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Human and Social Capital Management Principles - Global

2026



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Introduction

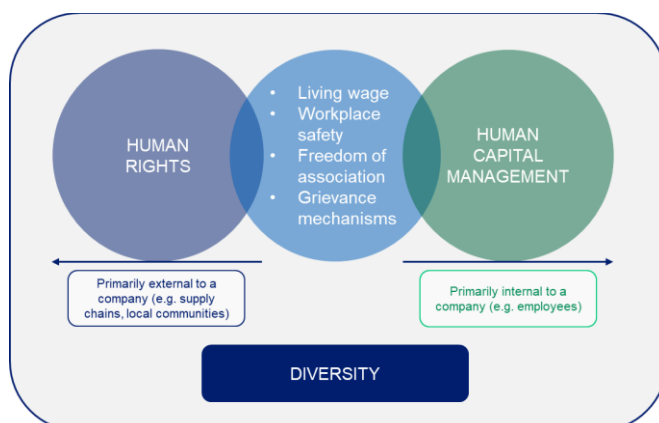
As a global investor, L&G Asset Management recognises that human and social capital management, both within an organisation and across its value chain, can strengthen business resilience, support effective decision-making, and help safeguard long-term value for our clients. Where these factors are not adequately addressed, they have potential to disrupt operations, increase legal and regulatory exposure, and erode stakeholder trust at both company and sector level. We therefore consider human and social capital management as a financially material topic and incorporate these considerations into our investment stewardship as a core part of our fiduciary duty to our clients.

Summary

Good human and social capital management ('HSCM') is crucial for business resilience and effective decision-making.¹ HSCM encompasses management of employees, supply chains, and local communities, forming the social, economic, and environmental foundations that enable businesses and markets to operate sustainably. As investors, we consider human and social capital management financially material at both idiosyncratic (i.e. company-specific) and sector levels. Access to and retention of talent, supply chain security, and market trust are key financial considerations. Further, they are often seen as fundamental commitments, with particular attention paid to how controversies are managed.²

HSCM often involves short-term risk management costs aimed at value preservation and resilience. Effective management supports steady access to talent, secure supply chains, and market trust. We believe that respect for human rights, good workforce management, fair pay, and inclusive practices are essential for sustaining competitive advantage and protecting cash flows.

Why Human and Social Capital Management matters to investors



Our definition of HSCM for the purposes of our Investment Stewardship activities covers human rights (external/value-chain impacts, including modern slavery), human capital management (internal workforce practices), and overlapping topics (e.g., labour rights, health & safety, freedom of association and grievance mechanisms). While diversity is linked to effective HSCM, we have separate diversity principles, available [here](#).

¹ [The foundation of a sustainable business starts with human rights | UN Global Compact](#)

² [The foundation of a sustainable business starts with human rights | UN Global Compact](#)



For investors, robust human and social capital management is fundamental to safeguarding and enhancing long-term value. While these factors underpin business operations, the investor perspective is anchored in how deficiencies can translate into financial, regulatory, and operational risks, with the potential to directly affect a company's ability to maintain stable operations, protect cash flows, and sustain market trust, which can have an impact upon valuation.

When companies fall short in terms of effective HSCM, the consequences can be severe. Within a company's own operations, this can lead to reduced productivity, higher absenteeism, higher turnover, litigation, and fines. Within the supply chain, poor labour conditions, unsafe workplaces, or exposure to human rights violations have the potential to disrupt supplies, trigger litigation, invite regulatory action, and to result in trade restrictions, especially as more jurisdictions ban goods linked to forced labour or modern slavery³. Such disruptions can materially impact company performance and pose significant risks to client assets.

Investing in human and social capital management often requires upfront costs, but these expenditures serve broader risk mitigation and resilience objectives. Strong practices such as fair labour practices, respect for human rights, and rigorous supply chain due diligence help support operational continuity, provide access to talent, and maintain the confidence of regulators, customers, and investors. Strategic oversight may help to reduce volatility and risk premia, in addition to helping drive productivity, thereby supporting long-term value creation. Consistent with this, recent research published by the United Nations Development Programme finds no evidence of a financial trade-off between respect for human rights and corporate competitiveness; rather, it identifies clear and tangible financial benefits for companies that strengthen their human rights performance⁴.

The regulatory landscape is evolving rapidly. Mandatory due diligence requirements and global standards—including the UN Guiding Principles on Business and Human Rights, International Labour Organisation ('ILO') conventions, and the OECD Guidelines for Multinational Enterprises are raising the bar for responsible business conduct. Companies that fail to meet these standards face heightened scrutiny and may risk losing their licences to operate and access to markets.

