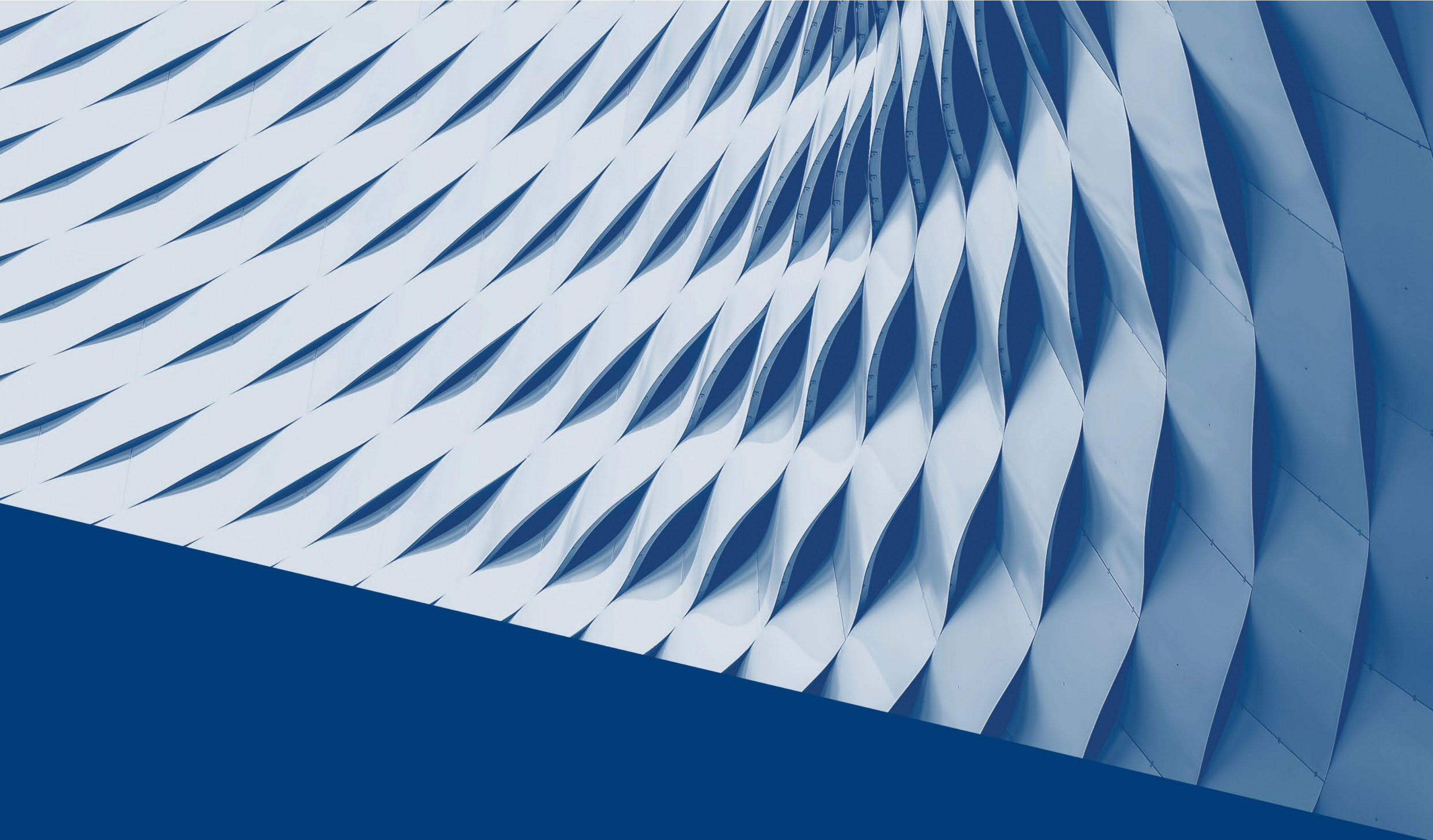

Sustainable Finance Strategy

Submission by the Australian Council of Trade Unions to the Treasury Consultation on a *Sustainable Finance Strategy*

ACTU Submission, 1 December 2023
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australian council of trade unions

Contents

Introduction

The Australian Council of Trade Unions (ACTU) is the peak trade union body in Australia. There is no other national confederation representing unions. Together with its 42 affiliate unions, the ACTU represents 1.7-1.8 million trade union members around Australia who work across a broad spectrum of industries and occupations in both the public and private sectors.

The ACTU supports the Government's work to develop a Sustainable Finance Strategy to facilitate investment in Australia's transition to a net zero economy. Climate change is an existential threat facing humanity and requires a strategic and ambitious response. The desire of working people to live an enjoyable and meaningful life where they can provide for their families through well-paid, secure and safe jobs, and retire with dignity, is reliant upon a peaceful, equitable and prosperous society. Such a society cannot exist in an unstable climate defined by extreme warming and ever-worsening natural disasters. Therefore, the interests of working people are reliant upon combating climate change through the transition to renewable energy.

