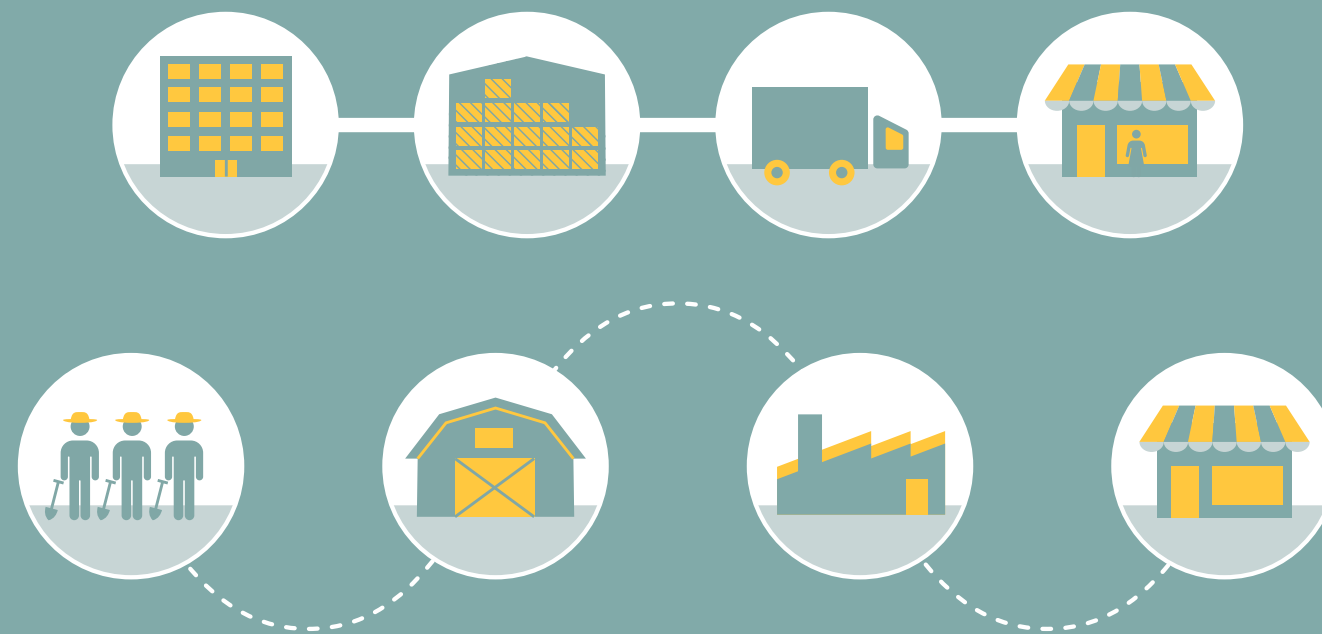


WORKFORCE DISCLOSURE INITIATIVE

IMPROVING THE QUALITY OF JOBS • PILOT YEAR REPORT



FOREWORD

In 2015, at the United Nations General Assembly, the world came together to adopt the Global Goals for Sustainable Development, the international framework for tackling the most pressing challenges of our time.

Goal 8 calls for inclusive economic growth and decent work for all, and we will only be able to achieve this with the help of the private sector, because it is businesses, large and small, that provide the jobs that help people to lift themselves out of poverty.

The UK’s Department for International Development (DFID) is committed to ending poverty through inclusive economic growth; creating decent jobs and catalyzing private sector investment. To achieve this, we need to leverage billions of dollars of aid to help deliver trillions of dollars in investment. There is a huge role for the financial sector to play. Institutional investors, too, have a role to play by recognizing and rewarding sustainable growth and long-term performance.

At the same time, dangerous working conditions and exploitation are still too common around the world. Over 40 million people are still trapped in slavery, including millions of children. If we are to achieve Global Goal 8 by 2030, governments, the private sector and civil society need to act urgently to tackle modern slavery and ensure that everyone is earning the wage they deserve.

The Prime Minister has championed the UK government’s efforts to end modern slavery, calling on other countries to commit to ending the practice around the world. DFID is working to reduce vulnerability to exploitation, focusing on those most at risk, such as children and people in humanitarian crises, and addressing the permissive environments that enable modern slavery to thrive. We are helping businesses to clean up their supply chains because we will need their support if we are to root out modern slavery.

Though only in its pilot phase, the Workforce Disclosure Initiative has already received impressive backing from the global investment community. These investors, worth \$10 trillion dollars of assets under management, are asking listed companies, which interact with millions of workers through their operations and extensive supply chains, to provide comparable information about their workforce management. The widespread support received for the WDI demonstrates that investors are mobilising to help us achieve Goal 8.

There’s still a lot more to do, and this first report highlights some of the key challenges to come out of the WDI survey. These findings are important for ongoing engagement between investors, companies, governments and civil society on the defining global challenges of our time. If all of these actors work together, we can build a future in which inclusive economic growth can end poverty.

Harriett Baldwin MP

Joint Minister of State for the Department for International Development and Minister of State for Africa at the Foreign & Commonwealth Office

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EXECUTIVE SUMMARY

ShareAction launched the Workforce Disclosure Initiative (WDI) in late 2016 in response to institutional investors' concerns that they struggle to access meaningful data on company workforce management. The WDI helps investors to fill this crucial data gap by bringing them together to request information on how companies manage direct employees and supply chain workers. The initial phase of the project is funded by the UK Department for International Development (DFID) and is run in collaboration with Oxfam and SHARE. Its ultimate goal is to improve the quality of jobs in the operations and supply chains of multinational companies.

Either directly or through their supply chains, publicly listed companies are some of the largest employers in the world. The jobs they provide represent significant opportunities for economic growth and development. But poor quality and precarious jobs remain prevalent, particularly in developing countries. The United Nations has recognised this in the Sustainable Development Goals (SDGs) - Goal 8 calls for 'decent work for all'.

Until recently the social impact data routinely disclosed in corporate reporting has been limited, especially when compared to information on environmental impact. This is beginning to change. Investors, governments and civil society organisations around the world increasingly call

for better disclosure on social impact.

There is growing evidence that workers, companies and investors can all benefit from improving the quality of jobs¹. A skilled and motivated workforce is vital to business performance whilst poor labour standards present significant risks to companies. Regulatory attention to employment standards is also increasing. Recent examples include the California Transparency in Supply Chains Act, the UK Modern Slavery Act and the French Duty of Care Law².

The WDI builds on this momentum by giving companies a resource-efficient way to communicate with investors and other stakeholders about their workforce policies and practices.

Via an annual investor-backed survey, the WDI collates comparable data on how companies manage their workforces. It also facilitates engagement between investors and companies on direct operations and supply chain workforce issues. The WDI follows the example set by CDP (formerly the Carbon Disclosure Project). CDP has catalysed global disclosure from companies on climate and environmental issues, helping this data to be incorporated into investment and engagement strategies.

The pilot year

The WDI has taken a pilot approach in its first year. It builds on the important work of the Pensions and Lifetime Savings Association (PLSA), the Human Capital Management Coalition (HCMC) and the Sustainability Accounting Standards Board (SASB) among others to contribute towards creating a standardised framework for workforce reporting.

The pilot year aimed to create and trial a set of questions with the aim of eliciting information that would be relevant to all stakeholders. The survey, developed in consultation with companies, investors and civil society representatives, was designed to be a standardised framework for workforce reporting.

The WDI pilot methodology and the full survey can be found online: shareaction.org/wdi. Wide consultation on the results of the pilot year will be used to improve the methodology for year two.

Investor support

A diverse range of investors has recognised the need for the WDI.

The initiative is now supported by nearly 100 investors representing over \$10 trillion in assets under management (AUM).

Signatories come from a wide range of geographies, and include mainstream asset managers and owners as well as more niche organisations, focused on responsible investment. A number of these investor signatories have been closely involved in shaping the WDI.

WDI signatories talk about the workforce as a material issue and also as an indicator of good corporate governance. Despite

this, some companies commented that they do not feel their institutional shareholders prioritise workforce issues. The challenge to the investment community is both to communicate that good workforce management is an important business metric and to further integrate these issues into their engagements with companies³. In the coming year, investor signatories will be engaging with companies to press for participation, improve the disclosure rates and to discuss the barriers companies face to greater workforce transparency.

Disclosure rates

76 multinational companies were invited to complete the pilot year survey.¹

A total of 34 companies disclosed information to the pilot year survey – a 45 per cent disclosure rate. Those that responded provided a wealth of information, with two-thirds of disclosing companies covering at least 70 per cent of the survey topics in their responses. Disclosing companies – and many non-disclosers also gave feedback on the process which provides an excellent base to refine in year two.

Companies were given the option of disclosing publicly (agreeing to make their data freely available) or privately (only disclosing to investor signatories). The majority of disclosers (27) chose to disclose privately, with only seven of the 34 choosing to disclose publicly. Some of the companies opting for private disclosure indicated a commitment to progress towards public disclosure over time.



Credit: Aurelie Marrier d'Unienville/Oxfam

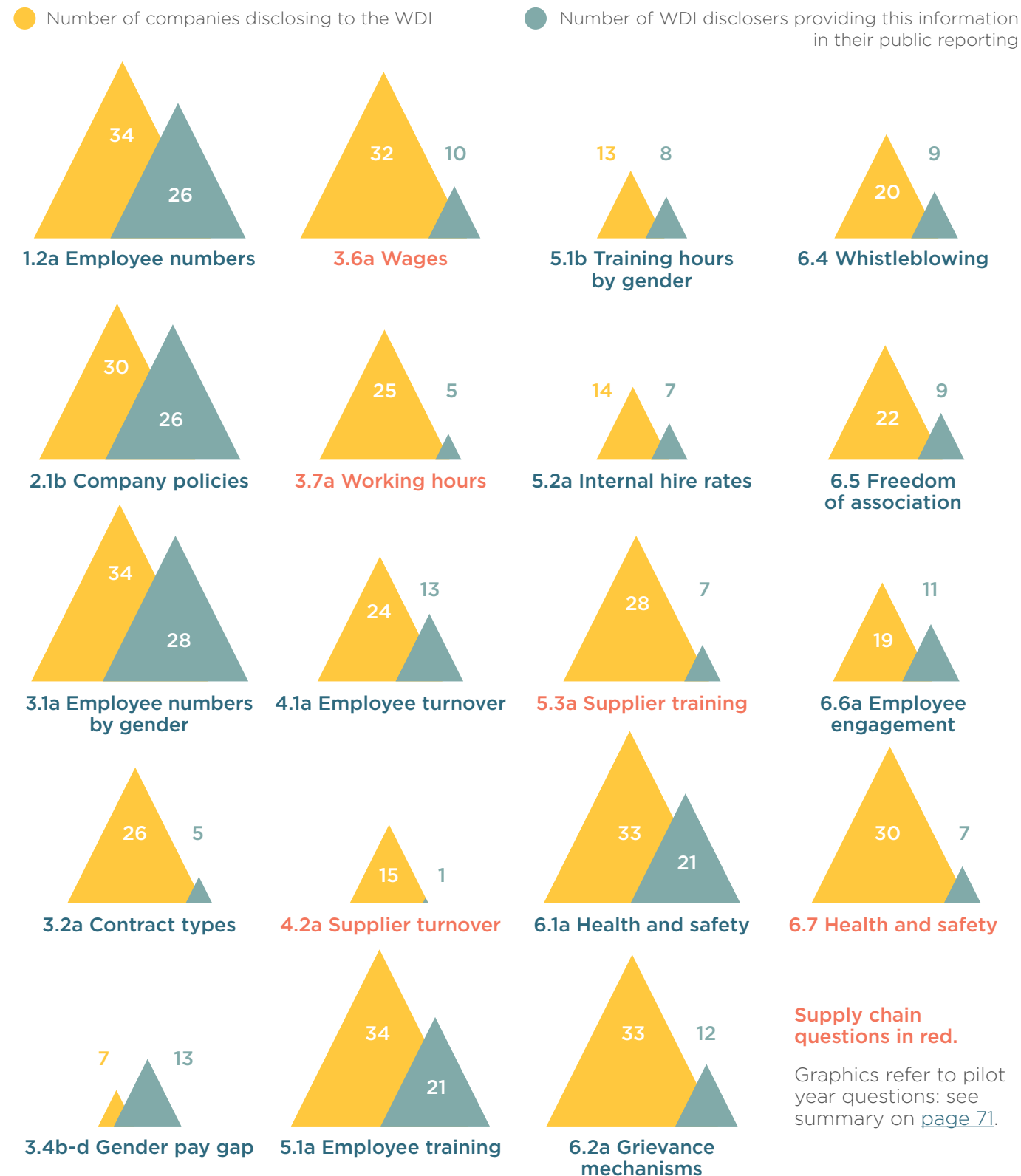
¹ The pilot year survey was sent to 75 listed companies. These included the FTSE 50 companies plus a selection of global peers. Burberry Plc was not included in the original list of 75 companies, but expressed an interest in the initiative early in the reporting period and agreed to submit a disclosure and provide feedback on the process.

Findings

The findings and analysis sections of this report explore the quality of the disclosures in detail, discussing where disclosure has been strong and where there are gaps. It also gives guidance on where companies and investors should focus their efforts in order to improve disclosure.

Finding 1: Disclosing companies provided more workforce data to the WDI than they routinely provide in their public reports

Company engagement with the WDI process during the pilot year was encouraging. Among the 45 per cent of companies that disclosed, response rates for most questions were high. This suggests that the WDI survey has the potential to collect, via a single resource, a substantial quantity of comparable workforce data. The pilot year survey demonstrated that workforce information is available but often not packaged and presented in a suitable format for institutional investors.



Finding 2: The quality of disclosures varied greatly between companies and between different sections of the survey

Two-thirds of disclosing companies provided data for at least 70 per cent of the survey topics, but there were large variations in response rates between questions. For example, 100 per cent of companies disclosed employee numbers by location where the company has direct operations, but only 27 per cent of companies disclosed their internal hire rate by seniority and gender.

In this pilot year, the quality of responses also varied greatly. The strongest responses provided contextual information and examples to help interpret the data. Strong responses also demonstrated an understanding of the links between different workforce issues. Of the most complete disclosures, many came from companies that have previously been heavily scrutinised on human rights impacts.

Finding 3: Disclosures on accountability for workforce issues lacked clarity

Most companies named an individual or committee responsible for workforce management in their direct operations. But fewer than half (40 per cent) outlined the aspects of workforce management for which they were responsible. Of the 34 disclosers, only four were explicit about key performance indicators (KPIs) to assess Board performance in managing the workforce. Just three identified the most senior individual or committee with overall responsibility for human rights in the business.

Finding 4: There was a disconnect between disclosure of workforce policies and workforce practices

Most companies have policies and commitments related to workforce issues. However, few companies disclosed the actions taken to implement these policies and how outcomes are then monitored. For example:

- 31 companies said they are committed to engaging with suppliers on wages. But only three provided examples of how their engagement had resulted in improvements to workers' wages
- 32 companies said they had a policy on equality and diversity for their direct employees. However, only four companies provided information on any actions they were talking to increase diversity in the workplace.

Finding 5: There was particular room for improvement on supply chain disclosure

Only five companies described their supply chains in detail. These companies come from five different sectors. Less than one-third of companies disclosed the number of suppliers by location, while only one in five provided an estimated total figure for the number of workers in their critical supply chains. Few companies that stated they had carried out a human rights impact assessment went on to provide information on the outcomes of this process. The lack of data could be linked to the finding that, in supply chains, companies often outsource monitoring of workforce issues to third party audit processes.

Finding 6: Companies faced a range of barriers to disclosure

Commonly reported and discussed barriers include:

- the limitations of internal data collection systems
- the challenges of collecting data from all relevant business units, resource constraints and decentralised operations/supply chains
- the difficulties in collating different regional approaches to workforce reporting such as the use of different metrics
- the sensitivities around sharing data that is not currently disclosed publicly

Finding 7: Closer investor scrutiny should drive improvements in disclosure

Several companies acknowledged the need to improve their disclosure. However, this came with a clear message that institutional investors need to prioritise workforce and supply chain data. Investor-led requests for disclosure were identified as a positive spur to improve disclosure. Companies that demonstrate an understanding of these issues and a willingness to engage with stakeholders, share learning and improve performance should be acknowledged, recognised and rewarded for demonstrating leadership.

Finding 8: In their disclosures, companies identified material risks and opportunities in their supply chains and direct workforces.

These are listed below. However, the quality of company disclosures suggests that there may be gaps in companies' assessment of their material risks and opportunities. The quality of responses and how they manage these risks and opportunities is analysed throughout the full WDI pilot year report.



Direct operations

Top 5 risks	# of companies	Top 5 opportunities	# of companies
Attracting and retaining talent	19	Diversity and inclusion	13
Health and safety	13	Training and developing talent	12
Training and developing talent	10	Employee engagement	7
Culture and values	8	Culture and values	6
Diversity and inclusion	5	Attracting and retaining talent	6
Regulation	5		



Supply chain

Top 5 risks	# of companies	Top 5 opportunities	# of companies
External factors	14	Change sourcing practices	9
Working conditions	12	Empowering women	4
Human Rights abuses	9	Working conditions	4
Recruitment practices	9	Workforce engagement	4
Modern slavery	7	Health and safety	3



Recommendations for companies

The pilot year has identified a number of key principles that companies can apply to their workforce reporting in order to improve disclosure. Recommendations for each of the main sections of the survey are included in the analysis section and are summarised on [page 14](#) in the Roadmap to Improve Workforce Reporting.

