

25 August 2023

Mrs Lisa O'Malley MLA
Chair
Public Accounts Committee
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Dear Mrs O'Malley

Inquiry into how the Western Australian Government's progress towards achieving Environmental, Social and Governance (ESG) outcomes is assisting to secure international investment

UnionsWA is the governing peak body of the trade union movement in Western Australia, and the Western Australian Branch of the Australian Council of Trade Unions (ACTU). As a peak body we strengthen WA unions through co-operation and co-ordination on campaigning and common industrial matters. UnionsWA represents around thirty affiliate unions, who in turn represent approximately 140,000 Western Australian workers.

UnionsWA welcomes the opportunity to make a submission on how the WA Government's progress on ESG outcomes might attract international investment.

In doing so, we strongly make the point that ESG outcomes, as reflected in UN Sustainable Development Goals, also cover issues of labour standards. Specifically, Goal number 8 which includes the following Targets:¹

Target 8.5

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Target 8.7

Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms

¹ United Nations Department of Economic and Social Affairs, Sustainable Development
<https://sdgs.un.org/goals/goal8>

Target 8.8

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

The Inquiry's Terms of Reference include 'How the State Government's commitment to net zero emissions by 2050 will help improve ESG outcomes.' UnionsWA argues that proactive application of Sustainable Development Goals in areas such as decent work, combating modern slavery, and promoting safe working environments, are integral to reducing carbon emissions sufficiently to achieve the 2050 goal.

Because the profoundly negative consequences of unabated climate change will strongly impact WA, including in the areas of labour and the economy. The Australian Government's recently released 2023 Intergenerational Report specifically references our state when discussing how 'Higher temperatures will change how we work'.²

'Higher temperatures will impact labour productivity and require us to work differently. As temperatures rise, workers in exposed industries may need to reduce their exposure to heat or the physical intensity of their work.'

...

'For example, the average temperature in parts of central and northern Western Australia is projected to increase by 1.8°C, whereas the average temperature in Tasmania is projected to increase by just 1.3°C. This suggests Western Australia could be more directly affected by the labour productivity impacts of higher temperatures than some other Australian states and territories. Similarly, some regional and remote communities, including Aboriginal and Torres Strait Islander communities, are expected to be particularly exposed to higher temperatures. This highlights the need for effective mitigation of further temperature increases and targeted investment in adaptation.'

In reference to this quote, UnionsWA notes the Inquiry's Term of Reference 'How the State Government is actively engaging Aboriginal and young people in this decision-making [about net zero].' We argue that any commitment to the safety of Aboriginal and Torres Strait Islander communities in an era of dangerous climate change needs to take account of the dangers of exposure to rising temperatures. It is to be hoped that an Indigenous Voice to Parliament, should the current be passed at a referendum, will provide method of engagement with Aboriginal and Torres Strait Islander people. However, regardless of whether the proposal is passed or not, the WA government must still commit to genuine consultation with these communities.

The ACTU has identified the hazards of climate change to health and safety, and job security, of workers including through:³

² 2023 Intergenerational Report (pp.96-7) <https://treasury.gov.au/sites/default/files/2023-08/p2023-435150.pdf>

³ ACTU Jobs Summit Series - Secure jobs for a Safer Climate (p,12) <https://beta.actu.org.au/wp-content/uploads/2023/05/media1450104actu-job-summit-report-secure-jobs-for-a-safer-climate.pdf>

- » *Increased risk from extreme heat, affecting both outdoor workers and workers in non-airconditioned workplaces.*
- » *Degraded air quality, including from pollution and from climate-related disaster events such as smoke from the 2019-2020 mega bushfires, when parts of Australia had the lowest air quality in the world. Risks from climate-related disaster events, including risks during the clean-up process that follows these events.*
- » *Psychological stresses to mental health and wellbeing, particularly for emergency services and health workers facing increased pressure, and workers in agencies such as Services Australia and the NDIA who provide support to vulnerable community members in any post-crisis recovery period.*
- » *Disruptions to transport or inability to commute to and from work during extreme weather events.*
- » *Workplace closures or stand-downs during extreme weather events and climate-related disasters, which occurred on a large scale during the 2019-2020 mega bushfires, and also occur as a result of prolonged droughts putting pressure on regional economies.*
- » *Job losses due to climate-related damage or costs, particularly for vulnerable tourism industries and energy intensive industries.*
- » *Rising costs of living where climate-related disasters damage agriculture and other goods and services.*
- » *The restructuring of workplace and work practices in response to these issues and to the chaotic energy transition to date.*

In addressing these issues however, UnionsWA argues that WA's adoption of strong ethical, environmental and sustainability standards will be an economic benefit in domestic and export markets.

