Principles for Responsible Investment

HOW INVESTORS CAN ADVANCE DECENT WORK

UN environment programme finance initiative

United Nations Global Compact

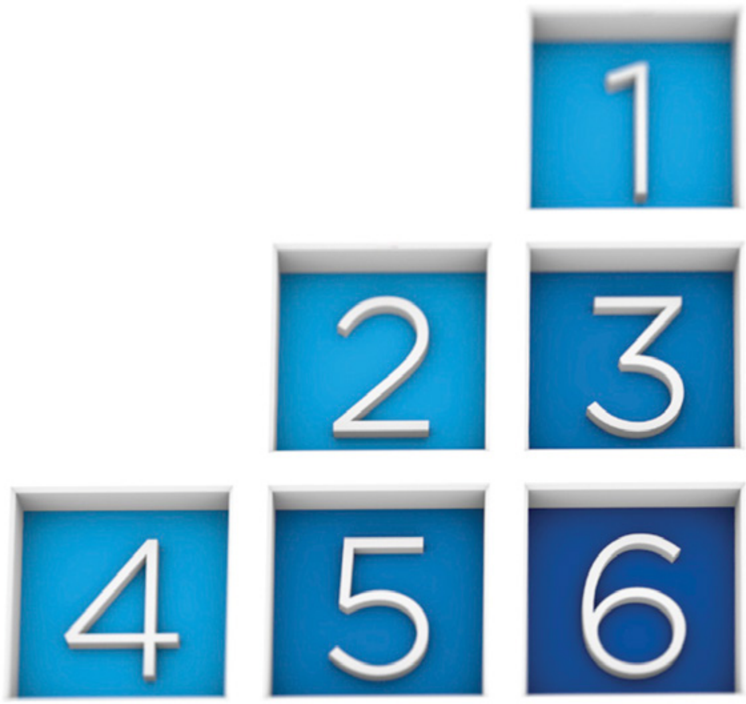
An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

THE SIX PRINCIPLES

PREAMBLE TO THE 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 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 our fiduciary responsibilities, we commit to the following:

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



PRI's MISSION

We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

CONTENTS

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EXECUTIVE SUMMARY

Decent work is enshrined in global human rights frameworks and the UN Sustainable Development Goals (SDGs). Decent work for all can reduce inequality, create productive employment, foster more sustainable and inclusive societies, and create long-term value for investors.

The Covid-19 pandemic has shone a strong light on the vulnerability and precarity faced by certain workers, and the need for minimum safeguards to drive positive outcomes. These safeguards are crucial to ensure that workers are adequately supported as we transition to a low-carbon economy, as work becomes more automated and digital-orientated, and as we experience demographic changes.

We have outlined below four pillars of decent work that investors should consider, which are aligned with existing international frameworks such as the International Labour Organization's (ILO) Core Conventions, the Universal Declaration of Human Rights (UDHR), the United Nations Guiding Principles (UNGPs), and the Organisation for Economic Co-operation and Development's (OECD) Guidelines for Multinational Enterprises.

Decent work is making its way up the investor agenda, driven by regulatory momentum, increasing demands for corporate disclosure, as well as shifting beneficiary interests in the wake of the pandemic.

There are several levers available to investors to advance the decent work agenda, such as through stewardship activities, policy engagement, investment decisions across the value chain and pushing for better corporate disclosure. Critical to all investor action will be relevant data and metrics to address and prioritise decent work challenges.

Workers' voice & social dialogue

- Engagement with workers
- Freedom of association
- Collective bargaining
- Freedom to express concerns and grievances

Living wage

- A wage paid regularly and on time
- Does not require excessive hours
- Rises with the cost of living and individual advancements
- Enables savings for long-term needs

Access to benefits, health and safety & social protection

- Occupational health and safety and beyond
- Current benefits - healthcare and paid time off
- Future benefits - pension
- Social safety net

Equal opportunity and treatment

- Personal development - education, training and advancement opportunities
- Social integration - collective significance of work provides network of connections and interactions that forge social cohesion

ABOUT THIS PAPER

Institutional investors have a responsibility to respect human rights, including labour rights.