The transition to net zero presents social and economic opportunities for working people as new industries emerge. These industries can offer good quality jobs with fair labour standards and deliver good returns for the institutions that invest in them. Workers' capital, through workers' industry superannuation funds, is well placed to contribute to realising these economic and social opportunities. The right Sustainable Finance Strategy will enable capital, including industry superannuation funds, to mitigate climate related financial risks at the same time as embracing the financial opportunities of the transition to net zero to deliver high returns for members while building a more prosperous economy and country.

To succeed, the Sustainable Finance Strategy must be sufficiently ambitious to attract institutional investment in Australia's transition. While Australia doesn't need to replicate the content or scale of other countries' responses, it is incumbent upon us to be proportionally ambitious if we are to build a net zero economy in the short timeframe required.

The Strategy presents an opportunity to advance Australia's contribution to the 17 United Nations' Sustainable Development Goals (SDGs) including goal 8 to "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all". To do so, the Strategy must embed conditionalities into the transition to ensure it is socially beneficial for the workers who bring it about and the communities who experience and enable it.

To provide *transparency* and develop financial institutions' *capability* to invest in the transition to net zero, the ACTU recommends that disclosures be mandated against an agreed sustainable finance taxonomy. The taxonomy should include the social outcomes associated with the transition to net zero including labour standards, gender equality and diversity and inclusion. Mandatory and standardised disclosures will enable governments, investors, regulators and the public to make informed decisions. Standardised mandatory disclosures also provide the opportunity to monitor progress and encourage best practice.

Investor stewardship is an important component of sustainable finance and, as such, should be further enabled as part of the Sustainable Finance Strategy. Changes to laws, including the

Corporations Act 2001 (Cth), along with changes to regulations and guidance, will improve corporate governance and enable investor stewardship to further contribute to Australia's transition.

The ACTU does not support the proposal to establish a labelling system for sustainable financial products nor the creation of green bonds. Climate change and sustainability are key systemic economic risks and should be considered in the management of all financial products. Mandating disclosures against a sustainable finance taxonomy will provide greater transparency and capability without signalling that the management of sustainability risk is only required for certain products.

A fit-for-purpose regulatory approach should be incorporated into the Sustainable Finance Strategy to support superannuation funds to invest in the necessary long-term initiatives required for the transition. Long-term investment and planning are required for a transition of this magnitude and are consistent with the intent of superannuation to generate returns over a worker's lifetime. Performance testing should be designed to align with members' long-term interests and be refined as required to ensure it is operating as intended in encouraging investment in members' best financial interests.

The role of institutional investors, and workers' capital, in sustainable finance

The ACTU agrees that a key principle of the Strategy should be *collaboration and shared responsibility* (p.7) and that "financial markets have an indispensable role to play to make net zero and other sustainability goals achievable" (p.12). All members of society have a role to play in Australia's response to climate change in building a more sustainable future, including institutional investors and superannuation funds.

The transition to net zero provides significant economic opportunities for institutional investors, such as workers' industry superannuation funds, to deliver high returns for their members' retirements through investing in critical emerging industries. In addition to the high returns offered by emerging renewable industries, investment in sustainable assets is a necessary mitigant to the significant financial risks of climate change. Industry superannuation funds have long been at the forefront of sustainable finance and responsible investment and understand the importance of managing environmental, social and governance (ESG) risks as responsible fiduciaries.

An ambitious Sustainable Finance Strategy provides the opportunity for industry superannuation funds to act in their members' best financial interests through generating high returns and mitigating climate and other financial risks. It simultaneously enables funds to meet their members expectations as to where their money is invested, and therefore, retain their social licence by contributing to positive social outcomes for their members. Sustainable finance initiatives positively shape the society members live in, the industries and jobs they work in, and the world members will retire into when they access their superannuation. Therefore, sustainable finance enables superannuation funds to act in their members' interests in every regard and at every step of the way along the member's journey.

Encouraging institutional investment in Australia's transition

The ACTU endorses the objectives of the Strategy and notes the first and second objectives of "mobilising the private sector investment needed to support net zero, Australia becoming a renewable energy superpower and other sustainability goals" and "ensuring Australian entities can access capital and pursue business opportunities that support the transition and are aligned with positive sustainability outcomes" (p.6). To achieve such objectives, Australia's Strategy must be sufficiently ambitious to attract the institutional investment required for Australia's transition.

At present, the US Inflation Reduction Act, and other world-leading climate industry policies such as those of Canada and Korea, are attracting institutional investment away from Australia's energy transition and economic prosperity. To succeed in our transition, we require an ambitious Strategy to incentivise institutional investment. While we don't need to replicate the content or scale of other countries' approaches, it is incumbent upon us to implement a Strategy which is commensurate in ambition if we are to respond to the magnitude of the opportunities and risks and become a global sustainability leader. If we are not sufficiently ambitious, we will be left behind while other countries secure the necessary capital, resources and labour to power their transitions.

