VALUING DECENT WORK IN YOUR INVESTMENTS

A GUIDE FOR INVESTORS

SHARE
SHAREHOLDER ASSOCIATION *for* RESEARCH & EDUCATION

Author

Shannon Rohan, Director of Responsible Investment, SHARE

Acknowledgements

The author is grateful for the valuable feedback and thoughtful comments from the following individuals who reviewed a draft version of this guide:

Vonda Brunsting, Director of Capital Stewardship, SEIU

James Coldwell, Nicola Cullen, Lisa Nathan and **Vaidehee Savhdev,** ShareAction

Chris Finding, Coordinator of Human Resources, Hospital Employees' Union and Trustee BC Municipal Pension Plan

Ian Johnson, Trustee, Nova Scotia Public Service Superannuation Plan

Rob Lake, Independent Responsible Investment Advisor, Rob Lake Advisors and Founder, Authentic Investor

Hugues Letourneau and **Tamara Herman,** Global Unions Committee on Workers' Capital

Mike Musuraca, Member of the Board, Sustainalytics and Verite; and Strategic Advisor, Blue Wolf Capital

Randy Sloat, President, OPSEU Local 201 and Trustee, OPTrust

DESIGN & LAYOUT BY:
Alliter CCG **www.alliter.com**

This guide is a product of the VALUING DECENT WORK INITIATIVE – a joint initiative of SHARE and the Atkinson Foundation. We are increasing the visibility of decent work as an important investment consideration in capital markets and mobilizing investors to advocate for robust decent work policies and practices in investee companies.

SHARE is solely responsible for the content of this report.

Published by the Shareholder Association for Research and Education, September 2017

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SHARE is a Canadian leader in responsible investment services, research and education. We work with a growing network of institutional investors helping them to become active owners and develop and implement responsible investment policies and practices. For more information on SHARE, please visit us onine

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Terminology and Acronyms

Decent Work	Decent work involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in decisions that affect their lives and equality of opportunity and treatment for all people.
ESG	ESG stands for environmental, social and governance factors. ESG has become shorthand for investment methodologies that embrace ESG factors as a means of helping investors manage risks and identify opportunities.
Proxy Voting	Most company shares carry voting rights. Shareholders can vote their shares by proxy instead of attending company meetings. There are a variety of matters that shareholders vote on each year. The most common are the election of directors, appointment of auditors and approval of executive compensation. But there are also votes relating to ESG issues including workplace practices and labour standards.
Responsible Investment	An approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk, generate sustainable, long-term returns and align investors with the broader objectives of society.
Shareholder Engagement	This is a strategy that is used to open communications between shareholders and a company. The goal is to improve the ESG performance of the company.

introduction

Investors and Decent Work

The International Labour Organization (ILO) defines decent work as work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in decisions that affect their lives and equality of opportunity and treatment for all people.[1]

The rights of workers to decent work are enshrined in internationally-accepted norms, standards and frameworks such as the International Labour Organisation (ILO) Fundamental Conventions, the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and the United Nations Guiding Principles for Business and Human Rights. Decent work is also included in the Sustainable Development Goals (SDGs) – Goal 8 calls on stakeholders to promote inclusive and sustainable economic growth, employment and decent work for all.[2]

There is an important role for investors in advocating for robust decent work policies and practices by the companies and assets that they hold. Aspects of decent work that investors can incorporate into their investment analysis, risk management and stewardship practices include: excessive or poorly aligned executive compensation within firms; efforts to improve corporate reporting on disparities between executive and worker pay; commitments to paying a living wage; occupational health and safety transparency and performance; supply chain standards; workforce stability; freedom of association; and workforce engagement.

For example, investors may analyze low wage scales, unsafe working conditions and labour standards violations as sources of reputational and political risk for retail, food service or hospitality companies in light of increasing concerns over low wages and inequality.