Through this paper and the PRI's decent work programme, we are seeking to clarify how institutional investors can contribute to the decent work agenda.

This paper will define the concept of decent work, emphasising a human-centric approach towards workers and their rights, in line with various global standards and frameworks.

PRI'S CROSS-CUTTING WORK ON HUMAN RIGHTS AND SOCIAL ISSUES

- Our paper, *why and how investors should act on human rights*, outlines institutional investors' responsibility to respect human rights in line with the UNGPs and the importance of conducting human rights due diligence.
- Our work around sustainability outcomes helps investors understand how they can decrease negative and increase positive outcomes that arise from their activities and seek to align the results of their work with global targets and thresholds.
- Our decent work programme sits alongside our programme on diversity, equity & inclusion. Both are underpinned by human rights.
- Our case studies from signatories highlight how investors have addressed social issues more broadly in their investment decisions. We will continue to develop case studies linked to decent work.

INTRODUCTION

WHAT IS DECENT WORK?

We use the ILO's definition of decent work:

Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.

In line with global frameworks, investors should take a human-centric approach to decent work. This involves moving beyond thinking of employment as a mere economic transaction and seeing workers as human capital through a lens of economic efficiency, and shifting focus towards economic dignity and human development.

> "We have to remember, we are not capital, we are people. Those of us who are concerned with fairness in income and wealth generation and distribution, in work-life conditions, and with treating people with the dignity that is their right, should drop the term human capital from our vocabulary."[1]
>
> Carlos Joly, fellow of the Cambridge Institute for Sustainability Leadership and former Co-Chair of the Expert Group that drafted the UN Principles for Responsible Investment

Protecting and promoting decent work is enshrined in global human rights frameworks, such as the UDHR, the OECD Guidelines for Multinational Enterprises and the ILO Core Conventions.

SDG 8 (promote inclusive and sustainable economic growth, employment and decent work for all) stems from these frameworks and helps to shape and expand the scope of positive decent work outcomes.

WHY DO WE NEED DECENT WORK?

Decent work is enshrined in international human rights frameworks and investors have a duty to respect human rights – a responsibility formalised by the United Nations and the OECD in 2011. This duty covers investors' operational activities as well as the outcomes linked to their investments across sectors.

A PRI-commissioned report from The Investment Integration Project[2] outlined that disparities in income lead to increased financial and system-level inequality, which could potentially negatively impact investors' portfolios. Similarly, the OECD highlights a link between a lack of certain decent work factors and increased income inequality, which drives reduced economic performance as well as social and political instability.[3]

It is crucial to highlight the importance of addressing system-level risks for universal owners, who are unable to diversify away from these risks given their investment time horizons.[4] Our report, *ESG Integration: How are Social Issues Influencing Investment Decisions*, highlights how investors were able to decrease beta risks by addressing issues such as labour relations and governance and support company supply chain stability. By ensuring minimum safeguards on decent work, companies can benefit from increased operational efficiency, reduced reputational risks and a healthier and more productive workforce.

1 Carlos Joly (2016), Why we should stop talking about human capital

2 PRI and TIIP (2018), Why and how investors can respond to income inequality

3 OECD (2011), Divided we stand: Why inequality keeps rising

4 Quigley (2015), Universal Ownership in Practice: A practical investment framework for asset owners

WHAT ARE DECENT WORK DEFICITS?

In 2001, the ILO found that the decent work deficit "was already expressed in the absence of sufficient employment opportunities, inadequate social protection, the denial of rights at work and shortcomings in social dialogue."[5]

The pandemic exacerbated these deficits. The ILO World Employment and Social Outlook 2022 outlined that the pandemic pushed as many as 77 million children and adults into extreme poverty. It found that women in developing economies were the worst affected, due to the higher likelihood of having jobs linked directly or indirectly to supply chains that were significantly disrupted during the pandemic, across the formal and informal economy.[6]

The informal economy represents about 60% of the globally employed workforce (roughly 2 billion workers). Most informal employment is in developing countries with a significant proportion working in agriculture (93.6%).[7] The informal economy is marked by a higher level of poverty and decent work deficits.

