

RIAA ESG Research (non-broker) Award 2021 Report



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2021 Award Recipient

RIAA's ESG Research Award
– recognising excellence in investor relevant ESG research
Best Piece of Investor Relevant ESG Research (non-broking firm)

Labour Hire & Contracting Across the ASX100

Australasian Centre for Corporate Responsibility
Dr Katie Hepworth

1. Summary

In 2018, RIAA presented a new ESG Research (non-broker) Award to complement the ESG Research Australia (ESG RA) Awards, aiming to recognise the growing quality and proliferation of ESG research beyond brokers. RIAA seeks to encourage the ongoing growth, quality and usability of ESG research as a source of information for responsible investors.

Beyond the traditional broking community, thematic investor targeted ESG research is now being produced by fund managers, ESG research houses, industry groups, as well as NGOs.

This award is determined based on nominated research as popularly voted on by RIAA and ESG RA members and assessed against the Award criteria of usability, rigour, innovation and originality by the RIAA ESG Research Judging Committee (Judging Committee).

The winner for this year's RIAA's ESG Research Award – recognising excellence in investor relevant ESG research: Best Piece of Investor Relevant ESG Research (non-broking firm) is:

- Labour Hire & Contracting Across the ASX100 – Dr Katie Hepworth, Australasian Centre for Corporate Responsibility.

RIAA received 14 eligible nominations for the award from 10 different fund managers, ESG research houses, NGOs, industry groups and associations.

This year we saw a diverse range of topics covered in the nominated research pieces which saw themes ranging from the impact of COVID-19, modern slavery and labour supply chains, climate risk, alignment with the UN SDGs, sustainable agriculture and food production, to topics such as Indigenous communities, water risk management and buy now pay later schemes.

2. Representation

14 eligible nominations were received from 10 different ESG research houses, fund managers, asset owners, NGOs, industry groups and associations, which included:

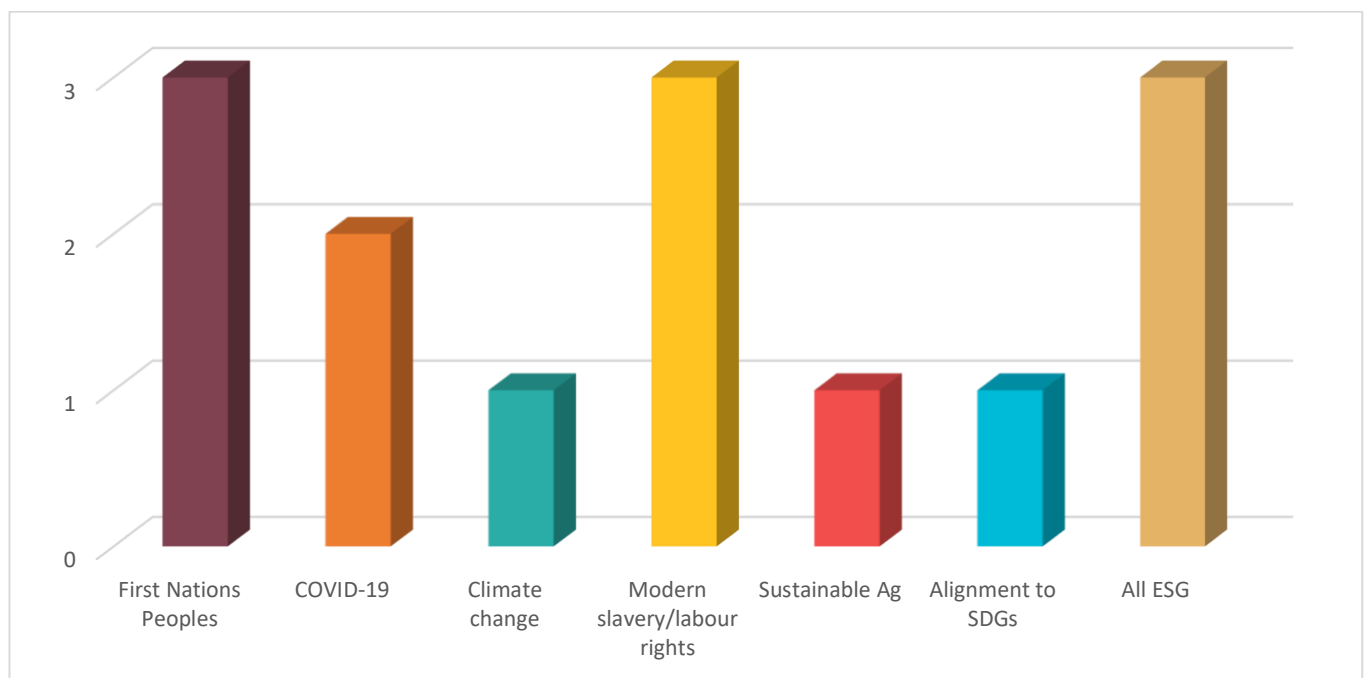
- Australasian Centre for Corporate Responsibility
- Australian Human Rights Commission & KPMG
- David Maywald
- Ethical Advisers Co-operative
- Harbour Asset Management
- HESTA
- ISS ESG
- MSCI
- Regnan
- Sustainalytics

3. Research topics

The nominated research explored a diverse variety of topics and included research reports from both Australia and New Zealand.