The ACTU has endorsed the Australian Renewable Industry Package (ARIP) (Appendix 1), a package generated through collaboration between the ACTU, the Australian Conservation Foundation, the Climate Action Network Australia, New Energy Nexus, Climate Energy Finance, Rewiring Australia, the Clean Energy Council, First Nations' Clean Energy Network and the Smart Energy Council. The ARIP proposes a blueprint to build the industries needed for a net zero economy while creating good jobs and securing shared national prosperity. The package outlines the areas most in need of investment for the transition and should be incorporated into the Government's Sustainable Finance Strategy to enable institutional investors to most meaningfully support the transition.

The ACTU joined with The Australian Industry Group (Ai Group), the Australian Conservation Foundation, the Investor Group on Climate Change and the WWF-Australia, in advocating for an ambitious transition agenda to position Australia as a renewable energy superpower and in doing so noted the crucial role institutional investment must play in Australia's transition. The statement noted the important role that financial incentives play in other jurisdictions in attracting investment and called on the Australian Government to consider the use of financial and tax incentives.

A Just Transition

Australia's transition to net zero must provide positive social outcomes for the workers powering the transition, the communities experiencing and enabling it and the workers and communities who support current carbon-intensive industries. Such social benefit should be built in as a fundamental component of a Sustainable Finance Strategy through conditionalities on good quality jobs and fair labour standards and positive social outcomes. Therefore, the ACTU supports the proposal to incorporate "other environmental and social priorities" into the Strategy (p.7), however, strongly disagrees that these can be incorporated later as second order priorities as is proposed (p.7).

Resource sector jobs, which are currently largely secure and fairly paid, cannot be replaced by industries comprised of precarious employment, unsafe conditions and low wages. Furthermore, there must be ample training and skill development opportunities, including apprenticeships, for workers entering renewable industries including those making the transition from our current carbon-intensive industries such as energy-generation, transport and manufacturing. Such transition planning and training is necessary for the successful development of these industries as well as being socially beneficial.

Social benefit is vital to all government initiatives, including the successful transition to net zero, and therefore, must be wholly integrated from commencement. Consultation and engagement with workers, communities and First Nations people will provide invaluable insights to ensure a successful transition.

The consultation paper rightly establishes "identifying and responding to potential systemic financial risks" as a key priority of the Strategy and "recognises that markets are increasingly focused on sustainability issues that extend beyond climate change" (p.4). A robust Sustainable Finance Strategy requires that all systemic risks are assessed and managed and therefore, labour risks must be incorporated into the Strategy in its initial design as a fundamental component to ensure that these are visible, reported on and managed throughout the transition.

How do we get there?

Mandatory disclosures and a sustainable finance taxonomy

The ACTU endorses the third objective of the Strategy in "ensuring climate and sustainability-related opportunities and risks are well-understood and managed at the entity and systemic level" (p.6) with the key pillars of *transparency* and *capability*. To ensure that these ambitions can be realised where "markets have access to high-quality, credible and comparable information [to] assess both the financial risks that climate change and other sustainability issues present" (p.4), mandatory corporate disclosures against a sustainable finance taxonomy are required.

Mandatory disclosures against a sustainable finance taxonomy will improve the ability for governments, investors, regulators and the public to make informed decisions. Australian companies largely self-determine if, what and how to make disclosures, and often use their own definitions to do so. As a result, governments, investors, regulators and the public face the significant challenge of understanding and interpreting the disclosures made. The varied, and often incomplete, nature of this information can prevent meaningful decision-making, hinder effective stewardship, enable greenwashing and make it difficult to track substantive progress or make reasonable comparisons.

In addition to disclosures on climate transition indicators, the paper rightly proposes a 'Do no significant harm' principle where "alignment with one sustainability objective is not enough for an activity to be regarded as sustainable if the activity causes significant harm under another objective" (p.14). To uphold this principle in ensuring that a company's decarbonisation strategy does not undermine other objectives, companies should be required to disclose the social impact of their activities against a range of indicators. The ACTU developed a *Just Transition Guide* for investors to use in stewardship conversations which outlines key areas that companies should disclose. These indicators help to provide investors with an understanding of both the impact of policies and strategies on people and their communities and the gender impact of the company's strategy. Key items which businesses should be required to disclose are outlined in Appendix 2, and cover the following topics:

- Workforce composition,
- Social dialogue,
- Workforce participation,
- Supply chain,
- Work health and safety,
- Pay levels,
- Grievance mechanisms,
- Training and development,
- Workplace gender equality and diversity,
- Pension fund contributions, and
- Just transition.

These disclosures will assist investors in evaluating the impact of the transition on workers and communities, track progress against agreed principles and plans and encourage best practice.

Improving disclosures in this way is consistent with international trends. However, Australia should not be constrained by an objective to be consistent with international developments. Where Australia can make improvements to disclosure regimes, over and above international standards, we should. In particular, we should aim to be an international leader in key areas of national interest like best practice labour standards and a just transition. Therefore, the ACTU recommends that labour standards and positive social outcomes form a core component of our sustainable finance disclosure regime to enable the country to reap the full benefits of the transition.