In this context, as investors, we assess where HSCM risks may emerge across sectors, geographies, and value chains, and how these risks may affect company resilience and long-term value. This includes considering whether companies are causing, contributing to, or directly linked to adverse impacts through their operations, products, or business relationships. We engage with companies to strengthen governance, transparency, and risk management (including due diligence) so that risks are identified and addressed early. Our goal is not only to mitigate downside risk, but also to support resilient, sustainable performance over the long term.

³ [Supply Chain Human Rights: Litigation Risks Rising - Sedex](#)

⁴ UNDP (2025) Human Rights vs. Competitiveness: A False Dilemma? <https://www.undp.org/publications/human-rights-vs-competitiveness-false-dilemma>



Our approach

As a responsible investor, L&G Asset Management seeks to promote effective human and social capital management through an integrated approach. We recognise that these issues do not exist in isolation and often intersect with our other investment stewardship priorities, including climate and nature, (for example, land management topics such as deforestation), responsible use of artificial intelligence, and corporate governance more broadly. Our engagement approach therefore considers these interdependencies across environmental, social and governance dimensions. The following standards guide our evaluation of HSCM risks and support our efforts to help clients avoid reputational, operational, and financial impacts linked to failures in these areas:

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

We recognise the complexity and interconnectedness of human rights issues across global value chains. As an investor, our focus is on using our voice to influence and hold companies accountable for their human rights performance. We expect companies to periodically conduct robust human rights risk assessments and more frequently, human rights due diligence across their full value chain and to identify the salient human rights topics most relevant to their operations. While we highlight areas we consider most material, we also expect companies to conduct their own assessments to determine which topics are salient for them.

Salient human rights topics

Child labour	Labour rights (incl. working conditions, working time)
Modern slavery (incl. forced labour)	Gender equality, discrimination and equal treatment
Migrant workers	Access to remedy to employees and third parties
Indigenous peoples ⁶	Freedom of association/ collective bargaining
Land and housing rights ⁷	

How we assess human and social capital management

L&G Asset Management integrates human and social capital management assessment, where feasible (and in line with the relevant fund mandate), across our investment processes through screening, integration, and active engagement. We use a combination of quantitative and qualitative assessments, outlined below.

⁵ [The International Bill of Human Rights covers United Nations Universal Declaration of Human Rights \(UDHR\), the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social, and Cultural Rights](#)

⁶ 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>)

⁷ 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>)



L&G ESG Score

The [L&G ESG Score](#) uses 32 metrics across environmental, social, governance and transparency factors to monitor and assess companies' performance on these factors. Companies' scores are publicly available: [L&G ESG score](#). While the Score draws on metrics from third-party data providers, its construction methodology is proprietary to L&G.

We use the L&G ESG score as a tool in our company assessment and (as determined by fund mandate) in investment decision-making. In the table below, we include an extract of the metrics related directly to human and social capital management.

L&G ESG Score – Human and Social Capital metrics

Human rights programme	Supply chain policy
Bribery and corruption policy	Employee incidents
Freedom of association policy	Business ethics incidents
Discrimination policy	Social supply chain incidents

Future World Protection List

The Future World Protection List ('FWPL') is constructed by L&G using third-party data from respected providers to identify companies that meet the criteria outlined below. Funds applying our FWPL will exclude companies that meet any of these criteria:

- Involvement in the manufacture and production of controversial weapons (further detail can be found in our specific policy, here: [L&G Controversial Weapons Policy – June 2025](#))
- Perennial violators of the United Nations Global Compact, an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies: companies assessed as being in direct violation of one or more principles for a continuous period of 36-months or more
- Involvement in thermal coal and/or oil sands (by revenue, 20% and 5%, respectively)
- Involvement in expansion of thermal coal power generation and/or mining and extraction capacity

Further information about the FWPL can be found here: [Future World Protection List Methodology Document - June 2025](#). We publish the list of companies on the FWPL, which is updated twice a year: [Future World Protection List - November 2025](#)

Active ESG View

Active ESG View is a proprietary internal research tool that combines internal and external quantitative and qualitative inputs to form ESG views of companies and sectors. It brings together granular inputs such as the materiality of sustainability risks and opportunities, company data, and forward-looking proprietary analysis to assess sectors specific ESG risks and opportunities alongside fundamental investment analysis. It provides scores based on disclosed information on topics such as labour, health & safety, supply chains and community.

We acknowledge that human and social capital management data, particularly beyond policy-level indicators, remains limited in quality, comparability, and availability. Improving market-wide data is therefore an important part of our stewardship activities. Enhanced data will help us better assess human rights and social capital risks and opportunities across companies' operations and value chains.



Our engagement

While human rights and human capital management are recognised as global and systemic issues, our role as investors is to focus on the financially material risks and opportunities that arise at the company and sector level.