For improving WDI disclosures:

- Facilitate cross-functional coordination. Feedback from companies shows that it has been difficult to coordinate the data collection process when it needs to come from a range of different departments, often in geographically dispersed offices. Companies may find it useful to use the WDI as an opportunity to initiate an internal process to bring together relevant personnel from across the organisation such as Human Resources, Sustainability, Compliance, Procurement and Legal. Ensuring that roles and responsibilities with respect to data provision are clear and that staff have clear timescales and the capacity and support they need to respond is essential.
- Report actions, not intent. Although having robust policies and commitments towards workforce improvement are essential in underpinning good practice, many respondents quoted from these sources rather than disclosing what was actually happening as a result of them. Wherever possible companies should include workforce metrics, actions taken to improve workforce issues, and how the company is monitoring and measuring outcomes. If actions are currently not in place companies can instead acknowledge this gap and disclose steps they are taking to address it. This will make

the workforce data collected in the survey more decision-useful and will give investors a clearer picture of the actions companies are taking to manage workforce issues.

- Start filling the gaps. The survey was developed through consultation with key stakeholders and continues to evolve to reflect data points that i) investors are most interested in, and ii) address the most prominent workforce issues. This means that there is a benefit to companies in identifying their data gaps and starting to collect data on parts of the survey that could not be answered. We welcome feedback from companies during the upcoming survey revision consultation

For companies' public reporting:

- Use the WDI framework to inform public commitments to better workforce practices. Our vision is for workforce data to appear as prominently as climate data in companies' public reports and the WDI survey can provide pointers on the data to include. We hope companies will use the WDI survey to inform their own internal workforce reporting and that they will start being more transparent about their workforce commitments in their public reports.

Recommendations for investors

There are a number of recommendations for investors in order to encourage better workforce disclosure.

For engaging with companies:

- Ensure workforce and supply chain issues routinely form a part of your engagement agenda with companies. Encourage companies to report to the WDI
- Request that your portfolio companies identify and manage workforce-related risks and opportunities in their direct operations and supply chains
- Collaborate with other investors to raise workforce risks and opportunities with boards and senior executive management of investee companies

For promoting the WDI:

- Join the WDI as an investor signatory
- Provide feedback to the WDI team at ShareAction on the data you receive and the survey questions to assist in making the WDI as relevant as it can be to your investment process and decisions
- Encourage other investors to join the WDI so that we achieve strength in numbers and maximum efficiency

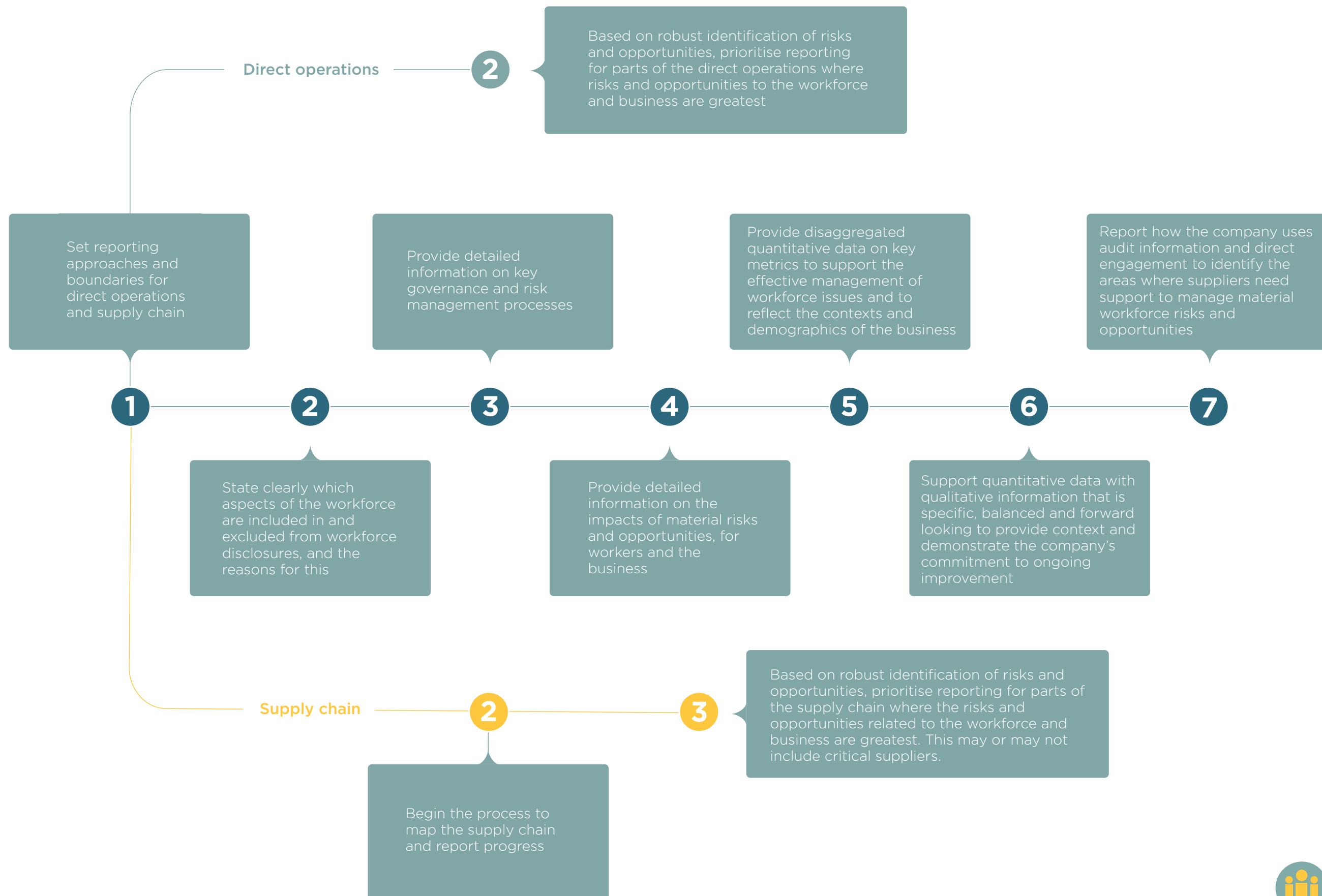
Next steps

The pilot year disclosures have provided a baseline data set that will inform investor engagement activities in the coming months. Building on the findings of the pilot year, the WDI will begin reviewing and updating the survey questions. This process will again involve consultation with investors, companies and wider stakeholder groups. It will include collaboration and greater alignment with other reporting frameworks to create a standard for workforce reporting. The year two WDI survey will be sent to a larger and more international group of companies.

The WDI pilot year is a positive and encouraging starting point. In the coming years, a key measure of success will be in companies not just disclosing more data but in showing an evolution in their approach to workforce management and improved outcomes as a result. The WDI sees data transparency as a vital step to ensuring that investors and business leaders have the information they need to prioritise, develop and maximise one of their most important assets: their workforce.



Roadmap for Improving Workforce Reporting



INTRODUCTION

In the context of social and economic inequality, unprecedented technological change, and uncertainty in an increasingly competitive global economy, it has never been more important to understand the world of work, and its impact on people, organisations and society.

Investors, companies, governments and civil society have coalesced around the ambitious targets of the Paris Agreement (2016) to address the catastrophic consequences of climate change. Now, there is an urgent and increasingly recognised need for investors to mobilise around a social agenda to ensure protection of human rights, including fair and decent work for all.

SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.ⁱ



The Workforce Disclosure Initiative (WDI) is the first mechanism that captures data on how companies manage their workforce in the interest of both working conditions and value creation – from direct employees to supply chain workers. It follows the example of the CDP (formerly the Carbon Disclosure Initiative), that has helped to transform disclosure on climate and environmental issues and catalyse their integration into investment strategies.

In this mould, the WDI aims to help companies and investors accelerate the journey to a higher road model that promotes inclusive and sustainable economic growth, employment and

decent work for all. It encourages a perception of the workforce not as a cost and an issue of compliance, but rather as a source of value that creates benefits for the business, as well as the wider economy and society.

Publicly listed companies are some of the largest employers in the world and impact both the lives of people they employ directly, and those employed in their extensive supply chains. There is now a growing acknowledgement among institutional investors that, as shareholders, they have an important role to play in influencing the way companies recruit, manage and value their workforce.⁴

“

To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.

”

– LARRY FINK, BLACKROCK, ANNUAL LETTER TO CEOS: A SENSE OF PURPOSE.⁵

Poor quality jobs and labour practices pose risks to business and to shareholder value, while the business case for decent work continues to grow.⁶

As a result, there is now increased scrutiny of traditional corporate models that extract value from workers and prioritise short-term shareholder interests.⁷ Alternative models of corporate governance are being endorsed.⁸

Of the generation known as ‘millennials’ⁱ, 72% have indicated a willingness to pay more for products from companies committed to positive social and environmental impact.⁹ Millennials will form half of the UK workforce by 2020: almost half say that they want to work for an organisation that has a positive impact in the world.¹⁰

The level of support from institutional investors for the WDI in its pilot year has risen steadily, from 79 signatories in early 2017 up to nearly 100 institutions by the time of publication. These institutions together represent upwards of \$10 trillion of assets. This is a strong indication that investors want companies to prioritise these issues in the coming years. Increasing transparency on workforce practices will be an essential first step in better understanding the link between workforce management, decent work and business performance.

Note on materiality and salience

The WDI uses ‘materiality’ to signify the potential impacts to business. However, it is important for investors and companies to note that, in order to fully account for and manage the most severe workforce risks and impacts, any assessment of ‘materiality’ should include an assessment of the most ‘salient’ impacts for people (those human rights that are at risk of the most severe negative impact). These are distinct concepts, however they should be used together in the context of identifying and addressing workforce issues. It is worth noting that where the risk to people is most severe (salient), there is also a severe risk to business.

In this pilot year, the WDI recognises that there has to date often been an unhelpful prioritisation of materiality over saliency, and that there is a need for investors and companies to better understand the points at which these two concepts converge to ensure materiality assessments are robust and credible.¹¹

i) Sustainable Development Goal 8: sustainabledevelopment.un.org/sdg8

ii) Also known as ‘Generation Y’, millennials are the demographic cohort born between the early 1980s and the early 2000s

iii) For more information on the distinction between materiality and saliency, please see The UN Guiding Principles Reporting Framework: www.ungpreporting.org/resources/salient-human-rights-issues/

METHODOLOGY AND OVERVIEW OF RESPONSES

The pilot year

ShareAction launched the Workforce Disclosure Initiative (WDI) in 2016. It is funded in its initial phase by UK aid from the UK Department for International Development (DFID), and run in collaboration with Oxfam and SHARE.

The WDI recognises that workforce reporting has evolved to be highly varied and disparate – with very few topics reported in a consistent or standardised way.¹¹ The lack of meaningful workforce data is recognised as a major barrier to investors engaging meaningfully with companies on issues of material and social concern.¹²

The WDI has taken a pilot approach in its first year. It builds on the important work of the Pensions and Lifetime Savings Association (PLSA), the Human Capital Management Coalition (HCMC) and the Sustainability Accounting Standards Board (SASB) among others to contribute towards creating a standardised framework for workforce reporting. All share a common goal of improving the management of social issues. The WDI survey integrates questions asked by these and other major frameworks, and also introduces a common language and structure that bridges the worlds of human capital reporting on the one hand, and labour and workers’ rights, on the other.

This year the project aimed to trial a set of questions that could generate high quality comparable data on companies’ workforce practices and their impacts, and that through an iterative process will develop over time. The WDI pilot methodology and full survey can be found online: shareaction.org/wdi. A summary of the survey questions is attached as an appendix to this report.

76ⁱ companies were invited to participate to trial a set of questions and provide feedback on the process. In this pilot year, many questions were exploratory and open ended in order to understand the lower and upper limits of disclosure. The survey was developed in consultation with companies, investors and civil society representatives, with the aim of eliciting information that would be relevant to all stakeholders.

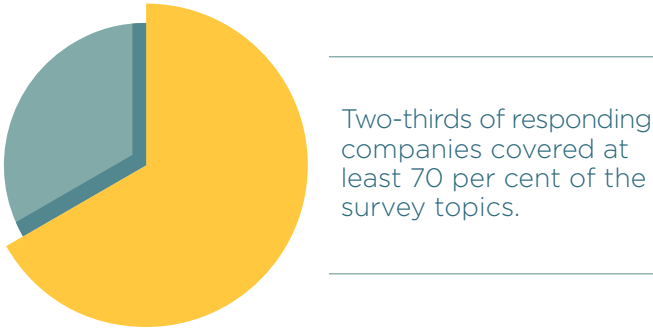
Disclosing companies

Anglo American	H&M
Associated British Foods	HSBC
Astrazeneca	Inditex
Barrick Gold	International Consolidated Airlines Group
BCE Inc.	Land Securities
BHP	L’Oreal Group
British American Tobacco	Microsoft
British Land	Mondi
BT Group	Nestle
Burberry	Royal Bank of Scotland
Canadian National Railway	RELX Group
Centrica	Sainsbury’s
Compass Group	Saint Gobain
CRH	SSE
Diageo	Standard Chartered
Ferguson	Unilever
Glaxosmithkline	Vinci

Overview of responses

A total of 34 companies disclosed information during the 2017 survey. These companies should be commended for their participation and engagement with the WDI in this pilot year.

A number of other companies, although non-disclosing at this stage, provided useful feedback on the challenges they experienced in collecting this data, which will contribute to the next iteration of the survey. A common theme among non-disclosers was that monitoring and reporting on workforce data required input from numerous departments, with some companies directly referencing a lack of internal coordination as the reason they did not participate.

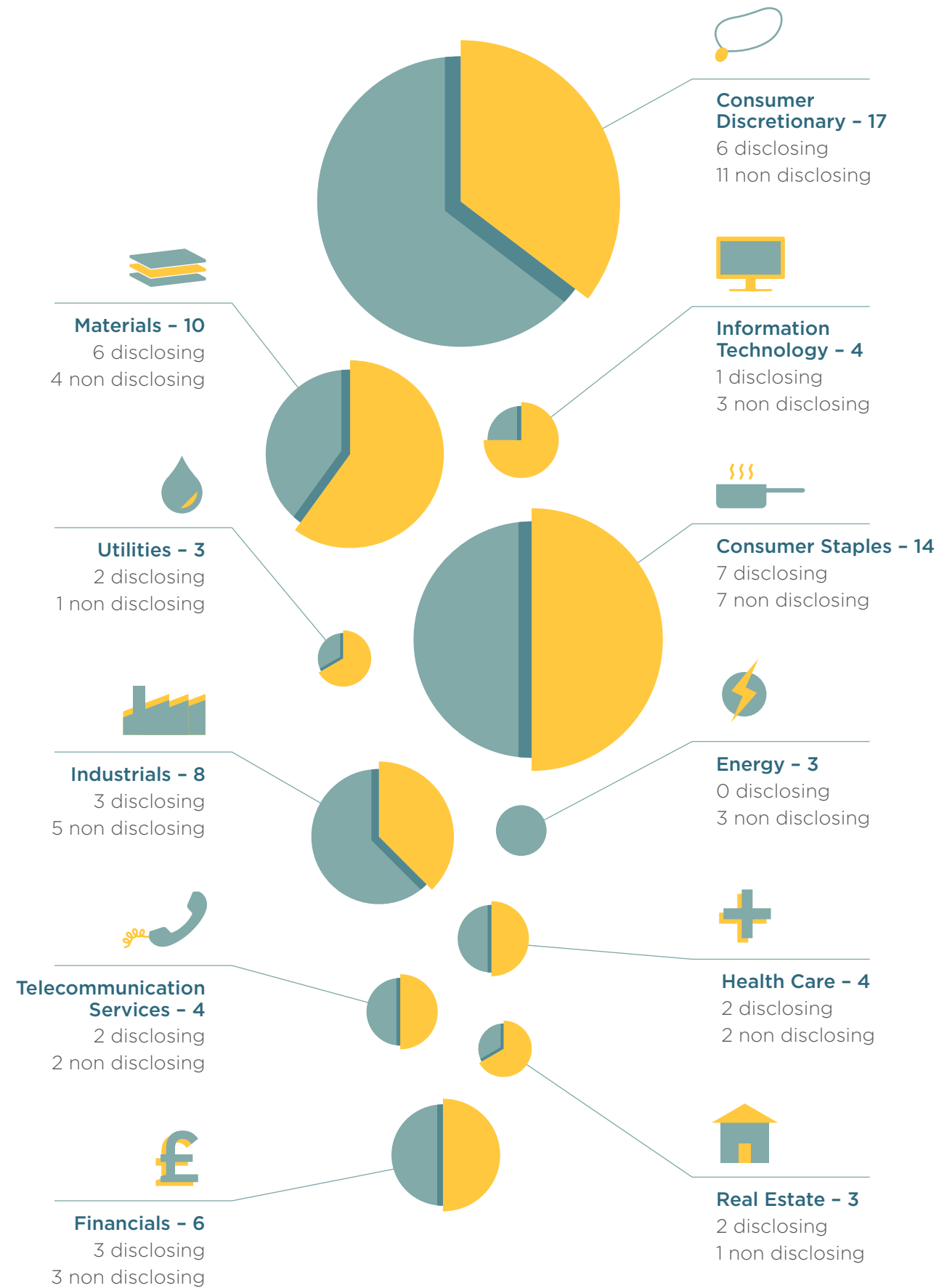


While the response rates for individual questions were high, there was significant variation in the quality of these responses. This report explores the quality of the disclosures in detail, discussing areas of good practice, where there are significant gaps and where companies and investors should focus their efforts to improve disclosure in year two.