In addition to improving *transparency*, mandatory disclosures help to improve *capability* and drive improvements in corporate culture and governance. As the paper rightly notes, "for opportunities and risks to be managed effectively, transparency alone is not enough – sustainability-related considerations need to be practically embedded in the decision making and governance of firms, financial institutions and regulators" (p.22).

Investor stewardship

The ACTU acknowledges the important role investor stewardship plays in improving sustainability outcomes and the management of climate related risks. Changes to laws, regulations and guidance will improve corporate governance and the information available to shareholders and therefore, improve their ability to engage in investor stewardship.

Changes that should be adopted to facilitate investor stewardship include:

- Holding annual director elections for listed entities to increase accountability on company directors,
- Implementing disclosure requirements for CEO renumeration to curtail excessive executive salaries,

- Introduce a binding vote on remuneration to ensure shareholders get a meaningful say on the pay-setting at large companies and
- State and Federal Governments to ensure employee-representatives are appointed to Government-managed and nominated boards.

In particular, the ACTU proposes amendments to the Corporations Act 2001 (Cth) to:

- Provide for a general-purpose right to move both binding directive and non-binding resolutions at company annual general meetings (AGM), with regulations to set out the criteria that must be met by a shareholder in determining if its resolution is permitted as either a binding directive or non-binding resolution, with a 50% threshold,
- Provide for a binding vote on the sustainability/ESG report with a 50% threshold, noting the recommendations above that sustainability disclosures become standardised and mandatory,
- Enhance shareholder participation in company governance by making it simpler to lodge resolutions at company AGMs. To achieve this, it is proposed to reduce the percentage of votes required to be held from 5% to 3%, and the number of members entitled to vote who may put a resolution, from 100 to 20,
- Provide a similar rule applied by the US Securities and Exchange Commission (SEC) (the proxy access rule) granting holders of 3% or more of a company's shares for two years, access to the company's proxy statement for nominees for up to 25% of the board,
- Clarify that the duty to act in the best interests of the corporation contained in s.181(1) Good faith - civil obligations, requires directors to give effect to business enterprises' obligation to respect human rights,
- Require companies to disclose political expenditure to shareholders in annual reports and at AGMs and
- Require companies to appoint a worker-elected Director to the board.

Sustainability as an economy-wide risk and opportunity

The ACTU does not support priority four of the paper to "develop a labelling system for investment products marketed as sustainable" (p.4) nor the proposal to create "Australian sovereign green bonds" (p.4). Sustainability, as rightly set out in the paper, is a responsibility, and risk, for all citizens and entities and therefore, must be integrated into the financial system. Financial institutions should not be permitted to choose whether they assess, and manage, a key systemic risk. All financial institutions and financial products, including all government bonds, should assess climate risk and respond by putting transition plans in place to ensure their sustainability.

As noted in the paper, "Financial regulators are requiring firms and financial institutions to consider climate and sustainability as fundamental financial drivers of risk, returns and good governance, not peripheral considerations" (p.5). This is appropriate given the climate crisis and the risks it poses to the economy. Introducing a labelling system for sustainable, and therefore, non-sustainable, investment products, is at odds with this well-founded regulatory approach. Furthermore, labelling products as sustainable places the risk management burden onto the consumer, which is neither appropriate nor effective and, in doing so, absolves financial institutions of their fiduciary duties.

Instead of labelling products as sustainable or green, financial institutions should be required to disclose against a sustainable finance taxonomy to provide transparency and accountability to governments, investors, regulators and the public on how they are addressing climate risk across their portfolio.

Fit-for-purpose regulation for long-term investments

The ACTU welcomes the Government's extension of the superannuation performance test lookback period from eight to ten years to encourage long-term investment. Superannuation is premised upon interest compounding over the many years of a person's working life. To restrict superannuation investment to a short-term horizon is to restrict the interest that workers can earn if their money were invested in high return long-term assets.

Performance benchmarking must be built in such a way that it aligns with members' long-term interests. Furthermore, it must be continually improved through assessment and refinement to prevent perverse outcomes where investment is guided by benchmarking to the detriment of performance and members' best financial interests as long-term investors.

As noted in the consultation paper, sustainable finance, in particular the creation of renewable energy infrastructure, is similarly suited to long-term investment. The Sustainable Finance Strategy must integrate appropriate time horizons into its planning, engagement and regulation to enable Australia's transition to succeed.

Conclusion

The ACTU supports the Government's work to develop a Sustainable Finance Strategy to facilitate investment in Australia's transition to a net zero economy. The transition to net zero presents social and economic opportunities for working people as new industries emerge. These industries can offer good quality jobs with fair labour standards. Workers' capital, through workers' industry superannuation funds, is well placed to contribute to realising these economic and social opportunities. The right Sustainable Finance Strategy will enable capital, including industry superannuation funds, to mitigate climate related financial risks at the same time as embracing the financial opportunities of the transition to net zero to deliver high returns for members while building a more prosperous economy and country.

Australia's Sustainable Finance Strategy must be sufficiently ambitious to attract institutional investment towards Australia's transition. While Australia doesn't need to replicate the content or scale of other countries transition responses, it is incumbent upon us to be proportionally ambitious if we are to build a net zero economy in the short timeframe required.