In our engagement activities, we aim to partner with our targeted companies to determine bottlenecks to progress across global value chains, and to work towards solutions. Complementing our quantitative assessments, these in-depth engagements enable us to establish dialogues with companies to better understand the challenges they face in meeting our expectations, and how we can most effectively encourage progress.

While we consider HSCM to be relevant to all sectors, in order to prioritise our engagement efforts, we focus primarily on the following sectors and topics:

- **Labour-intensive industries** such as apparel, textiles, and food production, where modern slavery and other labour-related risks are prevalent across complex value chains
- **Mining and other extractive industries** that face elevated risks due to weak governance, land and resource disputes with indigenous communities, poor labour conditions, and environmental impacts affecting local populations

Within L&G, our Global Research and Engagement Groups ('GREGs') are cross-asset, sector-based teams that bring together our investment research and stewardship expertise from across L&G. The GREGs identify key themes and structural trends shaping sectors, assess risks and opportunities, and providing a forum to connect top-down macro perspectives with bottom-up sector fundamentals, supporting integrated investment decision-making and engagement.

To support meaningful progress, in addition to engaging with companies directly, we may also work with policymakers, regulators, stock exchanges, non-governmental organisations (NGOs), and other relevant market participants. Through these engagements, we aim to shape standards, strengthen expectations, and promote consistent implementation of human rights and human capital management due diligence, where these factors are financially material.

We also recognise the geographic, cultural, and industry-specific nuances that influence risks and opportunities within the workforce. Our approach includes engagement with other investors, regulators, data providers, and civil society organisations to address these complexities at the sector and company level.

Collaborative initiatives

Collaboration is central to our investment stewardship activities. By working with peers and participating in collaborative organisations, we broaden our reach and amplify our voice to improve the human rights and social capital management practices of our investee companies, and to advocate for regulations that promote consistent and comparable disclosures of material information relevant to investors.

Where relevant and legally permissible, we collaborate with peers and other stakeholders to amplify our voice and broaden our reach. Working through collaborative initiatives enables us to deepen our assessment of potential human rights and social capital risks, drive greater transparency, and accelerate progress across markets. L&G Asset Management participates in the following organisations and commitments related to human and social capital management:

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	Modern slavery
Human Capital Management Coalition	Social capital management disclosures
ISSB	Social capital management disclosures

Our expectations of investee companies

We do not view human rights and social capital management as a compliance exercise, but as a core component of resilient business performance. Companies can generate impacts on human and social capital through their operations and value chains which may arise at differentiated levels where a company causes, contributes to, or is directly linked to an impact.⁸ Such impacts may stem from how a company manages its workforce, conducts its operations, and oversees its suppliers, as well as from broader business decisions, such as environmental management, land use, or climate-related strategies, that have consequences for communities and workers.

We encourage companies to identify, assess, and address human and social capital risks holistically, recognising their importance to long-term resilience and sustainable value creation. Many aspects of human rights are closely linked to how a company manages its human capital, for example, in relation to the treatment and the health and safety of employees and workers within the supply chain. At the same time, some human rights risks extend beyond human capital considerations. Our expectations therefore distinguish where these issues overlap and where they require separate focus.

With this in mind, we outline below our expectations of investee companies. These are not intended as prescriptive thresholds or a checklist; rather, they set out what we consider to be good practice and serve as directional markers to guide companies in developing a clear and evolving approach over time. We expect companies to be able to articulate their approach, progress, and areas for further development across these themes, even where practices are not yet fully implemented.

This recognises that corporate practices in this area will continue to evolve, particularly as many organisations are still building more comprehensive human rights frameworks beyond existing requirements such as modern slavery. Demonstrating a structured approach, clear internal ownership, and a forward-looking plan is therefore as important as having all elements fully in place.

While we do not prescribe uniform timelines, we expect companies to make meaningful progress in line with emerging regulatory requirements and evolving market expectations. Companies should be positioning themselves to meet applicable legal obligations, particularly in relation to human rights due diligence, within the relevant regulatory timeframes. In our engagements, and depending on company-specific circumstances, we may set more specific expectations or milestones to support progress.

Importantly, while we recognise that implementation will be iterative, we expect companies to set and disclose appropriate milestones towards more comprehensive alignment with these expectations. This helps ensure that commitments are actionable and time-bound, and do not remain open-ended.

⁸ P70, [2024CHRB-methodology 19Aug25.pdf](#)

Our engagements and analysis therefore focus not only on whether companies meet these expectations, but also on the quality of their commitments, the credibility of their progress, and their demonstration of continuous improvement over time, particularly the extent to which human and social capital management is embedded within strategy and contributes to long-term competitiveness and value creation.