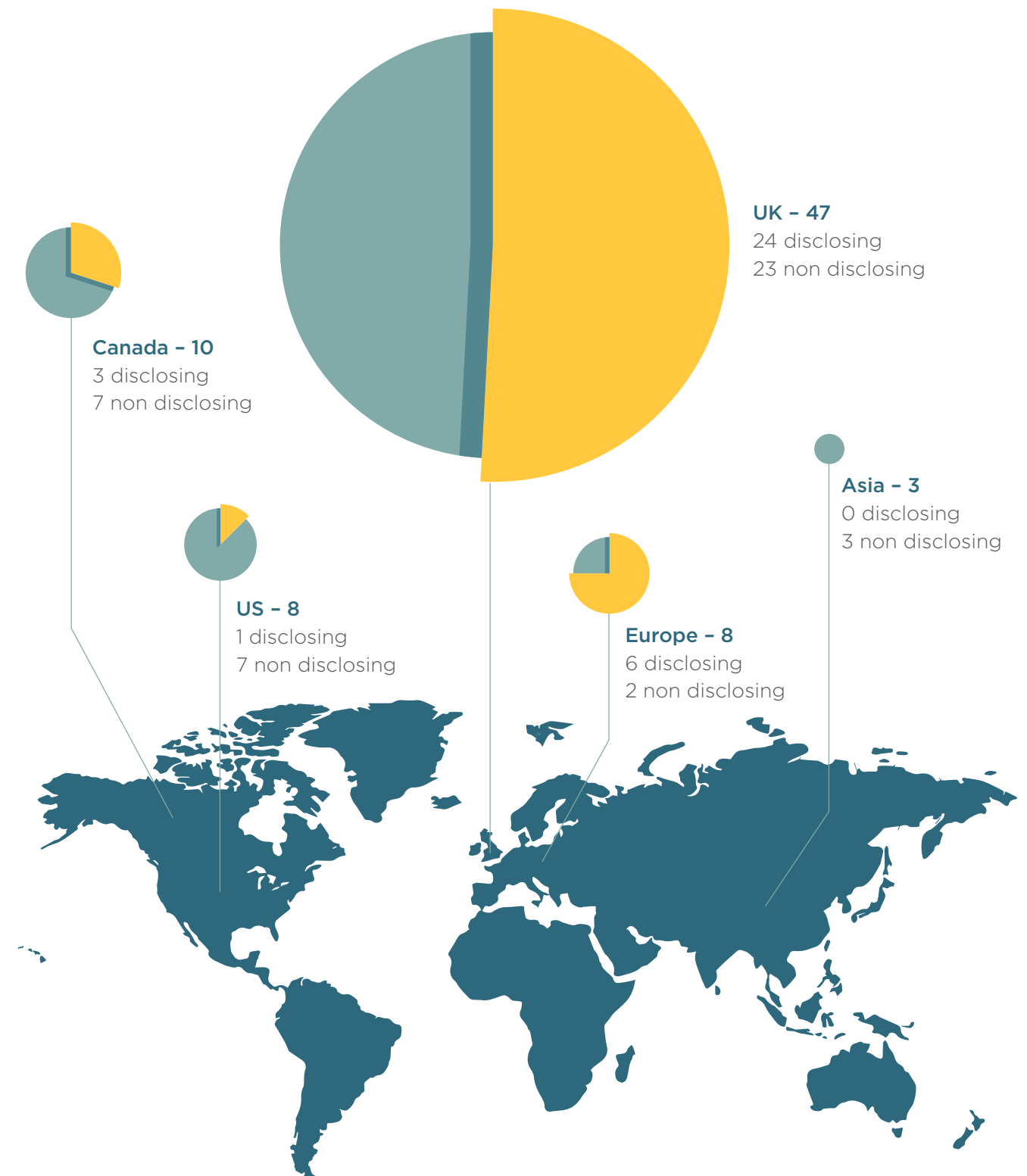
i) The pilot year survey was sent to 75 listed companies. Burberry Plc was not included in the original list of 75 companies, but expressed an interest in the initiative early in the reporting period and agreed to submit a disclosure and provide feedback on the process.



Disclosures by Sector



Disclosures by Geography



Given the small sample size and significant variation in company responses, it has not been feasible to identify reliable trends by sector or geography in this pilot year. As the WDI expands its reach over time, sector and geographic company disclosures can, and will, be analysed.

ANALYSIS OF DISCLOSURES

The Analysis section of the report provides a synopsis of company disclosures to the WDI in the 2017 pilot year.

It identifies key recommendations, gaps and areas of weakness in company disclosures, as well as highlighting examples of good practice from those companies that have agreed to include content from their disclosures in this report.

The report looks at the main sections of the WDI survey, Organisational Structure, Governance and Human Rights, Risks and Opportunities and questions in the Direct operations and Supply chain.

ORGANISATIONAL STRUCTURE

Companies were asked to provide the number and location of employees in their direct operations, and information on their supply chain including the number of suppliers and supply chain workers (limited to the ‘Critical Supply Chain’, see [page 30](#)). Responses in this section were intended to provide the reporting boundary for company’s workforce disclosure.

Organisational structure information helps investors to understand the structure and complexity of a company’s business. This data

may also indicate how aware a company is of this complexity and what more is required to improve visibility over the different areas of their business.

Nearly all disclosing companies provided the number of direct employees by location (either by region or by country). However only 10 could provide the number of suppliers by location and supplier type, and eight provided an estimated total figure for the number of workers in their critical supply chain.



In the direct operations

Establish reporting boundaries and apply them consistently throughout the workforce disclosure

There was a lack of consistency and clarity in the coverage of workforce data relating to the direct operations. While nearly all companies could provide the number of employees by location, it was not always clear if, for example, data on contract types or gender composition covered the company’s entire direct workforce or parts of the global operations. It is up to companies to determine the approach and boundaries for reporting. They may wish to specify which operating contexts are included in the overall assessment and define their own approach to which issues are prioritised, applying this consistently throughout the workforce disclosure. In some cases, however, it may be more meaningful for companies to focus their reporting on individual business segments and/or key operating locations, rather than report incomplete or less relevant data across the entire company.

Consider reporting disaggregated workforce data

In this pilot year, companies were asked to respond to the WDI survey questions with aggregated workforce data at the Group level. (Companies were encouraged to provide disaggregated data where feasible, for example by individual business segment; however, few companies provided this level of detail.) While a helpful starting point for disclosure, it is important to acknowledge that aggregated data conceals differences in the local operating contexts of the business. For those who do not already, companies may wish to consider reporting disaggregated workforce data to reflect the complexity and scale of their business for all workforce questions. In the pilot year, only one company disclosed disaggregated workforce data for each of their segments (for direct operations only).

Report on the challenges and gaps in the workforce disclosure

It was encouraging that in the pilot year, many companies were open about the challenges of collecting workforce information. Interestingly, this included challenges around collecting and converting data from highly decentralised company operations, and also of converting different in-country systems and terminology into a single centralised disclosure. There is a balance to be struck between reporting centralised and decentralised information, which we are keen to explore with companies and investors as the WDI evolves.

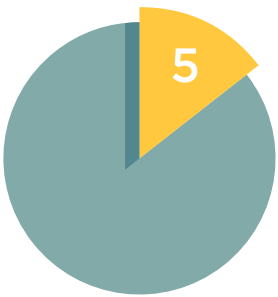




In the supply chain

Undertake a mapping exercise of the company’s supply chain and report on the company’s progress to map the supply chain

Companies tended to give very general statements about the structure and complexity of their supply chain.



Only five companies – from five different sectors – described their supply chains in detail.

These responses included information such as the types of supplier the company used, the goods and services these suppliers provided, their location, or the tiers they occupy in the supply chain. Some of the better responses also included reference to supply-chain mapping processes. Some of these examples are included in the following pages.

Better disclosures were from companies who chose not to map their whole supply chain at once, instead focusing on a single business or sector, or described a single part of their supply chain for which they had good visibility.

Understanding the structure and complexity of a company’s supply chain is an important first step in identifying potential risks and opportunities relating to the workforce and the business’s impact on the people involved in the provision of its good and services. For example, “the make-up and complexity of the supply chains” is one of the first components of UK Modern Slavery Act Statements that all UK based companies are required to produce.¹³ This is particularly relevant for companies with complex business structures and extensive supply chains who may not have visibility of their wider supply chain. A 2015 study showed that 71% of UK companies believe there is a likelihood of modern slavery occurring at some stage in their supply chains.¹⁴

Determine the most meaningful approach to the supply chain reporting boundary and apply this consistently across the disclosure, stating explicitly which suppliers are included and which excluded from the data reported.

Companies and their workers stand to gain from identifying and managing the most severe risks and tapping into the business benefits of improved supply chain workforce practices. Companies could carry out a robust risk assessment of the supply chain, and report workforce data for suppliers most at risk of being involved in or linked to violations of workers’ rights.

Be open about the challenges of collecting and reporting information across the supply chain. State explicitly in which areas of the supply chain the company has little or no visibility.

Companies may wish to set objectives to help identify areas of poor visibility and/or where there are known risks. This could include reporting information on the areas of the supply chain where the company has visibility and where more work needs to be done. Being open about “known unknowns” is part of the transparency process. Many companies described their “unique” and “complex” supply chains as barriers to collecting and reporting supply chain data, yet this could also be seen as an opportunity to gain greater understanding of their business complexity.

“Companies should know as much as possible about their supply chains, about who is involved in the provision of their goods and services, and about the working conditions at all levels of the supply chain¹⁵

” - CORE COALITION



Examples of good practice for mapping the supply chain

British American Tobacco Supply Chain Map

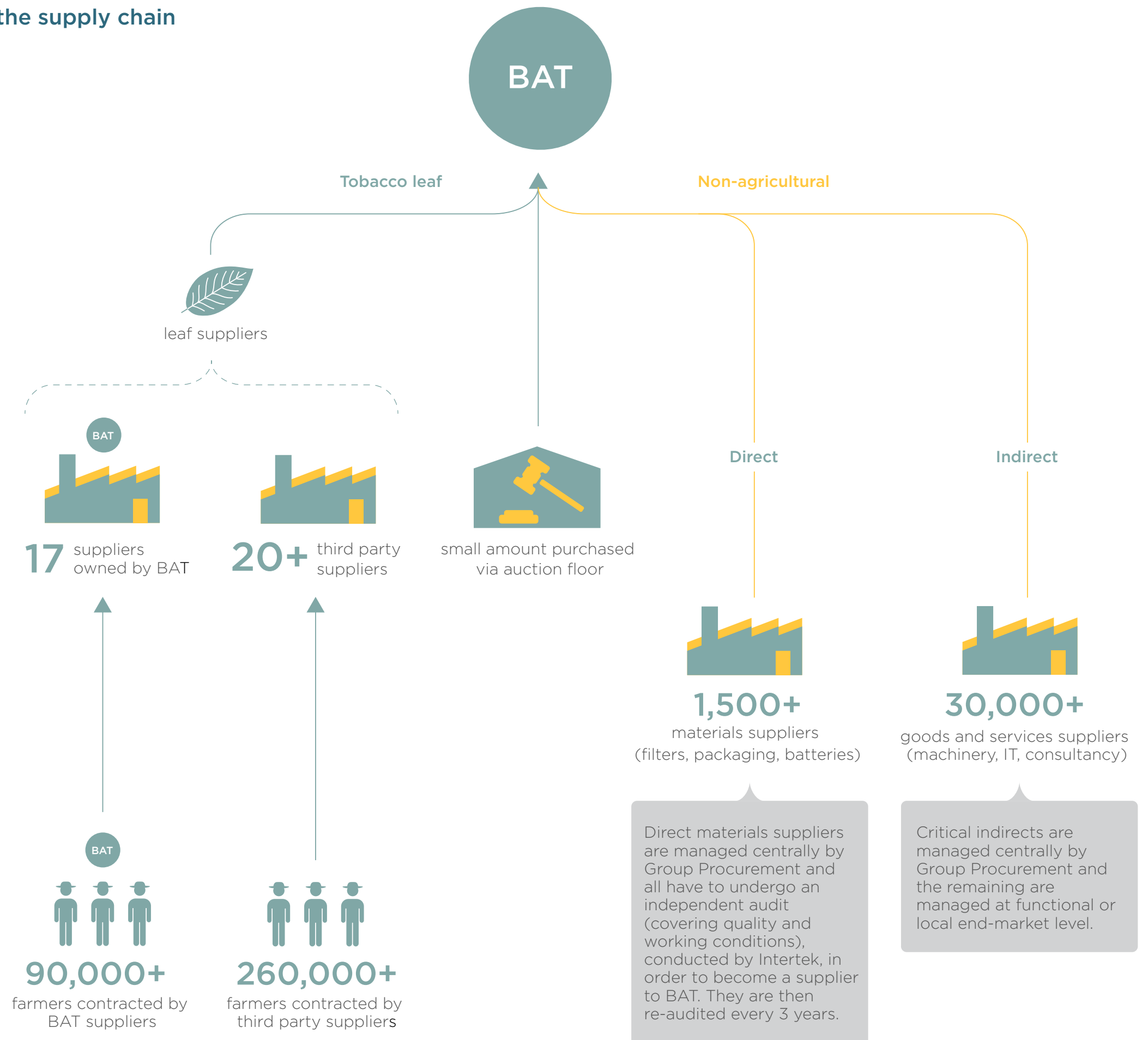
Tier 1

100% of our tier 1 leaf suppliers are managed centrally by our Group Leaf Function and are all required to participate in, and meet the requirements of, the Sustainable Tobacco Programme (STP), which assesses and monitors suppliers' performance in meeting industry-wide standards, through annual self-assessments and independent on-site audits every 3 years. We have a defined formal process that governs the management of tier 1 leaf suppliers, based on supplier categorisation (critical or non-critical), current performance against a range of metrics, including STP. The tier 1 supplier list is managed through a single comprehensive ERM system utilised for all Group leaf purchases that reflects the degree of vertical integration of our business and enables strategic supplier management and global oversight of supply chain risks/issues, as well as spending and stock levels by each type/grade of tobacco.

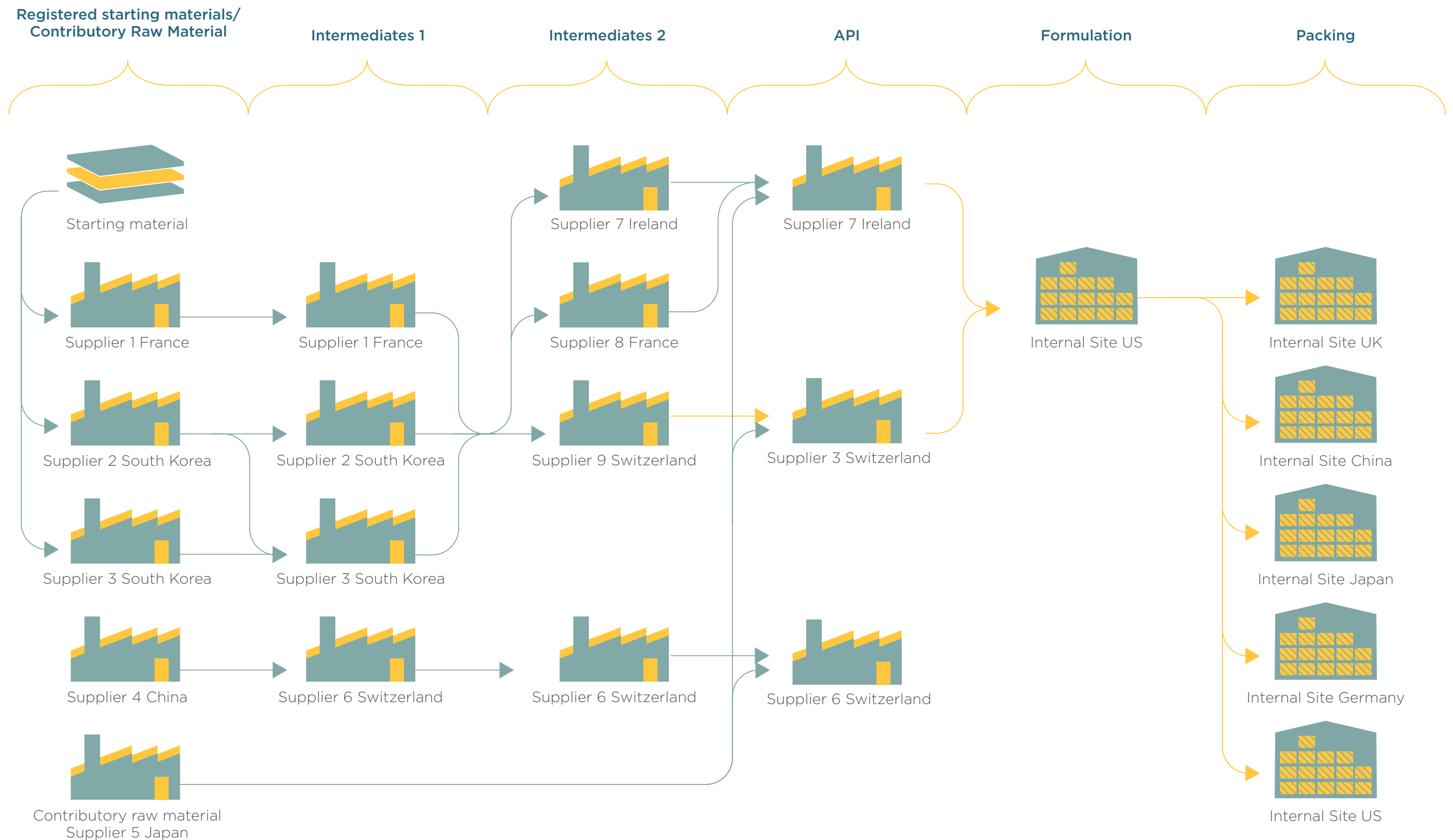
Tier 2

Over 90,000 of tier 2 farmers are directly contracted by BAT leaf operations, which conduct regular farm monitoring to check conditions on the ground and ensure they are meeting our standards, and they also provide ongoing support/ advice to the farmers via our Extensions Services – a global network of expert field technicians.