Investors are also paying closer attention to company safety records in light of accidents such as the BP Deepwater Horizon disaster where repeated safety violations by the company leading up to the accident provided warning signs of systemic lapses, poor management and excessive cost-cutting at the expense of well safety. Similarly, the Rana Plaza disaster focused the attention of investors on the importance of safety and labour standards in the global garment supply chain.

Many investors are also analyzing workforce relations and management practices as sources of value creation and recognizing that robust decent work strategies may be proxies for quality of management and potential predictors of future performance.[3]

Who is this Guide for?

This guide is designed for trustees and staff of institutional investment funds including public, multi-employer, faith and labour union pension funds as well as foundation and university endowments, who are interested in integrating decent work considerations into their investment and stewardship policies and practices. The guide will also be of value to those trustees and staff who are looking for ways to deepen their commitments to integrating social issues into the investment process.

THE FIRST SECTION provides an overview of the research and evidence supporting the investment case for decent work. These resources can help give investment decision-makers the confidence to raise workplace issues as an investment concern with fellow trustees, fund staff, investment managers and consultants.

THE SECOND SECTION provides a step-by-step guide for incorporating decent work considerations into fund governance, working with investment managers and making them part of the fund's voting and engagement (stewardship) practices. The guide also looks at how decent work considerations can be integrated across asset classes with specific reference to real estate, infrastructure and private equity.

How to use the Guide?

We recommend identifying the sections of this guide that are most relevant to where your organization is currently at in terms of its commitment to responsible investment broadly and to decent work specifically.

If, for example, you are an individual trustee interested in how you might bring forward concerns about decent work with your fellow trustees or investment managers, you will find the first section on the investor case for decent work particularly valuable, along with Step 1 on building support among your fellow board and staff.

If, on the other hand, your organization has made some initial commitments to responsible investment, you may want to consider how to incorporate more specific references to decent work into the conversations you are already having. You will find the guidance in Step 3 on investment manager oversight useful in this regard.

Finally, if your fund has already identified decent work as a priority issue, then you may want to jump to Step 4 and 5 to look at how you can integrate decent work into your proxy voting and engagement practices.

About the Valuing Decent Work Initiative

The *Valuing Decent Work Initiative* is a joint initiative of SHARE and the Atkinson Foundation. We are increasing the visibility of decent work as an important investment consideration in capital markets and mobilizing investors to advocate for robust decent work policies and practices in investee companies.

the investor case for decent work

There is growing acknowledgement among institutional investors that environmental, social and governance (ESG) issues are relevant considerations for investment decision-making. For example, an extensive review of 2200 academic studies on the relation between ESG criteria and corporate financial performance concluded that the business case for ESG investing is empirically well founded.[4] Another review found that 90% of studies on the cost of capital show that sound sustainability standards lower the cost of capital of companies and that 88% of the research shows that solid ESG practices result in better operational performance of firms.[5]

> *Good management of, and investment in, a company's workforce should enable a company to be more stable, lower risk and have higher expected future cash flows."*
>
> **The Pensions and Lifetime Savings Association, UK**

In light of this evidence and in combination with other drivers, investors are integrating ESG considerations into their investment management and stewardship practices. For example, there are more than 350 asset owner signatories to the United Nations-backed Principles for Responsible Investment (PRI) representing approximately $60 trillion in assets under management. As signatories, these investors have committed to incorporating ESG into their investment and ownership decisions and encouraging other participants in the investment industry to do the same.

While the commitment to responsible investment includes the consideration of social issues as part of investment decision-making, environmental and corporate governance factors have historically garnered greater investor attention. However, this is starting to change as investors are recognizing the importance of social issues for investment performance.