INFORMAL WORK

Informal work tends to involve a lack of legally defined employment status, less regular work and lower incomes. Workers in the informal economy are disproportionately exposed to non-decent work conditions and lack access to social protection and other benefits.

Workers tend to enter the informal economy due to a lack of opportunities. To improve their working conditions and when denied the right to form or join a union, informal workers have pursued alternate means of organising, such as through cooperatives and community-based organisations.

Many observers, including the ILO, recognise the challenges in pursuing a uniform global approach towards formalisation, due to the diversity and drivers of informal work, particularly in geographic areas with weak political, institutional and regulatory regimes.

Policy makers should recognise barriers to entry for micro and small to medium-sized enterprises, promote progressive tax structures and simplify tax codes. Regulators should acknowledge that the more workers in the formal economy, the more we benefit from economic inclusion, which drives financial performance and productivity. Finally, it is important to adopt a multi-stakeholder approach to encourage stronger social dialogue between worker organisations, governments and business associations.

5 ILO (2001), International Labour Conference to Explore "Decent Work Deficit"

6 ILO (2022), World Employment and Social Outlook Trends 2022

7 ILO (2018), Women and Men in the Informal Economy: A Statistical Picture

It is important to highlight that the figures on the informal workforce pre-date the COVID-19 pandemic. A total of 114m jobs were lost in 2020 alone.[8] The OECD notes that in the first three months of the pandemic, the impact on jobs was 10 times bigger than that of the global financial crisis and is likely to persist.[9]

COVID-19 has shone a light on the vulnerability of workers. The pandemic has exacerbated decent work deficits (see table below) and social inequalities, which disproportionately affect the most disadvantaged communities. There is an urgent need for adequate safeguard expectations around occupational health and safety, access to basic benefits, the ability for workers to express their concerns and defend their rights, as well as a living wage and equal opportunity.

Government, civil society and business leaders have been calling for a sustainable, inclusive and resilient recovery. Investors can play a key role by mitigating the social risks that directly impact their current and future beneficiaries, many of whom are currently in the formal labour market or soon to transition into it and have the right to financial stability.

Decent work deficit	Description
Unemployment	The ILO estimates that there are currently 207m workers out of work in 2022.[10]
Informal employment	Workers within the informal economy constitute 60% of the global workforce, across all regions.
Working poverty	Working poverty refers to employed individuals who live in households that fall below the national poverty line (half the median household income of the total population[11]), which has increased from 13% to 18% over 25 years to 2020.[12]
Modern slavery, forced labour, bonded labour and child labour	At any given moment in 2016, 40.3m people were living in modern slavery, 24.9m in forced labour[13] and 160m children in child labour.[14]
Working overtime	The push for greater organisational flexibility in some cases has led to an increase in more non-traditional forms of work, characterised by unpredictable and longer hours.[15]
Digital divide	Approximately 3.7bn people, predominately in developing countries, are still offline.[16]

It is important to note that women are disproportionately affected by these decent work deficits. Addressing these deficits is key to ensuring all workers are supported through the major transitions faced by society today, which are outlined in the following section.

8 ILO (2021), COVID-19 and the world of work. Seventh edition
9 OECD (2021), An assessment of the impact of COVID-19 on job and skills demand using online job vacancy data
10 ILO (2022), World Employment and Social Outlook 2022
11 OECD (2020), Poverty Gap
12 Living Wage Foundation (2020), Investing in the living wage: A toolkit for responsible investors
13 Walk Free Foundation (2018), The Global Slavery Index: 2018
14 UNICEF / ILO (2021), Child labour: Global estimates 2020, trends and the road forward
15 Canibano (2018), Workplace flexibility as a paradoxical phenomenon: Exploring employee experiences
16 UN (2021), With almost half of world's population still offline, digital divide risks becoming 'new face of inequality', Deputy Secretary-General warns Assembly

