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Developments in pension fund investment and trade union responses

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"The actual owners of the world's corporations are no longer a few wealthy families. They are the huge majority of working people who rely on today's largest companies to safeguard their pensions and life savings". *Davis, Lukomnik & Pitt-Watson - 'The New Capitalists: How citizen investors are reshaping the corporate agenda'*

1. Introduction

Public sector pension funds are some of the largest of the capitalised funds in the world. The combined assets of these public sector funds stand at an estimated US $12 trillion. How these funds invest has a direct impact on the members of PSI affiliates and trade union members and workers in all other sectors in Asia/Pacific and across the world.

This paper sets out a summary of the key developments in pension fund governance and the stewardship of the assets that are purchased, looking at the UK's corporate governance and stewardship systems.
It also considers trade union responses at national, regional and global levels. It does not consider the different types of pension system, e.g. 'pay-as-you-go' against "investment provision". It is not a detailed or comprehensive analysis, however, it presents an overview of the most pertinent issues for consideration by PSI and its affiliates in Asia/Pacific.

2. Summary of the key issues

- Capitalised pension funds are the deferred wages of workers. The second half of the 20th century witnessed a significant growth in the coverage and size of pension funds both in the public and private sectors.
- In 2012 UK institutional pension fund assets hit an all-time high of £1.7 trillion in 2012, having grown 5% during the year and more than doubling in the past decade. Global institutional pension fund assets (both public and private sector employers) in the 13 major jurisdictions grew by 9%, also to reach a new high of US$30 trillion.
- Outside of banking, workers savings provide the largest supply of capital to national and regional economies than any other investor group.
- Pension funds own all of the key investment assets, stock listed companies, debt products both government and corporate bonds, infrastructure such as roads, airports, ports and railway systems, power generation, hospitals, schools and housing.
- Recent developments include investing in private equity and hedge funds and many financial products such as derivatives.
- National pension capital has gone global: UK pension funds hold more company shares outside of the country. Similar trends are taking place elsewhere as globalisation accelerates.
- Over the past 10 years trade unions have recognised the importance of responding to the growth of 'workers capital' and to the economic governance of the assets, known as 'capital stewardship'.
- The rise of pension savings has led to a 'democratisation' of company ownership. But when it comes to control over ownership rights, the reverse is true: share owner power has become increasingly concentrated in the hands of a relatively small number of opaque and unaccountable financial institutions.
- These institutions, fund management companies or investment arms of banks, control most of the assets of pension funds and there is considerable concern about the costs and charges they make to our funds, as well as the governance and political implications of their control over worker capital.
- Since the 2008/09 financial crisis, governments have been concerned with the governance of the investment process and of companies, resulting in regulatory changes to improve the management of the economy. These are often termed as 'Stewardship Codes'.
- Trade union sponsored fiduciaries, or pension trustees and their organisations need to support and develop an alternative investment theory to counter that of neo-liberal efficient markets. This should be the concept of 'Universal Ownership'.

3. Background

The second half of the 20th Century onwards has witnessed a highly significant growth of workers pension savings, their deferred wages, into investment funds. These funds, of varying sizes, have accumulated collective assets estimated to be over $30 trillion. They have grown so large that they now supply more capital to the global economy than any other source of investment funds outside of banking. However they are themselves the collective owners of the banking sector. The funds hold every asset traded on national and global markets. Simply put workers pension funds have become the owners of the means of production.

4. National and global pension fund assets

UK institutional pension fund assets hit an all-time high of £1.7 trillion in 2012, having grown 5% during the year and more than doubling in the past decade. Global institutional pension fund assets in the 13 major markets grew by 9%, also to reach a new high of US$30 trillion, according to Towers Watson's Global Pension Assets Study[1] released this year.

The growth is the continuation of a trend which started in 2009 when global assets grew 17%, and in sharp contrast to a 21% fall during 2008. Global pension fund assets have now grown at over 7% on average per annum (in USD) since 2002. The study reveals that the growth in assets helped to strengthen pension fund balance sheets globally during 2012. Pension assets now amount to 78% of global GDP, compared to72% in 2011 and 61% in 2008.