BOX 1

Decent Work and Firm Level Performance: Evidence of the Investor Case

1. Warwick Business School and the Wharton Business School at the University of Pennsylvania found that Companies that appeared in the 'Great Place to Work' institute's 'Great companies to work for' all exceeded the performance of the wider stock market in their country of listing.
2. IRRC Institute and Harvard University found that, of the 92 studies analyzed, the majority identified a positive correlation between companies' training and human resource policies and investment outcomes.
3. The Aon Hewitt 2014 employee engagement survey found that when ranked by engagement score, organizations in the top quartile outperformed average returns to shareholders across those surveyed by 4 per cent, while those in the bottom quartile underperformed by 8 per cent.
4. Research in 2014 for Oxford Economics found that staff turnover costs UK firms across five sectors (retail, accounting, legal, IT/tech, media/advertising) a total of £4 billion a year.
5. Analysis by MSCI ESG Research found that between 2009 and 2014, companies with a high pay gap between their CEO and their average worker under-performed companies where the gap was lower in 9 out of 10 sectors.

The investment case for decent work is based on three principles:

1. A company's workforce is a fundamental asset and key to its long-term success;
2. Poor employment and workplace practices are a source of reputational, operational and other types of risk that can have financial consequences; and
3. Growing income inequality can lead to weak and unstable social and economic systems, and therefore negatively impact investment performance across portfolios and over time.

There is emerging evidence showing a positive correlation between aspects of decent work and firm-level performance. For example, research published by the Investor Responsibility Research Center (IRRC) and Harvard University, assessed 92 studies on human capital management as it relates to corporate performance and found that the majority of these studies identified a positive correlation between companies' training and human resource policies and investment outcomes.[6] Another study, by Alex Edmans of the Wharton School of Business, found that companies listed in the '100 Best Companies to Work For in America' generated between 2.3% and 3.8% higher stock returns per year than their peers from 1984 to 2011.[7] A study by MSCI found that between 2009 and 2014 companies with lower intra-corporate pay gaps performed better in terms of average profit margins across the majority of sectors examined.[8] The study also shows that labour productivity, measured by sales per employee, was lower for companies with high intra-corporate pay gaps on average in the majority of sectors.

> *Highly successful retail chains have demonstrated that, even in the lowest-price segment of retail, bad jobs are not a cost-driven necessity but a choice. And they have proven that the key to breaking the trade-off is a combination of investment in the workforce and operational practices that benefits employees, customers and the company."*
>
> **Zeynep Ton, The Good Jobs Strategy**

Companies with high levels of precarious work and poor labour practices can experience problems such as high turnover and lower productivity, which in turn contribute to inflated administrative costs and poorer levels of service, customer satisfaction and sales. Poor management of workplaces, including unsafe working conditions, can also lead to accidents such as the Rana Plaza collapse in Bangladesh, which killed over 1,100 people or the BP Deepwater Horizon disaster, which was the largest accidental marine oil spill in the history of the petroleum industry. Both of these disasters resulted in significant costs to shareholders as well as to the families and communities affected.[9]

On the other hand, there are several ways that valuing workers strengthens business performance. For example, robust workplace practices can help companies attract stronger candidates and retain key employees leading to lower turnover and retraining costs. Good training programs and strong human resource policies can also improve employee productivity, operational efficiency, brand value, and sales. Research and analysis conducted by Zeynep Ton, MIT Professor and author of *The Good Jobs Strategy*, found that in the retail sector, companies that follow a good jobs strategy are more likely to improve store execution, manage inventory more efficiently and deliver stronger performance.[10]

In addition to considering the performance impacts of decent work at the firm level, investors are also looking at the health and stability of the environmental, societal and financial systems on which each firm's success depends. The strength or weakness of these systems can affect the ability of investors to generate returns across their portfolios and over the long-term.[11] These are often referred to as 'systemic risks.' For example, increasing poverty, the weakening of the middle class and growing inequality weakens economies and can have a harmful effect on economic growth by reducing consumer demand,

increasing economic and social instability and facilitating rent-seeking at the expense of productive activity.[12] For institutional investors, stagnant growth and weak economies can negatively impact investment performance across a portfolio and over the long-term. Growing inequality may also negatively affect the financial system in which investors participate, and the world in which beneficiaries live.[13]

One of the contributing factors to growing income inequality is wage stagnation and wage inequality. For example, from 1981 to 2011, Canadian real GDP per person grew by 50%, but the real median hourly wage rose by just 10% over the same period. One of the reasons for wage stagnation is the growth in practices of using temporary workers to replace standard contracts. Recent research conducted by the OECD found that the pay gap between "standard" workers – those in full-time open-ended contracts – and non-standard workers – workers in temporary work, part-time work or self-employment – is wide, particularly in Canada. While a non-standard worker in the OECD earns on average 75% of the hourly wage of a standard worker, she earns only 57% of a standard wage in Canada.[14] In addition to differences in wages, non-standard workers also do much worse in terms of access to benefits such as holidays and pensions.