THREE TRANSITIONS AFFECTING THE FUTURE OF WORK

There are three key transitions affecting the future of decent work: a shift towards a low-carbon economy, demographic changes and technological advances. The ILO stresses the urgency of addressing these transitions, implying that we are faced with new forces that are transforming the world of work and creating immediate challenges.[17]

A LOW-CARBON ECONOMY

The smooth transition to a low-carbon economy will require investors to understand and mitigate the impact on workers, communities and consumers, a process commonly referred to as the 'just transition'. Shifting towards a net-zero world, if managed poorly, will likely exacerbate inequalities and result in stranded workers and communities. However, significant opportunities await investors if the transition is managed efficiently:

- Major investment and innovation opportunities await in renewable energy and environmentally sustainable construction and retrofitting, with significant job creation and re-skilling of the workforce.
- Significant new investment opportunities exist across asset classes including green bonds, sustainable infrastructure and green real estate, amongst others.
- Implementing the goals of the Paris Agreement is estimated to lead to global job losses of around 6m and job gains of 24m.[18]
- Investing in the green economy can advance the decent and inclusive work agenda, because environmental degradation already disproportionately affects vulnerable populations and low-income countries.

The ILO Guidelines for a Just Transition stress the need for a strong consensus regarding the goals and pathways towards social and environmental sustainability i.e., acknowledging the climate crisis goes hand in hand with growing inequality. Policies and programmes to tackle these twin crises should consider the impact on gender and the importance of strong social dialogue, involving worker representatives early on in transition planning and development.[19] These considerations, in line with the pillars of decent work outlined below, are important in both the transition out of high-carbon jobs as well as into decent, green jobs.

Failure to act on the social dimension of climate change will likely lead to pressures to delay or even abandon climate policy. Further, investors with long-term fiduciary duties are more exposed to the risks of climate change and the impacts it will have on their beneficiaries. Harnessing the transitions will allow investors to capitalise on new investment opportunities across all asset classes, for instance social and SDG-linked bonds, renewable infrastructure and green real estate.

TECHNOLOGICAL ADVANCES

An estimated 30% of jobs are at high risk of automation by the mid-2030s.[20] To avoid isolating workers displaced by the technological transition, it's important to encourage a lifespan approach to education and reskilling as well as ensuring that dialogue between affected workers and managers is directed towards proactively shaping the design of future jobs. Improved operational efficiency and automation also open the window for new investment opportunities.

The increased prevalence and accessibility of digital labour platforms such as those across the gig economy has highlighted the lack of social protection and labour rights afforded to these workers, who are largely operating as independent contractors. To support the decent work agenda, it is important that the platforms (and their clients) respect safeguard expectations across the pillars of decent work, as outlined below. This ought to be coupled with stronger regulation regarding the use of individual personal data and algorithmic accountability. Given the nascence and cross-jurisdiction operations of digital platform companies, investors should also consider tax fairness.

Harnessing and managing technology for decent work means ensuring that the final decisions affecting work are made by human beings. By properly regulating technology and reskilling workers, we can foster innovation and reduce the digital divide.

17 ILO (2019), Work for a Brighter Future – Global Commission on the Future of Work

18 ILO (2018), World Employment and Social Outlook 2018

19 ILO (2015), Guidelines for a just transition towards environmentally sustainable economies and societies for all

20 PwC (2018), Will robots really steal our jobs? An international analysis of the potential long-term impact of automation

DEMOGRAPHIC CHANGES

It is estimated that the number of people aged 60-plus will double by 2050 and the youth population will continue to expand.[21] This will lead to a significant number of workers exiting the workforce as well as a growing population of young people transitioning into employment, placing pressure on institutions linked to these two transitions. Investors will have to consider the changing needs of their beneficiaries and workforce of their portfolio companies as demographics evolve.