Other highlights from the report include: Global asset data for the 13 largest pension markets in 2012[2]

- The ten-year average growth rate of global pension assets (in local currency) is over 8%.
- The largest pension markets are the US, Japan and the UK with 57%, 13% and 9% of total pension assets, respectively.
- All markets in the study have positive ten-year compound annual growth rate (CAGR) figures.
- In terms of ten-year CAGR figures (in local currency terms), Hong Kong and Brazil have the highest growth of 14% followed by South Africa (13%) and Australia (11%). The lowest are Japan (2%), France (2%) and Switzerland (4%).
- Ten-year figures (in local currency) show the UK and Netherlands have both grown their pension assets the most as a proportion of GDP by 42% to reach 112% and 156% of GDP respectively, followed by Australia (up 32% to 101% of GDP), the US (by 24% to 108% of GDP) and Hong Kong (up 23% to 40% of GDP).
- During this time South Africa's ratio of pension assets to GDP has fallen by 2% to 64% of GDP.

Asset allocation for the seven largest pension markets

- Bond allocations for the seven largest pension markets (P7) have decreased by 7% in aggregate during the past 18 years (40% to 33%). Allocations to equities have fallen by 2% (to 47%) during the same period.
- Equity allocations in the UK have fallen from 61% in 2002 to 45% in 2012. In the Netherlands allocations fell from 37% to 27% during the same period while Canada's allocation to equities fell from 51% to 43%. Australia maintains the highest allocation to equities at 54% followed by the US at 52%, while the Netherlands overtakes Japan (55%) as having the highest allocation to bonds of 57%.
- Allocations to other (alternative) assets, especially real estate and to a lesser extent hedge funds, private equity and commodities, for the P7 markets have grown from 5% to 19% since 1995.
- In the past decade most countries have increased their exposure to alternative assets with the UK increasing them the most (from 3% to17%), followed by Switzerland (18% to 30%), Canada (13% to 23%), the US (from 10% to 20%) and Australia (14% to 23%). Allocations to alternatives have fallen in the Netherlands from 19% to 16% during the same period.

Defined benefit (DB) and defined contribution (DC) for the P7

- During the ten-year period from 2002 to 2012, the compound annual growth rate of DC assets was 8% against a rate of 7% for DB assets
- DC pension assets have grown from 43% in 2002 to 45% in 2012

[1] http://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2013/01/Global-Pensions-Asset-Study-2013

[2] The P13 refers to the 13 largest pension markets included in the study which are Australia, Canada, Brazil, France, Germany, Hong Kong, Ireland, Japan, Netherlands, South Africa, Switzerland, the UK and the US. The P13 accounts for more than 85% of global pension assets The P7 refers to the 7 largest pension markets (over 95% of total assets in the study) and excludes Brazil, Germany, France, Ireland, Hong Kong and South Africa,. All figures are rounded and 2012 figures are estimates. All dates refer to the calendar end of that year.

- Australia has the highest proportion of DC to DB pension assets: 81% / 19%
- The markets that have a larger proportion of DC assets than DB assets are the US and Australia while Japan is close to 100% DB. The Netherlands and Canada, historically only DB, are now showing signs of a shift towards DC with 6% and 4% of assets in DC plans.

Public vs. private sector pensions in 2011

- 65% of pension assets of the P7 group are held by the private sector and 35% by the public sector
- In the UK and Australia the private sector holds the biggest portion of pension assets, accounting for 89% and 84% respectively of total assets in 2011
- Japan and Canada are the only two markets where the public sector holds more pension assets than the private sector, holding 73% and 57% of total assets respectively.

5. The UK government's response to corporate governance and stewardship codes

If our pension funds own companies how should these companies be governed? This section summarises the legal framework in the UK.

The UK Corporate Governance Code identifies the principles that underlie an effective board. The UK Stewardship Code sets out the principles of effective stewardship by investors.

High quality corporate governance helps to underpin long-term company performance, which is essential for pension fund returns. The UK Corporate Governance Code has been instrumental in spreading best boardroom practice.

It operates on the principle of 'comply or explain'. It sets out good practice covering issues such as board composition and effectiveness, the role of board committees, risk management, remuneration and relations with shareholders.

Share-listed companies are required to either comply with the provisions of the Code or explain to investors in their next annual report why they have not done so. If shareholders are not satisfied they can use their powers, including the power to appoint and remove directors, to hold the company to account. In turn, investors are encouraged to sign up to the UK Stewardship Code.

The key aspects of corporate governance in the UK

- A single board collectively responsible for the sustainable success of the company.
- Checks and balances including:
    - Separate Chairman and Chief Executive.
    - A balance of executive and independent non-executive directors.
    - Strong, independent audit and remuneration committees.
    - Annual evaluation by the board of its performance.
- Transparency on appointments and remuneration.
- Effective rights for shareholders, who are encouraged to engage with the companies in which they invest.
- The UK Corporate Governance Code operates on the basis of the 'comply or explain' principle and is regularly reviewed in consultation with companies and investors.

