Workers' Capital Conference
7-8 September 2015
London, UK

Pressing Forward:

Putting the Workers' Capital Agenda to Action

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Conference Report

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Summary

The 2015 Workers' Capital Conference, the annual international meeting of pension fund trustees, trade union representatives and capital strategies staff, provided a dynamic forum to advance the workers' capital agenda and chart a just future for workers via responsible investment strategies. The 2015 Workers' Capital Conference was organized by the Global Unions Committee on Workers' Capital (CWC) and hosted by the International Transport Workers' Federation (ITF).

More than 110 participants took part in the 2015 Workers' Capital Conference in London, UK, to discuss opportunities and challenges with respect to the responsible stewardship of workers' capital in a global context. The conference was held at the headquarters of the International Transport Workers' Federation and included pension trustees and trade union officials from North America, Europe, Africa and Australia.

The conference fostered stimulating discussions and allowed trustees to provide cross-country experiences on issues that included uncovering hidden transaction costs and fees paid throughout the investment chain, embedding stronger pro-labour practices in the investment policies of pension funds, and ensuring that fund investments into infrastructure assets encapsulate the social and worker benefit dimensions. Improving the quality of social information provided by sustainability rating firms and fostering global cooperation to engage with construction companies in Qatar over labour issues were also discussed. The keynote address was delivered by Nick Robins from the UNEP-FI Inquiry Into the Design of a Sustainable Financial System. He highlighted recommended actions that asset owners can take as the planet shifts toward a low-carbon future. This includes disclosing the management of climate change risks and measuring the carbon footprint of portfolio holdings.

Finally, members of the new leadership team of the Global Unions Committee on Workers' Capital, which is made up of Chair Ton Heerts (FNV-Netherlands), Co-Chairs Liz Shuler (AFL-CIO-USA) and Paddy Crumlin (ITF-global) and ITUC General Secretary Sharan Burrow, presented their vision for the next steps in promoting the responsible investment of workers' capital with a view to building a more fair and sustainable planet.

Welcome remarks

CWC chair, Ton Heerts, provided an overview of the new leadership structure of the Committee and the priorities that will be central to our work in the coming months. Paddy Crumlin, CWC Co-Chair, highlighted challenges that we continue to face in the current financial environment, while outlining the potential for our collective action to realize better outcomes for workers.

Speakers: Ton Heerts, President, FNV; Chair, CWC
Paddy Crumlin, President, ITF; Co-Chair, CWC

Ton Heerts, President of the FNV – the Dutch trade union confederation, opened the conference thanking the ITF for hosting the event, and Ken Georgetti for leading the CWC from 2003-2014. He outlined how the new leadership team, with the participation of the full CWC network, seeks to strengthen the CWC in the coming years.

He identified that while every national pension system is different, the common goals of workers' capital apply globally: decent, adequate and predictable pensions and respect for workers' rights. Responsible investment also includes respect for workers fundamental rights to form or join a union and to collective bargaining, ensuring corporate accountability, asset manager accountability and meeting long-term challenges for our economies.

The FNV will actively support the Committee, investing further in workers' capital strategy, building ties with other European trade union centres and engaging with trade unions globally. Ton emphasized that workers' capital requires strong commitments from trade union leadership and long, patient financial support. He stated: "Workers' capital is an investment in new forms of trade union action. It is part of the innovative toolbox that we need for the future, including to strengthen our negotiating position with employers and hold management to account."

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The priorities of the CWC were highlighted, including helping to develop trustee leadership networks. "It is our duty," Ton said, "we, the trade unions, to support and empower pension trustees. Then they can advance and strengthen responsible investment commitments once they are in the pension fund board room." To help in this task, including linking trustee networks internationally, José Meijer, vice chair of the Dutch pension fund ABP, has accepted a role chairing the CWC trustee network. Supporting shareholder activism campaigns to hold large companies to account and acting as a clearinghouse for campaigns internationally is another priority of the CWC, to be chaired by US colleague John Keenan of AFSCME. Other issues, new and old, include upholding labour and human rights, holding asset managers and ratings agencies to account, and investing in a sustainable financial way on climate change and infrastructure.

"It is our duty – we, the trade unions – to support and empower pension trustees. Then they can advance and strengthen responsible investment commitments once they are in the pension fund board room."

Paddy Crumlin, ITF President and Co-Chair of the CWC, joined Ton in welcoming the participants. He emphasized that workers capital now represents nearly 30 trillion dollars – almost half of investments in the world today – a huge responsibility for pension fund trustees and unions. The intention of these deferred wages is for decency of work to translate to decency of retirement, and it is our responsibility to take it through to the next stage. Responsible investment – integrating environmental, social and governance (ESG) factors – is part of this work. Social factors are particularly underrated, while even environment measures are often not properly quantified or qualified. Governance is driven by jurisprudence, which is different in each jurisdiction, and places substantial hurdles for trustees to direct funds in a way that is consistent with union values, or in the interest of their members.