In a recent speech entitled 'Australian Financial Markets and Climate Change', the Reserve Bank of Australia's (RBA) Acting Head of Domestic Markets Carl Schwartz, pointed out that there has been a massive increase in global 'clean energy' investment.⁴ He attributes this to

'... large and growing interest from investors in the opportunities afforded by green and sustainable investment. Investors are attracted by the broader welfare benefits of addressing the risks of climate change, as well as the fact that they can be a smart financial decision. The transition presents both risks and opportunities and investors want to be on the right side of this equation.

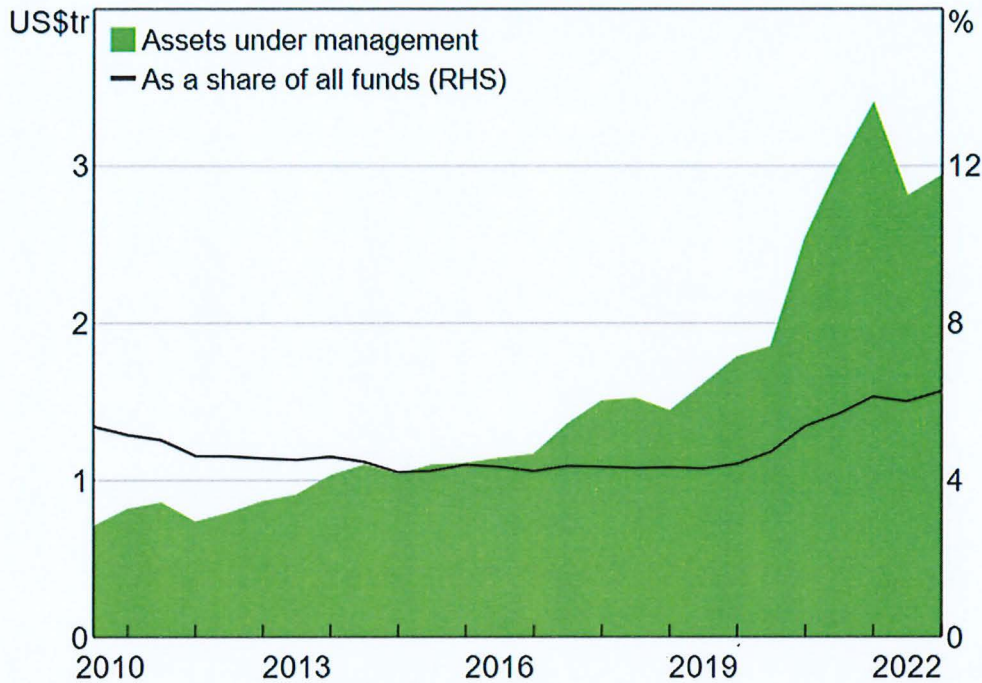
'A tangible sign of this interest is the big increase in global flows to investment funds that are mandated to invest in green or sustainable investments. Data compiled by the OECD show global assets under management for 'sustainable funds' totalled around US\$3 trillion in 2022 – a roughly fourfold increase since 2010 (Graph 2). While this is a fairly small share – only 6 per cent – of total assets under management, many investors

⁴ 'Australian Financial Markets and Climate Change' <https://www.rba.gov.au/speeches/2023/sp-so-2023-08-08.html>

outside of sustainable funds also have considerable interest in investments with sustainable characteristics.'

Graph 2

Global Sustainable Funds*



* Classification based on name and prospectus according to Morningstar definition.

Source: OECD based on Morningstar.

So, there are growing opportunities for WA from sustainable investments. However UnionsWA is concerned about the danger that WA workers, consumers, and businesses will miss out on these advantages by failing to encourage and enforce ethical and responsible practices that promote sustainability.

For example, local business who use such practises may be disadvantaged against international or local competitors that do not. Therefore, WA must have ethical and responsible procurement, including clear government mandated obligations on suppliers to commit to environmental, social and governance (ESG) standards to ensure that Australian producers and providers who do the right thing are not disadvantaged against competitors that do not.

Another example is in Work Health and Safety (WHS), for which the WA government has recently passed stronger laws with the support of the union movement.

WA unions strongly believe that safe work is a fundamental human right and is essential for decent work – which link together two Targets for Sustainable Development Goals. Every worker has an equal right to healthy and safe work irrespective of their employment arrangements or personal attributes. Health is a state of complete physical, mental, and social wellbeing and not merely the absence of disease or infirmity.

