interfaith Centre on Corporate Responsibility (ICCR)	Advancing worker justice, Equitable global supply chains
Investor alliance for Human Rights	Human rights
Platform for living wage financials	Living wage
Investors Against Slavery and Trafficking Asia Pacific (IAST APAC)	Modern slavery

From 2024, we will consider how to further deepen our engagements, both direct and collaborative, on human rights, with a focus on higher-risk sectors and geographies. Potential focus areas for our engagement activities are as follows:

- Companies in breach of UNGC principles of human rights.
- Renewable energy operators: while they play a critical role in addressing climate change issues, impacts and costs for workers and communities may emerge if companies do not ensure respect for human rights in their operations and value chains.¹⁴

¹⁴ Salient human rights issues related to workers can include but not limited to forced labour, modern slavery, working

LGIM's human rights expectations and approach

- Extractive industries such as energy, mining and mineral: these industries often have higher human rights exposures to community, indigenous people and their value chains.
- Labour-intensive industries, including but not limited to apparel and textiles, information communication technologies and automotive manufacturing, with high exposures to potential human rights issues in their value chains, including labour risks, modern slavery and working conditions, for example.

Over time, LGIM will develop additional engagement focuses as our human rights engagement programme evolves.

Reporting to clients

We are committed to communicating our efforts to our clients. This includes publishing thought leadership pieces and blog posts to inform investee companies and our clients and also to help to drive the conversation forward, and publishing updates in our regular quarterly reports and annual Active Ownership report.¹⁵ In line with our commitment, we will continue to publicly report credible progress on company engagements and voting activities.

Our expectations of companies

When considering human rights impacts, companies should recognise that it can be both a primary impact resulting from their operations and value chains, and a secondary impact resulting from other issues. For example:

- Primary impacts on human rights can be caused by a company's management and ability to control its social license to operate¹⁶. Human rights are also deeply intertwined in a company's value chain, which not only impacts people's lives, but also ultimately affects a company's ability to create and preserve long-term holistic value along its supply chain.
- Human rights can be affected by secondary impacts indirectly resulting from other activities, for example, a company's failure to respond to climate change, or to provide access to clean air, water and sanitation. Human rights infringements can be a result of lack of consideration related to deforestation activities or companies' decarbonisation strategies.

Our commitment is to advocate all companies to respect, assess and address potential human rights issues and impacts. We expect companies not to participate, facilitate, enable, or benefit directly or indirectly in human rights violations and abuses in their own operations, supply chain, use or design of products/ services, and/or customers.

Our specific expectations of our investee companies are listed below. It is worth noting that these are not considered to be 'minimum expectations', as managing human rights requires continuous effort. Should companies meet all the expectations outlined below, this does not necessarily indicate that a company is 'good' with regards to human rights. Recognising this, our engagement with companies on human rights is not based solely on whether they have met these expectations.

- **Policy commitment:** Demonstrate the company's commitment to human rights through adopting and disclosing a human rights policy covering its operation and value chains, adhering to applicable voluntary or mandatory human rights frameworks.
- **Board oversight:** Provide details of the board oversight of the company's human rights commitments

condition, working time, living wage, occupational health & safety. Rights to communities can include but limited to indigenous people's right, land and housing right.

¹⁵ Our quarterly ESG Impact Reports and our annual Active Ownership report are available on our Investment Stewardship webpage, here: <https://www.lgim.com/uk/en/responsible-investing/investment-stewardship/#reports-and-updates>

¹⁶ Social license to operate refers to the agreement regarding the acceptability or legitimacy of one's operation from the perspective of their relevant stakeholders beyond regulation.

LGIM's human rights expectations and approach

and actions, and whether responsibility lies with the full board or a specific committee.

- *Risk identification*: Identify the salient primary and secondary human rights topics that are relevant and material to the organisation's operations and value chains, such as a human rights due diligence.
- *Remedy access*: Provide access, such as grievance mechanisms, to taking mitigating actions should human rights impacts be identified. We expect companies to demonstrate the effectiveness of the remedy mechanism in practice.
- *Risk prevention and mitigation mechanism*: Implement a process to prevent, mitigate and track potential human rights risks and impacts, and disclose actions taken accordingly.
- *Performance disclosure*: Regularly disclose the company's human rights credentials and the effectiveness of their programmes.

Annex A outlines further detail expectations our on specific salient topics under human rights. We will continue to update our expectations regarding specific human rights topics.

Our disclosure expectations above are designed to align with existing global reporting guidance, including the Global Report Initiative, the International Sustainability Standards Board ('ISSB', and the relevant stock exchange ESG reporting guidance. We are sensitive to reporting challenges and seek to support standardisation wherever feasible. Thus, we are not prescriptive in terms of the location, frequency, and form of the disclosure and would encourage companies to refer to standard setters which have extensive guidance.

LGIM voting

LGIM votes against the re-election of the chair or other directors of any company that is on our Future World Protection UNGC violator list for three consecutive years.¹⁷ Following the roll-out of further, deeper engagements on human rights in 2024, we will aim to implement a new voting policy from 2025. Application of this policy will be based on third-party data and voting will be escalated in subsequent years.

As well as undertaking voting activity, we may decide to pre-declare our votes on our dedicated blog post¹⁸ to raise awareness of the issue to the market, and as an escalation activity within our engagement activity. All our voting decisions, including rationales for any votes against management, are published on our dedicated [vote disclosure website](#) 24 hours after the date of the shareholder meeting.

More detail on LGIM's actions on human rights can be found in our annual Active Ownership report, [here](#).

Legal & General Group is also committed to respect and protect human rights and modern slavery: [Human Rights Policy](#) and [Modern Slavery Statement](#).

¹⁷ <https://www.lgim.com/uk/en/responsible-investing/investment-stewardship/#rating-companies>

¹⁸ [LGIM's voting intentions for 2023 \(lgimblog.com\)](#)

Annex A

Salient human rights issues expectations

1. Income inequality

Our minimum expectations of investee companies are:

- a) Set a time-bound strategy and public commitment ensuring workers within an investee company's own operations and those workers in Tier 1 and 2 of their supply chain are earning a living wage that supports a decent standard of living as set out in Article 25 of the Universal Declaration of Human Rights;
- b) Access to training – ensure that all current employees have access to training to 'upskill', as well as to learn about how to manage their finances both of which are important; and
- c) Ensure the future generation of workers have access to training opportunities, e.g. graduate schemes/apprenticeships/work experience programmes, and that companies make these opportunities available to a diverse mix of backgrounds.

Important information

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Key risks

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.

Important information

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LGIM Global

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- USA: Legal & General Investment Management Ltd. (a U.K. FCA authorized adviser), LGIM International Limited (a U.S. SEC registered investment adviser and U.K. FCA authorized adviser), Legal & General Investment Management America, Inc. (a U.S. SEC registered investment adviser)
 - Japan: Legal & General Investment Management Japan KK (a Japan FSA registered investment management company)
 - Hong Kong: issued by Legal & General Investment Management Asia Limited which is licensed by the Securities and Futures Commission.
 - Singapore: issued by LGIM Singapore Pte. Ltd. (Company Registration No. 202231876W) which is regulated by the Monetary Authority of Singapore.
- The LGIM Stewardship Team acts on behalf of all such locally authorized entities.