Recognizing the impacts of precarious work on company performance and for the health and stability of social and economic systems can provide investors with an important basis for action. While understanding the systemic risks is important for investors in the long term, the scope for investor action is more strongly focused on individual companies.

The following section provides 7 steps that investors can take to address decent work in their fund governance and investment policies and practices.

STEP 1

Build Support Among Trustee, Board, and Staff Leadership

It can be challenging to know how to initiate conversations among peers and with service providers regarding decent work in a context where there may be little to no precedent for these kinds of considerations. For example, individuals that bring forward concerns related to human and labour rights may encounter hasty reactions from peers and service providers regarding the potential negative impact on investment returns of considering 'non-financial' factors, for example, or that such considerations contradict the fiduciary obligations of the fund. The challenge for trustees and/or senior staff is to educate their colleagues in order to untangle these assumptions and shed light on new approaches that can help to cultivate investor leadership on these issues over time.

A key starting point is to consider what kinds of information, evidence and examples could help to raise the profile of social issues as relevant to the fund's investment policies and practices. For example, it may be valuable to provide colleagues with evidence of the connection between corporate financial performance and sustainability practices, including evidence of the links between companies that have strong workplace practices and superior financial performance. Some key academic papers are provided in Box 1 in the first section of this guide. It may also be helpful to provide examples of the steps that leading institutional investors are taking to address decent work in their investment policies and stewardship practices. Examples are provided throughout this guide of fund policies and practices that are addressing decent work. Sharing recent studies on fiduciary duty, such as the PRI's *Fiduciary Duty in the 21st Century* report,[15] can help to profile legal analysis clarifying that fiduciary duty is not an obstacle to investor action on ESG issues.

At the same time, it is important to identify the strategic opportunities where inserting a discussion on ESG broadly and decent work specifically, is both possible and practical. For example, the process of hiring a new investment manager may be an opportunity to incorporate consideration of each manager's approach to ESG as part of the hiring process. Alternatively, annual reviews of investment policies may be a chance to put forward investment policy examples from your peers that address responsible investment approaches and decent work-related standards. Receiving your fund's quarterly proxy voting report, can provide an opportunity to ask how your fund voted on 2 or 3 key votes related to decent work or ESG issues more broadly. A high-profile article in the newspaper about a company's workplace practices may provide an opportunity to ask your investment manager their opinion on the risks associated with the incident.

STEP 2

Integrating Decent Work into the Governance Framework

Embedding responsible investment into fund governance is an important process to support the consideration of ESG issues in investment decision-making and stewardship. A clear governance framework gives individual fiduciaries the foundation they need to bring forward decent work-related issues as part of overseeing investment managers, monitoring overall investment performance and examining proxy voting and engagement processes. Here, we outline two key hallmarks of good responsible investment governance – investment beliefs and investment policies. Boards of trustees may seek support from their investment consultants in developing investment beliefs and investment policies that address ESG issues.

Investment Beliefs

Investment beliefs can help trustees and others in governing roles clarify their views on the nature

of financial markets and the role they play in these markets. Developing investment beliefs can support sound decision-making and help governing boards work more effectively with their asset managers. Key questions for asset owners to consider when devising investment beliefs include consideration of what functions financial markets can optimally play in society, why financial markets were created, and how investors should ideally act when participating in them.[16]

Many institutional investors are articulating beliefs related to the material impacts of sustainability on the financial system and/or for investment returns. They may also address the role that investors should play in achieving sustainable development outcomes, including outcomes related to decent work. See Box 2 for examples of investment beliefs related to sustainability from different asset owners around the world.

