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Workers' Capital News – May 2014

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Pensions and Investments

Investment fees: returns, practices, and consequences

Investment fees and cost structures have implications for the financial returns of pension funds and the prospects of a sustainable financial system as a whole. The Initiative for Responsible Investment at Harvard Kennedy School recently brought together a group of stakeholders for a conversation on fees and how trustees can address fees in their role to safeguard assets for beneficiaries. A discussion on fees, markets, and financial architecture also explored the relationships between fees and inequality as well as democracy. [A summary of the event](#), convened by IRI Senior Fellow, Jay Youngdahl, can be found on the [Initiative for Responsible Investment](#) website.

How can trustees tackle climate investment risks?

As reported in [Top 1000 Funds](#), the Investor Group on Climate Change Australia/New Zealand (IGCC) and Mercer have produced a new resource for trustees with practical guidance on climate change risk assessment. Six Australian trustees took part in a role-playing exercise – a mock board meeting of the fictitious *Perfect Storm Pension Fund* – to explore board resolutions on investment policy, strategy, implementation, allocations, timeframes, measurement and disclosure in response to climate change. The [Trustee Training on Climate Change](#) website includes a [short trailer](#), background, copy of the resolutions, [18-min summary video](#), and Q&A.

Shareholder Activism

Human rights policy resolution at National Express

As reported in [the Guardian](#), National Express faces a shareholder proposal at its AGM today (May 14) to support company-wide observance of labour rights, addressing difference in how workers are treated in North America as compared to the UK and Spain. [The resolution \(#22, page 5\)](#) includes steps to adopt a workplace human rights policy to ensure compliance with core labour standards and encourage resolution of labour issues that could disrupt financial performance.

AFL–CIO Key Votes and Executive Paywatch

A resolution on tax policy at Google to be votes at the AGM today (May 14) is among the preliminary AFL–CIO key votes list for 2014. The [AFL–CIO Key Votes Survey Scorecard](#) identifies important shareholder proposals to support and management proposals, including director elections, to oppose – in line with AFL–CIO Proxy Voting Guidelines. Upcoming votes supported by the AFL–CIO include lobbying disclosure at Exxon (May 28), country selection guidelines at Chevron (May 28), and pay clawback disclosure policy at Wal-Mart (June 6); watch the AFL–CIO [Proxy Voting](#) webpage for updates.

According to highlights on the [Executive Paywatch](#) website, the average US CEO made 331 times more than the average American worker in 2013. The website includes key statistics on income inequality in the US, including pay by state and industry. AFL-CIO Mutual Fund Votes Survey results are also provided in the website, to help retail investors identify how the largest mutual fund families in the US vote on executive compensation issues at public companies.

Income inequality and the potential risk to investors

The Trustee Leadership Forum has released [reflections and recordings](#) from their recent webinar on income inequality and the potential risk to investor, held earlier this month. Two reports on how investors might incorporate income inequality concerns when reviewing their portfolios were presented, highlighting potential costs to shareholders where high levels of internal pay disparity exist. The webinar recording, as well as presentation slides and other resources, can be found on the [IRI website](#).

Governance and Disclosure

TUAC proposals for OECD Principles of Corporate Governance review

The TUAC has issued [an annex to its submission on the review of the OECD Principles of Corporate Governance](#) with concrete proposals of amendments based on identified priorities, including some of the proposals put forward to the Committee in closed sessions on 18-19 March 2014. The TUAC disputed the suggestion that the Principles had "stood the test of time" and therefore that a limited review would be appropriate. The five priority areas to raise the ambition of the Principles include: raising the voice of workers in the firm; accountability along the investment chain; responsible use of shareholder rights; reinforcing board accountability; and reining in executive pay.

Italy's plans to scrap pension regulator draw criticism from trade unions

As reported by [Investment & Pensions Europe](#), the Italian government's plans to do away with the pension regulator in sweeping public sector reform have been criticized by the major national trade unions, CGIL, CISL and UIL. The pension regulator provides oversight of Italy's second-pillar pension schemes; the government is proposing that the central bank take up these responsibilities. The unions believe that the loss of a single, separate authority to oversee complimentary pensions would have harmful outcomes for the schemes and their members.

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