



Concept Note for Discussion: Pension Fund Responses to Workers' Issues

August 3, 2018

Rationale

Pension funds are the retirement savings vehicles of unionized workers. In general, they exist as a result of collective bargaining between unions and employers. Nonetheless, as pension funds have grown and finance has become globalized, they have come to invest in numerous companies that violate fundamental workers' rights.

This initiative emerges from observations that approaching pension funds with labour and workforce concerns often fails to yield a sufficient response. Some trade union capital stewardship practitioners have noted that funds are more likely to respond positively to an environmental issue than a social issue, even when the fund is sponsored by unions and constituted by workers' deferred wages.

The reasons underlying these challenges are complex and vary across funds and jurisdictions. It is clear, however, that the absence of policies and procedural frameworks contributes to weak responses to union grievances raised at funds across the board.

Many pension funds' investment policies now include language referring to environmental, social and governance (ESG) factors. The inclusion of ESG considerations in fund policies has been instrumental in improving the capacity of trustees to responsibly steward workers' capital. Yet few ESG policies refer specifically to core labour standards or workplace issues.

This initiative addresses one element within a broader roadmap for improving funds' responsiveness to social issues: the development of a trade union-backed policy blueprint and a process that can be followed by trustees to oversee the effective implementation of the policy.

Goal

This project aims to improve the alignment of investment policies of pension funds and their approach to social issues with core labour rights and standards. Drawing on current literature and practices in the area of responsible investment and fiduciary duty, it will aim to:

1. Develop and promote a framework to encourage funds to adopt policies that articulate commitments to freedom of association and collective bargaining;
2. Articulate expectations for pension fund responses to workforce issues related to investee companies raised by workers, beneficiaries, trade unions and civil society groups;
3. Engage key funds in implementing policies with actionable components, such as provisions requiring neutrality on the part of investee companies.

Activities

This initiative will convene CWC participants in drafting the policy blueprint and procedural guidelines, as well as pension fund engagement. The following activities could be undertaken by the shareholder activism working group:

1. Define baseline requirements for a pension fund policy on labour issues: This activity would entail producing blueprint policy language that could serve as a basis for incorporation into fund policies (e.g.: Investment Policy Statement, ESG policy). The blueprint would include provisions to address, whenever possible, differing legal contexts across countries. The template would be submitted to the CWC leadership team for endorsement and promoted as an official CWC document.
2. Monitor/rate/rank ESG policies of major global pension funds: This activity would build on [Tom Powdrill's \(ITF\) work](#) in analyzing the extent to which European funds refer to core labour rights and standards in their ESG policies by including Australian, Canadian and US funds. The report publication would be accompanied by a media strategy aimed at highlighting strong practice at specific funds.
3. Initiate discussions with pension funds: The research would serve to identify funds who may be receptive to incorporating language from our template. Pension funds that adopt language drawn from the blueprint and related procedures would be promoted as leaders, serving as a model for others.

Expected outcome

We expect that the existence of a standard blueprint for a workplace rights policy for pension funds and a grievance process would contribute to a more receptive environment for raising workplace-related issues and concerns. In the short term, an outcome could be the establishment of a cohort of funds who have committed to promote and protect freedom of association and the right to collective bargaining by requiring neutrality on the part of investee companies. In the long term, a strong policy and procedural framework at leading funds could be a basis for a broader effort to establish a more functional mechanism at the global level through which trade unions can address worker and workplace-related issues in companies in which pension funds invest.