The nominated research covered a diverse range of environmental, social and corporate governance topics and included funds ratings, First Nations Peoples, human rights and labour rights, sustainable agriculture and food production, integration of responsible investment into asset allocation, and responses to climate change risk and COVID-19.

Number of research topics nominated by theme (2021)



4. Award criteria

Three key criteria were considered by the Judging Committee in assessing research for the 2021 awards.

The criteria for assessing the award Best Piece of Investor Relevant ESG Research (non-broking firm) included investor usability, rigour, innovation and originality.

- **Investor usability** – research should be written in a way is relevant and usable for Australasian investors, whether to inform investor portfolios, asset allocation, an adviser to provide informed advice or in a way that informs the engagement or other stewardship activities by investors.
- **Rigour** – the research should be rigorous and robust, based on a credible, transparent methodology with clearly disclosed assumptions.

- **Innovation and originality** – the research should contain new information and insights and be differentiated from other material available in the marketplace.

5. Research assessment

Four ESG research reports were shortlisted for assessment.

After tallying the results from the 31 eligible votes cast by RIAA and ESG RA members, four research pieces were short-listed for review by the Judging Committee. These are listed below.

Shortlisted Research

AUTHORING ORGANISATION	RESEARCH TITLE	DATE PUBLISHED
Australasian Centre for Corporate Responsibility	<i>Labour Hire & Contracting Across the ASX100</i>	May 2020
MSCI	<i>How Have Stocks Responded to Changes in Climate Policy?</i>	Mar 2021
HESTA	<i>Engagement Series Insights - Working with Indigenous Communities</i>	Feb 2021
Ethical Adviser Co-operative	<i>Leaf Ratings</i>	Aug 2020

The Judging Committee commended each of the research providers for their contribution to ESG and responsible investing in the region.

6. Award winner

Labour Hire & Contracting Across the ASX100

Australasian Centre for Corporate Responsibility

Dr Katie Hepworth

Synopsis

The report describes the key workforce and operational risks associated with labour hire working arrangements, and analyses how ASX100 companies in three key sectors - mining, construction and commercial cleaning - are exposed to these risks. It also discusses an emerging sector, large-scale solar installation.

The report includes analysis of how ASX100 companies in these sectors are currently reporting on their use of labour hire and contract workers, and makes suggestions for improved reporting by companies and closer engagement by investors.

The contemporary labour hire industry includes many different types of labour hire agencies, spanning from large, multinational corporations with thousands of staff (e.g. CIMIC), through medium-sized and mid-tier labour hire providers, to operators consisting of an individual (or a few individuals) 'with a van and mobile phone'.

Companies choose to use labour hire workers for a number of reasons: to reduce costs, to adapt to volatile labour markets, for specialisation, to undermine or circumvent union presence, to avoid employer obligations, to exert greater control over a workforce, or to shift their risks and liabilities.

However, there is evidence that the use of labour hire introduces significant risks, including:

- *Poorer Occupational Health and Safety (OHS) outcomes*
- *Increased possibility of involvement in modern slavery, labour exploitation and wage theft*
- *Lower levels of worker engagement and loyalty*
- *Loss of human and intellectual capital*
- *Reduced visibility of workforce composition, including diversity*
- *Reduced workforce development, due to less access to training, skills acquisition*

The report recommends that investors use their ownership rights to engage companies on their entire workforce, not just their direct workers.

Key findings

- *Of the companies analysed, 42% made no material disclosure about their labour hire and/or contracting workforce in annual reporting documents.*
- *Only 2 out of 19 companies (Fortescue and Rio Tinto) define 'labour hire' and/or 'contractor' in their reporting, and their definitions capture different sections of their respective workforces.*
- *All companies analysed have operations in Australia, but only 37% report the total number and/or percentage of contractors and/or labour hire in these operations.*
- *While most companies (86%) report some numerical health and safety data, only 26% disaggregate this for their contractor and/or labour hire workforce.*

Assessment

The Judging Committee awarded this research the highest points of the four pieces of shortlisted research. It achieved the highest average score from the judges across each of the three criteria of usability, rigor and innovation and originality.

Comments

- This report was a clear standout. Very useful information for investors and likely to have an impact on corporate reporting.
- Very practical research for investor engagement and understanding of the issues.
- Overall a useful piece of work. Credit to ACCR (and other such NGOs) sharing what may be considered proprietary insight by other organisations.
- Good strong and useful piece of research, directed specifically at investors for their use. Comprehensive.