Tier 2 farms vary in size and complexity. The majority are small-holder farms of one hectare or less, and there are also some larger farms which employ hired labour.



AstraZeneca Supply Chain Map





Example of good practice for describing structure of the supply chain

Burberry described the core activities of the company and included details of the supplier network. It also referred to raw material suppliers including critical raw material suppliers.

“Burberry has a supply chain network that exists to support the production of its apparel and accessories products.

Apparel & Accessories

Burberry designs its products in the UK. Finished products are manufactured at both Company-owned facilities in the UK and through an external supplier network. A large proportion of this finished goods production takes place in Europe in countries such as Italy, where Burberry has many long-standing relationships, with some lasting over 25 years and with one lasting over 100 years.

Burberry's relationships with critical suppliers are stable and long lasting. The Global Sourcing team works with suppliers to balance volumes to sustain stable business for subcontractors and reduce subcontractor turnover.

Raw materials

In addition to the supply chain for finished goods, Burberry is also aware of the importance of its raw material supply chain and the sustainability of raw material suppliers. Burberry's key raw materials include cotton, leather and cashmere, which are sourced from suppliers globally. Burberry has identified 16 critical raw material suppliers. All raw material suppliers are included in Burberry's Ethical Trading Programme and the 16 critical raw material suppliers and their subcontractors are included in the scope of Burberry's social audit programme.”

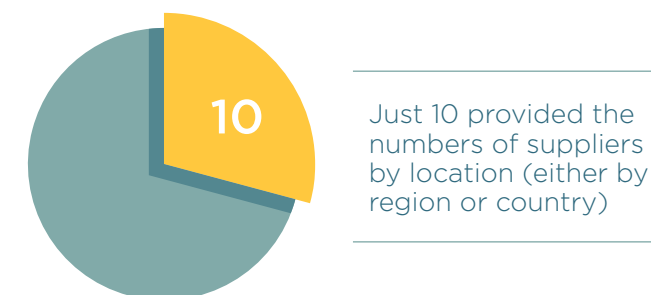
The ‘Critical Supply Chain’

In this pilot year, companies were asked to define their critical supply chain, that is, those suppliers whose goods and services have the most significant impact on the competitive advantage and market successes of the company. This definition was used to allow companies to focus on providing workforce data for a part of the supply chain, and in recognition of the challenges of collecting workforce data across its entirety.

Companies were encouraged to provide any additional data relating to other parts of the supply chain.

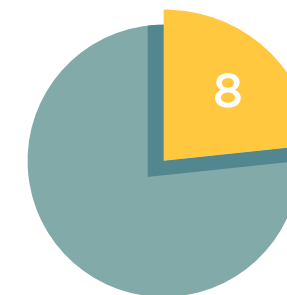
Despite defining their critical suppliers in this section, most companies did not refer to critical suppliers in the subsequent sections of the survey.

Few companies provided granular data on the size of their critical supply chain, while most companies gave a figure for their total number of critical suppliers:



Just 10 provided the numbers of suppliers by location (either by region or country)

Only eight companies could provide an estimate for the number of supply chain workers



Responses also show that companies define their critical supply chain in different ways. Two types of criteria are common: 1) factors relating to the delivery of business goods or services; or 2) factors relating to social and environmental performance where supplier sustainability performance is seen as critical to the delivery of the company's wider sustainability goals. Of the two types, the former is the most common.

Less than a quarter of responding companies include the latter 'sustainability' criteria in their definitions of critical suppliers. It is worth noting that only one company used both types of criteria in their definition of critical suppliers.

Further work is needed to determine the most meaningful reporting boundary for the supply chain.

The supply chain data generated in this pilot year gives investors and other stakeholders only partial understanding as to how companies are managing some of the most severe workforce risks in their supply chain.



Examples of Good Practice for Defining ‘Critical Supply Chain’

H&M describes how consideration of a wide range of criteria creates benefits for suppliers and for the company over the long term.

“We follow a supplier relationship management strategy that grades suppliers into different categories, depending on a variety of criteria such as quality, lead time, price, sustainability performance and more. [...] Suppliers graded with platinum or gold are our strategic partners and preferred suppliers. They make around 60% of our products. They benefit from long-term partnerships including incentives such as joint capacity planning up to five years ahead.

This allows their factories to use their capacity as efficiently as possible and gives them greater planning security. Only suppliers with the best performance in all areas, including sustainability, can become such strategic partners. We work very closely with them to become better every day, for example through trainings, workshops or even joint investments.”

GOVERNANCE AND HUMAN RIGHTS

Governance information is important for investors to understand how seriously workforce issues are prioritised in a company, and is a proxy for understanding wider corporate governance, culture and values of the company.

Companies were asked to disclose information on their governance process for managing workforce issues across their direct operations and supply chain. This included oversight of workforce issues at the Board level, policy commitments, and KPIs.

Effective management of workforce risks and opportunities may require leadership from the highest levels of authority in the company. To ensure that company commitments to the workforce are meaningful companies may also have appropriate processes in place to ensure effective dissemination through senior management; and, have processes to incentivise and hold those responsible to account.

Board Oversight, Policy Commitments and KPIs

Provide greater clarity on who is ultimately responsible for employee and supply chain workforce matters

Although almost all of the 34 disclosing companies named an individual or committee responsible for their direct operations, fewer than half outlined the specific areas of the workforce for which these individuals or committees were responsible.

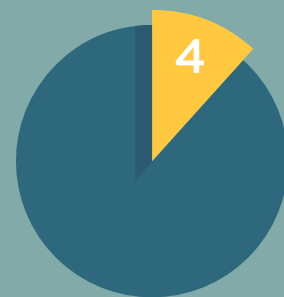
Those that did specified oversight for workforce topics such as Board remuneration, health and safety and succession planning. Only five companies referred to a broader range of topics such as culture and values, diversity and inclusion or employee engagement.

Similarly, while most companies could name an individual responsible for the supply chain, just two companies named the specific workforce areas for which this person was responsible such as supplier due diligence.

Being explicit about who has overall oversight for the full extent of topics covered by public policy commitments or regulatory responsibility may benefit workforce management.



Only three responding companies disclosed the most senior role with overall responsibility for human rights in the business.



Just four companies provided KPIs that explicitly link these policies to individual performance.

Describe the governance process

Few companies provided any details of the governance process, that is, how the Board or other senior executives set policies and objectives and how these are disseminated throughout the organisation.

Investors and wider stakeholders may wish to know if there is a transparent process for implementing public policy commitments through the management line and across the organisation and its supply chain.

Report KPIs that reflect the full extent of company's public policy commitments. These could be linked to the performance of those at the most senior levels of the organisation.

While half of responding companies said the Board or Board level committees oversaw workforce KPIs, most commonly linked to health and safety or diversity, few of these companies explained how these were linked to individual performance; that is, how those responsible were held to account for the delivery of these targets and the consequences of any failure to meet them.



Examples of Good Practice for Describing the Governance Process for the Direct Operations

The better responses described the Board's role in setting objectives related to the workforce, the responsibility of others in the management line, the regularity of updates to the Board on workforce issues and the specific areas overseen.

RBS

"Oversight of the workforce at RBS is represented at the Executive Committee (ExCo) by the Chief HR Officer. Each member also sponsors a particular workforce initiative or in many cases an Inclusion characteristic [i.e. Gender, LGBTQ (Lesbian, Gay, Bisexual, Trans and Queer), BAME (Black, Asian, and minority ethnic), and Disability]. There is oversight of workforce issues at Group Board level. The Chairman is responsible for leading the development of culture for the organisation and the Chief Executive is responsible for overseeing the adoption of the culture in the day to day management. Culture updates are regularly provided to Board and SBC and a bi-annual Culture Measurement Report is used to monitor progress."

Example of Good Practice for Describing the Governance Process for the Supply Chain

BHP provided the most detailed response in relation to the supply chain

"The Board has overall oversight for the company's supply chain. The Board regularly considers a range of matters in relation to the company's supply chain including the company's systems of risk management and internal control and public disclosure of supply standards such as via the UK Modern Slavery annual statement. The Board also receives regular updates from the Board Risk and Audit Committee which assists the Board in overseeing our Marketing and Supply function's risk profile, internal and external audits and internal controls. The Board also receives regular updates from the Board Sustainability Committee which assists the Board in overseeing health, safety, environment and community performance including adherence to our commitment to human rights and supply chain governance standards. Management of the supply chain is ultimately the responsibility of the Chief Executive Officer."



Example of Good Practice of Workforce KPIs

BHP were one of the few companies that explicitly linked workforce-related indicators with Board level performance. Further information is found in BHP’s 2017 Annual Report.¹⁶

“In general, the Board conducts regular evaluations of its performance, the performance of its committees, the Chairman, individual Directors and the governance processes that support the Board’s work. The Board evaluation process comprises both assessment and review. An element of the CEO’s individual performance measures covers people and culture (as set out below).”

Measures	Individual Scorecard Targets	Performance against Scorecard Targets
Strategy	Strategy implementation. Execution of growth aspirations as communicated externally. Delivery of latent capacity enhancement projects.	Significant portfolio review work undertaken during the year and progressed with the Board. Strategic initiatives on track, including US Onshore Hedging; Mad Dog 2 and Spence; and Olympic Dam expansion advanced. BHP’s value increased consistent with the plan outlined in 2016, driven not only by commodity price appreciation, but also by management actions on productivity (refer also further below) and other strategic initiatives. Latent capacity projects on track to meet expected milestones and benefits
Productivity	Delivery of productivity initiatives	Productivity gains of US\$1.3 billion were achieved during FY2017, taking to US\$12 billion the annualised productivity gains accumulated over the past five years. Basis for further productivity gains through the Maintenance Centre of Excellence, globalised supply function and integrated leadership for General Managers.
Sustainability	Positive progress on the Samarco Framework Agreement. Enhanced reputation of BHP.	Samarco Foundation activity and spend has met the defined schedule. Strong representation on key issues such as inclusion and diversity, transparency, taxation, Brexit and Samarco. Shareholder engagement strengthened through close communication, regular updates and relationship building. Global brand strategy implemented.
People and culture	Achievement of culture initiatives (improvement in Company-wide leadership capabilities, employee engagement, diversity and inclusion). OMC member development and succession.	Year-on-year improvement in workforce leadership capabilities, employee engagement and the inclusion index, as measured by the annual employee perception survey. Strong leadership on inclusion and diversity, with the announcement of, and significant progress on, the goal to increase female representation in the workforce globally. Continued focus on development of a strong long-term talent pool of candidates for Asset President and OMC roles, including additional coaching and development opportunities.



Human Rights Due Diligence and Impact Assessment

By law, companies must respect the human rights of individuals impacted by its business activities whether in its own operations or across their supply chain. Failure to do so can result in egregious impacts to workers and potentially in turn the business.

Companies were asked to provide information on their Human Rights Impact Assessment (HRIA) – an important step in their Human Rights Due Diligence process. Findings of an HRIA can be used to inform a wider workforce risk management process. Detailed guidance on what each process entails can be found from the United Nations Guiding Principles on Business and Human Rights.

In the pilot year, companies were asked for details on the scope or coverage of any of their human rights impact assessments. This includes which specific parts of their operations or supply chain the HRIA covered, and whether the assessment included vulnerable groups such as women, children or minority groups. Companies were also asked for the findings and outcomes of this assessment. For example, which risks were identified, how they have been integrated into internal decision making and what action has been taken to address actual or potential adverse impacts.



Credit: Abbie Trayler-Smith/Oxfam

United Nations Guiding Principles on Business and Human Rights – Human rights due diligence

Principle 17

In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed. Human rights due diligence:

- (a) Should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships;
- (b) Will vary in complexity with the size of the business enterprise, the risk of severe human rights impacts, and the nature and context of its operations;
- (c) Should be ongoing, recognizing that the human rights risks may change over time as the business enterprise's operations and operating context evolve.

“

...Human rights due diligence can be included within broader enterprise risk management systems, provided that it goes beyond simply identifying and managing material risks to the company itself, to include risks to rights-holders.

”

Principle 18

In order to gauge human rights risks, business enterprises should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships. This process should:

- (a) Draw on internal and/or independent external human rights expertise;
- (b) Involve meaningful consultation with potentially affected groups and other relevant stakeholders, as appropriate to the size of the business enterprise and the nature and context of the operation.

“

...While processes for assessing human rights impacts can be incorporated within other processes such as risk assessments or environmental and social impact assessments, they should include all internationally recognized human rights as a reference point, since enterprises may potentially impact virtually any of these rights.¹⁷

”



Follow the principles on Human Rights Risk Assessment and Due Diligence set out in the United Nations Guiding Principles on Business and Human Rights (UNGPs)

Typically these companies are in sectors most exposed to human rights risks such as extractives, food and drink, construction and apparel.

In this pilot year, 28 companies said they had carried out a HRIA. Based on the responses to the WDI, less than half of these companies appear to have carried out a HRIA that meets the requirements of UNGP Principle 18.

11 companies provided general descriptions of their supply chain risk assessment or due diligence processes but did not refer specifically to human rights, often simply stating the company's commitment to human rights. Many responses appear to relate to desk-based risk assessments as part of a company's human rights due diligence, rather than direct engagement with stakeholders or in-country assessments as outlined in the UNGPs as a key component of an HRIA.

Despite the high response rate to this question, the majority of responses do not provide comprehensive detail on their HRIA. The United Nations guidelines can be referred to in cases where there is a lack of understanding of the HRIA process or a lack of clarity on the most meaningful way to report this important information.

Disclose information on the risk assessment process, as well as, relevant information on the risks that have been identified, the actions the company is taking, and the outcomes and ongoing monitoring of human rights risks.

For the 12 companies that provided information on their HRIA, most described processes to assess compliance rather than an assessment of salient risks. Typically this involved: an initial assessment to determine the most high-risk operating sites and suppliers, either carried out internally or by an external organisation; external audits to assess the highest risk sites and suppliers; a mitigation plan in the event of a human rights violation and follow up audits to ensure compliance with company codes of conduct.

Having outlined their HRIA process, fewer than half of these companies explained the scope or outcomes of any assessment. More complete responses referred to specific locations either in their direct operations or their supply chain, and described the human rights risks and impacts that had been identified. Seven companies also mentioned a process for ongoing monitoring and evaluation of the effectiveness of their mitigation efforts.

Explain how legal requirements to address issues such as modern slavery are part of a comprehensive assessment of the company's wider human rights impacts

Five companies described action to address human rights risks related to modern slavery in order to comply with the UK Modern Slavery Act or the French Duty of Care Law.¹⁸ This is a welcome starting point; risk assessments of modern slavery risks can be complemented by risk assessments of other human rights impacts.

Describe how the HRIA process accounts for the different impacts that the company's actions are likely to have on women and men, and on migrant and local workers, among other vulnerable groups. HRIAs can be carried out with the active involvement of affected stakeholders.

Only nine companies explained the human rights risks for vulnerable groups and the efforts they were taking to reduce these risks.

Embed Human Rights throughout the organisation

Human Rights Due Diligence is relevant to all companies in all sectors and might require oversight at the most senior level of the organisation. Companies can benefit from having a clear process for implementing human rights commitments at each relevant level of the organisation. Failing to understand and account for the most severe human rights risks in a company's operations and supply chain can bring into question a company's approach to workforce management.

Human rights due diligence is a relatively recent concept and it is encouraging that there are signs of companies realising they need to improve their practice in this area. One company said it intended to carry out a HRIA in all their operating and sourcing countries by 2020. Another company was expecting to publish an action plan imminently. Three companies are working with the Danish Institute for Human Rights, highlighting companies' recognition of the need for expertise and collaboration with stakeholders.

Be open about the company's progress in completing an HRIA

Responses suggest a spectrum of engagement with human rights issues. Some companies have a comprehensive approach to managing human rights risks – the more complete responses came from companies who have been heavily scrutinised for their human rights impacts. For others, the process has only recently been initiated as a consequence of legislation such as the Modern Slavery Act or French Duty of Care Law. In some cases, human rights impacts are simply not considered relevant to their company. One company simply said their business was 'low risk', yet did not provide any evidence to support this.

RISKS AND OPPORTUNITIES

In addition to effective governance structures and a rigorous process for assessing and managing human rights impacts, some companies have a dedicated process to identify and manage wider material workforce issues and their potential impacts both to the company's business performance and its employees and workers. Establishing a process for identifying and prioritising material issues could indicate that a company is well positioned to anticipate and respond to potential negative impacts, while also proactively seeking to generate benefits for its workforce and business.