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The failure of regulation of financial services, widespread tax avoidance, rampant executive salaries, and self-interest on boards and ratings agencies all point to our greatest challenge: how do you integrate the purpose of growing wealth with the interest of working people who have contributed their deferred wages and the values they uphold? Paddy stated that we have a responsibility to embrace long-termism and activism alongside the primary responsibility of pension funds to grow wealth. Responsible investment is about risk mitigation, sustainable investment without reversal, and adding value. The CWC leadership will work to map out a way to direct energies to support trustees in creating wealth through taking a different approach on how to invest – in the interest of workers.

How do you integrate the purpose of growing wealth with the interest of working people who have contributed their deferred wages and the values they uphold?

Session 1: Trustee leadership – Shareholder Activism and Beyond

Pension fund trustees accept the critical responsibility of ensuring the growth and sustainability of investments for secure retirements. This session explored attributes and practices that enable trustees to excel in their role as stewards of workers' capital. Having a strong voice in policies that pension funds adopt to guide investment, in the actions of investment managers, and in the governance of companies in which the fund invests, is of fundamental importance for the long-term sustainability of workers' capital, decent retirements and sustainable economic growth.

Speakers: Harry Keiley, Chair of the board, CalSTRS
José Meijer, Trustee, ABP
Aaron Brenner, Senior Capital Markets Analyst, UFCW,
Jeff Rowlinson, Trustee, SSE plc pension fund
Moderator: Xander den Uyl, Trustee, ABP & PWRI

What characterises an effective trustee?

7 attributes of highly effective trustees	• The attributes are: 1) the strength no to be intimidated; 2) strength and willingness to be inquisitive; 3) unwavering ethical behaviour; 4) thinking objectively; 5) working hard and carving out time to learn; 6) keeping focused and 7) not being blinded by distractors

Being bold and inquisitive with asset managers	• Trustees at smaller funds need to be deeply inquisitive with asset managers; they need to ask tough questions • A trustee pointed to the fact that the best asset manager due diligence firm he has known was a firm that appointed investigative journalists
Staying abreast of evolving norms, member expectations	• In the UK, fiduciary duty and the prudent person rule (what a trustee considers acceptable is what the beneficiaries of the scheme consider acceptable) have changed in the last 20 years; this has evolved alongside with regulations: o Funds are required to have investment principles that integrate ESG; o Law Commission has established that trustees should take ESG into account where they believe it to be material; they also need to assess in relation to whether members would agree

How is the workers agenda being embedded in workers capital?

Capital stewardship to change power of workers relative to employers	• UFCW's Capital Stewardship Program consists of 1) educating and helping trustees work on different campaigns and 2) working on engagement, primarily in the food retail sector, where UFCW workers are based • UFCW's capital stewardship program is housed in the organising program of the union; during engagements, a good practice is to bring workers from the company being engaged • ABP engaged with Wal-Mart over labour relations; despite years of intensive engagement, company continued to want to be union free • In other cases, such as Ahold, engagement over labour relations resulted in a revised labour policy and adjusted communication with workers
Shifting the conversation incrementally	• The Human Capital Management Group (HCMG), a coalition of 25 large US funds, is engaging with retail companies (labour intensive) and emphasizing the importance for executive management to be engaged on employee relations • Most successful engagement of this group has been with Gap; after Gap announced it would raise minimum wages, the HCMG made Gap understand they were supportive of decision & began tracking impact of measure on financials to utilise evidence in other engagements • The idea of drafting an "employment charter" to embed in investments was raised but there is limited political leverage for this at the fund level. In the US, it is still challenging for investors to raise the issue of freedom of association with companies. Any idea along that vein should consist of no more than 5 demands that could be presented to any corporate board • Employer side trustees should also be engaged

How do trustees work as a collective – at the national and international level and with union colleagues – to advance the worker capital agenda?

The role of trustees and unions	• There is a unique role for labour leaders who are trustees to embed worker issues into investments • Collaboration is multi-layered: includes collaboration on 1) the board, 2) at the national level, 3) internationally with the help of e-communications, meetings

	• Important to utilise networking to float ideas, develop action plans that account for key national issues in context of fact that funds invest in each other's economies – e.g. US speakers indicated that they hoped that no more non-US funds divest from Wal-Mart
Driving a workers agenda into workers capital	• A trustee thought that trustees should be in charge of advancing the workers capital agenda • There was broad agreement that the focus should be on 1 issue that would get buy-in across borders and that there should be tangible ways to measure the effectiveness of action

Session 2: Pension fund management fees and transaction costs

Hidden transaction costs and fee extraction throughout the investment chain undermines not only the value of pension funds to ensure secure retirements but also contribute to an unsustainable financial system. Both trustee perspectives and policy expert opinion were shared on this panel, examining the leading example of the Dutch regulatory framework to disclose fees, how these apply within the Netherlands and how they have been mobilized in the UK. The session also included an overview of the ongoing work at New York City's funds to reduce fees.