The UK Stewardship Code similarly makes investors more accountable to their clients and beneficiaries, as well as helping companies. Stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital also prosper. Effective stewardship should benefit companies, investors and the economy as a whole.

In stock listed companies responsibility for stewardship is shared. The primary responsibility rests with the board of the company, which oversees the actions of its management and the workforce. Investors in the company should also play an important role in holding the board to account for the fulfilment of its responsibilities. In so doing, the Code assists institutional investors better to exercise their stewardship responsibilities, which in turn gives force to the "comply or explain" system.

For investors, stewardship is more than just voting at company annual general meetings. Activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on these matters as well as on issues that are the immediate subject of votes at corporate general meetings.

Pension fund activities include decision-making on matters such as allocating assets, awarding investment mandates, designing investment strategies, and buying or selling specific securities. Broadly speaking, asset owners include pension funds, insurance companies, investment trusts and other collective investment vehicles; as the providers of capital they should set the tone for behavioural changes that lead to better stewardship by asset managers and companies.

The Principles of the Stewardship Code
So as to protect and enhance the value that accrues to the ultimate beneficiary, institutional investors should:

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.
1. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.
2. Monitor their investee companies.
3. Establish clear guidelines on when and how they will escalate their stewardship activities.
4. Be willing to act collectively with other investors where appropriate.
5. Have a clear policy on voting and disclosure of voting activity.
6. Report periodically on their stewardship and voting activities.

Many governments have begun to adopt similar approaches to both corporate governance and stewardship, in response to lobbying by investors and by the experiences of the 2008 financial crash.

6. Universal ownership – an economic theory for workers capital

However effective these tools are for workers capital, the investment terrain has largely been captured by the neo-liberal agenda. The failure of this economic theory, most spectacularly witnessed in the collapse or near collapse of the banking and finance sectors in 2008, has led for a call to seek an alternative to it.

Some US trade unions participated with academics in developing a new investment outlook for pension funds known as 'Universal Ownership'. Whereas wealthy shareholders in the past concentrated their wealth in a small number of companies and had the resources to plan for long-term investment horizons, modern pension fund fiduciaries have highly diversified assets and are poorly organised for longer term planning.

Universal Ownership key principles: "...the time has come for institutional investors to explicitly recognise that economy-wide, macroeconomic issues heavily influence the returns they will earn on their investments" (*The Rise of Fiduciary Capitalism, Hawley and Williams, 2000, p 22*)

- Each fund's performance tends towards being an expression of the performance of the economy as a whole.
- Each fund is a co-owner with other funds of the whole economy, and funds should seek to collaborate with co-owners to improve overall economic performance.
- Each fund is a co-owner with others of entire sectors – costs of competition between firms are costs borne by owners.
- Governance rights should be exerted to optimise the relationship of externalities between assets in their impact on economic performance – reducing negative externalities and promoting positive ones.
- Overall economic growth should be able to lift both investment income and wage income, ensuring that pensioners can improve their income without taking from the wages of the younger generations.

Universal Ownership theory[3] suggests fiduciaries have an obligation to consider engagement with governments regarding:

- Externalities in relations between and within asset classes
- "Public-policy-like" positions on education, infrastructure, transport, training
- Monetary policy
- Fiscal policy
- Regulation

Trustees (fund fiduciaries) are legally bound to diversify assets, so that even the largest collective funds in the world must collaborate to exercise influence over corporate practice in any one company or sector. It took at least 20 years to overcome legal constraints on collective action by large funds, which is a welcome development. But the development of "whole economy" analysis for universal owner fiduciaries, and liaison with regulators, is still in its infancy.

The fiduciary rules of prudence and care have correctly encouraged funds to own stock in every sector, and of competitive companies within sectors. This means that fund fiduciaries (trustees and fiduciary managers) are owners not of just a handful of assets, but of a slice of the economy as a whole: of all major listed corporations and government debt. The ability of these funds to meet beneficiary interests - in large part to deliver pension income - is directly correlated to the overall performance of national and world economies.

Performance of the private sector is closely tied to the raising of tax revenues, when an economy is functioning well tax revenues will rise and in a recession they fall. Government as a regulator also plays a key role in governance of the private sector. So it can equally be argued that government has a similar legal obligation to liaise with fund fiduciaries. Ministers are bound by fiduciary duties over public monies and the broader impact of regulation on civic welfare.