Australia's Sustainable Finance Strategy can advance Australia's contribution to the UN SDGs including those to deliver decent work and economic growth, reduce poverty, reduce inequality and achieve gender equality. To do so, the Strategy must embed conditionalities into the transition to net zero to ensure it is socially beneficial and contributes to these objectives. The new industries that will be created during the transition must be comprised of quality jobs and fair labour standards. As is rightly stated in the paper, "alignment with one sustainability objective is not enough for an activity to be regarded as sustainable if the activity causes significant harm under another objective" (p.14). Embedding conditionalities within the Strategy will help to ensure that Australia's transition delivers positive social outcomes for all.

To provide transparency and develop financial institutions' capability to meaningfully contribute to the transition to net zero, the ACTU recommends that corporate disclosures be mandated against a sustainable finance taxonomy. The taxonomy should include the labour risks associated with the transition to net zero and other social outcomes such as gender equality and diversity and inclusion. Mandatory disclosures against a taxonomy will enable governments, investors, regulators and the public to make informed decisions, will enhance stewardship activity and will track and guide progress towards best practice. Investor stewardship is an important component of sustainable finance and, as such, should be encouraged and enabled as part of the Sustainable Finance Strategy. Changes to laws, including the Corporations Act 2001 (Cth), along with changes to regulations and guidance, will improve corporate governance and further enable investor stewardship to contribute to Australia's transition.

Climate change and sustainability are key systemic economic risks and must be considered in the management of all products. Therefore, it is not appropriate to create new labelling systems for sustainable products or green bonds as doing so suggests that fiduciaries have an option to not integrate systemic climate and sustainability risk management into all of their products. Instead, mandatory disclosures against a sustainable finance taxonomy can provide transparency, develop capability and encourage best practice, without suggesting that the management of sustainability risk is optional or isolated to certain products.

To support the transition to net zero, a fit-for-purpose regulatory approach should be incorporated into the Sustainable Finance Strategy to support institutional investors, such as superannuation funds, to invest in the necessary long-term initiatives required for the transition. Long-term investment and planning are required for a transition of such magnitude and are consistent with the intent of superannuation to generate returns over a worker's life. Performance testing should be designed to align with members' long-term interests and encourage investors to generate the greatest returns for members.

A Sustainable Finance Strategy that meets the significant opportunities and risks of climate change with ambition and vision, while facilitating social benefit for workers and communities in the transition to net zero, will enable Australia to attract the required institutional investment to power the transition. Such a Strategy will set Australia up to be a global sustainability leader and renewable energy superpower at the forefront of the global transition to net zero.

Appendix 1: Australian Renewable Industry Package (ARIP)

Endorsed by:

AUSTRALIAN CONSERVATION FOUNDATION

ACTU australian council of trade unions

CLEAN ENERGY COUNCIL

CLIMATE ACTION NETWORK AUSTRALIA

CLIMATE ENERGY FINANCE

FIRST NATIONS CLEAN ENERGY NETWORK

NEW ENERGY NEXUS

Rewiring Australia

SMART ENERGY COUNCIL

Appendix 2: Key indicators

The key indicators outlined relate specifically to labour standards and are generally sourced from the Global Reporting Initiative – the standards by which many listed entities report. Where sourced elsewhere, that is noted.

1 Workforce composition

Assessment criteria under this theme indicate the type of relationship a company has with its workforce, the level of precarious employment, the extent of use of non-national guest labour, approaches to workforce diversity, and the propensity for avoidance of minimum labour standards in the particular jurisdiction.

Indicator No.	Key indicators	Source of definition of indicator	Risk factors that can be assessed by disclosure of data on this indicator
1.1	How many full-time (35+ hours or more per week), part-time (<35 hours per week) and casual workers are engaged by the company (total number and by FTE) disaggregated by (i) directly employed; (ii) indirectly employed e.g. by a labour hire company; or (iii) by other means; and in each of (i), (ii) and (iii) how many are (a) employees, and (b) independent contractors? Disaggregate data by gender and country.	GRI: G4-10	Gathering information on direct and indirect employment (through labour hire agencies, franchisees and independent contractors) indicates the level of risk from indirect employment where lead company control is diminished. An important trend in the field of online on-demand platforms is the classification of workers as independent contractors instead of employees. The implications of this include arrangements that allow employers to circumvent minimum wage rates and withhold social benefits while shifting risks onto workers by denying workers' compensation, sick leave, other employee safety net benefits and the right to collective bargaining.
1.2	What is the rate of turnover for each of the past 3 financial years of (i) permanent workers with 35 hours or more per week(ii)	GRI:G4	Information on the rate of turnover indicates the level of workforce stability. High levels of turnover warrants