Speakers: **Willem Noordman,** Head of the Pension Department, FNV
Chris Sier, Managing Director of UK Branch, KAS Bank
Colin Meech, National Officer, UNISON
John Adler, Director, New York City Mayor's Office of Pensions & Investments
Moderator: **Chris Driessen**, FNV

How did mandatory management fee disclosure arise in the Netherlands?

Generated from pension sector	• A lot of public debate on the impact of fees and administration costs on reducing pension outcomes has gone on in the Netherlands • In 2011, the pension sector itself decided on self-regulation. Even parliament has had debates on the issue and in 2015, cost transparency became mandatory by law
Asset manager compensation policy and guidelines	• Pension funds are required to be aware of the compensation policy of external asset managers, to be clear about performance-related fees • Federation of Dutch Pensions provides advice on principles for asset management contracts, to align interests, set reasonable fees, etc.
Outcomes of Dutch system	• The regulation demands a lot from pension funds, but provides opportunity to see differences in costs across funds • As Dutch funds work with similar asset managers as funds in other countries, the system in place in the Netherlands can possibly provide reference for other countries

Why is knowing your costs important?

Transparency is key	• Regardless of what industry says, there is no good reason for not telling you how much something costs - there is no purchasing decision that we make that doesn't start with how much something costs
Non-overt costs are substantial	• Costs are either actively or passively hidden • Total costs of pension fund as a ruler: 1/3 of the ruler possible to

	discover, 1/3 of costs known but never quantified, 1/3 that has not even been clarified – cost that we never knew were included
Material to performance	• Costs are material – cutting costs is the first approach to improve fund performance
More excessive than expected	• Costs are much higher than funds expect –one fund found transaction fees were 3x the cost of overt fees that were disclosed (equity)
Law commission says	• Trustees must ensure that pensions can be paid • They owe a duty of care to scheme sponsors – not to load the employers with burdensome costs
Fiduciary duty = cheapest possible cost	• Trustees are required to keep the costs low • Transparency will reveal costs but not lower them automatically • Cost reductions = improvement in the financial management of fund • Improving performance has potential to reduce sponsor contributions, which could save some defined benefit funds going forward

What can be done to disclose and reduce costs?

Asset allocation reviews	• NYC funds found greatest underperformance in private equity; rather put resources into indexed funds that would be cheaper • NY funds will only use active management if there is a history of added value • Expect to end up with an allocation that is simpler with less fees
Implications	• Need to have the right tools, ask the right questions, be able to tell asset manager that you will fire them • Cost transparency should be a collective bargaining issue for unions
Actions	• Opportunity to propagate, where possible, Dutch model to benchmark • The difference in fees is in the detail of the actual mandates – get audits on these – could save a lot in fees going forward • If pensions can be managed in-house = better performance outcomes • Canadian model of bringing together public funds under public corporations to bring talent in-house at a fraction of the cost for funds is cited as an example

Plenary 1: Embedding pro-labour practices and policies for responsible investment

Efforts to enhance labour standards and rights are being developed around the globe to ensure that pension funds uphold decent work practices in the companies they invest in. This session highlighted how pension fund trustees can keep the social – particularly labour – aspect of 'ESG' strong in their responsible investments practices and commitments. International efforts and initiatives were showcased to identify potential routes that trustees have available to uphold labour standards and decent work in their fund's investments.

Speakers: **John Neal,** Research Officer, Unite the Union
Brian Daley, Trustee, Australian Super; Capital stewardship officer, ACTU
Willem Noordman, Head of the Pension Department, FNV
Tom Croft, Executive Director, Steel Valley Authority
Moderator: **Jay Youngdahl**, Middletown Works VEBA

How are pro labour practices being embedded across the investment chain?

Pooling capital to have one voice in capital markets	• The Trade Union Shareowners Initiative (UK), launched in 2013 is an example of union collectivism: union's own funds came together to vote together and engage companies in line with union values • Membership in TUSO is opened to other union funds and the initiative now has over GBP1 billion in assets
Engaging with companies over union issues	• Orient shareholder engagement narrative around union interests, e.g.: anti-union activity in US subsidiary of National Express • TUSO has adopted voting guidelines in line with union values: pay ratio of 20:1; voting against long-term incentive schemes that do not include all staff on same terms • It is important to balance out the value of voice/exit: if you exit a company as a result of failed engagement, power to effect change is gone
Engaging with the wider financial community	• Hold seminars to increase awareness of sell-side analysts of risks of union issues at particular companies, e.g.: precarious work • Keep asset managers accountable, e.g.: monitor voting patterns on specific votes
Adopting responsible contractor policies	• In Australia, some Super funds have built responsible contractor policies and have asked Real Estate Investment Trusts, companies that own and manage property, to adopt those principles; some companies have responded more favorably than others • Trustees have the power to systematically enact responsible contractor policies with asset managers, notably in real estate portfolios

