

## Statement of Investor Expectations for Job Standards & Community Impacts in the Just Transition

As long-term institutional investors representing \$XX in assets under management, we recognize that the global shift to net-zero requires an unprecedented economic transformation that will impact industries, jobs, and communities. We call on companies, investors, and policymakers to ensure this is a just transition that supports a racially and economically equitable, decarbonized economy by prioritizing “high-road” jobs,<sup>1</sup> respect for human rights, positive community impacts, and the remediation of harms.

A just transition to a net-zero economy can address the interconnected issues of climate change, racial injustice, public health, and economic inequity. The transition must create an inclusive, stakeholder-driven economy, where those most impacted by the transition — workers and local communities — are central in its design. This is expected of those seeking to fulfill the expectations of the Paris Agreement, as the Agreement encourages companies and governments to transparently incorporate human rights standards and commitments into their climate plans, including a commitment to identify and assess potential impacts, partner with stakeholders, prevent or mitigate harm, and provide remedies as necessary. Specifically, the Paris Agreement, informed by long-established corporate principles on human rights, acknowledges the importance of “a just transition of the workforce and the creation of decent work and quality jobs” and “taking into consideration vulnerable groups, communities, and ecosystems.”<sup>2</sup>

Investors have a critical role to play in supporting the integration of just transition principles into the economic activities that empower the clean energy transition. There is growing recognition of the fiduciary case to manage the risks associated with this transition: if not responsibly managed, existing systemic risks associated with racial and economic inequality, lack of decent work, adverse impacts on human rights, as well as environmental degradation, may be exacerbated, creating significant financial uncertainties. Investors, companies, and governments have already faced resistance from workers and communities, and this resistance has slowed the transition.<sup>3,4</sup> Healthy and equitable communities, the provision of quality jobs with strong labor protections and fair wages, and operating within the limitations of the Earth’s resources<sup>5</sup> are essential to a thriving economy and are therefore material to investors’ long-term interests. Thus, to meet their fiduciary and regulatory obligations to address climate change risks in their portfolios, investors require an understanding of companies’ approaches to managing a just and ambitious climate transition.

A range of civil society stakeholders—including labor and human rights groups, community and environmental justice organizations, and public policy advocates—have long worked to advance the intersectional issues of economic, racial and environmental justice. We seek to learn from and support the efforts of these stakeholders in our own work as investors to champion a just transition, and believe that civil society stakeholders must be engaged in decision-making processes to redesign our economy. We also acknowledge that communities of color have

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<sup>1</sup> **High road jobs** provide family-friendly benefits, offer flexibility, pay a livable and fair wage, invest in employee growth, cultivate inclusion, and promote health and safety. ([The High-Road Workplace: Route to a Sustainable Economy](#), American Sustainable Business Council, 2017, pg 3)

<sup>2</sup> [‘Paris Agreement’](#), U.N. Sustainable Development Goals Knowledge Platform.

<sup>3</sup> Bouyé, Mathilde, [‘Chile’s Protests Offer Lessons on Social Inequality and Climate Action’](#), World Resources Institute, 27 Nov 2019.

<sup>4</sup> Williamson, Vanessa, [‘What France’s Yellow Vest protests reveal about the future of climate action’](#), Brookings Institute, 20 Dec 2018.

<sup>5</sup> [‘The nine planetary boundaries’](#), Stockholm Resilience Centre.

disproportionately suffered the impacts of corporate pollution and other environmental impacts from historical policies that systematically embed environmental racism. We further recognize that Indigenous Peoples, whose lands and resources are often used to generate wealth and who bear a greater burden of climate change impacts, are often excluded from a meaningful role in decision-making. A just transition must be informed by these perspectives, align with the principles of the United Nations Declaration on the Rights of Indigenous Peoples,<sup>6</sup> and center a racial equity lens to remediate the harms of this ongoing injustice and establish appropriate safeguards and processes to prevent future harm.

That is why we, the undersigned, have drafted the following principles which we urge companies and investor partners to adopt and advocate for:

**1. Provide a foundation for decent work, job benefits, and working conditions.**

In line with existing standards from the International Labor Organization,<sup>7</sup> we urge companies to guarantee fundamental labor rights to all workers, including freedom of association and the right to collective bargaining and apply those standards throughout corporate supply chains with a commitment to non-discrimination. Dignity must be upheld for all workers through fair compensation, safe and decent working conditions, and opportunities for career transition and development.