Growing youth unemployment will require a stronger strategy and investment from governments and the private sector to ensure young people receive the appropriate training and education to enter the workforce. Taking a lifespan approach to education – continuous education through all career stages – will ensure that young people can adapt to emergent skill gaps brought about in part by the technological transition. When looked at in conjunction with the low-carbon transition, investors can play a key role in ensuring that affected worked and communities are adequately prepared for jobs in the low-carbon economy.

A similar approach towards education and reskilling can also be used for older workers, to expand their opportunity set and promote a society that is active for longer, opening new investments in healthcare. Opportunities can be created for partial retirement, promoting diversity of work for older workers. Technological advances can also support older workers in accomplishing certain tasks by partially automating them, and this work should be underpinned by a robust and flexible pension system. This strategy can alleviate pressure on investors who face a growing number of people looking to convert their investments into cash, as well as partly alleviate pressure on the pension system and on demand for care workers.

21 UNDESA (2017), World Population Prospects

FOUR PILLARS OF DECENT WORK

We have outlined four pillars of decent work, aligned with existing international frameworks that need to be addressed by investors as part of driving systemic change:

- Workers' voice and social dialogue
- Living wage
- Access to benefits, health and safety, and social protection
- Equal opportunity and treatment

The figure below outlines each pillar in more detail.

Workers' voice & social dialogue

- Engagement with workers
- Freedom of association
- Collective bargaining
- Freedom to express concerns and grievances

Living wage

- A wage paid regularly and on time
- Does not require excessive hours
- Rises with the cost of living and individual advancements
- Enables savings for long-term needs

Access to benefits, health and safety & social protection

- Occupational health and safety and beyond
- Current benefits - healthcare and paid time off
- Future benefits - pension
- Social safety net

Equal opportunity and treatment

- Personal development - education, training and advancement opportunities
- Social integration - collective significance of work provides network of connections and interactions that forge social cohesion

SAFEGUARD EXPECTATIONS ON DECENT WORK

For each of the four pillars of decent work, we have highlighted safeguard expectations and key outcomes for investors.

The safeguard expectations apply to all workers regardless of contractual status.
Furthermore, they apply across a company's entire value chain in which adverse human rights impacts may occur due to a company's own activities or through business relationships as clarified by the UNGPs. Across all four pillars, investors should clarify expectations with corporates and other stakeholders.

LIVING WAGE

Outcome: Workers have access to a living wage to ensure economic security for themselves and their families.

SAFEGUARD EXPECTATIONS
A living wage calculation that is agreed by relevant parties (either in legislation or covered by tripartite agreements between trade unions, employers and the state).
Where the living wage calculation methodology has yet to be agreed, companies and other stakeholders e.g., governments should take part in relevant action / talks to define a fair living wage through tripartite dialogue and / or through appropriate legislation, referencing the key characteristics of a living wage.
Workers are entitled to a wage that: ▪ is paid regularly and on time; ▪ doesn't require excessive working hours; ▪ rises with the cost of living (inflation); and ▪ enables savings for long-term needs.

A living wage is often collectively bargained and as such, social dialogue and freedom of association (see below) are necessary to facilitate this process. A living wage is often linked to more equal workplaces and is crucial to close pay gaps that exist across different characteristics (such as race and gender). A lack of a living wage can impact long-term corporate performance and productivity.

ACCESS TO BENEFITS, HEALTH AND SAFETY AND SOCIAL PROTECTION

Outcome: Workers have safe working conditions and they and their families have access to healthcare and social protection.

SAFEGUARD EXPECTATIONS
Where workers are not being adequately protected and ILO occupational health and safety standards are not being respected, any injury or sickness resulting from employment should be recorded and remedied. The information should be used to improve existing systems.
Workers should have access to basic benefits including healthcare, weekly rest, holiday, paid sick leave, parental leave and a living pension or other robust retirement benefits.

The right to a healthy and safe working environment was enshrined in the ILO Fundamental Principles in 2022 following the 110th session of the International Labour Conference.[22] It is important to also consider social dialogue, freedom of association and collective bargaining (see below) as essential to ensuring a safe and healthy working environment.