Challenges faced by funds who wish to embed pro-labour practice

Deficient information on social issues	• The social performance information provided by sustainability ratings agencies has serious gaps • Unions may actually be the best positioned organisations to collect and organise information around company performance on labour issues, impact sustainability ratings and enable better investment decision making
The continuing debate over voice or exit	• It is important to balance out the value of voice/exit when funds engage with companies: if a fund exits a company as a result of failed engagement, power to effect change is gone
Larger societal currents	• Over the last few years, research and information around environmental issues has received most of the attention in mass-media (among E&S issues); focus has not been as sustained on social issues

Collective tools at the disposal of pension trustees and unions to embed labour rights

Use the CWC as a clearinghouse	• One participant asked for the CWC to act as a clearinghouse for labour affiliated/worker capital campaigns and criticised the PRI for the dominant role of asset managers
Improving flow of labour-related information	• For instance, in the German context, unions may draw on worker representatives in supervisory boards to inform assessments of a company's labour performance

Plenary 2: Qatar – Global Pension Fund Cooperation to Instill Fundamental Labour Rights

This session outlined the frame for engaging with companies over human and labour rights in Qatar. It pointed to the bridges that have been built by the CWC between unions, investors and civil society actors to build a knowledge base and coordinate the engagement on Qatar. Pension trustees were encouraged to have their funds join the collaborative engagement that is currently underway.

Speakers: Roel Nieuwenkamp, Chair, OECD Working Party on Responsible Business Conduct
Richard Greening, Chairman, LAPFF; Islington Council Pension Scheme
Gemma Swart, Campaigns and Communications, ITUC,
Hugues Létourneau, Program Officer, CWC
Moderator: Janet Williamson, Senior Policy Officer, TUC,

Why should investors be concerned about multinational construction company holdings that operate in Qatar?

Situation on the ground	• Field visits by ITUC (qatarexposed.org) and other organisations along with research points to forced labour, high health and safety risks, unsanitary accommodations, passport confiscation and deceptive recruitment practices • ITUC observed that the space for workers to express themselves has been shrinking of late • Need to put in place grievance procedures, guarantee no objections to having employees work for another employer, could sign exit visas, could give workers representation
The role of workers capital	• Despite pressure from civil society, labour, government and multilateral organisations, reforms so far have been cosmetic; this creates role for investors to hold companies to account and ensure that companies uphold their responsibilities
Civil society-company-investor loop	• Civil society may bring in legal challenges against companies and will continue to bring global media attention on the issue • This amplifies risks for companies (and shareholders)

Framing the engagement on human and labour rights risks in Qatar

Drawing on existing mechanisms	• The OECD Guidelines for MNEs place responsibilities upon companies, minority shareholders and also apply to private equity and state-owned enterprises • Shareholders should use their leverage to influence an entity that causes or contributes (e.g.: MNC associated to subcontractor violating labour rights) to adverse impacts • A Global Union representative mentioned that it could play a role in filing complaints under OECD NCP mechanism to amplify investor attention around the issue of Qatar
Improving existing mechanisms	• Trade unions play a key role in holding governments to account on labour rights; the NCP system has improved dramatically in recent years (more functional equivalence across NCPs) partly due to trade unions
Sector specifics	• Unlike garment or electronics companies, construction companies do not respond to consumer campaigns or pressure

The role of the CWC in the effort to improve human and labour standards in Qatar

Building multi-stakeholders relationships to address the information gap	• The CWC has collaborated with the Business and Human Rights Resource Centre which reached out to companies operating in Qatar and obtained disclosure on corporate performance on the ground • The CWC has used this information on companies presence and performance in Qatar to build support with national trade union centres which have built investor support for engagement in their respective countries
Catalyzing investor attention	• Working with the global union movement and investors, the CWC has drafted investor letters which will be sent out to companies (before the end of 2015) and serve to kick-start dialogue

Investor view on the Qatar engagement

Value in collaborating with the CWC	• A trustee pointed to its work on employment standards and supply chain issues and to the vague and non-transparent responses from companies • There is value in the information flowing from the ITUC around Qatar to get through murk of links in supply chains and multinational construction companies
Investor risk does exist	• There is concern that companies have not learned from various blacklisting schemes or from the Rana Plaza disaster • Issue of Qatar and construction companies underlines complexity in investment chain accountability. An asset owner may campaign against pay day loan companies only to discover that they hold such companies through a fund of fund type of structure. Contractual arrangements make it impossible to exit easily from such investments.

Plenary 3: Infrastructure Investments – Navigating Competing Concerns

Workers' capital is increasingly being directed towards infrastructure as an asset class, and policymakers in a number of countries are seeking to encourage this. Such investments have the potential to aid both the renewal of crumbling infrastructure and the transition to a low-carbon economy. Union trustees need to be sure that they are aware of the risks of the asset class and indeed, private infrastructure finance remains a contentious issue for the labour movement. When their funds are investing in infrastructure, union trustees should help ensure that their funds are responsible owners that promote high standards.