However, the current investment environment is far removed from these legal obligations and governance ambitions. Instead:

- Fund managers hold sway over fiduciaries that meet rarely and have limited support and research on governance, collaboration and economic matters. Fund managers also put inappropriate pressure further down the investment and governance chain by requiring companies to deliver earnings, regardless of long-term planning and sensible business practice.
- It is currently not in the interest of fund managers to allow fiduciaries to collaborate and share research resources, to pool funds to reduce fees, or change mandates and alter fee incentives. Almost completely absent from the investment advisory sector are agencies supporting "whole economy" thinking, collaboration between owners, and liaison with regulators.

A central issue in this unhappy state of affairs is the repeated failure of governments to recognise that successful governance of the corporate private sector requires that fiduciaries are recognised and supported for what the law says they are – the most senior governance authority in the whole of the private sector.

Governments repeatedly turning to fund managers and company boards for policy advice compound the problem. It is no excuse to argue that these junior authorities in the investment chain are better resourced than fiduciaries to discuss policy.

The challenge is to develop a fiduciary pool of knowledge and resources adequate to the task of long-term collective planning, alongside government, of the investments of millions of small savers. We believe such collective fiduciary effort should lead to a redirecting of investment away from transaction and speculation, and towards productive and caring activity to meet the real needs of beneficiaries and their communities.

It is now over a decade since Hawley and Williams elaborated a legal framework for fiduciary duty regarding modern diversified portfolios. They proposed that investors should consider externalities of individual stockholdings on the overall performance of their portfolios, and that:

[3] http://www.justmeans.com/CSR-MPT-Universal-Ownership/38488.html

"… a universal owner also needs to augment firm-by-firm monitoring with a concern for the broader economic environment. These concerns include but are not limited to general monetary and fiscal policy, regulatory policy, and the provision of important public and quasi-public goods such as education, tort law [obligations imposed by law], and the transportation and communication infrastructure.[4]

"…In addition to appropriate fiscal and monetary policy, sustained economic growth depends on factors such as a well-trained labor force, an effective infrastructure, and a legal and regulatory environment that encourages efficiency in the business sector…..Consequently, a universal owner that really wants to maximise the shareholder value of its portfolio would need to develop public policy-like positions and monitor regulatory developments and legislation on a number of key issues to the economy as a whole."[5]

This means that while Universal Owner principles are being adopted for targeting individual companies, we still have no macroeconomic framework against which to judge the likely impact of any particular action, and we have no method of guessing whether any such action will run up against monetary, fiscal and regulatory issues which limit its effectiveness.

7. Fiduciary responsibility and efficient funds

The national and global economy is dependent on workers' pension funds investing money to make it work, just as our pension funds are dependent on how well the economy works. Like most investment funds we have witnessed a steady long-term decline in real investment returns leading to closures of schemes in the private sector and attacks on benefits for our members in public service.

Workers' savings must be invested for a better and sustainable life in retirement, not squandered by high-paid financiers on market speculation. The drive for this can come from the formation of large pension funds with efficient and effective administration and governance; but most importantly under the fiduciary control of their members and sponsoring employers.

Academic evidence supports the creation of large, fiduciary based funds.[6] Generally they have lower administration and fund management charges by employing internal fund management staff committed to the broad economic and social ambitions of the fund members.

In a lecture, Can Pension Funds Save Capitalism[7], delivered in 2012 by one of the world's leading experts on governance, Keith Ambachtsheer, Director, Rotman International Centre for Pension Management, addressed the question by saying they could, but only if the funds met the following criteria.

1. They were aligned interests with scheme members
2. They had strong governance
3. Sensible investment beliefs
4. Right-scaled, from $30bn+ of assets under management
5. Competitive compensation for internal fund staff

Such funds could be based upon key industrial sectors within an economy, such as construction, manufacturing, voluntary sector and finance. These would be multi-employer funds which would have a statutory requirement to annually review of size and efficiency, much like the Australian Super Funds system.

Lack of knowledge pension fund investment costs
The total costs of ownership of assets by pension funds are not known. Only the annual management charge or total expense ratio is typically declared. This may only be half of the total cost. The significance of charges is

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4 The Rise of Fiduciary Capitalism, Hawley and Williams, 2000
5 The Rise of Fiduciary Capitalism, Hawley and Williams, 2000
6 http://www.rijpm.com/research_paper/is-bigger-better-size-and-performance-in-pension-plan-management and The impact of scale, complexity and scale on service quality on the administrative costs of pension funds: A cross-country comparison *Jacob Bikker, Onno Steenbeek and Federico Torracchi* No. 258 / August 2010

not understood. In a recent UK Department for Work & Pensions survey of large funds, around one third of DC pension's managers were unaware there was an annual management charge.
Those who commission pension costs may have little incentive to keep them low. Yet costs make a huge difference to pension outcomes. Costs are controllable, whereas investment performance, by and large, is not, but reducing costs will improve performance for the fund.

