

Jan 29 2018

11:49 PM

Australian Council of Trade Unions (ACTU) Comment on SASB Standards and Proposed Changes to Standards

Rod Pickette

(rpickette@actu.org.au)

To "comments@sasb.org" <comments@sasb.org>

SASB Public Comment

1045 Sansome Street

San Francisco, CA 94111.

Dear SASB

Introduction

The Australian Council of Trade Unions (ACTU) is commenting on the standards in its capacity as representative of some 1.8 million Australian trade union members and over 5 million Australian superannuation fund beneficiaries, many of whom are shareholders in companies that will be the users of the SASB standards. Australia has a large all-benefit-to-member industry and public sector superannuation system involving some 50 funds, the majority of which have a governance structure involving union nominated trustee directors. The ACTU supports those union nominated trustees in performing their fiduciary duty.

The ACTU is an active member of the global unions Committee on Workers Capital (CWC) and was actively involved in development of the CWC Guidelines for the Evaluation of Workers' Human Rights and Labour Standards, which draws, to some extent, on SASB standards. The ACTU, representing the CWC, is also working with the UN supported PRI on collaborative projects, the most relevant of which for SASB standards is a Values to Valuation project being undertaken for PRI by Manchester University. The project is examining the saliency and materiality of core human rights and labour standards.

Multi-sector comments

,

The first overarching comment we make is that from a labour union perspective, the ILO Declaration on Fundamental Principles and Rights at Work, which commits the member States to four categories of principles and rights: (i) freedom of association and the right to collective bargaining; (ii) the elimination of compulsory labour; (iii) the abolition of child labour; and (iv) the elimination of discrimination in

respect of employment and occupation as articulated in the eight core ILO conventions, are applicable to every worker, irrespective of industry sector.

Given that view, we are unclear on how the SASB has determined that these rights are salient and material in only some industry sectors. We accept that the risk of poor human rights and labour relations performance is greater in some workforces and industries/industry subsectors than others, but the right of all workers to not only access those rights but to enjoy them is universal.

We would suggest to SASB that it consider extending the inclusion of the labour relations and occupational health and safety topics, and associated metrics, to a wider number of industries than is currently the case.

The second overarching comment we make is that while welcoming the commitment to neutrality, so that the SASB metrics "are free from bias and value judgment on behalf of the SASB, so that they yield an objective disclosure of performance that investors can use regardless of their worldview or outlook", we believe more work is required to achieve neutrality.

As an example, in the Transportation sector, Airlines and logistics subsector, the description in the Labour relations section of the Standard contains the following statement: "Unionization of key personnel leaves airlines vulnerable to service shutdowns resulting from strikes if management is unable to address worker demands, which reduces industry revenue and disrupts operations. Additionally, collective bargaining may result in higher labor costs via wage or benefits increases. This makes the management of labor relations critical to prevent loss of revenue and reputational damage due to strikes. Continued labor stresses can impact the long-term profitability of the business."

This is a heavily value laden statement which could easily be interpreted to associate unionisation with negative characteristics such as strikes and labour stresses. Not only is unionisation an entirely legitimate outcome from the exercise of the human right to organise, but it is also one of the key pre-conditions for active workforce engagement, increasingly being recognised by the investor community as having a positive correlation with company financial performance. Similarly, the statement's reference to collectively bargained labour agreements, with higher wage outcomes, as a negative impact on labour costs ignores the many productivity enhancing features of collective agreements such as rolling-up allowances and penalty rates, better shift arrangements that assist company operations etc.

We have noted a similar value laden statement in the Coal mining standard, where the following statement appears: "Coal mining companies face inherent conflict between the need to lower the cost of labor to remain price competitive and the need to manage human resources to ensure long-term performance. Working conditions related to coal operations are usually physically demanding and hazardous. Labor unions play a key role in representing workers' interests and managing collective bargaining for better wages and working conditions. This makes the management of labor relations critical, as conflict with workers can result in labor strikes and other disruptions that can delay or stop production, leading to significant lost revenue and reputational damage. Continued labor stresses can impact the long-term profitability of the business."

We do not dispute the importance of managing labour relations, but as the SASB documents note, "ESG factors can be both risk and opportunity factors, therefore the focus should be ESG factors holistically not only on the risk side of managing performance." Quality labour relations management, including positive support for unionisation and for collective bargaining can result in performance enhancing work practices and labour utilisation, and reduced safety incidents, accidents and fatalities, to name just two positives.

We would suggest a thorough review of all the labour relations sections of the SASB standards to remove these biases in conformity with the neutrality principle.

The third overarching comment we make is that we notice in some of the proposed revision of metrics, there is a trend away from quantitative to descriptive metrics. While description has its place in metrics, we would caution against the substitution of quantitative measures with description measures, especially where it only requires the company to report on its policy and procedure. The NYU Stern Centre for Business and Human Rights report entitled Putting the 'S' in ESG: Measuring Human Rights Performance for Investors emphasised the need for metrics to measure companies' real-world effects, not just their efforts. We would strongly recommend that SASB review its metrics to ensure that they increasingly focus on effects or outcomes rather than effort or process.

We trust you find these comments of value. We look forward to seeing the final revised standards.

Yours sincerely

Rod Pickette
Capital Strategies Officer

Australian Council of Trade Unions
Level 4/365 Queen Street, Melbourne, Victoria 3000
t (03) 9664 7333 f (03) 9600-0050 m 0429 204 711
e rpickette@actu.org.au w actu.org.au<<http://actu.org.au>>
w australianunions.org.au<<http://australianunions.org.au>>
Facebook /AustralianUnions<<http://facebook.com/australianunions>>
Twitter @UnionsAustralia<<http://twitter.com/unionsaustralia>>
Instagram @AusUnions<<https://www.instagram.com/ausunions>>

The ACTU respectfully acknowledges that our building stands on the lands of the traditional owners and continuing custodians of Melbourne, the Boon Wurrung and Woi Wurrung language groups of the greater Kulin Nation.

This email has been scanned by the ACTU Symantec Email [Security.cloud](#) service.
