



Global Unions' Committee on Workers' Capital

Baseline
Expectations for
Asset Managers
on Fundamental
Labour Rights



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The Global Unions' Committee on Workers' Capital (CWC) is home to the Asset Manager Accountability Initiative. The Initiative examines how asset managers integrate fundamental labour rights and global union priorities into their investment stewardship frameworks and practices.

The Baseline Expectations for Asset Managers on Fundamental Labour Rights (“CWC Baseline Expectations”) are geared at helping CWC network participants hold the asset managers they contract accountable on fundamental labour rights.

What is the Purpose of the CWC Baseline Expectations?

Global asset managers invest capital on behalf of workers' retirement savings funds. Pension fund trustees who sit on the boards of these funds and participate in the CWC network expect that their asset managers will manage investments in the long-term interests of their beneficiaries, who are workers. Trustees expect the asset managers they contract to uphold their responsibilities to mitigate adverse human and labour rights impacts in their investments in accordance with international norms and frameworks. Likewise, other types of asset owner vehicles, including foundations and religious investors, also have growing expectations with respect to the investment stewardship practices of asset managers.

What are Fundamental Labour Rights?

Fundamental labour rights are human rights.¹ They refer to the five rights described in the [ILO Declaration on Fundamental Principles and Rights at Work](#): the elimination of forced or compulsory labour, the abolition of child labour, a safe and healthy working environment,² the elimination of discrimination in respect of employment and occupation, and freedom of association, and the effective recognition of the right to collective bargaining. Under ILO Conventions, employers and their agents should not prevent, prohibit or interfere – directly or indirectly – in the exercise of workers' right to organize and join a union.³

While the CWC Baseline Expectations encompass the five fundamental rights at work, they focus on freedom of association and collective bargaining as there is a gap in the existing guidance for investors around these rights.

What is a Trade Union?

A trade union is an independent workers' organization constituted for the purpose of furthering and defending workers' interests.⁴ Joining a trade union enables workers to organize collectively to improve working conditions and remuneration. Trade unions are distinct from other mechanisms that a company may establish to seek "worker voice" because they enable workers to exercise collective power in shaping the terms and conditions of their employment. Yet, as documented in the [International Trade Union Confederation \(ITUC\) Global Rights Index](#), companies around the globe engage in various tactics to prevent workers from joining unions and bargaining collectively.

What are Investor Responsibilities Towards Fundamental Labour Rights?

The [UN Guiding Principles on Business and Human Rights \(UNGPs\)](#) establish that businesses – including institutional investors – have a responsibility to prevent and address adverse human and labour rights impacts that they cause or contribute to. This is echoed by the [OECD Guidelines for Multinational Enterprises \(MNEs\)](#), a comprehensive code of responsible business conduct that governments in adhering countries have committed to implementing. The OECD Guidelines for MNEs echo all principles contained in the ILO Declaration on Fundamental Principles and Rights at Work. According to the OECD, investors are expected to use their leverage as shareholders to influence investee companies to prevent or mitigate adverse impacts across asset classes.⁵

To effectively apply the CWC Baseline Expectations, investors are encouraged to view the materiality of specific issues as a dynamic concept that is shaped by evolving regulations, laws, policies and norms.

- 1 International Labour Organization (2022), Application of International Labour Standards 2022, https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_836653.pdf, p.76 (accessed 31 March 2022)
- 2 On 10 June 2022, a landmark resolution was adopted at the International Labour Conference to add the principle of a safe and healthy working environment to the ILO's Fundamental Principles and Rights at Work. See: https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_848132/lang--en/index.htm (accessed 15 June 2022)
- 3 International Labour Organization (1949), Right to Organize and Collective Bargaining Convention, (No. 98), Article 1(1), https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS_DOC_ENT_HLP_FOA_FAQ_EN/lang--en/index.htm#F2 (accessed 3 March 2022)
- 4 International Labour Organization (n.d.) "Industrial relations", <https://ilostat.ilo.org/resources/concepts-and-definitions/description-industrial-relations/> (accessed 31 March 2022)
- 5 OECD (2017), Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises, <https://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf> (accessed 3 March 2022)



How to Use the CWC Baseline Expectations?

The CWC Baseline Expectations are divided into four categories from which to assess an asset manager's level of commitment to respecting and upholding fundamental labour rights: (1) Stewardship framework; (2) Stewardship practices in public equities (including proxy voting and engagement); (3) Stewardship practices in private markets (including infrastructure and real estate assets); and (4) Policy advocacy. These expectations apply to asset managers across their funds, asset classes and geographies. They progress from baseline into good practices. They are additive. Accordingly, leading managers will implement all of the expectations along the spectrum.

The following constituencies can use the CWC Baseline Expectations as follows:

Pension fund trustees, staff and other asset owners

Share this document with contracted asset manager (e.g., client relationship manager) and ask managers to report back to them on the implementation of the CWC Baseline Expectations and provide a timeframe for improvements.