The systems for charging costs can be complex and vary with fund structures and vary between asset classes. Charges are "rolled up" into investment returns, and so are not clear to purchasers. These two effects interact. As chains of agents and asset diversification increase, so does the opacity of costs.

Yet this partial declaration of costs is worse than useless if it is not comprehensive. Many pension funds, particularly public ones in the US and the UK, are now beginning to examine more closely the costs in the investment chain.

8. Trade Unions and Workers Capital

Over the past 15 years the trade union movement has begun to recognise the significance and importance of these funds. We now have our own terminology and programmes of work around the key concepts of 'workers capital' (pension funds) and 'capital stewardship' (the economic governance of our money and assets).

What is workers' capital?
Workers' capital refers to the assets accumulated in collectively funded pension schemes in order to provide workers with financial security in their retirement.

How much money are we talking about?
As we have seen above, workers' retirement savings and pension funds total more than US $30 trillion globally. It has been estimated that pension fund holdings account for about one-third of the world's total share capital – and significantly more in some countries such as the United Kingdom and the United States.

Why does this matter for workers?
The concentrated nature of share ownership on the world's capital markets means that large institutional investors – insurance companies, mutual funds, and pension funds – own many of the world's listed companies. Around the world, a significant portion of these shareholdings is held in workers' retirement savings, pension funds, and other investment vehicles, otherwise known as workers' capital.

As beneficial owners of these deferred wages, workers are the indirect owners of a substantial portion of the world's equities, though pension asset allocation patterns vary between countries. As indirect owners, workers in particular have the right to know more about how their money is invested and to demand better governance, transparency and sustainability for these investments.

The investment of worker retirement savings is meant to provide long-term financial returns to pension fund beneficiaries. A proactive approach to managing workers' capital – or capital stewardship - can help companies build long term value while avoiding short term excesses. The key idea is to influence corporate behaviour by leveraging worker capital as indirect owners of business through their shareholdings.

How can owners of workers' capital influence big companies?
A wide and varied "toolbox" is available to advocates for the responsible investment of workers capital. Positive actions can range from coordinated shareholder activism, Annual General Meeting (AGM) resolutions and voting campaigns, to international engagement with companies in which pension funds hold shares.

Alternately, "negative" screening is available to weed out companies pursuing undesirable practices (social, environmental, lacking workers' rights, etc.) from pension fund and retirement investments.

With effective organisation and coordination, worker capital can help address persistent corporate or market failings, resulting in improved corporate governance. Pension fund capital can also be steered to areas of the economy that traditional institutional investment has failed to serve properly, which is known as economically targeted investment.

Challenges for workers' capital

Worker retirement savings and pension funds own a large portion of the capital markets. Assets held in trust in workers' retirement funds are increasingly global, and often invested in transnational corporations.

Many such corporations benefit from, or are otherwise involved in human rights and international labour standards violations, the privatisation of public sector jobs or polluting the environment. With companies typically focused on short term returns, long-term social and environmental challenges go unaddressed, which may eventually undermine the ability of pension plans to deliver the future benefits they promise.

The current crisis, triggered as it was by a contraction in credit availability (and therefore clearly part of "monetary policy" as cited by Hawley and Williams) provides adequate evidence to suppose that macroeconomic issues really do "heavily influence" fund returns. Therefore a key task for the trade union and labour movement is the development of the Universal Ownership theory and practice.

9. Trade Union Organisational Responses

Understanding the importance of the role of workers capital, the CWC (Global Unions Committee on Workers' Capital), was established in 1999. It connects labour activists from around the world to promote information sharing and joint action in the field of workers' capital. Affiliated with major international trade union bodies, including the International Trade Union Confederation (ITUC), the Global Unions Federations (GUFs) and the Trade Union Advisory Committee to the OECD (TUAC); the CWC is chaired by Ken Georgetti, President of the Canadian Labour Congress and hosted by SHARE, a non-profit organization closely tied to the Canadian labour movement.