The importance of worker organisations came to the fore during the COVID-19 pandemic, during which they campaigned and held companies to account for failing to provide adequate worker protection – for example, access to PPE – and even striking as a last resort. Inadequate safety provisions disproportionately affect those who are less well-off in society and contribute to deepening inequality. Companies that fail to address worker safety face increased reputational and legal risks associated with workplace accidents and could face broader operational impacts such as reduced productivity, linked to absenteeism and sick leave.

22 ILO (2022), International Labour Conference closes with "remarkable harvest of achievements"

EQUAL OPPORTUNITY AND TREATMENT

Outcome: Workers can choose their employment freely and develop their full potential.

SAFEGUARD EXPECTATIONS
Workers should be provided with equal access to education, training, and upskilling / reskilling programmes. Companies should ensure equity and non-discrimination in recruitment, retention and access to promotion.
It is imperative to prevent / combat discrimination on any grounds such as gender, race and sexual orientation in relation to accessing educational and vocational training, to employment and to the terms and conditions of employment.
Where instances of discrimination or unequal / unequitable opportunity are identified, workers should have access to fair grievance mechanisms and it is essential that remedy is provided to affected parties.

Our recent report, *Diversity Equity & Inclusion: Key action areas for investors*, argues that all three elements of DEI are needed to ensure not just equal opportunity but also equal outcomes. Equal opportunity and treatment are a powerful determinant of decent work and are strongly linked to better physical and mental health. There is also a clear link between equal opportunity and treatment and increased corporate financial performance.

A living wage is a key driver of equal opportunity and treatment, as well as a way to address the gender pay gap. Underpinning these outcomes are social dialogue, freedom of association and collective bargaining, evidenced in the US, where unionised women are likely to earn 30.9% more than their non-unionised counterparts.[23]

WORKERS' VOICE AND SOCIAL DIALOGUE

Outcome: Workers are free to express their concerns, organise, bargain collectively and actively participate in the decisions that affect their lives.

SAFEGUARD EXPECTATIONS
Workers' rights to freedom of association and collective bargaining need to be respected, and they are entitled to representation in the decision-making process.
Workers must be able to express concern without fear of reprisal and can file individual or collective grievances when their rights or entitlements have been breached / infringed or if they have observed the rights and entitlements of others being infringed.
Trade unions and worker representative organisations are a key component and driver of social dialogue. They are essential to advance the decent work agenda.

Investors can play a key role in enabling workers' voices by respecting representative bodies including unions, occupational health and safety committees and social dialogue structures at a company or industry level. Social dialogue allows the workforce to engage in discussions, plans and strategies on workplace issues. It includes all types of negotiation, consultation and exchange of information among representatives of these groups on common interests. Investors should also recognise how a transparent and fair culture drives corporate performance.

Social dialogue, freedom of association and collective bargaining are closely interlinked with the three other safeguard expectations. They play a key role in determining social protection, a living wage, safe working conditions and equal opportunity and treatment.

Worker organisations are key stakeholders in effective social dialogue. They can help to address grievances, shape decent work outcomes, and serve as a pathway for informal workers to gain access to benefits and better working conditions. Allowing more workers to enter the formal economy facilitates system-wide growth and stability.

Innovative ways of organising are also emerging, such as workers' digital platforms that are not location-specific.

23 Institute for Women's Policy Research (2015), Status of Women in the States: The Union Advantage for Women

KEY AREAS FOR INVESTOR ACTION

A systematic approach that considers the pre-existing challenges and safeguard expectations laid out above will be necessary to ensure that decent work is achieved for all.

Below are some ways in which investors can address decent work:

Consider investment decisions

Factoring decent work considerations into investment decisions is still nascent, and investors have so far tended to engage with listed companies on only a subset of decent work-related issues. More recently, private market investors have been paying more attention to the topic, particularly infrastructure and private equity, where some investors have used the SDGs as a framework to drive decent work outcomes. Two case studies highlight this: Actis demonstrated how it measured the positive impacts of a business using an impact score, and STOA outlined how its strategic impact objectives were aligned with the SDGs, in particular SDG 8.