Investment Policies

One of the key governance documents for any institutional investor is its investment policy, which may be referred to as its investment policy statement (IPS) or statement of investment policies and procedures (SIPP). Investment policies provide the overarching framework for the management of the funds' assets and establish investment performance objectives and other criteria to review and evaluate the investment results of the fund. Incorporating responsible investment into these policy frameworks provides an important basis for trustees and other governing board members to bring forward and address ESG issues, including decent work.

In addition to incorporating responsible investment into investment policy statements, some investors will have a stand-alone responsible investment policy and/or several policies that address ESG issues such as a proxy voting policy, a shareholder engagement policy as well as policies for specific asset classes.

This section provides guidance on how to get started in incorporating responsible investment into your broader investment policy framework and provides suggestions for where references to decent work can be addressed within these policies.

There are several places where responsible investment policies can incorporate decent work. For example, responsible investment policies often have a section outlining specific guidelines and minimum standards related to ESG issues for investee companies. Some investors include reference to internationally-accepted norms, standards and frameworks such as the International Labour Organisation (ILO) Fundamental Conventions, the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and/or the United Nations Guiding Principles for Business and Human Rights.

For example, OPTrust has a set of Guiding Principles in its responsible investment policy. Among these principles is the following related to decent work: "we support and encourage fair wages, benefits and working conditions for workers employed by OPTrust assets. In particular, the ILO principles addressing the right to form and join trade unions and bargain collectively and freedom for workers' representatives from discrimination and their right to access all workplaces necessary to enable them to carry out their representation functions."[17]

The following are some key considerations in incorporating responsible investment and ESG issues into your investment policy framework:

1. ***Does your governing board have a sufficient base of knowledge about responsible investment to devise a policy?*** It is often valuable for boards to start with education to ensure a broad base of understanding of different responsible investment strategies, ESG-related standards and responsible investment approaches. The board may invite experts to provide customized education to their board or encourage participation in responsible investment events and conferences, such as those offered by the PRI and SHARE, for example.

2. ***What are your peers doing?*** Look for examples of responsible investment policies from other asset owners and particularly those that share similar fund characteristics such as asset size, asset owner type (i.e. university, pension fund, foundation) and investment management approach. The board can seek support from its investment consultants in conducting a peer review.

3. ***What are your investment beliefs?*** Consider whether your board needs to review your investment beliefs to ensure that ESG and sustainability issues are clearly addressed? Your investment policies will be informed by these beliefs and so devising investment beliefs is an important first step in developing an investment policy.

4. ***Do you need external expertise to help your board devise a policy?*** In addition to engaging internal stakeholders it is important to identify whether the governing board would benefit from additional external expertise to help establish a roadmap for policy development and to facilitate stakeholder consultation and to help draft and present language for the responsible investment policy.

5. ***Are there any rules or legislation pertaining to the consideration of ESG issues that your board needs to be familiar with?*** For example, the Ontario Pension Benefits Act requires that pension funds include in their statement of investment policies and procedures information as to whether ESG factors are incorporated into the plan's investment policies and procedures and, if so, how those factors are incorporated. It is important for asset owners to be aware of these kinds of requirements and consider them in the policy development process.

STEP 3

Integrate Decent Work into Asset Manager Selection and Oversight

A key responsibility for governing boards is the selection and oversight of asset managers. Investors that believe ESG issues, including workplace practices, will impact the financial performance of their portfolios will be concerned with how their managers identify and manage these factors, how they integrate these considerations into company valuations, whether their proxy voting and engagement are in line with the fund's expectations and whether they disclose these activities in a timely and meaningful way.

Investment consultants often play an important role in manager selection and monitoring. Your consultant may have their own rating framework, for example, that can be helpful in identifying those managers that are closely aligned with the fund's beliefs and investment approach. It is important that asset owners ask their consultants how ESG factors and responsible investment are integrated into these frameworks and the advice they provide.