Companies should demonstrate a clear commitment to human rights and social capital management through:

- **Policy commitment:** Companies should clearly articulate their commitment to respecting human rights and managing human and social capital effectively. This may be achieved through separate policies or a combined framework, provided the relevant expectations are clearly set out and publicly disclosed. At a minimum, companies should:
 - Demonstrate a clear commitment to human rights by adopting and publicly disclosing a human rights policy that covers both their operations and value chains, aligned with applicable voluntary or mandatory human rights frameworks.
 - Demonstrate the value they place on their human capital management by developing policies and standards that are not just in line with legal requirements but also promotes the wellbeing of their employees.
- **Board oversight:** Clearly defined board level oversight of human right and social capital commitments and actions, specifying whether responsibility lies with the full board or a dedicated committee. Robust governance should be integrated across organisational levels to strengthen risk management.
- **Risk identification:** Identify the salient primary and secondary human rights and social capital management topics that are relevant and material to the organisation's operations and value chains. Explaining the human rights risk identification process, key considerations, and how these inform the design of human rights performance measures is valued. If the company has set targets or measures specific KPIs to assess risk and performance related to its social capital strategy, we encourage disclosure of this additional information.

Specifically on Human Rights

- **Due Diligence:** Companies should Implement a people-centred, forward-looking human rights due diligence process to identify, prevent, mitigate, and account for their human rights impacts.
- **Distinguishing due diligence from audits:** Distinguish between their own human rights' due diligence processes and third-party audits, ensuring that due diligence goes beyond compliance-based auditing.
- **Remedy access:** Provide effective access to remedy, such as grievance mechanisms, for individuals or communities affected by human rights impacts. They should demonstrate the effectiveness of these mechanisms by disclosing the number, type, and resolution status of grievances raised each year.
- **Risk prevention and mitigation mechanism:** Implement processes to prevent, mitigate, and track human rights risks and impacts. This may include carrying out periodical human rights risk-assessments to identify supply-chain risk exposure and applying appropriate risk-management measures.
- **Performance disclosure:** Regularly disclose the company's human rights performance and the effectiveness of their programs.

Specifically on Human Capital Management

- **Approach to workforce engagement:** Implement processes for ongoing employee engagement to foster a positive workplace culture and provide channels to enable individuals to seek advice or raise concerns. This includes establishing and maintaining robust policies for whistleblowing, grievance mechanisms, and the right to freedom of association and collective bargaining.
- **Workforce development strategy:** Assess and measure workforce needs and skills gaps to inform where investment in the workforce is essential to the business strategy. Where relevant, provide career- building opportunities such as training and education to enable internal mobility, programmes that support upskilling or reskilling workers in economic transitions, and performance reviews. Ensure these programmes are effectively managed and their outcomes are regularly assessed.
- **Approach to workforce compensation:** Policies should not only comply with local laws and regulations on minimum wages, but should aim to provide workers a level of income that is consistent with the ILO's definition of a living wage.



- *Workforce composition:* Monitor and report the composition of a company's workforce, including by worker type (e.g., employees full-time, part-time, seasonal, students,) and across gender, ethnicity, and other workforce demographics.
- *Retention and turnover:* Monitor and report workforce retention and turnover rates, ensuring this data is segmented by the same demographics and job categories as listed above.

These disclosure expectations align with existing global reporting guidance, including the Global Reporting Initiative (GRI), ISSB standards, and relevant stock-exchange ESG reporting requirements, e.g. LSE, HKEX, Nasdaq SGX. We recognise the challenges associated with reporting and support greater standardisation. Accordingly, we are not prescriptive about the location, frequency, or format of disclosure and encourage companies to refer to established standard setters.

Voting

There are a number of tiers to our voting on HSCM:

- Companies on the Future World Protection List (outlined above) receive a vote against the re-election of the Chair at their AGM.
- On human rights, since 2025, we have voted against the re-election of the Chair at companies in breach of human-rights specific United Nations Global Compact principles 1-6 for two continuous years, as identified by our third-party data provider.

Additionally, we may support shareholder proposals in line with our published expectations that call for greater transparency on how a company identifies, manages, and discloses human rights issues. We consider most shareholder proposals on human rights and social capital management issues on a case by case basis.



Reporting to clients

We may pre-declare votes as part of our escalation strategy to increase transparency and clarify our views to our clients, and to the market more broadly.

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.

We are committed to communicating our efforts to our clients. This includes publishing thought leadership pieces on the topic to inform investee companies and our clients and to help to drive the conversation forward. In line with our commitment, we will continue to publicly report credible progress, through company engagement and voting activity.

Further details on L&G Asset Management's actions on Human and Social Capital Management can be found in our annual Active Ownership report and Quarterly Engagement Reports, available on our Investment Stewardship webpage: [Investment stewardship & governance | L&G](#).

Our parent company

L&G Group is also committed to respecting and protecting human rights and addressing modern slavery:

- [Modern Slavery Statement](#)



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