	permanent workers with less than 35 hours per week/part-time (however engaged)/casual workers, by country? Disaggregate by gender		further investigation around risks of precarious work.
1.3	What proportion of the company's workforce comprises non-national guest labour, by country of operation? Disaggregate by gender.	ACTU	Use of guest labour is well documented as showing a strong correlation to exploitative practices, exacerbated by language, ignorance of local laws and weak regulatory entitlements/protections. It is an indicator of potential human rights violations.
1.4	*For Assets and business streams Identified to Undergo a Transition due to Decarbonisation or Technological Change* How many full-time (35+ hours or more per week), part-time (<35 hours per week) and casual workers are engaged by the company (total number and by FTE) disaggregated by (i) directly employed; (ii) indirectly employed e.g. by a labour hire company; or (iii) by other means; and in each of (i), (ii) and (iii) how many are (a) employees, and (b) independent contractors? Disaggregate data by gender and country.	ACTU	Investors should be able to evaluate the impact of the decarbonisation strategy on the workforce for those who it affects. For example, Origin would disclose under this indicator the number of workers, the category of employment, and the contingent workforce of Eraring Power Station (among other transitioning assets)

2 Social dialogue between industrial partners

Assessment criteria under this theme indicate the commitment to collective bargaining with an appropriate bargaining agent, the attitude to the principle of freedom of association and union organisation of the workforce and levels of industrial tribunal activity and industrial disputation

Theme No.	Key indicators	Source of definition of indicator	Risk factors that can be assessed by disclosure of data on this indicator
2.1	What percentage of the workforce is covered by a collective bargaining agreement, by country of operation? Disaggregate by gender.	GRI:G4-11 ILO Convention No 98, Right to Organise and Collective Bargaining Convention, 1949 (ILO C98) and Convention No 87, Freedom of Association and Protection of the Right to Organise Convention, 1948 (ILO C87)	Low levels of workforce coverage under a collectively bargained agreement is a strong indicator of dysfunctional labour relations and potential human rights violations.
2.2	What percentage of the workforce is covered by collective bargaining agreements made with a trade union, by country? Disaggregate by gender.	GRI:G4-11 ILO C98 ILO C87	Low levels of workforce coverage by a collectively bargained agreement with a union is a strong indicator of ineffective and dysfunctional labour relations and potential human rights violations.
2.3	How many work stoppages (strike and/or lockouts) have occurred in the company's operations disaggregated into (i) 1 day or less; (ii) 1-3 days; (iii) 3-7 days; 7-14 days; 14-28 days; more than 28 days - over the past 12 months?	Sustainability Accounting Standards Board (SASB) accounting metric	Work stoppages are indicators of dysfunctional labour relations. Regular and ongoing stoppages in the company's operations may indicate problems with the quality of social dialogue.
2.4	Is there (i) any pending litigation against the company brought forward by employees, employee representatives NGOs or government regulators or labour investigation initiated by a government agency; or (ii) has the company initiated litigation seeking penalties against workers and/or their trade	CWC Guidelines for the Evaluation of Workers' Human Rights and Labour Standards (CWC Guidelines)	Labour relations litigation is an indicator of dysfunctional labour relations. Litigation against workers and trade unions is indicative of a company with poor social dialogue that is engaging in approaches to labour management that generate financial and reputational risk, as well

	union in the past 12 months?		as strained labour relations in the medium to long term.
2.5	Is there a current International Framework Agreement (IFA) between the company and a union/s or trade union body?	CWC Guidelines	The absence of an IFA is an indicator of low level company commitment to global standards across its operations and in particular the lack of dispute settlement procedures and fair bargaining i.e. labour relations instability. The existence of an IFA demonstrates an advanced level of collaboration between workers and management.
2.6	Does the company encourage, remain neutral on or discourage (i) social dialogue with recognised independent unions; and (ii) the workforce joining a recognised independent trade union/s? Note: Evidence of encouragement/discouragement to join a trade union will include CEO and senior company management statements, information in company HRM documentation such as recruitment advertising	ILO C87 ILO C98 ILO C135 (Workers' Representatives Convention, 1971)	Company attitude to unionisation of its workforce and engagement in social dialogue with recognised independent trade unions is a strong indicator of the level of commitment to strong worker-management relationships, functional labour relations and respect for human rights. The level of executive commitment to social dialogue is an important indicator of a company's approach to workers' rights.

3 Workforce participation

Assessment criteria under this theme indicate the approach to industrial democracy, workforce engagement in company decision making and consultation with the workforce on issues affecting their current and future employment and pay/conditions

Indicator No.	Key indicators	Source of definition of indicator	Risk factors that can be assessed by disclosure of data on this indicator

3.1	Does the company provide for workforce participation in the affairs of the company through: (i) worker representation at the board level; (ii) company-level or national level work councils; and (iii) formally established workforce participation mechanisms?	CWC Guidelines	Company attitude to worker participation in company affairs is a strong indicator of the level of commitment to social dialogue, functional labour relations and respect for human rights.
3.2	Irrespective of the company approach to workforce participation, does the company recognise the presence of trade unions as representatives of the workforce for dialogue on company labour relations and safety issues?	ILO C135	Company attitude to workers' rights to join and participate in unions is a strong indicator of its respect for human rights. This indicator helps evaluate a company's commitment to the involvement of trade unions in the labour relations and safety management within the company.
3.3	Does the company consult with the workforce (including its trade union representatives) on workforce restructuring, including retrenchment, and the introduction of technological change that impacts the workforce prior to, when and if that restructuring occurs?	CWC Guidelines	Company approaches to consultation with its workforce on significant workforce change is a strong indicator of the level of commitment to social dialogue, functional labour relations and respect for human rights.
3.4	*For companies undergoing an industrial transition* Has the company established a Just Transition Committee comprised of senior management and representatives of trade unions? If so, how many times has this Committee	ACTU Just Transition Guidance for Investors	Investors should have line of sight of how companies are undertaking their just transition strategy. Just Transition Committees should be substantively consultative and not a one-way information flow.

	met and what has it discussed?		

