

## Social Opportunities

**Die deutsche Übersetzung dieser Richtlinie kann auf Nachfrage zur Verfügung gestellt werden.**



### Why we engage

Significant investment opportunities can arise from societies becoming more economically inclusive, with a greater number of people having higher incomes to spend and invest. In our own portfolios, we have observed through our engagement that companies providing good working conditions, and fair reward, report to have employees who are more engaged and productive, thereby driving our investee companies forward through loyalty, innovation, and excellent customer service. Academic research has found a link between employee satisfaction and firm value for countries with flexible labour markets, with companies listed among the “Best Companies to Work For” outperforming their peers in stock market performance.<sup>25</sup> Research has also found that the positive relationship between employee satisfaction and outperformance is particularly strong during market downturns, which can be beneficial for investors, employees, and wider society.<sup>26</sup>

Widening access and affordability to essential services – such as banking, insurance, medicine and education – may support long-term value creation by expanding economic participation and increasing household financial resilience. Empirical studies show that expanding financial services to underserved populations can benefit financial institutions, including stronger performance and profitability, although this is influenced by country context.<sup>27</sup>

While the specific outcomes of diversity can vary based on a range of factors – such as company culture and governance – diversity of experiences, skills, viewpoints and backgrounds is recognised by investors and other stakeholders as a way to bring broader perspectives to decision-making, and enhance the ability to navigate complex challenges. Gender diversity has been positively linked with firm performance,<sup>28</sup> although the broader social context remains important in determining the strength of this relationship.<sup>29</sup>

### Issues relating to this theme include:

Access & Affordability	Employee Engagement
Labour Relations	Inclusion & Belonging
Health & Safety	Social Inclusion Opportunities

25. Edmans, A., Pu, D., Zhang, C., & Li, L. (2023). Employee satisfaction, labor market flexibility, and stock returns around the world. European Corporate Governance Institute (ECGI) - Finance Working Paper No. 433/2014. <http://dx.doi.org/10.2139/ssrn.2461003>.

26. Boustanifar, H., & Kang, Y. D. (2021). Employee satisfaction and long-run stock returns, 1984-2020. Financial Analysts Journal, 78(3), 129-151. <http://dx.doi.org/10.2139/ssrn.3933687>.

27. Saidi, H., Hakimi, A., Adili, L., & Hamdi, H. (2025). Does financial inclusion improve bank performance in the MENA region? Evidence from GCC and non-GCC countries. Banking & Finance. <https://doi.org/10.1080/23311975.2025.2547083>.

28. Brahma, S., Nwafor, C., & Boateng, A. (2021). Board gender diversity and firm performance: The UK evidence. International Journal of Finance and Economics, 26(4), 5704-5719. <https://doi.org/10.1002/ijfe.2089>.

29. Zhang, L. (2020). An institutional approach to gender diversity and firm performance. Organization Science, 31(2). <https://doi.org/10.1287/orsc.2019.1297>.

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### Engagement approach

We highlight good practices below and encourage priority companies, where social opportunities are relevant, to work towards these.

<p>Working conditions</p>	<p>Set robust targets and take steps to protect the health and safety of workers.</p> <p>Develop employee training programs and opportunities for career progression, and measure outcomes of these initiatives.</p> <p>Provide formal platforms for workers to give feedback to management, and strong, safe mechanisms for staff to raise ethical concerns.</p> <p>Disclose, via public reporting, high-quality information and narratives on working conditions, career development, and worker voice, allowing investors to understand how companies develop and manage talent.</p>
<p>Fair reward</p>	<p>Provide living wages to staff,<sup>30</sup> visibility and flexibility in working hours, and other meaningful benefits such as broad-based share ownership schemes.</p> <p>Disclose and reduce pay gaps in accordance with applicable legal and regulatory requirements.</p> <p>Ensure executive team pay is reasonable within the company and societal context.</p>
<p>Inclusion and belonging</p>	<p>Improve diversity, including of backgrounds, skills, experiences, and viewpoints, at all levels, including the board, senior management, and the wider workforce, through appropriate hiring, training and promotion processes.</p> <p>Collect, publish, and monitor granular diversity data, disaggregated by seniority and regions/countries of operation.<sup>31</sup></p> <p>Set time-bound targets for improvement on diversity metrics where permitted under applicable law.</p> <p>Take steps to ensure that everyone feels included and respected. These steps should cover different stages of employment, including hiring, training, promotion, and daily work arrangements.</p> <p>Periodically measure and report on the progress of inclusion initiatives.</p>
<p>Access and affordability</p>	<p>Explore value-creating opportunities to provide essential products and services, such as banking, insurance, education and healthcare, to underserved populations.</p>

30. Defined by the Global Living Wage Coalition as: 'The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family.' Please refer to the following link for further information: <https://www.globallivingwage.org/about/what-is-a-living-wage/>.

31. We are aware of certain market-specific circumstances that make data collection challenging, and we tailor our engagements to reflect this.

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