**2. Offer equitable opportunities for quality jobs.**

Establishing and effectively implementing policies to ensure that communities have equal access to fair and equitable job opportunities is essential to the transition. We support companies' efforts to adopt leading practices in hiring and human capital management such as the use of local and targeted hire provisions<sup>8</sup>, diverse contracting requirements and workforce provisions, prevailing wages, workforce education and training, and other high-road standards, which can be achieved through the execution of Project Labor Agreements (PLAs), Community Workforce Agreements (CWAs),<sup>9</sup> Community Benefits Agreements (CBAs),<sup>10</sup> and Responsible Contractor Policies (RCPs).<sup>11</sup>

**3. Invest in impacted communities.**

We encourage companies to prioritize investment into and remediation of harms to the communities that have been most acutely impacted by, and are most vulnerable to, the climate crisis. This includes ending harmful practices (e.g. elimination of sacrifice zones via the cessation and remediation of polluted air, soil, and water), prioritizing local hiring and employment opportunities, and investing in local infrastructure to support the low-

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<sup>6</sup> United Nations Declaration on the Rights of Indigenous Peoples, United Nations Department of Economic and Social Affairs

<sup>7</sup> '[ILO Declaration on Fundamental Principles and Rights at Work](#)', International Labor Organization.

<sup>8</sup> **Local and targeted hiring policies** require or incentivize businesses that receive public resources, such as government contracts or tax breaks, to hire workers living in a particular geographic area or from specific populations within the community. They are intended to ensure that a fair share of jobs created by public dollars benefit those with the greatest need ([Local and Targeted Hire](#), All-In Cities, an initiative of Policy Link)

<sup>9</sup> **PLAs** are collective bargaining agreements covering all of the craft workers on a construction project and provide comprehensive guidance and set mutual expectations for large projects. They can help union contractors find work, as well as help ensure projects are completed on time and on budget by highly trained workers. **CWAs** are similar to PLAs, but can be more expansive in scope, often including community organizations as signatories. (['State-Based Policies to Build a Cleaner, Safer, More Equitable Economy'](#), BlueGreen Alliance, 2020, pg 6)

<sup>10</sup> **CBAs** are multi-party contracts executed by several community-based organizations and one or more developers provide a range of community benefits related to a proposed development project, and usually containing the community-based organizations' commitment to support approval of the project (['Community Benefits Agreements'](#), Partnership for Working Families.)

<sup>11</sup> **RCPs** support and encourage fair wages and protections for workers employed by a company's contractors and subcontractors (['Responsible Contracting: Best practices'](#), National Employment Law Project, 2017, pg 2)

carbon transition. Frontline communities are best positioned to identify their needs and the solutions that they are seeking to inform this investment. Systemic dis-investment and underinvestment in communities of color have created inequitable access to opportunity, which has undermined these local economies. It is also important to recognize that impacted groups can offer their own participatory frameworks for sustainable development.

**4. Facilitate transparency and accountability.**

Similar to the right to Free, Prior, and Informed Consent (FPIC),<sup>12</sup> a stakeholder-driven transition must include ongoing processes for social dialogue between workers and companies, as well as between impacted rights-holders and community members and companies, to inform decisions. This will be critical in the build-out of the energy transition and other infrastructure projects, especially when directly impacting Indigenous communities. We support companies' commitments to, and disclosure of, formal stakeholder engagement processes and policies within their governance and management systems, including clear processes for access to remedy.

**5. Support just transition policies at all levels.**

In addition to adopting internal corporate just transition policies that reflect the above principles, we encourage companies to support federal, state, and local policies that will enable a just transition. This means supporting policies that address accountability, transparency, and remediation within their plans to achieve science-based decarbonization goals, as well as aligning political spending and lobbying activities with the goals of the Paris Agreement, which includes the imperatives of a just transition. We also seek to ensure that local stakeholders play an active role in the design, implementation, and monitoring of policy development.

The above principles will support a company's ability to establish and maintain constructive relationships with workers and the communities in which it operates, which signals effective human capital management practices and a sound, profitable long-term business strategy. As long-term investors, we recognize that such practices are linked to improved corporate performance, including shareholder returns, profitability, and overall firm performance against benchmarks.<sup>13</sup> Therefore, we commit to fulfilling the above principles across a variety of strategies, including asset allocation, stewardship activities, evaluation of business partners, and incorporation into due diligence processes. Finally, all investors can raise their voices through public discourse and conversations with policymakers to support just transition legislation and policies centered around equity, justice, accountability, transparency, and remediation.

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<sup>12</sup> ['United Nations Declaration on the Rights of Indigenous Peoples'](#), United Nations Department of Economic and Social Affairs.

<sup>13</sup> [\\$2.6 Trillion Investor Coalition Sees Link Between Human Capital Management and Shareholder Return](#), Engagement Strategies Media.