Many national centres and national unions have similar programmes, dependent upon the degree of recognition for these key issues and of course funding for activities. Trade union centres in the USA, AFL-CIO and Change to Win, and their affiliates have been in the forefront of developing and resourcing 'capital stewardship' programmes.

Similarly Australian trade unions and the Australian Trade Union Council have also developed sophisticated responses to the organisational and investment challenges that their pension system has produced. Over twenty years ago unions won superannuation as a right for all Australian workers and set up Industry SuperFunds to look after the retirement savings of their members. Should probably let Greg introduce super funds, so would delete this whole section.

Features of Industry SuperFunds

- Run only to profit members, not shareholders.
- Established by unions to give all workers the right to super.
- Equal numbers of member or union elected representatives and employer representatives on trustee boards.
- Lower average fees than retail funds
- Don't pay commissions to financial planners and accountants.
- A history of strong long-term investment performance.
- Focus on innovative investment options

Typical trade union capital stewardship programmes

- Recruit trustees/representatives on occupational and funded pension schemes. In order to advance and protect the fund investments and improve the governance of the schemes and their assets
- To research and develop policy around investment strategy, for engagement with appropriate bodies, government, companies, regulators
- Train and support representatives in investment strategy

- Train, advise and support representatives in their corporate, social and environmental engagement with fund managers, companies and government
- Develop an infrastructure for trustees to assist them in their duties
- Develop communication, consultation and technical resources for trustees and activists
- Collaborate with other trade unions, national centres and international bodies as well as other organisations to further the interests of member's pension schemes

10. Recent PSI developments

A resolution adopted at PSI Congress in Durban, 2012 called for the establishment of a PSI pensions working group. PSI took advantage of the meeting of the ITUC Committee on Workers' Capital (CWC) in Washington, DC 16-17 October to convene a few union representatives responsible for pension fund policy in their own countries to sketch out areas for future work.

This group included AFSCME, AFT, SEIU, CUPE, NUPGE and UNISON. The results of the PSI one-day meeting will feed into the work of the PSI Pensions Working Group, yet to be constituted.

Summary recommendations:
There is a need for a public sector perspective to inform the work of the various pension funds and the CWC: Most of the largest pension funds in the world are for public sector workers, yet most invest in PPPs and other ways unfavourable to environmental and social priorities, including to public service workers and their unions.

PSI should:
1. Provide material for pension staff and trustees outlining and summarising :
   - the dangers of investing in PPPs and privatisation
   - the threat to defined benefit pension plans
   - the failures of defined contribution pension plans
   - the features of hybrid pension models (cash balance, etc.)
   - investment products and the investment chain, economic processes such as the creation of money and the role of debt
2. Outline the elements of Universal Owner approach to pension fund investing, including a focus on social, fiscal, monetary policy and regulation.
3. Develop a critique of the G20-OECD infrastructure and long-term investment guidelines which suggest that pension funds should allocate much larger share of their investments to this asset class. Respond to the ITUC endorsement of this proposal.
4. Develop a PSI strategy for input into and linking with the CWC and UN PRI activities (PSI could contribute to principles for investment, suggestions for new policies and activities, including support for PUPs, focus on cities, etc.).
5. UNISON has built a content management system/web platform where PSI and affiliates can develop their own section and post a range of content, create and co-ordinate campaigns, share knowledge and information. This is all password protected.
6. The CWC may coordinate a pension fund charges data collection and treatment project, which may prove helpful to PSI if we can influence content and strategy.

11. United Nations Principles for Responsible Investment (UNPRI)

Some trade unions and their staff pension funds have been active in UNPRI and it has become an important organisational tool to further trade union issues. There are some concerns that the UNPRI has been 'captured' by the investment management industry, but it still remains a global organisation that needs participation by progressive pension funds and trade unions.

The UNPRI Initiative is an international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In implementing the Principles, signatories contribute to the development of a more sustainable global financial system. The Principles are voluntary and aspirational. They offer a menu of possible actions for incorporating Environmental, Social and Governance (ESG) issues into investment practices across asset classes. Responsible investment is a process that must be tailored to fit each organisation's investment strategy, approach and resources.

Investors, including pension funds sign up to six key principles which they are required to report on. The Principles are designed to be compatible with the investment styles of large, diversified, institutional investors that operate within a traditional fiduciary framework. The Comply or Explain approach requires signatories to report on how they implement the Principles, or provide an explanation where they do not comply with them.

UNISON's staff pension fund was one of the first amongst trade union funds to sign.

The six principles
As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society.

Therefore, where consistent with fund's fiduciary responsibilities, they commit to the following:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.