Asset managers

Use this document to evaluate your firm's investment stewardship framework, including your stewardship policies and practices across asset classes and your approach to policy advocacy. The document can also be used as a road map for continual improvement of your firm's approach to fundamental labour rights.

CWC Secretariat

Analyze and compare manager practices against the CWC Baseline Expectations and inform the CWC-network of its findings on a public and private basis annually or as needed.

01

STEWARDSHIP FRAMEWORK

An asset manager's stewardship framework should be aligned with international human rights norms, standards and frameworks. It should acknowledge responsibilities under the OECD Guidelines for MNEs and be informed by trade union input.

BASELINE EXPECTATIONS		GOOD PRACTICES	
An asset manager should integrate fundamental labour rights in its investment stewardship framework by publicly:			
<ul style="list-style-type: none"> ■ Stating that publicly and privately listed investee companies have a responsibility to respect the five fundamental rights stated in the ILO Declaration on Fundamental Principles and Rights at Work for their direct workforce. This is distinct from “human capital management” practices. ■ Acknowledging its due diligence responsibilities, as an asset manager, under the OECD Guidelines for MNEs. 	<ul style="list-style-type: none"> ■ Outlining its due diligence process, specifying how it: <ol style="list-style-type: none"> a. Identifies actual and potential adverse labour rights impacts in pre-investment (where applicable) and post-investment phases; b. Seeks to prevent or mitigate adverse labour rights impacts through its stewardship practices; and c. Tracks results. ■ Stating that the responsibilities of companies to uphold fundamental labour rights extend to the business relationships of investee companies (e.g., including workers in supply chains, contingent workers and independent contractors). 	<ul style="list-style-type: none"> ■ Reporting on the outcomes of its due diligence processes. ■ Describing how trade unions are incorporated into its process of identifying and mitigating adverse labour rights impacts. ■ Citing the ITUC Global Rights Index as an authoritative resource on labour rights risks. ■ Describing escalation tactics (e.g., watch lists, collaborative engagements, divestment) employed when engagements on fundamental labour rights do not meet objectives set by the asset manager. 	<ul style="list-style-type: none"> ■ Describing how it acts on fundamental labour rights complaints received from trade unions pertaining to specific companies, specifying how it: <ol style="list-style-type: none"> a. Provides access to remedy for affected workers in cases where it has caused or contributed to negative labour rights impacts (e.g., when holding a majority ownership stake or board seat); or b. Uses its influence to ensure that investee companies provide legitimate access to remedy (e.g., company does not unilaterally define a remedy) in cases where the investor is directly linked to a negative outcome (e.g., a minority shareholding).
An asset manager should incorporate meaningful trade union input in the development of its investment stewardship framework by publicly:			
<ul style="list-style-type: none"> ■ Committing to an annual dialogue that is convened by the CWC and includes asset owner representatives to discuss trade union priorities relevant to investment stewardship, including, but not limited to, fundamental labour rights violations. 	<ul style="list-style-type: none"> ■ Referring to information from trade unions as a source of information that goes into the total mix of information that guides its stewardship practices (e.g., shareholder engagements and proxy voting practices). 	<ul style="list-style-type: none"> ■ Committing to report back to trade unions that provide information on adverse labour rights impacts on the outcome of its stewardship activities. 	

02

STEWARDSHIP PRACTICES IN PUBLIC EQUITIES

(I.E., SHAREHOLDER ENGAGEMENT AND PROXY VOTING)

An asset manager should use its leverage, through engagement, proxy voting and investor collaboration, to ensure that investee companies act in good faith when workers attempt to exercise their rights to freedom of association and collective bargaining.