Speakers: Tom Powdrill, Responsible Investment Coordinator, ITF
Harry Keiley, Chair of the board, CalSTRS
David Wood, Director, Initiative for Responsible Investment, the Hauser Institute for Civil Society at the Center for Public Leadership, Harvard Kennedy School
John Evans, General Secretary, Trade Union Advisory Committee to the OECD
Moderator: Michael Bilbrey, Trustee, CalPERS

The evolution of private investment patterns into infrastructure assets

Mobilising finance for infrastructure ranks	• Increasing public and private infrastructure finance has become a policy priority for a number of global forums post-crisis,

high on the policy agenda	including the G20, the World Bank and the OECD; • Massive increase in financing is needed to cover for the renewal of aging infrastructure in developed countries, and for new greenfield projects in fast growing, emerging and developing countries.
Increasing pension funds' exposure makes sense	• Current institutional investors' exposure in infrastructure is largely in brownfield projects, much less in greenfield projects, which raises the question of the additionality and added-value of institutional investors in infrastructure finance; • Increasing exposure to infrastructure, and to greenfield projects in particular, would make sense for pension funds' long term investment approach. The OECD/G20 High Level principles on Long Term Investment by Institutional Investors offer some useful guidance in this regard. • Faced with low bond yields since the financial crisis, some pension funds seeking stable, long-term, inflation linked returns see infrastructure as an attractive asset class
Ownership structure of infrastructure assets offer potential shareholder influence	• Infrastructure ownership tends to be concentrated and unlisted, which offers shareholders with potentially greater say in the management of projects than in comparable listed (and widely held) companies. • For instance, the Gdansk Deepwater Container Terminal is majority owned by Macquarie with co-investors comprising Australian pension funds.
But there are serious trade union concerns that needs to be taken on board	• There are some important trade union caveats to take on board: private infrastructure finance can lead to privatisation of public services and/or to opaque risk-sharing arrangements (Public Private Partnerships) where gains are privatised and losses are socialised • Some participants however indicated that unions should recognize the increasing trend toward private financing in infrastructure and ensure that union trustees are at the table to shape investments with positive social externalities; if pension capital is available to invest where countries lack financial resources (e.g.: Africa), then investments should take place unless there is a better model.

Infrastructure investments by pension funds and the workers' capital agenda

Safeguarding social benefits and worker rights in infrastructure investments	• Investors are currently too silent when it comes to reassuring communities that greenfield infrastructure projects financed by private investors will yield social benefits (e.g.: jobs, carbon mitigation) • Worker/union trustees can play an important role in reassuring communities and governments that their capital will deliver social benefits
What do unions want to know about infrastructure investing	• There is interest in mapping transport infrastructure ownership structures in order to further embed labour rights into investments

Keynote: Towards a Sustainable Financial System

The UNEP-FI Inquiry Into the Design of a Sustainable Financial System is charting the path towards an inclusive, green economy through identifying best practices as well as policy and regulatory innovations from around the globe. The Inquiry will lay out a series of options to better align the financial system to the long-term success of the real economy. Co-director of the Inquiry, Nick Robins, shared highlights of the findings to date.

Speaker: Nick Robins, Co-Director, UNEP-FI Inquiry into the Design of a Sustainable Financial System
Moderator: Weldon Cowan, Board Chair, College Pension Board of Trustees (Canada)

A financial system in transition

For a sustainable financial system, it will be necessary to go beyond institutional change to system reform. This is one of the key findings of the UNEP-FI Inquiry Nick Robins shared, ascertained from 18 months of assessing policy innovation in more than 15 countries. From these countries, the Inquiry found a great number of examples of financial actors – central banks, regulators and others – taking measures to incorporate social and environmental factors into account, especially in emerging markets. New opportunities for international cooperation is another area that the Inquiry has shone a light on.

Misalignment of financial development with economic, social and environmental impacts

A revelatory issue that Robins raised concerns the relationship between financial development and economic impact. Traditionally it has been understood that financial development increases economic and social development – the better off society will be. However, quantified analysis from the IMF has determined that the relationship is in fact bell-shaped: excess in financial development detracts from economic growth. The United States is one cited example of countries where this negative relationship exists. There is also evidence of a similar relationship for social impacts. For example the OECD's recent report on inequality that indicates that excess in debt-based financial systems can worsen inequality. This represents a major challenge: the financial system is misaligned with sustainable development. In the developed phase, financial development actually detracts from growth and social welfare, and drives global environmental damage.