The Intersection of ESG and Work Health and Safety has been noted by Environment, Social, Governance & Risk Consultant Doug Kube, who makes the point (using the older terminology of Occupational Health and Safety – OHS) that *‘Investors are increasingly recognizing the importance of OHS in their ESG assessments’*.

‘OHS is not only a legal and ethical responsibility for businesses, but it also has a direct impact on employee well-being, productivity, and business performance. The integration of OHS considerations into ESG frameworks is crucial for companies to create sustainable, responsible, and resilient operations that prioritize both people and the planet.’

...

‘From an environmental perspective, OHS is also closely linked to sustainability. Occupational health risks can arise from exposure to hazardous substances, poor air quality, inadequate waste management, and other environmental factors. Therefore, companies need to integrate environmental risk assessments into their OHS policies and procedures. This includes monitoring and managing air and water quality, handling hazardous materials safely, and promoting sustainable waste management practices.’

‘The integration of OHS into ESG frameworks also has financial implications. Occupational accidents, injuries, and illnesses can result in significant costs for companies, including medical expenses, compensation claims, legal liabilities, and reputational damage. Focusing on OHS can help reduce these costs, improve employee productivity and retention, and protect a company’s bottom line.’⁵

UnionsWA contends to the Inquiry that stronger protections for safe and decent work for WA workers will be crucial for securing international investment into the future. Because safe and decent work will make for a more secure and sustainable investment environment.

UnionsWA also wishes to raise another aspect of the Sustainable Development Goals, specifically the Target around ‘effective measures to eradicate forced labour’.

In 2021, UnionsWA, and its Civil Society partners the Uniting Church WA, the WA Division of the Salvation Army Australia, and the Circle Green Legal Centre, raised with the WA government concerns about reports of human rights and slavery abuses occurring in connection to the Metronet project.

While Metronet is a visionary project that will have enormous social, environmental, and economic benefits for the people of Western Australia. It was alarming to read reports that the French multinational Alstom, with whom the WA Government has signed a contract to build and maintain the fleet of trains for Metronet, was using parts produced by the Chinese firm KTK which sources workers from the Xinjiang territory in northwest China.

According to Amnesty International, Uyghurs, Kazakhs and other predominantly Muslim minorities living in Xinjiang face systematic state-organized mass imprisonment, torture and

⁵ The Intersection of ESG and Occupational Health and Safety: Prioritizing People and Planet
<https://www.linkedin.com/pulse/intersection-esg-occupational-health-safety-people-kube-ep-chsc/>

persecution amounting to crimes against humanity. In July 2020, the US Department of Commerce added the KTK Group to its 'Entity List' of:

'11 Chinese companies implicated in human rights violations and abuses in the implementation of the People's Republic of China's (PRC) campaign of repression, mass arbitrary detention, forced labor, involuntary collection of biometric data, and genetic analyses targeted at Muslim minority groups from the Xinjiang Uyghur Autonomous Region (XUAR).'

In December 2020, Alstom had published its 'Modern Slavery Statement' to comply with the *Modern Slavery Act 2018 (Cth)* requirements for firms above a certain level of consolidated revenue *'to be transparent about their efforts to identify and mitigate slavery and human trafficking in their business and supply chains'*. However, it is far from clear that the actions they took identified the problems with KTK. Specifically, they

- Updated Alstom contracts with suppliers and contractors with specific modern slavery clauses.
- Required suppliers and contractors to complete a self-assessment questionnaire with a specific modern slavery focus on a regular basis.
- Sent the questionnaires to their first-tier suppliers and contractors

While these actions brought Alstom into a basic level of compliance with the Modern Slavery Act, they did not meaningfully reduce the risk, or indeed actual incidents, of slavery. State governments still need to exercise a level of due diligence that goes beyond just accepting a box ticking 'Statement' on face value.

The currently operating WA Social Procurement Framework has among its community objectives, *'increased use of local industry in supply chains'*. Given the understandable difficulties that a state government can face in identifying international supply chain issues, the best way to monitor and avoid human rights violations is to source business locally within WA, particularly for major projects such as Metronet.

The requirements for transparency and accountability in exercising diligence over supply chains for WA projects, should not be seen as a 'cost' of doing business in WA, rather it will enhance WA's commitment to ESG principles, and thus make it a more attractive place for global sustainable investments.

Thank you for the opportunity to contribute to this Inquiry. Please contact me directly on [REDACTED] or [REDACTED] if you wish to discuss matters further.

Yours sincerely

[REDACTED]
Owen Whittle
Secretary