7. Nominated research

For nominations to be considered for the Award, the research must meet the following criteria:

1. Be investor relevant ESG research at a company, industry or thematic level
2. Have been published since 1 March 2020
3. Be publicly available, or as a minimum, a subset of the research has been made available publicly (e.g. an article has been published publicly containing key results of the research)
4. Be nominated for the Award either by the authoring organisation or by a RIAA or ESG RA member
5. Be primarily focused on the Australasian market, such as referring to Australasian listed companies or Australasian based assets.

Full list of eligible nominations

AUTHORING ORGANISATION	RESEARCH TITLE	DATE PUBLISHED
Australasian Centre for Corporate Responsibility	Labour Hire & Contracting Across the ASX100	May 2020
ISS ESG	Should COVID-19 Bailouts Include ESG Performance Metrics?: An Australian Case Study	May 2020
Sustainalytics	COVID-19 and ESG at a Reasonable Price in Australia	Jun 2020
Ethical Advisers Co-operative	Leaf Ratings	Aug 2020
David Maywald	Integrating Sustainability and Responsible Investment into Asset Allocation	Aug 2020
MSCI	Assessing Company Alignment with UN SDGs	Sep 2020
ISS ESG	When Cultural Heritage Clashes with Economic Imperatives: An Explosive Topic	Sep 2020
Australian Human Rights Commission & KPMG	Financial Services Modern Slavery Guide	Feb 2021
ISS ESG	Volatile Transitions: Navigating ESG in 2021: AUSTRALIA & NEW ZEALAND EDITION	Feb 2021
HESTA	Engagement Series Insights - Working with Indigenous Communities	Feb 2021

MSCI	How Have Stocks Responded to Changes in Climate Policy?	Mar 2021
Regnan	Catalysing Sustainable Agriculture and Food Production	Mar 2021
Harbour Asset Management	Social Spotlight	Mar 2021
MSCI	Unseen Laborers: Addressing Modern Slavery in 2021	Mar 2021

8. Verification, assessment & judging processes

RIAA involvement

RIAA provided the secretarial services for the Award, particularly undertaking the following activities:

- Verifying nominations against eligibility criteria
- Counting final votes by RIAA and ESG RA members (including vetting eligibility of voters)
- Compiling the Judging Committee pack
- Facilitating Judging Committee
- Promoting the finalists and winners of the award

Member voting & RIAA tallying

Between February 18 and 28, RIAA and ESG RA members were invited to vote for the research award. RIAA received 36 eligible votes, indicating members' first, second and third choice.


Judging Committee

The Judging committee comprises:

- Andrew Ainsworth, University of Wollongong (RIAA Member – Academic representative)
- Carey Church, MoneyWorks (RIAA member – Adviser and NZ representative)
- James Tayler, Ellerston Capital, (RIAA Member – Asset Manager Representative)
- Simon O'Connor, Responsible Investment Association Australasia (RIAA Member and RIAA CEO)
- Stuart Palmer, Australian Ethical, (RIAA Member – Asset Owner Representative)

Judging process

1. The shortlist for judging is built on the back of the outcomes of the member voting process.
2. Judging Committee members receive their judging pack (listing the eligible entries) including the Judges' Evaluation Spreadsheet.
3. The short-listed research pieces are reviewed and scored by each Judge using the Judge's Evaluation Spreadsheet.

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4. Judges have the right to elevate to the shortlist (for due consideration during the judging meeting) any pieces they deem worthy of consideration but did not make the RIAA/ESG RA member voted short-list.
 5. The Judging Committee deliberates on the results of the combined scoring and, guided by the criteria and scoring matrix, decides on a winner, and highly commended if relevant.

No conflicts of interest were noted by the Judging Committee.

9. About RIAA

The Responsible Investment Association Australasia (RIAA) champions responsible investing and a sustainable financial system in Australia and New Zealand.

RIAA is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.

With over 350 members managing more than \$9 trillion in assets globally, RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand. Our membership includes super funds, fund managers, banks, consultants, researchers, brokers, impact investors, property managers, trusts, foundations, faith-based groups, financial advisers and individuals.

RIAA achieves its mission through:

- Providing a strong voice for responsible investors in the region, including influencing policy and regulation to support long-term responsible investment and sustainable capital markets;
- Delivering tools for investors and consumers to better understand and navigate towards responsible investment products and advice, including running the world's first and longest running fund Certification Program, and the online consumer tool Responsible Returns;
- Supporting continuous improvement in responsible investment practice among members and the broader industry through education, benchmarking and promotion of best practice and innovation;
- Acting as a hub for our members, the broader industry and stakeholders to build capacity, knowledge and collective impact; and

Being a trusted source of information about responsible investment.

Contact details

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Disclaimer

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