> *"The relationship between financial development and economic development is bell-shaped… In the developed stage, financial development detracts from growth and social welfare, and drives global environmental damage."*

Rationale for policy reform: addressing the misalignment

The misalignment of the financial system with social and sustainable development will not be resolved on its own, Robins stated, and he articulated four reasons why policy makers should be using financial reform to intervene. System externalities – where the market fails to price for social or environmental impacts or misaligns incentives - the promotion of innovation, system risk posed by the environment on the financial systems such as the socio-economic costs of increasing natural disasters and policy coherence were all raised as key for policy makers to act. The aim of targeted intervention is to create a financial system that can

> *"It would be a more effective financial system, effectively pricing assets; it would be more efficient –reducing the cost of capital, particularly for sustainable development priorities; and it would be more resilient."*

increase or maintain economic development while increasing social impact and improving environmental impact as well. As Robins described, it would be a more effective financial system, effectively pricing assets; it would be more efficient –reducing the cost of capital, particularly for sustainable development priorities; and it would be more resilient.

A quiet revolution: findings of the Inquiry

Over 120 measures were documented in the assessed countries where different actors in the financial system – securities regulators, central banks, financial ministries and others – are taking into account social and environmental factors. The reasons for doing so vary greatly by country: in China – to respond to its national environmental catastrophe; in India – to address access to energy, in the UK – climate risk, in South Africa – economic development, and in the Netherlands – post-crisis rebuilding of trust. A wide range of measures to correspond with these diverse motivations were documented, from sustainability reporting requirements in France to updating pension law to include sustainability in South Africa. In the UK, where economic resilience to climate change was a focus, the familiar challenge of short-termism was identified, coined as the 'tragedy of horizon', highlighting that not just markets but also central banks and regulators are impeded by time horizons that are too short to take climate risks into account.

Framework for action: tools, policies and governance

The final report of the Inquiry outlines a toolbox for integrating environmental and social measures into the financial system, how these can be deployed in different sectors, and recommendations for governance in the financial system. Governance is the least developed area, which represents a major gap for moving toward a sustainable financial system. The Inquiry has proposed, among other measures, that a set of principles for a sustainable financial system be developed, along with policy frameworks, regulatory mandates and performance measures. For mobilizing institutional investors, suggested approaches include putting ESG outcomes into system design, clarifying that fiduciary duty requires trustees to think about sustainability and long-term implications, pension fund disclosure on social and environmental impacts, and, at the international level, a code on investor duties and sustainability.

Next steps: acting nationally and internationally

Looking to international cooperation, Robins concluded that among the numerous series of principles and soft-law standards for international finance, none are specific to sustainable development. System architecture goals were proposed, including a new methodology to bring sustainability into today's decision-making – sustainability stress tests, and a performance framework to ensure the system is delivering in terms of its efficiency, effectiveness and resilience. Robins raised the potential for systematic national action that can be taken to shape a sustainable financial system – evidenced by countries that have engaged in a process to bring the various parts of the system together and develop national strategies, such as South Africa, Indonesia and China. In conclusion, Robins reemphasized that policy innovations are evident, and that there not just necessary for a sustainable financial system, but in fact quite practical. As he stated the case can be made now for systematic national action, and this can be complimented by international collaboration.

"The case can be made now for systematic national action, and this can be complimented by international cooperation."

Session A.1: Ensuring a just transition to a low-carbon emissions economy

This session outlined the impact of the transition to a low-carbon economy on decisions that trade union and member-nominated pension fund board members need to take into account – bearing in mind the importance of ensuring a just transition for all workers, their families and communities.

Speakers: Rob Lake, Responsible Investment Advisor
Jackie Hamer, Trustee, Environment Agency Pension Fund
Graham Petersen, Environment coordinator, University and College Union,
Moderator: Sharan Burrow, General Secretary, ITUC

What is the responsibility of pension trustees to address climate risk?

Material impacts	• Climate change is more likely than not to have material and significant financial and economic impacts in the next 5-25 years – climate change is not a non-financial issue
Fiduciary duty	• Fiduciary duty is foremost about process rather than decisions made • Suggestion that failure to conduct an appropriate process to examine the potential risk of climate change could be a breach of fiduciary duty
Available actions	• Evidence of impacts on portfolio are sufficiently compelling; how do you work out what to do? Rob Lake with SEIU has developed toolkit highlighting a range of different actions pension funds are taking • Examples include carbon exposure portfolio assessment, low carbon investment products, other mainstream investment options available • Engagement: coalitions of international investors are having an impact, calling for companies to address the transitions in business plans • Toolkit outlines process trustees can use with their boards to look at options; trustees' governance role is crucial to addressing climate risk

How do you deal with the climate risk discussion at the board level?

Level of commitment	• Top level commitment is key for the success of EAPF's strategy to reduce its exposure to climate risk (available online) • Climate risk is considered in every investment commitment - integral
Opportunities regardless of fund size	• EAPF does not directly manage funds – all fund managers are instructed on climate risk commitments and abide by them • Opportunities to collaborate - pool resources, expertise - to gain access • EAPF: 13% of fund is in clean/sustainable technologies, 26% in broader sustainability-themed investments – beating target of 25% exposure
Delivering returns	• EAPF saw returns of 12% per annum over the last 3 years – strong result demonstrates that RI stance does not compromise profitability

How do we effect a just transition, as fiduciaries and as union officials?

