Global Union Call for Action for Pension Fund Responsible Tax Practices

The ability of global pension funds to generate sustainable, long-term returns depends upon a healthy economy underpinned by a fair tax system. Tax payments fund essential services that allow communities, businesses and investments to thrive. Attempts to increase short-term returns through aggressive tax planning undermine the broader economy and investment environment, placing long-term benefits at risk and jeopardising workers' incomes and retirement security. Moreover, corporate and investor tax minimisation threatens public revenues and the ability of governments to adequately fund public pensions. Ultimately, ordinary citizens, including pension fund beneficiaries, pay the price.

Initiative coordinated by the International Trade Union Confederation & the Trade Union Advisory Committee to the OECD
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Towards Responsible Tax Practices

While the prime responsibility for tackling tax evasion and avoidance lies with governments and policymakers, the global scale and influence of pension funds creates an opportunity to further advance responsible tax policy and practices. Pension funds – as stewards of workers' capital – should respond to this issue and incorporate tax risks as a core part of responsible investment policies.

Globally, G20 governments have endorsed the OECD Action Plan on Base Erosion and Profit Shifting (BEPS), including 15 specific actions to reform domestic and international tax rules by the end of 2015 to ensure taxable profits are allocated where actual business activity occurs. The BEPS Action Plan is currently meeting fierce resistance by business groups and by large multinational enterprises. It is important that pension funds and other long term asset owners mark their difference and raise their voice to support, not weaken this global tax agenda.

The undersigned unions and national and global union federations call upon large pension funds, including funds covering multi-employer and sector-wide schemes, to:

- Initiate an internal evaluation process of the tax practices of existing investments to:
  - determine the extent of inappropriate tax practices (use of secrecy jurisdictions or tax havens, transfer pricing, intra-group financing, etc.); and
  - analyse the legal and reputational risks, the impact on the tax base and the impact on returns of these tax practices over the life of the investment and, if possible and appropriate, change tax practices.
- Integrate responsible tax considerations into due diligence and evaluation processes for any new investment mandates and expect asset managers to report on tax practices.
- Engage with relevant companies, as shareholders, to encourage voluntary disclosure of tax payments, including country-by-country breakdowns of revenue, tax and use of subsidiaries in secrecy jurisdictions.
- Disclose responsible tax policies and report annually on measures taken to address or mitigate inappropriate tax practices.
- Advocate for global rule changes to ensure public disclosure of corporate tax payments and engage with the investment community to adopt a responsible approach to tax that follows the spirit of the law and the intent of tax codes as envisioned by the G20/OECD Action Plan on BEPS.

Pension funds with limited membership and assets under management and, accordingly, limited internal resource and capacity, should consider meeting the above, ask their asset managers to report on tax practices and add their voices to collaborative initiatives as appropriate.

If pension funds fail to integrate tax risks in their investment policy, they may expose themselves to unnecessary regulatory, financial and reputational risks. Aggressive corporate tax avoidance can reduce future cash flows as a result of unexpected tax liabilities, undermine long-term profitability and have a material impact on investor confidence. If pension fund trustees do not take reasonable steps to address aggressive tax avoidance they may be held liable, if such practices threaten the health of the fund or impose unnecessary costs on the fund and its beneficiaries.

Responsible Investor Working Group on Tax

We call upon union trustees and stewards of workers' capital to work with the Global Unions Committee on Workers' Capital and to set up a Working Group on Tax within the next 3 months to identify and measure the extent and impact of aggressive tax avoidance on returns to beneficiaries over the long-term. We call upon pension funds and responsible investors to incorporate fair tax into responsible investment policies and to participate in collaborative efforts to that end.

SIGNATORIES (AS OF 10 NOVEMBER 2014)

National Trade Union Confederations

AUSTRALIA

- Australian Council of Trade Unions (ACTU)

BELGIUM

- Algemeen Christelijk Vakverbond – Confédération des Syndicats Chrétiens (ACV-CSC)
- Fédération Générale du Travail de Belgique – Algemeen Belgisch Vakverbond (FGTB - ABVV)

BRAZIL

- Força Sindical

CANADA

- Canadian Labour Congress / Congrès du Travail du Canada (CLC / CTC),
- Confédération des Syndicats Nationaux (CSN)

CZECH REPUBLIC

- Ceskomoravska konfederace odborovych svazu (CMKOS)

FINLAND

- Suomen Ammattiliittojen Keskusjärjestö (SAK)

FRANCE

- Confédération Française Démocratique du Travail (CFDT)

GERMANY

- Deutscher Gewerkschaftsbund Bundesvorstand (DGB)

INDONESIA

- Konfederasi Serikat Pekerja Indonesia (KSPI)

IRELAND

- Irish Congress of Trade Unions (ICTU)

JAPAN

- Japanese Trade Union Confederation (RENGO)

NETHERLANDS

- Federatie Nederlandse Vakbeweging (FNV)

NEW ZEALAND

- New Zealand Council of Trade Union (NZCTU)

NORWAY

- Yrkesorganisasjonenes Sentralforbund (YS)

PORTUGAL

- União Geral de Trabalhadores (UGT)

SOUTH AFRICA

- Federation of Unions of South Africa (FEDUSA)

SPAIN

- Confederación Sindical de Comisiones Obreras (CCOO)

SWEDEN

- Landsorganisationen i Sverige (LO-S)

UNITED STATES OF AMERICA

- American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)

National Trade Union Federations

AUSTRALIA

- Australian Manufacturing Workers Union (AMWU)
- Construction Forestry Mining & Energy Union (CFMEU)
- Maritime Union of Australia (MUA)
- United Voice

CANADA

- Canadian Postmasters and Assistants Association (CPAA-ACMPA)
- Canadian Union of Postal Workers / Syndicat des travailleurs et travailleuses des Postes (CUPW / STTP)
- National Union of Public and General Employees (NUPGE)

NEW ZEALAND

- New Zealand Educational Institute (NZEI)

UNITED KINGDOM

- Broadcasting, Entertainment, Cinematograph and Theatre Union (BECTU)
- General Federation of Trade Unions (GFTU)
- Musicians' Union
- Transport Salaried Staffs' Association (TSSA)
- UNITE

UNITED STATES OF AMERICA

- American Federation of State, County and Municipal Employees (AFCSME)
- American Federation of Teachers (AFT)
- International Brotherhood of Teamsters
- Service Employees International Union (SEIU)
- UNITE HERE

International trade union organisations

- International Trade Union Confederation (ITUC)
- International Transport Workers' Federation (ITF)
- International Union of Food workers (IUF)
- Public Services International (PSI)
- Trade Union Advisory Committee to the OECD (TUAC)
- UNI Global Union