Investors may incorporate decent work-related considerations and expectations into manager selection and monitoring. For example, investors may ask asset manager candidates to respond to questions related to management of ESG issues as part of the Request for Proposal (RFP) process or in interviews with short-listed candidates. The following are some questions that asset owners might ask about a manager's overall approach to responsible investment:

1. What is your firm's perspective on the potential material impacts of environmental, social and governance (ESG) issues on investment performance?

2. Does the firm have a responsible investment policy and/or a proxy voting and shareholder engagement policy or other statement(s) laying out the manager's approach to responsible investment? If so, does the policy reference internationally-accepted norms, standards and frameworks related to human and labour rights?

3. Who is responsible for the implementation of the responsible investment policy and strategies?

4. What data sources do you use to identify ESG risks and opportunities including those related to decent work?

5. What internal staff capacity do you have in place to review and evaluate the ESG performance of companies?

6. How are portfolio managers incentivized in relation to their responsible investment performance?

7. Can you point to an example where ESG and decent work issues had an impact on an investment decision?

As part of on-going monitoring of asset managers, investors have the opportunity to solicit specific information about their managers assessment of workplace practices by portfolio companies as well as their perspective on the importance of corporate approaches to decent work for business outcomes. The following are some questions that asset owners might ask about a manager's consideration of workplace issues in their approach to asset selection and stewardship. While many managers may not integrate these considerations into their routine analysis, it is

important that asset owners continue to raise these issues so that such analysis becomes a more regular feature of investment management practices.

1. Do you assess company workplace practices in company evaluations? For example, do you analyze company data and disclosure related to occupational health and safety, compensation levels, workers' rights, training and development, workplace diversity and worker participation? Can you provide examples of any specific performance metrics that you track in these areas? How do you assess the relevance of these issues to a company's long-term performance?
2. Are you currently monitoring any specific companies in relation to their performance on decent work? If so, which companies and why?
3. Are you aware of labour disputes involving any of our holdings?
4. Have you discussed workplace issues with any companies in our portfolio? If so, what were the outcomes of those engagements?
5. Were there any decent work-related issues on the proxy ballots of companies we held during the period? If so, how was the issue analyzed and how did you vote?

In monitoring asset managers, it is important that asset owners include in their investment management agreement or contract their expectations regarding the amount, frequency and type of information that should be provided in their regular reporting on the managers ongoing monitoring of material ESG issues in their portfolio as well as voting activities and engagement activities.

STEP 4

Use Your Voting Rights

The voting rights attached to most common shares in your equity portfolio are a valuable fund asset and deserve the same careful oversight applied to other aspects of your portfolio. They are an opportunity to enhance the performance of your investments and to support the priorities of your institution while protecting the long-term interests of your fund.

In Canada and the United States, there has been growth in the number of shareholder resolutions on the proxy ballots of publicly traded companies addressing ESG issues – including decent work. For example, there were over 35 shareholder proposals on the ballots of U.S. companies in 2017 addressing different aspects of inequality and decent work, including pay equity, pay disparity and labour standards in the supply chain.

A key question for fiduciaries is how did your fund vote on these resolutions?

It can be overwhelming for governing boards to effectively monitor and oversee the execution of their voting rights. However, there are several ways for investors to ensure that their voting rights are used in a responsible and coherent manner, such as:

1. Develop proxy-voting guidelines that incorporate the evaluation of ESG policies and practices, including in the area of decent work (See Box 3 for sample guidelines related to decent work).
2. Ask your investment manager or proxy vote service provider to report on how they voted on your behalf on a handful of key shareholder resolutions.
3. Conduct a formal audit of your investment managers' voting record to help your fund evaluate the alignment of voting decisions with your principles and beliefs, the consistency of voting between different managers on similar issues and/or the performance of your managers' voting compared to peers and governance leaders.