Job implications of transition	• Transition to low carbon economy will bring net jobs but there will be losses; those impacted will not necessarily be able to take up new jobs
Just transition principles	• 5 pillars of a just transition: consultation, decent jobs, skills, labour rights, social protection • We want a seat at the design table with governments and corporations as they plan for the industrial transformation towards a low carbon economy to secure a just outcome for workers and their communities
Building just	• Successful shareholder proposals (Aiming for A) raised strategic

transition into current action frameworks	resilience of companies to address 2 degree warming target, framed as financial risk. Next generation of proposals could include appropriately-framed reference to employment, consultation and just transition – think about how to frame in context of long-term financial interest • Tension between respective union role and trustee role exists. Critical for members who have fiduciary responsibilities to engage and make sure that it is on the agenda, challenge short-term thinking • Seems an obvious connection for funds to engage on this – pensions aren't sustainable if there are not employees paying into them • Trustees and investment allies need to think about asking companies they are invested in to have a plan for its transition, including how they will look after jobs, transition workers to new areas, & other measures

Session A2: Labour Standards in Sustainability Ratings: How Well Are They Incorporated?

This session was a dialogue between trade unions experts and extra-financial rating agencies on the ability of agencies to effectively capture labour standards in sustainability ratings. The session compared and contrasted the methodologies employed by different rating agencies in assessing performance in relation to workers' rights. Trade union experts pointed to certain gaps in the coding and consideration of labour rights; rating agency representatives pointed to weaknesses in reporting around freedom of association and alluded to the importance of demand from asset owners as an important levy to effect increase profile of labour rights in ratings.

Speakers: **John Jarrett**, Associate Director, ESG Research, FTSE Russell
Antti Savilaakso, European Head of ESG Research, MSCI ESG Research Inc.
Keeran Gwilliam-Beeharee, ESG Indices Product Manager, Vigeo
Brian Daley, Trustee, Australian Super; Capital Stewardship Officer, ACTU
Moderator: **Elizabeth Umlas**, Senior Advisor on Capital Stewardship, IndustriALL & UNI

What is the role of ESG/sustainability ratings?

Use by investors	• Fund managers can use sustainability ratings to make investment decisions – they may rank companies and use a best in class approach • Fund managers can replicate sustainability rating indices
Use by companies	• Companies can use ratings and their ranks on indices to benchmark themselves one against the other and improve their positions in the rankings; if they do not figure on the index, they may be incentivized to improve their sustainability performance

The incorporation of labour standards in sustainability ratings: methodologies and trends

Gathering the information	• Agencies tend to rate at least public equities on the world's major stock markets • A fundamental difference is that some agencies rely on information provided by companies through questionnaires; others base their analysis on publically available information (corporate reports, media); the latter approach enhances transparency across the market

Analysing the information	• Differences exist among agencies with regards to the specifics of rating methodologies but agencies generally give a weight of 20 to 50 percent for social (including labour issues); the weight of issues is often amplified based on the severity of risk in specific sectors • Sustainability issues may be factored into ratings based on a 1) norms-based approach (evaluated against international norms and standards) or 2) through a materiality lens (sustainability considered insofar as it affects financial performance)
A decline in assessable data on freedom of association	• One rating agency participant reported that "average information rate" on freedom of association has actually declined between 2008-2010 and 2012-2014. The lack of consistent data across time reduces the ability of agencies to analyse FoA robustly

The incorporation of labour standards in sustainability ratings: a trade union critique

Lack of depth in the evaluation of indicators reported by companies	• Agencies tend to value the different stages of the environmental or corporate governance policies (commitment, implementation, etc.) • In the case of key labor indicators (freedom of association or the percentage of workers covered by collective agreements), they usually do not go beyond the formal commitment of the company and the global aggregate data of workers covered by collective agreements or represented by unions in the company • One question was whether agencies took into account worker presence on supervisory boards in German companies
How can agencies remedy to this lack of depth?	• Consider change in the percentage of workers covered by collective agreements or represented by unions; compare with the industry average • Evaluate trade union involvement in health and safety committees, union participation in the development of the CSR policy • Evaluate International Framework Agreements and the issues covered
What is the nexus between social & labour issues and performance	• Some trade union participants asked whether rating agencies were able to demonstrate the link between financial and labour performance given that they are large aggregators of information; a clear exposure of this information could impact markets and capital allocation decisions by investors

The role of investors and pension trustees in shaping demand on labour standards in sustainability ratings

Incorporation of sustainability ratings by investors varies significantly	• In certain markets, like Australia, trustees have started working on their own ratings project because they hadn't seen sustainability ratings being used by asset managers • The Australian project aims to embed social rating into investment decision making rather than considering ratings as an adjunct – along the lines of a best in class approach
Trustees should be more inquisitive toward asset managers	• According to a rating agency participant, trustees have an important role in driving demand. In his experience, asset managers who use sustainability ratings do not hear much about asset owners asking questions on labour issues – this would need to change to increase the supply of information

Closing remarks

Liz Shuler, CWC Co-Chair, shared closing remarks by video to outline the role of active ownership and long-term investing to counter the current economic model that undermines workers. ITUC General Secretary Sharan Burrow provided final comments on pressing forward on the workers' capital agenda with the momentum of the new leadership team and global network supporters.