In the WDI pilot year, companies were asked to provide details on their process for identifying and prioritising workforce risks and opportunities, to identify their most material risks and opportunities relating to the direct operations and supply chain, and how these were being integrated into business decision making.

The Risk Management Process

Provide a succinct description of the method used to identify and prioritise risks and opportunities, the specific aspects assessed, analysis of the impact on workers and the company, and the mitigation plans in place.

In general, companies do not appear to have a dedicated process for managing material workforce issues. Despite the high response rates to this section of the survey, few companies gave a detailed explanation of their risks management approach for identifying and managing workforce issues, either for the direct operations or supply chain.

Most companies referred to or described a company-wide risk management process and did not explain how this included workforce topics.

More complete responses described dedicated workforce strategies or functions within the company and their relationship to the company's broader risk management process and structure, how regularly this process is reviewed, and who is involved.

Interestingly, there was greater clarity of the risk management process for the supply chain than the direct operations. However, as discussed later (see [page 57](#)), this process relied on social audits and supplier codes of conduct, which suggests the process to identify and manage risks and opportunities may not be robust.

A recent survey conducted with company CEOs found that only half of them believe their supply chain risk management is extremely or very effective.¹⁹ Companies increasingly recognize the need to adopt a robust and transparent approach to managing their supply chain, particularly in light of greater interest from external stakeholders.



Examples of Good Practice for Describing the Risk Management Process – Direct Operations and Supply Chain

AstraZeneca “Our approach to risk management is designed to encourage clear decision making on which risks we take and how we manage these risks. Fundamental to this process is a sound understanding of every risk's potential strategic, commercial, financial, compliance, legal and reputational implications. The People Strategy, which defines where we need to focus to accelerate AstraZeneca's ambition through people, is the platform which enables us to identify strategic plans from a people perspective and where we have opportunities.”

RELX Group provided a detailed description of their Socially Responsible Supplier (SRS) programme and the teams and individuals involved in its implementation who report to the Board. It describes actively tracking suppliers and categorising ‘key’ suppliers based on annual spend, or consistent spend over a certain amount “if the supplier is located in a high risk country, as designated by our Supplier Risk Tool, which incorporates indices covering human rights and labour, environment, research and development, and governance equality.” It also provided the number of suppliers that have been assessed and acted on, and the locations of these assessments.

Sainsbury's recognised the limitations of supplier audits²⁰ and said it was working on developing a “diagnostic risk assessment tool. We are able to analyse complex sets of internal and externally-sourced data against an updated range of risk indicators to provide an aggregated risk rating for specific products and sectors within our business and supply chains. The tool will help us direct our activities to the areas of greatest risk and offers us unprecedented visibility to the multiple tiers in our supply chains, which is essential if we are to reach the most vulnerable workers”. For more information see Sainsbury's 2017 Modern Slavery Statement.²¹



Risks and Opportunities – Material Issues Identified by Companies

Companies were asked to identify their top three risks and opportunities relating to the workforce. They were asked to consider workforce risks and opportunities that might arise from:

- i. External changes that can have regulatory and reputational impacts
- ii. Changes in business operations that have operational and financial impacts
- iii. Existing internal workforce practices that can have legal, financial, operational and reputational impacts associated with high and low standards.



Direct Operations

Supply Chain



Apply a common and comprehensive approach to assessing material issues in the direct operations and supply chain that considers a wide range of internal, business and external factors. Provide clear rationale that explains why the material issues have been prioritised and support management of these issues with workforce data.

Companies appear to take different approaches to managing their material workforce issues for their direct operations or in their supply chain.

In the direct operations, there appears to be a strong preference for prioritising risks and opportunities that have a strong and direct link to company performance. These include training, skills development, talent retention, diversity and employee engagement (see Direct Operations section).

In contrast, the supply chain workforce is more closely associated with compliance and risk mitigation, rather than opportunities to enhance business performance (see Supply Chain section).

In addition, companies consider different factors when identifying risks and opportunities in the direct operations and supply chain.

For their direct operations, companies identify risks and opportunities associated with practices over which they have a high degree of control such as training and development, health and safety and diversity and inclusion.

By contrast, in the supply chain, material issues are typically derived from external factors outside the company's direct control such as prevailing labour standards and corruption levels, social demographics and geopolitical concerns. There is much less emphasis on the employment practices of suppliers or the company's influence over supplier workforce practices. While these differences are understandable, companies could go further by taking a wider view of potential factors that may affect their workforce and business in order to be able to effectively identify and manage them.

Be open and transparent about the risks and opportunities and report the specific potential/actual impacts on workers and the business. This includes being open and transparent about the risks to workers, even if they are not considered a risk to the business.

In general, although nearly all disclosing companies identified their top risks and opportunities, most did not describe their potential impacts to the workforce or the business. Most companies referred to the importance of training and retaining talent, health and safety or protecting human rights. For some companies, disclosures did not explicitly identify whether a thorough analysis of where these risks and opportunities are greatest had been undertaken and what the likely consequences would be.

The more complete responses named risks and opportunities and described the specific relevance or impact to the business and workforce.

As discussed later in the report, despite identification of their top risks and opportunities, there is considerable variation in companies being able to support their management of these material issues with data in the rest of their disclosures.

Credit: Sam Tarling/Oxfam



Examples of Good Practice in Describing the Impact of Material Issues

Companies provided detailed information on how the material issues they identified could potentially impact their business and workforce.

In the direct operations:

SSE were one of the few companies to consider the impacts of policy and regulation on the business and workforce.

“Politics, regulation and compliance. SSE operates in an industry which is subject to a high degree of regulatory, legislative and political intervention and uncertainty. This means that the way SSE operates and the structure of its business, including its workforce, could be impacted significantly by decisions made and policies implemented by different governments, or by major political changes at a national or international level.”

In the supply chain:

Landsec referred to labour standard risks prevalent in the construction industry. It used external guidance from the Gangmasters and Labour Abuse Authority and the Global Slavery Index to identify aspects of the supply chain most at risk, such as low skilled roles and raw materials sourcing countries. It also identified where it needed to improve its understanding of these risks and referred to plans to set up a Supplier Charter which would “provide a platform for dialogue and improvement with our suppliers.” (see Direct Operations section, page 43)

Burberry identified three opportunities for the company to mitigate these risks. One of these included the value for the business of integrating KPIs into sourcing teams’ performance measures:

“Engagement of Burberry Sourcing teams

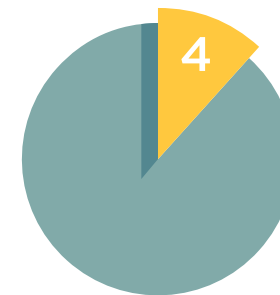
Burberry ensures ethical trading requirements are integrated with the company’s broader business strategies. For example, factory grading KPIs have been incorporated into the supply chain teams’ performance measures, at both group and individual level. This incentive has helped to drive improvements in factories’ ethical trading performance. This strong internal engagement has created value for both Burberry and its supply chain partners and learnings can now be drawn for reaching further down the supply chain, for example by engaging Raw Material Procurement teams.

Burberry engages with suppliers beyond compliance, such as measuring and working with suppliers to improve worker wellbeing and addressing environmental, social and productivity opportunities to create a more resilient supply chain.”

Integrating Material Issues into the Business’s Decision-making Process

Once material issues have been identified, companies could also demonstrate that they are taking action to manage these material issues, measuring their impact and communicating these to external stakeholders.

Report how identified material issues are being factored into business decisions – either through actions being taken to improve employment practices in the direct operations or in the sourcing strategy and supplier relationships.



Only four companies explained how these specific issues were being managed, gave examples of actions being taken, and how they were influencing business decisions.

For example, few companies described how the business was mitigating risks to direct employees, or how the results of the audits and compliance assessments were used to influence the company’s decision-making, sourcing practices or supplier relationships. Four companies simply re-stated company policies and codes of conduct regarding their employees.

It is worth noting that the risks and opportunities in this section are those identified by companies themselves.

Companies should seek to better explain their risks management approach to ensure that investors can understand and make an accurate assessment on how effectively companies are identifying – and in turn managing – these key areas.

Examples of Good Practice in Describing Integration of Identified Risks and Opportunities

SSE described how one of its core values of ‘sustainable employment’ was integrated into the company’s human capital strategy, and gave examples of actions and employment practices the company used to deliver this.

“This approach gives a signal to SSE’s employees that they are valued and that worthwhile, rewarding careers can be built with SSE. This ethos has three core elements: Career progression: a focus on career progression and recruiting senior positions from within; Out-sourcing: A preference for direct employment as opposed to out-sourcing core work; and Redeployment: A preference for direct employment and a presumption against offshoring work outside of the UK and Republic of Ireland.”

Unilever provided details of the mechanisms in place to realise one of its strategic priorities relating to attracting and retaining talent.

“Unilever’s People strategy aims to ensure that we attract and retain the talent we require to achieve our strategic growth priorities. A priority during 2016 was to define the profile of future talent required by the business and plan for the skills and capabilities required. Resource committees have been established and implemented throughout our business. These committees have responsibility for identifying future skills and capability needs, developing career paths and identifying the key talent and leaders of the future. We have targeted programmes to attract and retain top talent and we actively monitor our performance in retaining talent within Unilever.”

While the risks and opportunities identified by companies provide useful information about a company’s perception of their risks and opportunities, there may be gaps in companies’ own analysis, or what they are prepared to share in their disclosures.

As a result, we believe that caution should be used when drawing firm conclusions from disclosures in this section of the survey.

The following sections of the report focus on the most common material themes companies have identified, these are:



DIRECT OPERATIONS

Training and development, health and safety, diversity and inclusion

These sections serve as an illustration of the quality of disclosure on companies' material issues based on their responses in the composition, stability, development and engagement sections of the survey.

In each case, the report provides recommendations on how to improve disclosure in each area, summarises responses highlights gaps and weaknesses in disclosure and provides examples of good practice.



SUPPLY CHAIN

Wages, working hours, recruitment practices and modern slavery, and gender and discrimination

DIRECT OPERATIONS

The three most common material issues identified by companies for their direct operations were Training and Development, Health and Safety, and Diversity and Inclusion.

Training and Development

The most common development related-risks were talent retention – the ability of a company to attract and retain skilled employees – and training opportunities – the ability of a company to provide opportunities to develop the talent it already has. Both are critical to a company's long term sustainability and competitive advantage. Employee development also has broader benefits for business and wider society. Companies that identify talent-related issues as a risk area could consider how to provide investors with evidence that they are managing this risk effectively.

Determine the most meaningful way to communicate management of turnover rates and employee development

Of the 19 companies that identified talent retention as a material issue, five provided turnover rates for all seniority levels. While not the only measure of retention, turnover data is a useful way to communicate the company's effectiveness at retaining talent.

Turnover is also likely to vary across the company. Disaggregated data (for example by seniority, age and gender) where available, helps to manage risks in different operating contexts. Companies can select the most appropriate level of disaggregation that reflects the risks in their business. For example, one company provided turnover data by seniority for three of its geographic markets.

Two companies said they did not collect turnover data by seniority, and instead provided turnover by age group.

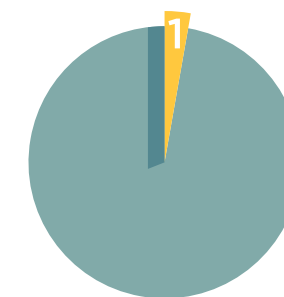
Data can be supplemented by narrative information to explain the changes to the data, strategies in place and progress the company has made. Only one company provided a specific example of how high turnover in one area of the business posed a risk to business performance and its efforts to address this.

Report on the provision and effectiveness of training and development

Nearly all companies provided detailed descriptions of their training programmes.

It is important that companies support descriptions with data on the distribution of training for different employees. 13 companies disclosed the total number of training hours provided in the last year.

Few companies could explain the outcome of their training either in terms of creating value for the company or the worker.

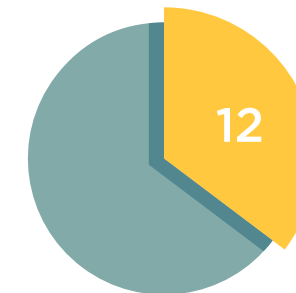


Only one company measured the impact of their training in terms of Return on Investment – see example of good practice on [page 48](#)

15 companies disclosed one or more internal hire rate as an indicator of the company's ability to develop employees and support internal progression. However, just five disclosed internal hire rates for different seniority levels in the organisation. Four companies said they were aiming to disclose internal hire data in the future.

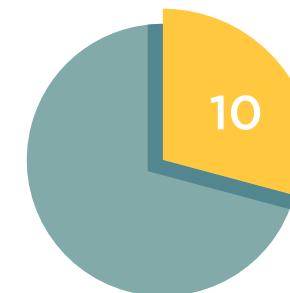


Be clear about the link between the training provided and the strategic objectives of the business



Of the 34 disclosers, 12 companies explicitly linked training to the company's overall business strategy and objectives.

Of these, 10 described a process to identify skills gaps in the workforce to ensure training is specific and targeted to the company's needs.



One company said it was investing in research to understand the financial impact on the business of skills shortages following Britain's departure from the EU. Another company participates in a graduate scheme in one of the company's major geographic markets.

Link talent retention and workforce development with other aspects of workforce management

Although diversity and inclusion was identified as a key material issue for disclosing companies (see [page 53](#)) only four companies disclosed data on the number of training hours disaggregated for example by gender and seniority levels. One company described themselves as an equal opportunities employer saying that it was committed to ensuring equal access to training and career progression but did not give any information on how this is delivered.

Talent retention is also closely linked to the company's ability to provide attractive employee benefits and engage its workforce. Few companies demonstrated that they were actively considering these wider factors in their retention strategies - three companies referred explicitly to engagement as a tool in retention and development plans while two companies referred to employee benefits as a way to mitigate loss of talent.



Examples of Good Practice in Retaining and Developing Talent

LandSec discussed the wider sector challenges of skills shortages:

"We are aware of skills shortages in construction which present an unknown level of risk to our business in limiting our capacity to deliver new properties. To learn more about this risk we are funding research which will be undertaken by the Institute for Public Policy Research and the British Property Federation which will assess the impact of construction skills shortages pending the outcome of Britain's departure from the EU."

SSE discuss their 2014 study that measured the impact of training on their 'human capital'. The study showed *"significant business benefits of growing our company's workforce through investment in developing the skills and capabilities of our workforce - for example, our Technical Skills Trainee (engineering) training programme was shown to deliver a £7.65 return for every £1 invested by SSE. By recruiting the right people in early, investing in their development, and creating a great place to work where employees feel valued, SSE has the opportunity to create significant value for its business and create its workforce of the future."*²²



Wage and Benefits

Companies were asked to provide the percentage of employees whose basic salary is based on the minimum wage and provide information on the whether the company pays or makes commitments toward the Living Wage.

In this pilot year, there was some confusion regarding the geographic remit of this question.

Most companies interpreted this question to refer only to UK operations.

Given the high proportion of UK Living Wage employers²³ in the pilot year sample – 22 of the 34 disclosers – the interpretation is perhaps not surprising.

In the next year, the WDI will revise this question to capture information on the company’s management of wage levels in its direct operations beyond the headquarters.

As a result, of the 30 companies responding to this question, all but three provided a response based on their UK operations only.

Of these three, one reported paying the living wage in both of its operating countries, one said it had carried out an assessment of ‘living

wage’ standards across its global operations and was confident it was meeting this, while the third company said it complied with the local legal minimum wage, and negotiated market rates where this was absent.

In some cases, companies did not disclose wage data, however in most cases companies said they were not aware of local minimum and living wage requirements for non-UK operating countries.

Companies could do more to demonstrate that they have sufficient oversight over wage commitments across their operations. Companies could gain a better understanding of local wage levels and the concept of the ‘Living Wage’ even where there are no independently-determined benchmarks in place.²⁴ This may be particularly important given that most disclosing companies have employees in low and middle-income countries where legal minimum wage levels can be low.

One company said it was assessing minimum wages at the country level to establish the gap between the lowest wages and the local minimum wage.

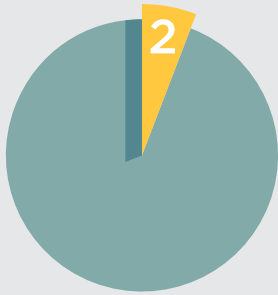
Contract Types

Companies were asked to provide information on their use of different contract types.

Data on contract types is particularly relevant in the context of a rise in non-standard forms of work around the world and its implications for workers’ rights.

Disclose the number of workers by contract type and provide information on the business rationale for non-permanent labour

24 responding companies disclosed figures for workers on temporary/fixed term contracts, non-guaranteed/short-hours contracts or third-party contracted workers.



Two companies provided some explanation of why different contract types were used – for example, seasonal fluctuations or project or commission-based work.

Provide details of the safeguards in place to ensure employees and workers are not being disadvantaged as a result of being in non-permanent employment.

Given the increased risk of precarious work for those in non-permanent employment, companies employing significant numbers of workers on non-permanent contracts may want to demonstrate how their employment model does not avoid employer obligations or disadvantage non-permanent workers. This could include consideration of the regularity of work, remuneration and benefits offered, as well as development opportunities in relation to permanent employees.²⁵ No company disclosed information on the difference between the benefits received by workers in the different contract types.

