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Statement by the Global Unions

on responsible approaches to the stewardship of workers' capital

Worldwide, trillions of dollars' worth of investments are made on behalf of workers and their families. The money behind these investments is workers' capital. Those entrusted with the management of workers' capital have responsibilities under the laws of their countries. Generally, these responsibilities include the loyal and prudent management of workers' capital in these same workers' interests. Generally, the trustees and managers of workers' capital, which usually takes the form of retirement funds, have an obligation to take factors such as historical investment return, risk, diversification, and investment management costs into account in selecting and monitoring investments.

The labour movement believes that as part of the prudent and loyal management of workers' capital, fund trustees and managers need to account for the broader social and environmental consequences of their investment decisions. The manner in which they should do so is a matter of national laws and regulations, but the economic rationale for doing so applies around the world.

Pension funds and other funds investing workers' capital tend to have long-term horizons and usually have highly diversified assets. To the extent that they are diversified across industries and countries, pension funds can be considered "universal owners", meaning that their financial performance is tied to the overall health of the economy and to ever-improving environmental, governance and social practices and standards. As long-term investors, pension funds are doubly exposed to the consequences of irresponsible corporate behaviour. First, they suffer losses when corporate misconduct is revealed and stock prices decline in response to a loss of investor confidence. Second, they suffer when the costs of irresponsible corporate behaviour is passed on to society rather than being paid for by the offending corporation. Thus, workers' capital is diminished when the violations of human rights and labour rights damage the brand owned by the companies they invest in, when environmental misconduct must be cleaned up, when communities at home or abroad are destabilized or destroyed, or when exploitative business strategies prove unsustainable.

The Global Unions call upon all involved in making decisions about the investment of workers' capital to be mindful of the international legal framework in which investment decisions are being made, which includes respect of internationally recognised human rights and labour standards. Moreover, investors should take steps to ensure that the behaviour of the companies in which workers' capital is invested is consistent with the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the OECD Guidelines for Multinational Enterprises.

Consequently, the Global Unions urge pension funds, their trustees and fund managers to include in their investment decision-making process consideration of the impact, both positive and negative, of their investments on workers, communities and the environment. In particular, the Global Unions urge trustees and institutional investors to embrace this responsible approach to investment decision-making as promoted by initiatives such as the Principles for Responsible Investment (PRI).