To a lesser extent than equities, decent work considerations are incorporated into fixed income valuation or portfolio construction. Some investors apply screening with regards to social issues, however, this tends to not incorporate more intricate decent work criteria. There has also been an increasing number of thematic investments that are linked to social goals, such as SDG bonds.

Conduct stewardship

Investors tend to rely heavily on stewardship of investees to improve corporate practice with regards to labour rights and working conditions. Stewardship mechanisms include meaningful engagement with corporates, policy makers and other stakeholders, as well as voting on shareholder resolutions. However, previous stewardship initiatives often focused on a subset of the decent work agenda, namely occupational health and safety, labour issues in the supply chain and the gender pay gap. This is an encouraging first step, however, it is important to consider other, overlapping issues on the agenda such as the importance of collective bargaining and a living wage.

Collaboration is key when it comes to impact. There are several encouraging investor initiatives, including:

- Platform Living Wage Financials: encourages and monitors investee companies as regards to paying a living wage through their supply chains.
- Investors against Slavery and Trafficking Asia Pacific: an investor-led, multi-stakeholder initiative engaging with companies in the Asia Pacific region to find and eradicate modern slavery in supply chain operations.
- Investor Alliance for Human Rights: an initiative launched by the Interfaith Centre on Corporate Responsibility, facilitating investor advocacy across a comprehensive range of human rights and labour rights issues.
- Human Capital Management Coalition: engages companies to understand and improve how the treatment of a workforce can drive long-term shareholder value.

In addition to the above, we have launched a collaborative stewardship initiative to take action with other investors on human rights and social issues.

Engage with policy makers

So far, investor engagement with policy makers on decent work has largely focused on modern slavery, forced labour and transparency in supply chains, and it has occurred on an ad hoc basis. It is important for investors to broaden their horizons by considering policies that support all four pillars of the decent work agenda and to be informed by tripartite dialogue between government, workers' and employers' organisations.[24] This work can support including decent work factors in human rights due diligence legislation (current developments highlighted in the appendix).

24 ILO (2018), Resolution concerning the second current discussion on social dialogue and tripartism

Drive meaningful data

Corporate disclosure around decent work continues to centre on qualitative data: examples of initiatives or 'success stories', rather than a transparent and comprehensive overview of the impacts that the company has on workers in direct operations and across value chains.

While qualitative analysis is essential to capture the nuances amongst different practices, investors also need more standardised data to compare company practices and policies. Several initiatives are focused on enhancing corporate disclosure around decent work that investors can support, such as the Workforce Disclosure Initiative, KnowTheChain and the Corporate Human Rights Benchmark.

Several initiatives, however, are reliant on publicly available data, which is largely inadequate, yet recent regulatory developments (see appendix) are seeking to address these gaps. Stakeholders can also serve as an important data source as individual contributors or through bodies such as the European Financial Reporting Advisory Group, which is currently convening a project task force on the European Sustainability Reporting Standards.

Corporate disclosure of financially material and useful sustainability information for investors can be strengthened when using frameworks such as that of the Sustainability Accounting Standards Board (SASB).

Although labour issues are considered in frameworks such as SASB, there is still scope to encompass all decent work characteristics across sectors. Investors can play a role by engaging with standards setters to ensure corporate sustainability reporting requirements respond to their data needs.

NEXT STEPS

Minimum safeguard expectations are critical to driving positive outcomes in line with the SDGs. Shifting beneficiary interests, increased corporate disclosure and regulatory momentum are driving decent work up the investor agenda.

To support investors, we are setting out a multi-year work programme that will:

- convene and educate investors on key decent work risk areas and how this can impact investment decisions across asset classes;
- share investor guidance on the four pillars of decent work and how to implement them to drive positive real-world outcomes;
- support investors to identify relevant data points and metrics to track progress regarding the key safeguard expectations;
- provide guidance on engaging with investee companies and policy makers; and
- support investors in responding to upcoming policy consultations and identify policy measures that investors can support to drive reforms.