Reflect the use of different contract types in other areas of workforce reporting

Companies have a role to play in ensuring they are not compounding the negative impacts of non-permanent work – such as low pay and lack of progression – that can be potentially disruptive for business and also exacerbate social inequalities.²⁶

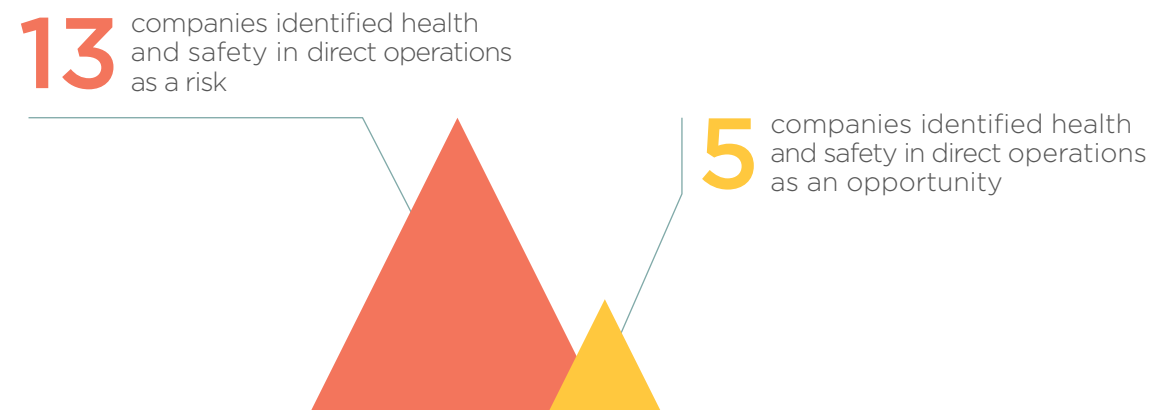
Three companies included non-permanent staff in their turnover data. This suggests that reported turnover data may not be a fully accurate reflection of the stability of the workforce.

No company described whether training was offered to employees on different contracts.

Regulatory changes in the UK will also require FTSE-listed companies to implement safeguards and increase transparency on the use of different forms of contracted labour.¹

i) As announced by the UK Government’s response to the Taylor Review: www.gov.uk/government/uploads/system/uploads/attachment_data/file/679767/180206_BEIS_Good_Work_Report_Accessible_A4_.pdf

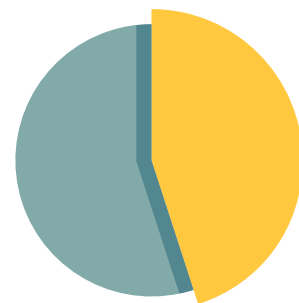
Occupational Health and Safety



The second most common material issue identified was health and safety.

A safe and healthy workplace is a human right. Failing to protect the health and safety of workers can expose companies to legal risks, operational disruptions and reputational damage. In light of growing awareness of the impacts of work on health and wellbeing²⁷ as well as changing employee expectations,²⁸ companies are also expected to consider, support and enhance the physical health and mental wellbeing of their workforce. Studies suggest that doing so is beneficial for business,²⁹ increasing employee engagement and the attractiveness of the company to future employees. It also supports the wider benefits of improving individual quality of life and reducing the burden on public health.³⁰

In addition to legal requirements to disclose health and safety data, provide narrative information to support management of this area of high risk



Fewer than half of the 34 disclosing companies provided supporting narrative information to explain their health and safety metrics.

Health and safety metrics alone, particularly when aggregated at the Group level, provide only partial understanding of how companies are managing this risk area. Companies could go beyond metrics by explaining their health, safety and wellbeing data including positive progress, challenges the company has encountered, specific actions the company is taking and progress against internal or industry benchmarks.

The more complete responses described specific health and safety challenges, targeted actions for high risk parts of the business and progress that had been made: 13 companies described measures to improve health and safety across the organisation more generally, while five gave detailed accounts of specific remedial activities and learnings. Two companies indicated they were improving collection of health and safety data to provide a more accurate picture of their health and safety performance.

The least complete responses stated general commitments or listed health and safety focussed programmes without information on internal targets or any illustration of their effectiveness.



Example of Good Practice for Health and Safety

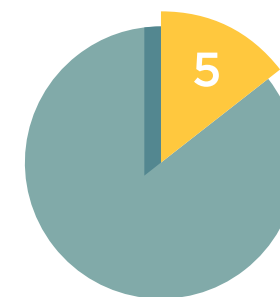
AstraZeneca

"Building on our previous success in establishing a culture of health and wellbeing, we are developing a health and wellbeing framework that is based on the World Health Organization's Healthy Workplace Model. It will give sites and AstraZeneca marketing companies a blueprint for continuous improvement in health promotion."

RBS described its progress in improving employee wellbeing.

"Since 2014, RBS has taken a holistic bank wide approach to wellbeing focusing on mental, physical and social wellbeing. The Banks initiatives have gained traction across the organisation, leading to a 13 point increase in the wellbeing index (part of the annual employee survey) since 2014. We have seen a significant increase in the number of employees accessing support such as our Employee Assistance Programme (EAP), mindfulness toolkits and health checks."

Take a more holistic approach to managing and reporting on health and safety



Five companies took a wider view of health and safety to include employee wellbeing and three gave details of specific initiatives they were introducing to improve employee health and wellbeing

Health, safety and wellbeing are closely linked with other aspects of workforce management. Companies could seek guidance on how to manage and report on these inter-related aspects, such as, harassment and bullying, working conditions and employee engagement.³¹

Only one company referred to employee engagement as a way to demonstrate its progress in improving wellbeing.

Diversity and Inclusion



The third most common material issue identified was diversity and inclusion.

Diversity in the workplace is important both to improving company performance and³² to reducing inequalities in society. It is important that companies recognise that diversity and inclusion initiatives while necessary, are not sufficient to address discrimination in the workplace.



Tackling the barriers to equality can help business to play its role in contributing to progress on the Sustainable Development Goals related to gender equality (SDG5) and reduced inequalities (SDG10).

Globally the gender wage gap is estimated to be 23%: i.e. women earn 77% of what men earn. Without targeted action, the ILO has calculated that at the current rate, pay equity between women and men will not be achieved before 2086.³³

Report disaggregated data across the workforce disclosure

While it is important to attract a diverse workforce to the organisation, further effort may be required to create 'inclusive' working environments that help retain employees from different backgrounds.

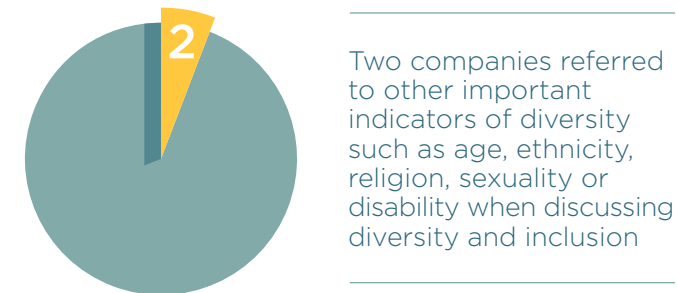
One way companies can move towards greater inclusivity is through the analysis of diversity data, taking into consideration a variety of metrics such as pay ratios, turnover, training and development and engagement. Gathering this information demonstrates the importance companies attach to diversity in the workplace, and can help address social inequalities in the wider context in which they operate.³⁴

In this pilot year, 31 companies disclosed the gender composition of their direct workforce, of which two demonstrated a gender balance (almost 50:50) across all seniority levels of their organisation – however few companies disclosed data disaggregated by gender or other diversity indicators.

In its "Work, health and disability green paper: improving lives" the UK Government has recognised the need to urgently address the disability employment gap as "one of the most significant inequalities in the UK today: less than half (48%) of disabled people are in employment compared to 80% of the non disabled population. The US Chamber of Commerce has also repeatedly called for business to recognise the positive business impacts of incorporating disability into diversity and inclusion practices.³⁶

Report data for other measures of diversity

While gender balance is one indicator of a diverse workforce, it is not the only measure.



One company referred to the age of its workforce in the context of the "changing demographics in the workforce" and described, in a general way, the steps it was taking to address this. Another company provided figures for the proportion of permanent workers in different age brackets.

Companies should consider reporting on other indicators to give a more complete picture of how they are embedding their commitment to diversity and inclusion across the business.

“

Another impetus for change is the demographic time bomb facing employers. As we age, we often gain disabilities and people will be working longer due to poor pension provision, so organisations need to prepare themselves for this - If organisations don't future-proof themselves, then this will affect them in the long term.³⁷

”

i) For more information: sse.com/media/481527/DiversityReport_FINAL.pdf



Examples of Good Practice

SSE described its work to address sectoral gender imbalance. It also calculated the financial value of existing gender initiatives as well as the expected value of creating a diverse workforce that considers others forms of diversity beyond gender.

"In recent years, SSE has been focused on encouraging greater gender diversity in its business as only around 31% of its workforce are women, with this number dropping substantially for more operational roles. This lack of diversity within SSE's business and the overall energy industry presents an opportunity to widen the talent pool and help fill the skills gap. SSE worked with Inclusion & Diversity (I&D) specialists Equal Approach to calculate the financial value and real business benefits from investing in gender diversity initiatives over the three years to 31 March 2017, as well as the expected value of continued investment in wider I&D initiatives up to 2020. The results showed that for every £1 invested by SSE in 2017, there was a £4.52 'Return on Inclusion' (ROI). The analysis also showed there is the potential to greatly increase SSE's ROI if it focuses on becoming a truly inclusive workplace that goes beyond gender-specific initiatives. The analysis found that SSE could expect to generate up to a £15 ROI with a more strategic approach to investment in I&D."

BHP discussed its goal to be come have a gender balance across BHP globally by 2025. It also described the role of the CEO in overseeing the delivery of this target.

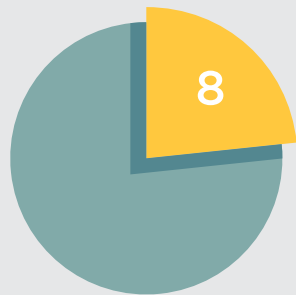
"Progress on our goal of gender balance will be reported to the Board each year for review. The commercial case for action on gender balance is compelling. For the past three years, BHP's most inclusive and gender diverse operations have outperformed our average on a range of measures, including lower injury rates, adherence to work plans and meeting production targets."

Our CEO, Andrew Mackenzie, chairs the Global Inclusion and Diversity Council that has recommended four priorities: embedding flexible working; enabling our supply chain partners to support our commitment to inclusion and diversity; uncovering and taking steps to mitigate potential bias in our systems, behaviours, policies and processes; and ensuring our brand and industry are attractive to a diverse range of people."

Worker Voice and Representation

Increasing worker voice and representation is linked to positive corporate performance,³⁸ helping to align the culture and values of the business with its workforce. Feedback from engagement surveys and dialogue through formal participation mechanisms provide employers and their staff with an important opportunity to shape workforce practices together. Participation can enable workers to have their say on conditions of work and influence the business decisions that affect them, thus improving their overall experience and satisfaction.

Use employee engagement survey results to inform workforce management. Disclose survey results and any follow up actions that have been taken



Just over half of disclosing companies provided the participation rate for employee surveys but only eight gave examples of how the company had responded to the results.

The majority of companies restated commitments to invest in employees or described employee engagement programmes without making a link to their results. Two companies provided examples of how the actions the company had implemented improved employee engagement.

Based on the disclosures, companies do not appear to be using employee engagement data to deliver improvements for employees and to inform workforce strategies that can have benefits for the business.³⁹

Explain how the company supports and engages with formal worker mechanisms such as worker representation on boards, worker councils and collective bargaining agreements and union representation

Of the 34 responding companies, eight described formal representation mechanisms such as European Works Councils, trade unions, or employee forums to enable employees to enter dialogue with senior management and influence decisions. Three companies described consultation with unions on issues such as changes to the company strategy, company re-structuring, outsourcing, redundancies or changes to pay and benefits.

Most of the other 26 companies gave examples such as ad hoc consultations, suggestions schemes, employee engagement surveys or wellbeing programmes that, while valuable tools, do not provide employees and workers with opportunities to enter into formal dialogue with management.

Report the outcomes of these mechanisms

Few companies gave an example of how engagement through these mechanisms had influenced decisions in the organisation, although one company said it would consider disclosing this information in the future. Examples of outcomes included the introduction of new uniforms and safety equipment for female workers and a reduction in energy use, however no company referred to outcomes relating to strategic priorities or more fundamental workers' rights.

Examples of Good Practice for Responding to Engagement survey results

British American Tobacco provided three examples of how the company had responded to the results of the engagement surveys.

In one example, the company noted that the results of the engagement survey identified a need "to improve discipline, simplicity and communication" in relation to their management of employee talent and performance. The example described the changes the company had made and the subsequent improvements in engagement scores.

"These actions have led to positive results which can be seen in the 2017 Your Voice vs 2014 in areas such as Leadership and Strategy (+ 13% vs 2014), Communication (+12% vs 2014), Diversity (+15% vs 2014) and Talent Development (+10 % vs 2014).

There were also additional benefits with increases in representation of women in senior management and a decrease in voluntary turnover rates over the previous three years."

RBS described the action they had taken to address employee wellbeing.

"Our employee surveys found that people were demonstrating high levels of stress and poor resilience as a result of constant internal and external pressures. Consequently, "Pride" scored low in our surveys and we realised just how much we needed to improve the care we showed our people.

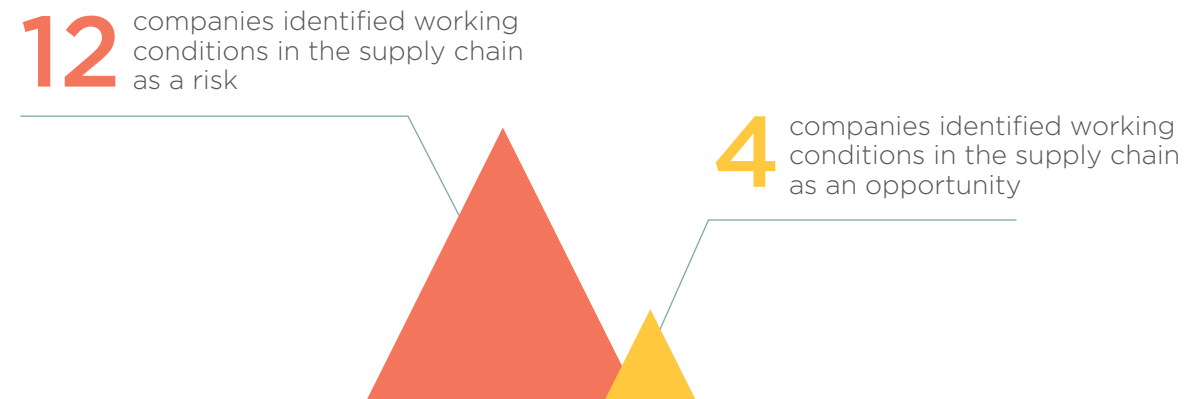
With full senior executive support we've rolled out our wellbeing programme across three main pillars; Physical, Mental and Social with work now underway on Financial wellbeing. Our wellbeing engagement scores in Our View have increased by 13 points over the last four years and we will continue to build our wellbeing programme by offering support, resources, personal stories and engaging tools."



SUPPLY CHAIN

The most common material issues identified by companies in their supply chain were employment conditions – specifically relating to Wages and Working hours, and Recruitment Practices and Modern Slavery. Given its significance as a cross cutting issue, this section also considers Gender and Discrimination in the supply chain – which was identified by a small number of companies as a material issue.

Employment conditions: Wages and Working hours



Employment conditions, specifically in relation to wages and working hours was the most common material issue.

Workers in insecure employment, without agreed contracts, hours and decent pay are at risk of exploitative labour practices. In many cases this contributes to in-work poverty where workers' incomes are insufficient to cover basic needs. This can also have damaging reputational consequences for sourcing companies and in some cases lead to quality deterioration due to disengaged workers and operational disruptions as a result of worker unrest. Improving the quality of jobs for supply chain workers has been shown to increase worker motivation and retention, and in turn lead to higher productivity and profitability for companies.⁴⁰

More than 450 million people work in jobs related to global supply chains.⁴¹ When combined with these workers' families, the number of individuals directly affected by wage-setting in global value chains rises to 2 billion. Less than 10% of ordinary workers in the supply chains of global companies are believed to earn a living wage.⁴²

State explicitly what policy commitments or supplier codes of conduct on living wages and working hours mean in practice

This requires using a credible definition of the living wage and a reasonable upper limit for working hours and explaining how these are being implemented in the supply chain.

Although 21 companies said they engage with suppliers on the living wage, few gave any further information on what this concepts mean in practice, how they are calculated and implemented.

Most companies also use the ILO's guidelines on working hours which in practice are often used by suppliers as a baseline rather than an upper limit. Companies that use these guidelines should consider that as suppliers aim to retain contracts with companies, non-compliance is often routinely under-reported, such that no party takes responsibility for decent working conditions for workers.

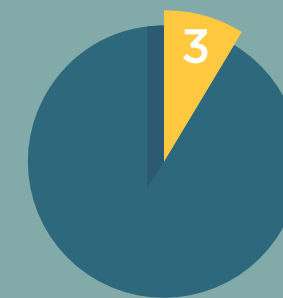
Be explicit about the drivers of excessive hours in the supply chain and where workers are most at risk of in-work poverty

Within their disclosures, few companies demonstrated an awareness of the link between company purchasing practices and employment practices in the supply chain, nor the link between excessive overtime and low wages.