Speakers: Liz Shuler, Secretary-Treasurer, AFL-CIO; CWC Co-Chair (via video)
Sharan Burrow, General Secretary, ITUC

Liz Shuler, Secretary-Treasurer of the AFL-CIO, thanked the other members of the new CWC leadership team and highlighted the energy of workers' movement on the occasion of Labor Day in the United States. She outlined, however, the challenge that workers are up against with an imbalanced global model that suppresses wages, drives deregulation and privileges multinationals. The potential for workers' capital to meet this challenged was underscored, as she stated, "As worker representatives and investors, we can – all of us – help turn the tide back in favour of working people."

> *"As worker representatives and investors, we can – all of us – help turn the tide back in favour of working people."*

Liz emphasized that we can stop the reckless ways of doing business by becoming more active investors. She raised key actions such as adopting worker-friendly investment practices, engaging with companies we are invested in and demanding more responsible behavior, and pushing shareholder proposals that create a fairer and more just economy. She also noted the importance of looking to form a new retirement model that keeps up with the way work is changing while ensuring a secure and dignified retirement for all workers. She concluded that she is looking forward to together building an economy and retirement future we can all be proud of.

> *"We can stop those reckless ways of doing business by becoming more active investors."*

Sharan Burrow praised the contributions of participants over the course of the conference, and indicated that these will inform the leadership team in determining priorities for the Committee going forward. She underlined the need to get jobs into the lens of fiduciary responsibility alongside pension adequacy. She stated that, "as well as making workers' capital work for the sustainability of pension funds for our members, we actually need to make it work for workers generally, so that jobs and adequacy are covered."

> *"As well as making workers' capital work for the sustainability of pension funds for our members, we actually need to make it work for workers generally, so that jobs and adequacy are covered."*

Sharan highlighted the importance of harnessing the potential of workers' pension funds to ensure that there are good jobs, good retirements and also "that we have our workers' capital work to shore up workers' rights, not passive investment that is seized and destroyed by the greed of the corporate model that we see driving global supply chains." She argued that we are also looking for not just rights, but sustainability and a just transition. She concluded with a call to greater activism to face the key challenges today as well as those going forward.

Resources

Session 1: Trustee Leadership – shareholder activism and beyond
Presentations:
Sharon Hendricks, CalSTRS

Resources:
TLF: Seven Attributes of Highly Effective Pension Trustees – One-Page Summary
Zeynep Ton: Why "Good Jobs" Are Good for Retailers
Human Capital Management (HCM) Coalition - Toolkit
Human Capital Management (HCM) Coalition - Questions

Session 2: Pension fund management fees and transaction costs
Presentations:
Colin Meech, UNISON
Willem Noordsman, FNV

Resources:
Dutch Pension Fund Cost Disclosures
Pension Fund Costs: A Guide for UNISON
American Federation of Teachers: Hedge funds for fiduciaries

Plenary 1: Embedding pro-labour practices & policies for responsible investment
Presentations:
John Neal, TUSO
Willem Noordman, FNV

Resources:
ACTU: A Secure Retirement: Income, Superannuation & Workers' Capital
TUSO: Trade Union Voting and Engagement Guidelines
HCS: New Responsible Investment Guidebook
TLF: Note on Income Inequality for Pension Trustees
IRI Working Paper: Investment Beliefs Statements

Plenary 2: Qatar – Global pension fund cooperation to instill fundamental labour rights
Presentations:
Hugues Létourneau, CWC
Roel Nieuwenkamp, Chair of the OECD Working Party on Responsible Business Conduct

Resources:
CWC: Briefing Paper – Building a Legacy? Human capital risks in Qatar's construction sector

Plenary 3: Infrastructure investments – navigating competing concerns
Presentations:
Tom Powdrill, ITF

Resources:
ITF: Workers Capital and Infrastructure – A Guide for union trustees

Keynote: Sustainable financial systems
Presentation:
Nick Robbins, UNEP-FI

Resources:
UNEP-FI Inquiry: Design of a Sustainable Financial System – The Coming Financial Climate

A.1: Ensuring a just transition to a low-carbon emissions economy
Presentation:
Jackie Hamer, EAPF
Rob Lake

A.2: Labour standards and rating agencies
Presentation:
Mario Enrique Sánchez Richter, CCOO
Vigeo
John Jarrett, FTSE Russell