Box 3 provides an overview of model proxy voting guidelines on decent work and labour standard related themes. These guidelines are taken from SHARE's *Model Proxy Voting Guidelines*, which were developed for use by Canadian institutional investors and are revised on an annual basis with direction from an Advisory Committee made up of corporate governance experts and investors.[18] You may use these model guidelines to compare with those of your fund, investment manager or proxy voting service provider. If gaps are identified in your fund's proxy voting guidelines, you may be able to encourage the incorporation of broader guidance on decent work or initiate a conversation on how voting decisions would be made on decent work-related votes.

STEP 5

Engage with Portfolio Companies

A key vehicle for asset owners to communicate with portfolio companies is through shareholder engagement. Shareholder engagement may take the form of letter writing, face-to-face meetings with company management and/or directors, and filing shareholder resolutions.

Asset owners can have a powerful impact when they communicate their expectations to companies on how ESG issues are managed. Improving workplace practices and implementing decent work strategies can generate value over the long-term but they also have short-term costs associated with them. It is particularly important for long-term investors like foundations, universities, religious investors and pension funds to support company initiatives seeking to deliver long-term performance, including investing in decent work.

A growing number of investors globally are actively engaging with companies on different dimensions of decent work including occupational health and safety, supply chain labour standards and living wages. For example, in the UK, an investor coalition organized by ShareAction wrote to the FTSE100 companies asking that they become accredited living wage employers. To date, 31 companies have signed up to the accreditation standard, agreeing to pay at least living wage rates for all their staff, including those employed through contractors on their UK sites.

In Canada, SHARE has been engaging with Canadian Pacific and Canadian National railways on the issue of worker fatigue. These dialogues emerged from a 2016 Watchlist report from the Transportation Safety Board which highlighted worker fatigue as a priority concern, citing fatigue as a contributing factor or as a risk in 23 of its railway investigations since 1994. SHARE's research identified that fatigue is often a re-

sult of shift scheduling and work/rest rules. Through engagement, SHARE has expressed shareholder expectations that management engage in good faith negotiations with worker representatives to address fatigue management and shift scheduling, and to re-engage in collaborative efforts to develop an industry-wide approach to fatigue management together with unions, regulators and company representatives.

Another area of decent work where investors have been active is in the area of labour standards in the supply chain. In Canada, the Pension Plan of the United Church of Canada, filed a shareholder proposal at Restaurant Brands International (RBI) asking the board to report on the company's process for identifying and mitigating risks of child and forced labour in the coffee supply chain. As a result of the proposal, RBI has committed to developing a pilot verification program at the farm level in 2018 and to conduct a supply chain analysis including assessment of forced and child labour in the coffee supply chain. Based on these commitments from RBI, the Pension Plan of the United Church of Canada agreed to withdraw it shareholder proposal.

One of the major barriers to shareholder action on decent work is that companies do not report fully and reliably on a set of decent work metrics that would allow investors to truly gauge how they are doing. For this reason, many investors are seeking better disclosure from companies in areas such as workforce composition, worker engagement, training and development and workforce stability. The Workforce Disclosure Initiative (WDI), launched in 2017, brings together nearly 80 investors with more than $8 trillion in assets under management to secure comparable workforce reporting from listed companies. In the U.S., the Human Capital Management Coalition filed a petition in August 2017 to the Securities Exchange Commission requesting rulemaking on better disclosure on a public listed company's human capital.[19] See Box 4 for more examples of decent work-related shareholder engagement campaigns.

There are several options for governing boards to consider in implementing a shareholder engagement strategy. Common approaches include building in-house capacity, including engagement in investment manager mandates or hiring a dedicated service provider. Governing boards should consider these questions when devising a shareholder engagement strategy:

- What outcomes do we want to achieve as a result of our engagement efforts? For example, to increase the number of retail companies responding to the Workforce Disclosure Initiative or to develop policies related to increasing gender diversity in senior management and reducing the gender wage gap.
- What internal capacity do we have and what systems do we need to have in place to effectively monitor and make decisions regarding engagement activities?
- What opportunities are there for working with like-minded investors to share the cost and benefits of engagement?