4 Supply chain

Assessment criteria under this theme indicate the commitment to upholding human rights principles in the contractor and supplier elements of the supply chain, that covers issues such as use of child labour, factory and occupational safety, freedom of association and compliance with domestic (and regional/provincial) labour laws

Indicator No.	Key indicators	Source of definition of indicator	Risk factors that can be assessed by disclosure of data on this indicator
4.1	Does the company conduct (i) supplier; and (ii) contractor due diligence regarding adherence to the same labour and human rights standards that it upholds for its direct operations over which it has 100% control, during (i) prequalification and supplier selection; and (ii) on an ongoing basis once suppliers and contractors are contracted, at least annually, for current suppliers and contractors?	CWC Guidelines	Company due diligence regarding labour relations practices and human rights standards across its suppliers and contractors is a strong indicator of the level of commitment to upholding human rights principles in all aspects of the company's business.
4.2	Does the company (i) encourage or (ii) require, its subcontractors and/or labour agency hires to maintain collective agreements covering employees and contractors working for, or supplied to, the company?	CWC Guidelines	Company practice regarding the labour relations standards expected in its supply chain is a strong indicator the depth of company commitment to upholding human rights and fair labour relations in its supply chains. This reflects a company's commitment to influence labour standards across its entire supply chain, thereby reducing risk of labour disputes outside the company's immediate control.

4.3	Does the company take proactive measures to avoid or mitigate adverse human rights impacts for workers in high-risk countries in its supply chain? Note: A proactive measure includes actions such as undertaking periodic independent audits and publicly reporting outcomes; or demonstrates adherence to core ILO Convention and OECD standards requirements even if not ratified/endorsed by the nation which is part of its supply chain	GRI:G4-LA15 Bangladesh Accord 2013 UN Guiding Principles on Business and Human Rights (UNGPHR)	The quality of pro-active measures a company takes to uphold human rights and fair labour relations practices in its supply chains is an important indicator of the level of company commitment to upholding human rights standards.

5 Work Health and Safety

Assessment criteria under this theme indicate the level of commitment to the WHS rights of the workforce and WHS performance

Indicator No.	Key indicators	Source of definition of indicator Relation to Principles	Risk factors that can be assessed by disclosure of data on this indicator
5.1	Does the company positively and publicly promote the WHS rights of the workforce as provided in WHS law, regulations and codes of practice, and facilitate the exercise of those rights by the workforce?	ACTU	A lack of positive commitment to uphold the WHS rights of employees is an important indicator of the quality of a company's commitment to providing a safe work environment. Strong management of health and safety in the workplace can have short-term and long-term positive impacts on operational and therefore financial performance.
5.2	Does the company require the	ACTU	Company commitment to participation of its workforce

	establishment of WHS Committees and appointment of trained Health and Safety Representatives (HSRs) for each Designated Work Group (DWG) in all its workplaces?		in safety management and practice is an important indicator of the quality of a company's commitment to providing a safe work environment.
5.3	Does the company measure and publish leading WHS performance indicators (e.g. deaths, injuries, near misses and unsafe conditions; safety discussions held, H&S audits, safety focused improvement events), showing trends over a minimum 3 -5 year period?	CWC Guidelines	Company commitment to maintain and publish OHS performance indicators is an important indicator of the quality of a company's commitment to providing a safe work environment.
5.4	What are the types of injuries and rates of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities by country?	GRI:G4-LA6	Company commitment to maintain and publish OHS performance indicators is an important indicator of the quality of a company's commitment to providing a safe work environment.
5.5	Does the company have a policy to prevent workplace sexual and gender-based violence and which Director and/or Senior Executive is responsible for the implementation of that policy? How many incidents of sexual and gender-based violence have occurred?	ACTU	Australian companies have an obligation to prevent workplace sexual and gender-based harassment and violence. Progress against this obligation should be reported to investors.