It is essential that companies assess the risks of low wages in the supply chain and develop strategies to address these risks. Companies should be open about these risks and their efforts to tackle them. This requires ensuring that sourcing strategies take into account which countries have an adequate and properly enforced minimum wage¹ and also requires going beyond compliance mechanisms to recognise the commercial pressures companies may be placing on their suppliers and the need for long term commitments and collaboration with key suppliers.⁴³

Purchasing practices that drive a 'race to the bottom' provide a destabilising environment for good labour standards in the supply chain. In a 2017 ILO-ETI survey of purchasing practices, 29% of suppliers said that buyers' purchasing practices were likely to result in their workers having to accept wages below the cost of living. 40% of suppliers said that they were likely to subcontract orders to other companies because of low order prices.⁴⁴

Report how the company is selecting and incentivising suppliers that demonstrate a commitment to good labour standards and engaging with them directly



Although 31 companies said they engaged with suppliers on wages, only three provided examples of how their engagement had resulted in improvements to workers' wages.

One company described direct engagement with suppliers following the audit process, which helped to identify the root causes of low wages and enabled the company to take actions that led to an increased income for some of its supply chain workers. For the other two companies, improved wages were a result of their voluntary accreditation as a Living Wage employer based on the UK scheme.

The UK's Living Wage accreditation scheme appears to be a very useful tool for companies with UK-based workforces to support suppliers to pay the living wage. Companies familiar with the scheme demonstrated a good understanding of the gap between a minimum wage and a living wage.

No company provided examples of how working hours had reduced as a result of their actions or engagement with suppliers.

In many cases, companies rely on codes of conduct or audit processes to ensure adequate wages are paid. Such an approach transfers the obligation to deliver wage improvements to the supplier, which in turn requires support and long term commitment from the sourcing company.

Living Wages

A statutory minimum wage is established in more than 90 per cent of ILO member states. It should meet the basic needs of workers and their families and therefore be a 'living wage'. However, minimum wages are often established at a low level, and may not be revised regularly, for a range of political, social or economic reasons. In addition, many minimum wage laws are poorly enforced, workers often lack the power to assert their rights in law, much less bargain for better terms and conditions, and there is widespread acceptance that auditors can miss cases of non-compliance.

Minimum wages are therefore not an adequate proxy for a living wage: which means wages paid by an employer in the supply chain can be compliant with national legislation but fall well short of meeting the most basic needs of workers and their families.

There is now an emerging body of research to determine benchmarks of a living wage around the world.

For example, in response to growing interest in global Living Wages, in 2015 the Association of Chartered Certified Accountants (ACCA) and the Living Wage Foundation undertook a major consultation exercise with participants from civil society, business and governments around the world to explore the concept of an international Living Wage. The results were published in 2017 along with a number of principles designed to help develop common approaches and support take-up of the Living Wage globally.⁴⁵

Be open about the challenges of improving employment conditions in the supply chain

Some companies were open about areas where their understanding could be improved: one company acknowledged the challenges of monitoring overtime in the supply chain, another acknowledged the causes of overtime and outlined work it was currently undertaking with its suppliers to manage this. One company was interested in hearing how its peers approached the issue to inform its own process going forwards.

Companies can show leadership in this area by being upfront about the gaps in their understanding, the unique challenges in their supply chain and their action plans and progress.

i) Guides to the quality of countries' governance of labour rights include the International Trade Union Confederation's Global Right Index: www.ituc-csi.org/ituc-global-rights-index-2017 and Oxfam's Commitment to Reducing Inequality Index 2017: policy-practice.oxfam.org.uk/publications/the-commitment-to-reducing-inequality-index-a-new-global-ranking-of-governments-620316

CASE STUDY – MYANMAR GARMENT SECTOR

As one of the world’s fastest growing economies, Myanmar is of significant interest to investors.⁴⁶ With young, cheap, and plentiful labour as well as favourable export conditions, the Myanmar garment sector has experienced rapid growth. The International Labour Organization (ILO) estimates that the garment sector employs 738,000 workers.⁴⁷ By 2024, it is predicted that 1.5 million workers will produce garments for an increasing number of international brands.⁴⁸

For most garment workers, investment from overseas has not yet translated into decent working conditions. Low wages and excessive overtime are key issues. Together they create precarious employment conditions for the predominantly female workforce.⁴⁹

In 2015, Myanmar established a daily minimum wage of 3600 Myanmar Kyats, (approx. \$2.60), an increase of 60 cents per day on the previous rate. With a working week of six days, the average garment worker earns approximately \$16 a week.

The minimum wage law is an important sign of progress. But manufacturers often struggle to comply with it. Manufacturers say international brands are asking them to abide by laws in a context in which it is impossible to do so, given the low piece rate paid. One told ethical trade consultancy Impactt: “We are being asked for gold and being paid in bronze.” Another said: “It feels like we are trapped in a cellar and the water is rising.”

As a result, factories often hire workers on probation, or as interns, for their first three months. Employers are allowed to pay workers less than the minimum wage for that period.⁵⁰ Workers report that employers terminate these contracts after three to sometimes six months so they can hire new, cheaper labour. This results in a high turnover of workers, which impacts on production quality, and means factory personnel are distracted by constant recruitment.

This is a demonstration of the challenges involved in translating improved legal frameworks and commitments from multinational companies into better conditions for workers.

Myanmar has experienced a number of recent strikes by workers at factories. These strikes can seriously delay production, especially if workers destroy factory equipment, leading to additional financial losses for factories and further delays.

Sandar is a former garment worker and labour rights activist: “There were huge demonstrations about the minimum wage in many factories,” Sandar says. “When the government finally set the minimum wage in September 2015, my factory refused to pay because the wage was too high for the owners. This led to [a] demonstration. In the end, the factory had to close down.”

A dispute in February 2017⁵¹ resulted in a factory supplying international retailers being closed for weeks. The dispute was due to workers demanding better pay and conditions.

Factory owners and associations are aware of these risks and some try to provide much-needed training on Human Resource Management, technical skills and compliance. But the lack of management skills remains a key issue.

“

To support the garment industry in Myanmar to become sustainable and competitive, buyers need to engage closely with their suppliers and with local stakeholders

”

– SUSTAINABILITY MANAGER AT A LEADING FASHION RETAILER.

International companies sourcing from Myanmar and other developing countries need to understand the conditions faced by people working in their supply chains. They should use their influence with factories to improve these conditions. As a factory representative told Oxfam: “I would be happy if buyers came and said: ‘We have a partnership, I’m willing to invest my knowledge and technical supervision into this factory.’”

There is a need for a more transparent system of value distribution in the supply chain, based on how much it costs to comply with labour laws. A minimum piece rate per garment should be established, which sourcing companies should commit to paying.

Myanmar’s garment industry stands at a crossroads. Garment jobs have the potential to enable workers to develop their skills, work their way out of poverty and support their families.

From here Myanmar can follow its current course, a trajectory similar to that of Bangladesh, where the terrible collapse of Rana Plaza in 2013 was a stark reminder of the risks faced daily by its four million garment workers and to the reputation of brands and retailers. Or it can chart a ‘higher road’ course, characterised by investment in professional Human Resource Management and a workforce of workers that are aware of their rights, motivated, equipped to produce good quality products. Investors and companies participating in the WDI can help to help make this possible.

“

The price that people in Europe pay for one piece I make can cover the daily wage of several workers in my factory. I want you to know that it’s made by people who don’t receive fair pay

”

– ZAW MIN, 25 YEAR-OLD GARMENT WORKER.



Examples of Good Practice

SSE has extended the commitment to pay the voluntary Living Wage standard to its UK supply chain.

“In 2014 SSE began to implement a ‘Living Wage Clause’ into its service and works contracts which has so far impacted around 720 workers who have worked regularly on SSE’s sites. However, in 2016/17 it was highlighted that some of our regular contracted workers were not receiving the Living Wage due to the fact they were not based at one of SSE’s sites... SSE took the decision to extend the Living Wage commitment in its supply chain... from 1 April 2017, every new contract will include a requirement to ensure that everyone UK-based providing regular services to SSE’s customers will receive the Living Wage... By 2020, when all of SSE’s contracts are expected to contain the Living Wage Clause, approximately 800 full-time workers will have received a salary increase around five times more than SSE’s direct employees who benefitted from the pay rise in April 2015.”



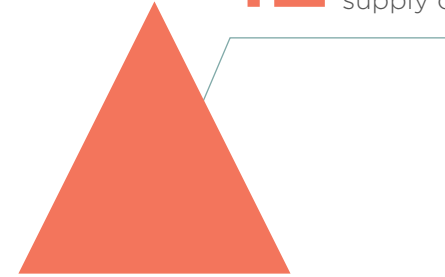
Examples of Good Practice on Engaging Directly with Suppliers

Unilever outlined their approach to continuous engagement with suppliers to support them to improve wage practices, that went beyond simply compliance with Unilever’s Mandatory Requirements for suppliers.

“Beyond Mandatory Requirements, suppliers are assisted to move up a continuous improvement ladder to achieve Good and Best Practice within a reasonable timeframe. With regards to fair wages, this includes implementing a living wage approach to fair compensation which encompasses a system to periodically assess that wages are sufficient to meet the basic needs of the worker and to provide some discretionary income.”

Recruitment Practices and Modern Slavery

12 companies identified working conditions in the supply chain as a risk



The second most common material issue was recruitment practices and modern slavery.

Recruitment practices are an important indicator of modern slavery risks in a company's workforce. These risks can be present across the value chain but can be most severe in a company's supply chain where the recruitment practices of suppliers and their subcontractors may be hidden.

Be explicit about the links between recruitment practices and modern slavery

In some cases, companies are not making the connection between recruitment practices and modern slavery risks.

One company, despite identifying a breach of modern slavery legislation as a top risk, did not provide information about how it monitored recruitment practices. The company said it did not think the information was of any benefit. Another company said it did not want to interfere in the recruitment practices of its suppliers.

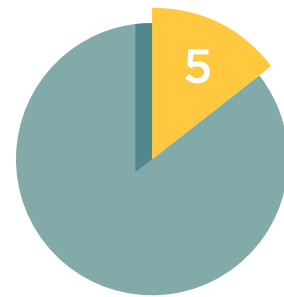
The more complete responses came from companies who made the link between recruitment practices and modern slavery - many of whom were subject to the UK Modern Slavery Act. However, despite the increased political and investor focus on modern slavery risks, 16 companies did not provide a response to this question.

Collect and report gendered data on recruitment practices for parts of the supply chain most at risk of unscrupulous practices

17 companies said they monitored recruitment practices in their critical supply chain. Most of these companies said information was collected through audits and third-party assessments.

The more complete responses were explicit about needing to carry out more work in this area.

Recruitment data should also account for the fact that women tend to be in more precarious and lower paid roles and are more at risk from modern slavery.



Only five companies said the information they collected included gender-disaggregated data.

Explain how this information is used to address poor recruitment practices

Most companies rely on audit processes to collect recruitment data and identify modern slavery risks in their supply chain. As stated above with regards low wages, companies could go beyond collating data to demonstrate how the company uses this information to address poor recruitment practices and mitigate modern slavery risks. This could include adoption of the Employer Pays principle⁵² and an effort to demonstrate its impact.

When companies disclose information of this nature it demonstrates meaningful engagement with modern slavery risk, beyond simply viewing it as an issue of compliance.

Examples of Good Practice on Monitoring Recruitment Practices

Burberry were one of the few companies that described the information it collects on recruitment practices.

"As part of its ethical trading audit programme, Burberry monitors the recruitment practices of its finished goods factories and critical raw materials suppliers, including their use of agencies, payment of recruitment fees and the process used for checking identity documents. Burberry collects information on recruitment processes and suppliers' service contracts with recruitment agencies, and reviews the recruitment agencies' practices for hiring workers. In relation to migrant workers, Burberry has a Migrant Worker Policy, which sets out standards for suppliers to follow in relation to the recruitment of, provisions made for, and treatment of migrant workers by the employer."

Sainsbury's said it was focusing on areas of their supply chain most at risk of modern slavery.

"We also know that workers recruited through labour brokers and migrant workers are particularly vulnerable and therefore have also focused our efforts on these areas to date. In addition to workers recruited through agencies, we have identified migrant workers as another vulnerable group and actively participate in a range of initiatives and supplier forums, with other retailers and stakeholders, to help improve recruitment practices and working conditions."

The company also provides case studies of changes that have been made to supplier practices, for example, *"in one case the application of mandatory fees for migrant workers was identified through a third-party social audit at one of our fresh vegetable suppliers. Together, we investigated the application of mandatory travel and health insurance as a condition of work by the labour provider. This business, one of the largest labour providers into the UK food industry, amended its policy on mandatory fees following our direct engagement."*⁵³

Gender and Discrimination



Companies may wish to integrate gender into their management of all material workforce issues. This is particularly relevant in the supply chain, given that female workers are often disproportionately impacted by low wages, excessive working hours and exploitative recruitment practices. These impacts are often a result of discriminatory practices and are compounded by the under-reporting of human rights abuses such as discrimination and sexual harassment in social audits.⁵⁵ Having a greater awareness of the gender balance at different seniority levels can help to identify potential human rights risks, whilst maximising the potential business and macro-economic benefits of closing gender gaps along the value chain.⁵⁶ While not easy, companies from all sectors can do more to actively engage with the gender balance of their supply chain.

Only 1% of ‘non-compliances’ typically found in an audit relate to discrimination, based on a recent study and the human rights report of a UK retailer.⁵⁷

“Auditors would have us believe that there are no problems with gender discrimination in at least 99% of workplaces, despite the fact that women tend to be clustered in the lowest paid, least secure jobs.” Professor Stephanie Barrientos, Manchester University.⁵⁸

*Action in this area need not be confined to core operations. Companies can encourage change through their relationships with suppliers and distributors, spreading a gender-neutral business model throughout the supply chain. US retailer Walmart has deliberately increased its sourcing from businesses owned by women in the belief that empowering women will make the company more successful. Even more broadly, firms can be powerful voices helping to drive social change.*⁵⁴

Collect gender data on the supply chain

Few companies provided gender data for their supply chain workforce – a first step in understanding the gender challenges in the company's supply chain.



23 companies said they did not collect gender data with most companies saying that information was unavailable or not recorded.

Three companies suggested they would collect gender data in the future. A further four companies said they collected some gender data but did not aggregate it.

Data collected on seniority levels can help to identify where companies need to work more closely with suppliers, for example, to increase the number of women in senior roles and identify which suppliers should be rewarded for efforts to improve gender equality in the workplace.

While there is clearly a challenge around the collection of gender data, companies can overcome this by specifically requesting gender data as part of their request for information during the supplier on-boarding process. Companies need not collect data across their entire supply chain, but could do so where the risks of gender discrimination are most severe. Companies with highly changeable supplier bases may look to record the gender split of the supplier overall, rather than the gender composition of those workers hired for their specific contract

Set out the company's approach to gender issues in the company's supply chain. This should include tackling gender discrimination in the supply chain

Policies are an important first step on gender equality, but not the whole picture. While most disclosing companies had policy commitments on gender equality and discrimination in the supply chain, less information was provided on how these policies were being implemented.

Companies could set out their gender challenges in the supply chain and provide information on actions and targets to address diversity, discrimination and empowerment in the workforce.

Echoing responses in the direct operations, no company explicitly recognised the risk of gender discrimination or described any actions to tackle this. Many companies referred to gender in relation to the benefits of diversity; far fewer in relation to the risks of discrimination in their supply chain. Companies which did refer to gender discrimination as a risk tended to put the onus to address gender discrimination on suppliers to comply with supplier codes and eliminate discriminatory practices.

Three companies raised women's empowerment as an opportunity in their supply chain although they did not provide any evidence of support to suppliers through training or capacity building interventions. One company explicitly referred to gender as part of a wider programme of training it provides to suppliers. Given the scale of their supply chains, companies have a significant ability to address gender discrimination and advance women's positions in the workplace.

REGULATORY DRIVERS OF WORKFORCE DISCLOSURE

Response rates varied by geography and while heavily weighted by the sample size, there are likely to be a number of other factors influencing response rates. One of these may be the different regulatory contexts and corporate governance requirements of the pilot year companies.

Low response rates in both the US and Canada may be due in part to the less developed regulatory requirements for collection and disclosure of workforce data. With the exception of certain federally-regulated industries like banks and telecommunications, Canadian firms face relatively few requirements to collect and disclose workforce-specific data, and although US firms are now being required to disclose CEO-worker pay ratios (as of 2018), there are few other workforce-related requirements for listed companies.ⁱ

Meanwhile, emerging legislation (particularly in the UK and Europe but increasingly in other parts of the world⁵⁹) suggests that companies will face increased scrutiny over workforce practices and public disclosures in the future.