STEP 6

Address Decent Work Issues Across Asset Classes

Historically, the consideration of decent work issues by investors has focused almost exclusively on public equities. However, many investors recognize that workers across their portfolios are integral to delivering long-term performance and that opportunities exist to support decent work across asset classes. In light of this, some investors have established policies and practices to support decent work in the "alternative investment" asset classes including real estate, infrastructure and private equity.

For example, some pension funds have formed their own real estate investment companies to deliver market rates of returns while also supporting union jobs and delivering other collateral benefits such as affordable housing and local economic development.[20] A good Canadian example is Concert Properties. Concert was established by a group of trade union and multi-employer pension funds as a residential and commercial real estate development firm. In addition to delivering market returns to its investors, the company has a policy of using 100% union labour for construction on all of its properties. The results of this policy, according to Concert, provide strong evidence that good labour relations and fair wages raise standards and lower risk in property development while generating strong financial performance for investors.[21]

In addition to these approaches to real estate development, some investors have adopted Responsible Contractor Policies for their real estate and infrastructure investments, stipulating labour and employment conditions for workers participating in either the construction or operation of these assets. SHARE's Model Property Services Code, for example, has been used as a basis for engagement by Canadian investors with property management companies, real estate investment funds and major property tenants to encourage the incorporation of decent work considerations into the contracting of property management such as cleaning, security and maintenance.[22] Similar policies have been developed and applied to infrastructure investing. For example, the Ullico Infrastructure Fund has a strong responsible contractor policy which addresses union construction, union operations and sourcing materials. The policy protects workers' right to freedom of association and honors pre-existing collective bargaining agreements at all phases of an infrastructure project.[23]

Many investors are also increasing their allocations to private equity investments. While the integration of ESG considerations into private equity investing is still in the early stages, private equity offers an opportunity for asset owners to establish robust decent work expectations because of the degree of control the investor has in managing the asset. In addition, some funds are starting to incorporate expectations regarding how private equity managers address ESG issues, including decent work, similar to their efforts with investment managers in public equities.

The following are some sample resources that can be used as a basis for discussion with your alternative investment managers to see if they have, or would consider adopting, similar policies to support decent working conditions in the construction and maintenance of real estate and infrastructure assets:

- Model Responsible Property Services Code (Canada): http://share.ca/documents/investor_briefs/Social/2009/Responsible_Property_Services_Code_EN.pdf
- CalPERS Responsible Contractor Program: https://www.calpers.ca.gov/docs/policy-responsible-contractor-2015.pdf
- Clean Accountability Framework Code of Conduct (Australia): https://d3n8a8pro7vhmx.cloudfront.net/cleaningaccountability/pages/1/attachments/original/1482122597/20161219-CAF-CodeOfConduct-web1.pdf?1482122597

STEP 7

Share Your Experience

If you have gone through some of the steps above, you likely have valuable information to share with other investors about your experience.

What has your institution achieved and what have you learned that may be helpful to others?

There are several ways to share and help others learn from your experiences, while also increasing the visibility of decent work as an investor issue.

- Connect with the efforts of SHARE and the Atkinson Foundation through the Valuing Decent Work Initiative https://share.ca/issues/decent-work/.
- Look for opportunities to share your experience with your peers through industry publications, newsletters and conferences.
- Participate in trustee networks such as the Global Committee on Workers' Capital http://workerscapital.org, SHARE's Responsible Investment Leadership Program https://share.ca and the Trustee Leadership Forum at the Initiative for Responsible Investment at Harvard https://iri.hks.harvard.edu/trustee-leadership-forum where you can contribute to ongoing conversations with fellow trustees on the challenges and opportunities with addressing decent work in investment policy and practice.

endnotes

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SHARE

SHAREHOLDER ASSOCIATION
for RESEARCH & EDUCATION

Suite 1200, 1166 Alberni Street, Vancouver, BC V6E 3Z3 Canada T 604 408.2456 F 604 408.2525

www.share.ca