6 Pay levels

Assessment criteria under this theme indicate the approach to reward for work relative to the minimum standards in the jurisdiction and relative to executive pay as well as the opportunity to share in the wealth created

Indicator No.	Key indicators	Source of definition of indicator	Risk factors that can be assessed by disclosure of data on this indicator
6.1	Does the company ensure that every worker irrespective of employment type, without discrimination, has the right to equal pay for equal work?	ILO C100 (Equal Remuneration Convention, 1951) ILO C111 (Discrimination (Employment and Occupation) Convention, 1958) UN Declaration of Human Rights Article 23.2	Evidence of company commitment to pay equality is a strong indicator of company non-discriminatory policy.
6.2	What is the CEO-to-median worker pay ratio, by Gender and by Country? Note: the expectation here, irrespective of the nation of company operations, is adherence to the USA CEO pay ratio disclosure rule, which is contained in Item 402(u) of SEC Regulation S-K, requiring public companies to disclose: (i) the median of the annual total compensation of all US and non-US employees, other than the chief executive officer; (ii) the annual total compensation of the chief executive officer; and (iii) the ratio of these amounts.	CWC Guidelines	The CEO to median worker pay ratio is a strong indicator of company commitment to wage justice and fair labour relations practice.
6.3	How do average company wages for the non-executive workforce compare with minimum statutory wages by gender and country?	GRI:G4-EC5	The relationship of company average wages relative to statutory minima is a strong indicator of wage justice and fair labour relations practice.

7 Grievance mechanisms

Assessment criteria under this theme indicate the ability of employees to exercise their basic human right to raise grievances about workplace issues free of retribution or discrimination and to have those grievances satisfactorily resolved

Indicator No.	Key indicators	Source of definition of indicator	Risk factors that can be assessed by disclosure of data on this indicator
7.1	Does the company (i) have an operational-level grievance mechanism that provides workers with access to remedy? and (ii) Does the process to deal with employee grievances include the presence of trade union representatives?	UN GPHR	The availability of functional grievance mechanisms is a strong indicator of the level of commitment to functional labour relations and respect for human rights.

8 Training and development

Assessment criteria under this theme indicate the commitment to human capital development and career advancement

Indicator No.	Key indicators	Source of definition of indicator	Risk factors that can be assessed by disclosure of data on this indicator
8.1	Does the company offer programs to all employees for skills management and lifelong learning that support continued employability of employees at no cost to the employee?	GRI:G4-LA10	Company provision of training and workforce development is a strong indicator of the level of commitment to respect for human rights.

9 Workplace gender equality and diversity

Assessment criteria under this theme indicate the commitment to gender, ethnic and age diversity

Indicator No.	Key indicators	Source of definition of indicator Relation to Principles	Risk factors that can be assessed by disclosure of data on this indicator
9.1	Is the company implementing a workplace diversity policy that promotes age, disability, ethnic, gender and sexual orientation diversity?	CWC Guidelines	Company commitment and practice regarding workforce diversity is a strong indicator of the level of commitment to respect for human rights.
9.2	Specify the company's workforce diversity as a percentage by disability, ethnicity, gender and sexual orientation relative to national profile; and show company workforce age profile relative to national profile.	ACTU	Company commitment and practice regarding workforce diversity is a strong indicator of the level of commitment to respect for human rights
9.3	Disclose the gender split of employees by category of employment and by level of seniority.	ACTU	Investors should have visibility of the gender equality performance of the company.
9.4	Disclose overall gender pay gap, and disaggregate the gender pay cap by country, level of seniority, and category of employment.	ACTU	Investors should have visibility of the gender equality performance of the company.

10 Pension fund contributions for employees

Assessment criteria under this theme indicate the commitment to contribute to the retirement income of employees

Indicator No.	Key indicators	Source of definition of indicator Relation to Principles	Risk factors that can be assessed by disclosure of data on this indicator
10.1	Does the company contribute to a company or industry or national	ACTU CWC Guidelines GP3, GP7	Company contributions to employee pension or superannuation contributions is a strong indicator of the

	superannuation or pension fund for its employees in each nation in which it operates?		level of commitment to respect for human rights.
10.2	Does the governance board of the superannuation or pension fund/s into which the employer makes contributions (other than government pension funds) include both employer and fund member representatives nominated by employers and trade unions or workforce, respectively?	ACTU GP3, GP7	The composition of the governance board of superannuation and pension funds is an important indicator of the committeeman of the employer to ensure the workforce and their representatives are engaged in the retirement income outcomes of their employees.

11 Just Transition

Indicator No.	Key indicators	Source of definition of indicator Relation to Principles	Risk factors that can be assessed by disclosure of data on this indicator
11.1	Has the company established a joint management-labour Transition Committee? In establishing the Committee it should be clear if it is site-based or company-wide and if it is composed of senior management and trade union representatives. How many times has the Committee met and what was discussed?	ACTU	Whether a company has meaningfully engaged in transition planning with key decision-makers. That consultation is occurring at sites.
11.2	Has the company developed a Just Transition plan and is the plan publicly	ACTU	Clearly outlining the impact of the transition on the workforce so investors can

	available? Does the plan detail projected changes in direct and indirect employment?		understand the scale and impact of the challenge.
11.3	In reporting against the implementation of the Just Transition Plan, the following metrics: • The company-wide investment required for the transition plan, • The retiring asset plan and costs, • The spend against the annual transition plan budget, • Investment in alternative job creation • Actual change in direct employment in transitioning business segments, • Actual change in indirect employment in transitioning business segments.	ACTU	Investors should be able to track progress of the transition plan and if companies are meeting the goals set.

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