APPENDIX: REGULATORY DEVELOPMENTS

Investors face a range of regulatory drivers to ensure that decent work is embedded in their investee companies' supply chains. Failure to conduct sufficient due diligence on human rights could result in material and legal risks.

The table below outlines examples of recent relevant regulations that are related to decent work.

Year	Regulation	Description
2010	California Transparency in Supply Chain Act	Retailers in California with revenues exceeding USD$100m are required to disclose efforts to eradicate human trafficking and slavery from their supply chains.
2014	EU Non-Financial Reporting Directive (NFRD)	Entities with more than 500 employees must conduct non-financial reporting, including outlining social matters such as treatment of employees. The NFRD will be succeeded by the CSRD, currently under negotiation.
2015	UK Modern Slavery Act	Companies with over GBP£36m in revenue must disclose steps taken to ensure slavery and human trafficking are absent from their business and supply chain.
2017	France's Corporate Duty of Vigilance Law	Certain companies in France are required to identify and prevent severe impacts on workers' health and safety, resulting from the activities of their controlled companies and some of their business relationships.
2018	Australia Modern Slavery Act	Companies with over USD$100m in revenue must report annually on the risks of modern slavery in their supply chains and actions taken to address those risks.
2019	Netherlands Child Labour Due Diligence Law	Companies registered and selling goods in the Netherlands are required to disclose if they have conducted supply chain due diligence linked to child labour.
2020	EU Taxonomy	The EU Taxonomy Regulation introduces disclosure requirements for financial and non-financial undertakings. This includes disclosing whether the procedures implemented by the undertaking that is carrying out the economic activity are aligned with the OECD Guidelines for Multinational Enterprises and the UNGPs, the ILO Core Conventions and the International Bill of Human Rights.
2021	EU Sustainable Finance Disclosure Regulation	This regulation creates disclosure requirements for sustainability risks in the financial services sector. It also encourages investors to identify, assess and mitigate potential adverse impacts of their investments on society and the environment.[25]

25 PRI (2022), Investor briefing: EU regulation on sustainability-related disclosure in the financial services sector

In addition to the above, there are also regulations under development that if implemented will have implications for investors and companies in terms of decent work:

- The EU Platform for Sustainable Finance's final report on a social taxonomy proposes including whether an economic activity "does no significant harm" or "substantially contributes" to decent work.
- The EU proposal for a Corporate Sustainability Due Diligence Directive will also put forward mandatory due diligence relating to labour rights, such as eliminating child and forced labour in global supply chains.[26]
- The EU proposal for a CSRD mandates EU sustainability reporting standards. The standards are aimed at increasing the consistency and comparability of reported company information, including social factors.[27]
- Individual EU member states are also developing regulation linked to mandatory human rights due diligence.[28]
- The European Parliament has adopted a resolution calling for an EU import ban on products made with forced labour.[29]
- The SEC is expanding the scope of human capital disclosure in its upcoming rule on human capital management.[30]

26 European Commission (2022), Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on decent work worldwide for a global just transition and a sustainable recovery

27 PRI (2022), A legal framework for impact: European Union, integrating sustainability impact across the investment industry

28 Business & Human Rights Resource Centre (2019), National and regional movements for mandatory human rights and environmental due diligence in Europe

29 European Parliament (2022), MEPs set to call for important ban on products made with forced labour

30 U.S. Securities and Exchange Commission (2022), Comments on Rulemaking petition to require issuers to disclose information about their human capital management policies, practices and performance

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- Will Stewart, PRI

The Principles for Responsible Investment (PRI)

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org

PRI Principles for Responsible Investment

The PRI is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org

UN environment programme | finance initiative

United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 8,800 companies and 4,000 non-business signatories based in over 160 countries, and more than 80 Local Networks.

More information: www.unglobalcompact.org

United Nations Global Compact