In the UK, companies are required to publish information under the Gender Pay Gap legislation and emerging legislative requirements under the Corporate Governance Code will require companies to “take into account the views of the workforce.”⁶⁰ The current consultations on the Government’s ‘Good work’ plan suggest that policymakers will continue to expect more corporate disclosure transparency on a range of workforce issues. In the future, the Government says it will also consider “a new requirement on companies to publish a ‘People Report’.”⁶¹

In the pilot year of the survey - sent to companies in advance of the Government deadline for reporting - seven companies provided gender pay gap data, five of which were UK-listed companies. However, of these, just three companies explained reasons for their gender pay gaps (as per the requirements of the legislation).⁶²

The European Non-Financial Directive also requires companies to improve their non-financial disclosures on among other areas, employee and social matters and respect for human rights, and is being transposed into national law in countries across the European Economic Area.⁶³

The UK’s Modern Slavery Act, France’s Duty of Care Law,⁶⁴ and the Netherlands’ child labour due diligence law,⁶⁵ require companies to look beyond their own operations and address supply chain risks as a strategic issue. Globally, there is also a move to adopt similar legislation in Australia, Canada and the USA.⁶⁶

However, as seen with the UK’s Modern Slavery Act and initial analysis of Gender Pay Gap reporting, weak enforcement and lack of clarity can potentially undermine efforts to tackle the root causes that these requirements aim to address. There is clearly scope for companies to adopt more progressive approaches to the collection and meaningful disclosure of workforce information. The WDI can be a tool in that journey.

CONCLUSION AND NEXT STEPS

The WDI pilot year has demonstrated that there are clear signs of leadership whilst also exposing a number of gaps in companies’ workforce disclosure.

By participating in this pilot year, companies have demonstrated a willingness to improve and develop their approach to the workforce. Disclosing companies – and many non-disclosing companies – gave feedback on the process and this will enable the survey to be refined in year two. More than half of companies invited to participate engaged with the pilot year process.

The pilot year disclosures also indicated some weaknesses in companies’ workforce practices. Investors are encouraged to take an interest in disclosures relating to governance and risk management processes, particularly as they shine a light on how companies identify and manage material issues. Where material issues are identified, companies should aim to provide more information in future, for example with data on key indicators and with supporting narratives.

The pilot process has also shown that there are challenges to companies obtaining and reporting workforce data. These challenges can be categorised broadly as: a) internal and external coordination of data collection; and b) sensitivities around sharing information in the public domain.

The findings of the first WDI survey also support existing analysis in two important areas that will influence the future development of the project. Firstly, the pilot year data suggest companies

collect far more workforce data than they currently disclose publicly.⁶⁷ Secondly, the data also shows that there are potential trade-offs between: a) providing consistent and comparable quantitative data that is easier for investors to use; and b) the need to assess disclosures against a set of core standards to determine if working conditions and wages are really improving and workers’ rights are being upheld and promoted.⁶⁸

These are important learnings that will be explored in more detail and applied as the WDI enters year two.

Given increased scrutiny of companies’ social impact and the growing public and political interest in the treatment of workers, calls for greater transparency on workforce practices are likely to become louder and more frequent. The pilot process has reinforced the need to improve the quality of data that companies disclose in order to meet this demand. Disclosure itself can also help to drive improvements that deliver benefits for both people and business.

The WDI pilot year is a positive and encouraging starting point. In the coming years, a key measure of success will be in companies not just disclosing more data but in showing an evolution in their approach to workforce management and improved outcomes as a result. The WDI sees data transparency as a vital step to ensuring that investors and business leaders have the information they need to prioritise, develop and maximise one of their most important assets: their workforce.

i) See Human Capital Management Coalition Rule-Making Petition to the SEC, July 6, 2017, page 11: www.sec.gov/rules/petitions/2017/petn4-711.pdf

RESOURCES FOR COMPANIES

Human Rights Due Diligence and Impact Assessment

The United Nations Guiding Principles on Business and Human Rights (UNGPs) set out the responsibility of companies to respect these rights, and victims' right to remedy, together with operational principles for human rights due diligence and impact assessments

www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

SHIFT's UNGP Reporting Framework provides companies with guidance on managing and reporting human rights risks

www.shiftproject.org/resources/publications/un-guiding-principles-reporting-framework/

Direct Operations

A publication by the Chartered Institute for Professional Development (CIPD) on human capital reporting illustrates key concepts for effective human resources management including internal and external reporting of workforce data www.cipd.co.uk/knowledge/strategy/analytics/human-capital-analytics-report

CIPD's Risk and Opportunity reporting framework provides a methodology for engaging boards and business stakeholders on material human capital and workforce risks (Forthcoming May 2018)

Modern Slavery

Guide by CORE Coalition on weak and notable practice, and mini guides for companies to manage and identify the risks of modern slavery

corporate-responsibility.org/mini-briefings-modern-slavery/

Living Wages

Living Wage Foundation, Living Wages: Core Principles and Global Perspectives www.livingwage.org.uk/sites/default/files/pi-living-wage-core-principles%20final%20draft_O_O.pdf

Joint ETI's (2015) Living wages in global supply chains: a new agenda for business www.ethicaltrade.org/resources/living-wages-in-global-supply-chains-new-agenda-business

Oxfam (2014) Steps towards a living wage in global supply chains policy-practice.oxfam.org.uk/publications/steps-towards-a-living-wage-in-global-supply-chains-336623



APPENDIX

List of companies invited to participate in the pilot year

Disclosing companies are shown in bold

Company	Listing	GICS Sector	GICS Industry				
Burberry	FTSE	Consumer Discretionary	Textiles, Apparel and Luxury Goods	Royal Bank of Canada	TSX	Financials	Banks
Canadian Tire Corporation	TSX	Consumer Discretionary	Multiline Retail	Royal Bank of Scotland	FTSE 50	Financials	Banks
Carnival	FTSE 50	Consumer Discretionary	Hotels, Restaurants and Leisure	Standard Chartered	FTSE 50	Financials	Banks
Carrefour	Euronext	Consumer Discretionary	Multiline Retail	Shire	FTSE 50	Healthcare	Biotechnology
Compass Group	FTSE 50	Consumer Discretionary	Hotels, Restaurants and Leisure	AstraZeneca	FTSE 50	Healthcare	Pharmaceuticals
Gap	NYSE	Consumer Discretionary	Textiles, Apparel and Luxury Goods	Glaxosmithkline	FTSE 50	Healthcare	Pharmaceuticals
H & M	NASDAQ Stockholm	Consumer Discretionary	Textiles, Apparel and Luxury Goods	Smith and Nephew	FTSE 50	Healthcare	Health Care Equipment & Supplies
Inditex	BMAD	Consumer Discretionary	Textiles, Apparel and Luxury Goods	BAE Systems	FTSE 50	Industrials	Aerospace and Defence
Intercontinental Hotels Group	FTSE 50	Consumer Discretionary	Hotels, Restaurants and Leisure	Canadian National Railway	TSX	Industrials	Road and Rail
International Consolidated Airlines Group	FTSE 50	Consumer Discretionary	Hotels, Restaurants and Leisure	Daikin	TSE	Industrials	Electrical Equipment
Marks and Spencer	FTSE	Consumer Discretionary	Multiline Retail	Experian	FTSE 50	Industrials	Professional Services
Magna International	TSX	Consumer Discretionary	Auto Components	General Electric	NYSE	Industrials	Electrical Equipment
Next	FTSE 50	Consumer Discretionary	Textiles, Apparel and Luxury Goods	Rolls Royce Holdings	FTSE 50	Industrials	Aerospace and Defence
Nike	NYSE	Consumer Discretionary	Textiles, Apparel and Luxury Goods	Vinci	Euronext	Industrials	Construction and Engineering
Relx	FTSE 50	Consumer Discretionary	Media	Ferguson Plc	FTSE 50	Industrials	Trading Companies and Distributors
Sky	FTSE 50	Consumer Discretionary	Media	Apple	NASDAQ	Information Technology	Technology Hardware, Storage and Peripherals
WPP	FTSE 50	Consumer Discretionary	Media	Microsoft	NASDAQ	Information Technology	Software
Alimentation Couche-Tard	TSX	Consumer Staples	Food and Staples Retailing	Sony	Tokyo	Information Technology	Technology Hardware, Storage & Peripherals
Associated British Foods	FTSE 50	Consumer Staples	Food Products	Alphabet	NASDAQ	Information Technology	Internet Software & Services
British American Tobacco	FTSE 50	Consumer Staples	Tobacco	Anglo American	FTSE 50	Materials	Metals and mining
Diageo	FTSE 50	Consumer Staples	Food Products	Barrick Gold	TSX	Materials	Metals and mining
Imperial Brands	FTSE 50	Consumer Staples	Tobacco	BHP	FTSE 50	Materials	Metals and mining
L’Oreal Group	STOXX	Consumer Staples	Personal products	CRH	FTSE 50	Materials	Construction Materials
Loblaw Companies	TSX	Consumer Staples	Food & Staples Retailing	Fresnillo	FTSE 50	Materials	Metals & Mining
Nestle	STOXX	Consumer Staples	Food Products	Glencore	FTSE 50	Materials	Metals & Mining
Proctor and Gamble	NYSE	Consumer Staples	Household Products	LafargeHolcim	Six/Euronext	Materials	Construction Materials
Reckitt Benckiser Group	FTSE 50	Consumer Staples	Household Products	Mondi	FTSE 50	Materials	Containers and Packaging
Sainsbury’s	FTSE	Consumer Staples	Food and Staples Retailing	Rio Tinto	FTSE 50	Materials	Metals and mining
Tesco	FTSE 50	Consumer Staples	Food & Staples Retailing	Saint Gobain	Euronext	Materials	Construction Materials
Unilever	FTSE 50	Consumer Staples	Food Products	British Land	FTSE 50	Real Estate	Equity Real Estate Investment Trusts (REITs)
Walmart	NYSE	Consumer Staples	Food & Staples Retailing	Brookfield Asset Management	TSX	Real Estate	Equity Real Estate Investment Trusts (REITs)
BP	FTSE 50	Energy	Oil, Gas & Consumable Fuels	Land Securities Group	FTSE 50	Real Estate	Equity Real Estate Investment Trusts (REITs)
Royal Dutch Shell	FTSE 50	Energy	Oil, Gas & Consumable Fuels	BCE Inc.	TSX	Telecommunication Services	Wireless Telecommunication Services
Suncor Energy	TSX	Energy	Oil, Gas & Consumable Fuels	BT Group	FTSE 50	Telecommunication Services	Diversified Telecommunication Services
Barclays	FTSE 50	Financials	Banks	China Mobile	HK	Telecommunication Services	Diversified Telecommunication Services
HSBC	FTSE 50	Financials	Banks	Vodafone	FTSE 50	Telecommunication Services	Diversified Telecommunication Services
Lloyds Banking Group	FTSE 50	Financials	Banks	Centrica	FTSE 50	Utilities	Multi-Utilities
				National Grid	FTSE 50	Utilities	Multi-Utilities
				SSE	FTSE 50	Utilities	Multi-Utilities

Summary of pilot year survey questions

1 Organisational Structure

1.1 Overview of company – direct operations and supply chain

- a. Name of company;
- b. HQ;
- c. website;
- d. business activities by revenues;
- e. reporting period;
- f. legal entities

1.2 Structure and location of direct operations

- a. Number of employees by location

1.3 Structure and location of supply chain

- a. Describe the structure and complexity of the company's entire supply chain
- b. How does the company define what constitutes its Critical suppliers;
- c. Provide number and locations for company's critical suppliers (Tier 1, Non-Tier 1);
- d. Provide the estimated total number of workers by supplier type (Tier 1, Non-Tier 1)

2 Governance of Workforce Issues

2.1 Board oversight of workforce

- a. Do any executive and/or non-Executive directors have responsibility for the company's workforce? Give information for the direct operations and supply chain;
- b. Indicate if the company has policies in the following areas for the direct operations and supply chain (Pay, Working Hours, Recruitment practices, Equality and diversity, Training and development, Occupational health and safety, Health and wellbeing, Discrimination and harassment, Freedom of Association/collective bargaining, Whistleblowing);
- c. Are there any Board level KPIs to measure the effectiveness in overseeing these policies;
- d. Has the company carried out a Human Rights Impact Assessment. Give details on the scope and outcomes. Did the HRIA address gender and vulnerable groups?.

2.2 Risks and Opportunities: Direct Operations and 2.3 Risks and Opportunities: Supply Chain

- a. Does the company have a process for identifying and prioritising workforce risks and opportunities in the company's direct operations/supply chain?

b. Please identify the top 3 key workforce risks relating to direct operations/supply chain and explain how they have the potential to impact your business operations, revenue, expenditure.

c. Please identify the top 3 workforce opportunities relating to the direct operations/supply chain and explain how they have the potential to impact your business operations, revenue or expenditure.

d. Please explain how the identified risks and opportunities are integrated into the company's overall business strategy/sourcing strategy?

3 Workforce composition

Direct Operations

3.1 Gender composition a. Provide the percentage of total employees by gender and at each level of seniority.

3.2 Contract types a. Provide the estimated number of employees by permanent/fixed term, temporary and non-guaranteed/short hours contracts.

3.3 Wage levels a. Provide the percentage of employees whose basic salary is based on the minimum wage. Does the company pay the Living Wage or make commitments towards it?

3.4 Pay ratios

- a. Provide the pay ratio between highest and median pay;
- b. Provide the company's average gender pay gap;
- c. Provide the percentage of male/female in each quartile of the company's pay structure;
- d. Explain reasons for the results and any actions the company is taking to reduce a gender pay gap.

Supply Chain

3.5 Gender composition a. Does the company collect data on the percentage of total supply chain workers by gender for each supplier type? Please provide estimated figures for the critical supply chain (Tier 1, Non-Tier 1)

3.6 Wage levels a. Does the company engage with critical suppliers on the living wage? Provide details on the engagement process; does the company engage with suppliers on workers' wages?

3.7 Working hours a. How does the company ensure that all overtime is voluntary and paid at the correct rate for workers in its critical supply chain?

4 Workforce stability

Direct Operations

4.1 Turnover

- a. Provide employee turnover rates by seniority level

Supply Chain

4.2 Supplier turnover a. Provide the average length of the relationship with critical suppliers.

4.3 Supplier recruitment practices

- a. Does the company monitor the recruitment practices of its Critical suppliers such as the use of agencies, payment of recruitment fees, or retention of identify documents? What information is collected and how is it used?

5 Workforce development

Direct operations

5.1 Training and skills development

- a. How does the company ensure its employees are trained and developed to meet the objectives of the company's overall business strategy?
- b. Provide the average number of hours of training and development received by an employee by gender and seniority.

5.2 Progression – internal hire rates

- a. Provide the proportion of internal hires by gender and seniority.

Supply Chain

5.3 Training programmes for suppliers

- a. Does the company provide training and capacity building to critical suppliers? How does it monitor supplier progress?

6 Workforce wellbeing and engagement

Direct operations

6.1 Occupational health and safety a. Provide data for injury rates, absentee rates and work related fatalities and any additional metrics the company reports.

6.2 Effectiveness of grievance mechanisms a. Does the company have a grievance mechanism to provide employees with access to remedy that meets the United Nations Guiding Principles on Business and Human Rights criteria? Provide the number of grievances raised and resolved in the reporting period.

6.3 Discrimination and harassment a. Provide the number of incidents raised and resolved in the reporting period.

6.4 Whistleblowing a. Provide the number of whistleblowing incidents in the reporting period.

6.5 Freedom of association and collective bargaining

- a. Provide the proportion of employees covered by collective bargaining agreements across the company and by location.

6.6 Employee engagement

- a. Provide the proportion of employees who participated in the company engagement survey(s);
- b. Provide at least 3 examples of how the company responded to the results of the engagement survey(s);
- c. Provide at least 3 examples of how employees below senior management level have participated and influenced company decision making processes in the reporting period.

Supply Chain

6.7 Occupational health and safety a. Does the company monitor OH&S for its Critical suppliers? How does it use this information?

6.8 Effectiveness of grievance mechanisms a. How does the company ensure that its critical suppliers' workforces are aware of and have access to the company's grievance mechanism procedure?

6.9 Freedom of association and collective bargaining

- a. Does the company carry out due diligence on freedom of association and collective bargaining?;
- b. Provide the estimated proportion of critical suppliers who have collective bargaining agreements in place, by location.

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ShareAction (Fairshare Educational Foundation) is a registered charity that promotes responsible investment practices by pension providers and fund managers. ShareAction believes that responsible investment helps to safeguard investments as well as securing environmental and social benefits.

About the Workforce Disclosure Initiative

ShareAction coordinates the WDI in collaboration with Oxfam and SHARE, and with input from Lake Advisory. The WDI is made possible thanks to the financial support of UK aid from the Department for International Development. For the list of investor signatories, pilot year survey methodology and full set of questions sent to companies in 2017, please visit: shareaction.org/wdi

Acknowledgements

This report was written by the Workforce Disclosure Initiative team and project partners Oxfam and SHARE, with the process led by ShareAction. The draft report benefited from the insight and expertise provided by numerous stakeholders, although any errors can in no way be attributed to them. In particular we thank Aaron Bernstein, Lara Blecher, Aaron Brenner, Luke Hildyard, Ed Houghton, Mairead Keigher, and Daniel Turner.

The WDI team would like to extend thanks to all those who have given freely of their ideas and time during the project's pilot year, including members of the WDI Advisory and Steering Groups. We would also like to acknowledge the many company and investor contacts that have welcomed this initiative and given constructive feedback on how the WDI can help to deliver decent work for all.

Design: designbymaia.com

Publication date: May 2018

The Workforce Disclosure Initiative (WDI) is the first mechanism that captures data on how companies manage their workforce in the interest of both working conditions and value creation – from direct employees to supply chain workers.

It is intended to help investors to fill a crucial data gap by bringing them together to request information on how companies manage direct employees and supply chain workers. In its pilot year the WDI has been supported by a coalition of nearly 100 investors representing over \$10 trillion of assets under management.

This report analyses the pilot year findings and makes recommendations to both companies and investors.

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