BASELINE EXPECTATIONS		GOOD PRACTICES	
<p>An asset manager should incorporate fundamental labour rights into its shareholder engagement program with investee companies by:</p>			
<ul style="list-style-type: none"> ■ Adopting respect for fundamental labour rights as an engagement priority, distinct from human capital management, to hold investee companies accountable to their responsibilities under international norms and frameworks. 	<ul style="list-style-type: none"> ■ Prioritizing engagements on fundamental labour rights with companies that are: <ol style="list-style-type: none"> a. Subject to charges, litigation, or extra-judicial proceedings (including OECD National Contact Point specific instances) related to fundamental labour rights; b. The subject of trade union and human rights reports of adverse labour rights impacts; and c. Operating in sectors or geographic areas known for widespread and systemic disregard from fundamental labour rights, including those poorly rated on the ITUC Global Rights Index. ■ Engaging with investee companies to ensure that they negotiate in good faith when workers exercise their right to freedom of association without retaliation. 	<ul style="list-style-type: none"> ■ Reporting quarterly on engagements related to adverse labour rights impacts, disclosing company names and publishing case studies. ■ Reporting on the use of escalation tactics (e.g., watch lists, collaborative engagements, divestments). 	<ul style="list-style-type: none"> ■ Engaging to ask investee companies to support freedom of association and collective bargaining to remedy adverse labour rights impacts. ■ Promoting the adoption of Global Framework Agreements where applicable. ■ Participating in collaborative investor initiatives when individual engagements fail to provide effective resolution to adverse labour rights impacts.
<p>An asset manager should escalate shareholder engagements on fundamental labour rights through proxy voting by:</p>			
<ul style="list-style-type: none"> ■ Adopting a proxy voting guideline that references the responsibility of investee companies to uphold fundamental labour rights. 	<ul style="list-style-type: none"> ■ Voting for: <ol style="list-style-type: none"> a. Shareholder resolutions that promote respect for fundamental labour rights; b. Shareholder resolutions that support workforce voice and/or representation in corporate governance, including shareholder resolutions recommending worker directors on corporate boards; and c. Worker directors where they stand for election in an investee company. ■ Voting against directors with oversight for labour issues and/or voting against company reports and accounts in cases where engagement has failed to address ongoing adverse labour rights impacts by 12 months after an initial engagement by the asset manager on the subject matter. ■ Publishing voting records on a quarterly basis. 	<ul style="list-style-type: none"> ■ Voting against directors with oversight for labour issues and/or voting against company reports and accounts in cases where a company is subject to charges, litigation, or extra-judicial complaints relating to a failure to uphold fundamental labour rights (regardless of engagement duration). ■ Pre-declaring voting intentions at least 7 days prior to the Annual General Meeting. ■ Describing proxy voting rationale related to fundamental labour rights when applicable. 	



03

STEWARDSHIP PRACTICES IN PRIVATE MARKET ASSETS

(I.E., REAL ESTATE, INFRASTRUCTURE AND PRIVATE EQUITY)

An asset manager should ensure that fundamental labour rights are respected in its private market investments, including by companies contracted to manage or operate assets, in accordance with the ILO Declaration on Fundamental Principles and Rights at Work and asset manager responsibilities under the OECD Guidelines for MNEs.

BASELINE EXPECTATIONS



GOOD PRACTICES

An asset manager should **align its stewardship of private market assets** with fundamental labour rights by:

- Disclosing the private market assets that are held by the asset manager in a central, easily accessible section of its website, including the ownership stake and board representation (if applicable).
- Disclosing the labour rights risks identified by the manager as a result of its private market portfolio due diligence.
- Engaging with companies operating private market assets in cases where trade unions provide reports of adverse labour rights impacts.
- Adopting asset and/or geography specific policies or joining initiatives to uphold fundamental labour rights in private market assets, including:
 - a. Responsible Contractor Policies;
 - b. Labour rights charters, or similar instruments;
 - c. Instruments for workers to raise concerns without fear of retaliation and/or;
 - d. Joining worker-backed multi-stakeholder initiatives where applicable.
- Publicly stating that it supports freedom of association, recognises the right to join a union without retaliation and provides legitimate remedy where adverse labour rights impacts have occurred in private market assets.
- Publicly stating support for worker retention in the event of transactions leading to full or partial sale of private market assets.
- Publicly disclosing how asset manager representatives appointed to the board of directors of companies operating private market assets are accountable to uphold fundamental labour rights for the employees of the operating companies and in companies' supply chains.
- Reporting back to trade unions on the outcomes of engagements with operating companies when trade unions provide reports of adverse labour rights impacts.



04

POLICY ADVOCACY

An asset manager should align its responses to consultations by governments, regulators, initiatives and reporting bodies with fundamental labour rights and core labour issues.

BASELINE EXPECTATIONS



GOOD PRACTICES

An asset manager should uphold fundamental labour rights and core labour issues in its **policy advocacy** by:

- Publishing all policy consultations responses on a quarterly basis.
- Supporting proposed regulations that require companies to report on their main environmental and social impacts on society and the planet, in line with the double materiality principle.⁶
- Supporting the adoption of regulations and legislation that advocate for mandatory human rights due diligence and workforce voice in corporate governance.
- Supporting the inclusion of workers and/or trade union representatives in the governance of bodies and initiatives relevant to the impact of finance in society.
- Supporting the adoption of regulation and legislation that underpin the realization of core labour issues, such as country by country tax reporting, the protection of social security and the right to join trade unions.

⁶ Double materiality calls for companies to provide disclosures on sustainability issues that impact (1) their own activities (financial materiality), and to disclose (2) the company's impact on its key stakeholders.

About the Global Unions' Committee on Workers' Capital

The Global Unions' Committee on Workers' Capital (CWC) is an international labour union network for dialogue and action on the responsible investment of workers' retirement savings. A joint initiative of the International Trade Union Confederation (ITUC), the Global Union Federations (GUFs), and the Trade Union Advisory Committee to the OECD (TUAC), the CWC has brought trade union representatives and worker-nominated trustees from across the world together since 1999.

www.workerscapital.org

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