Workforce Disclosure Initiative

Workforce Disclosure in 2020: Trends and Insights

Contents

Introduction to the WDI

Join the WDI investor signatories

Since its establishment in 2016, the WDI has worked with institutional investors to improve corporate workforce transparency. Investor support has been vital in generating new workforce data and increasing understanding of the salience of topics covered within the annual WDI survey.

Investors are increasingly realising the benefits of the WDI:

- In 2019, 100 per cent of sampled signatories reported the WDI data as useful.
- Over 80 per cent used the data to influence their exchanges with companies.[1]

In return for a modest membership fee that is tiered according to the value of investors' assets, with a lower rate for asset owners, investor signatories receive full access to all data submitted by companies, company disclosure scorecards and multiple opportunities to shape the WDI. Signatories also receive access to exclusive resources, events and research to help them make the most of the WDI's unique dataset.

To support the WDI's work or to find out more about the benefits of membership please contact Aine Clarke at aine.clarke@shareaction.org.

WDI investor signatories

There are currently 53 WDI investor signatories, which include:

- Aberdeen Standard Investments
- achmea Achmea Investment Management
- Amundi Asset Management
- ARDEVORA Ardevora Asset Management
- AustralianSuper
- Barrow Cadbury Trust
- BMO Global Asset Management
- Border to Coast Pensions Partnership
- Boston Trust Walden Principled Investing.
- BRUNEL Pension Partnership
- CANDRIAM Investors Group A New York Life Company
- CASTLEFIELD The Thoughtful Investor
- CCLA Good Investment
- The Church of England Pensions Board
- CtW Investment Group
- DANA Investment Advisors
- Domini Investing for Good.
- edentree investment management
- ethos Ethos Engagement Pool International
- ethos Ethos Foundation
- Friends Provident Foundation
- HERMES Investment Management
- HESTA your stories, our inspiration
- HSBC Global Asset Management
- Independent Franchise Partners™
- The Joseph Rowntree Charitable Trust

JUPITER
Jupiter Asset Management

nest

RPMI RAILPEN

NEUBERGER BERMAN

SARASIN & PARTNERS

LA FRANÇAISE
investing together

NEWTON
Investment Management

SAUL

Lankelly Chase

NorthernLGPS
The Collective Asset Pool for Greater Manchester Merseyside and West Yorkshire Pension Funds

Strathclyde Pension Fund

LIONTRUST
Liontrust Asset Management

NORTHSTAR
ASSET MANAGEMENT
Progressive Wealth Management Since 1990

SYCOMORE am

Local Authority Pension Fund Forum

PIRC

Polden-Puckham Charitable Foundation

International Brotherhood of Teamsters

LPP
Local Pensions Partnership

pka
PKA Denmark

Trustees of the Unison Staff Pension Fund

UFCW
a VOICE for working America

MEESCHAERT
Asset Management

QUANTUM

USS

MFS®
Investment Management

Rathbone Greenbank Investments

vision super

Foreword

Dear reader,

Over the past year, the pandemic has posed unprecedented challenges to all of us, including companies and their workers. It has also highlighted the central role that all parts of the workforce, from companies' direct operations to global supply chains, play in enabling us to sustain the economy and live our lives. With the importance of the workforce clearer than ever, transparency has never been more important.

The Workforce Disclosure Initiative (WDI) is a key part of this. By encouraging companies to share data on the composition and management of their workforce, the WDI provides the framework for increased accountability and ultimately, improved jobs across the full scope of companies' operations. This is vital for stable markets and thriving societies. Fair labour practice is not only the right thing to do, but it also supports productivity and long-term business success.

As investors, we recognise this role of the workforce in driving company value. The availability of high-quality, comparable workforce data is a key determinant of our ability to evaluate companies over the long term. The common indicators and standardised data sets on workforce topics generated by the WDI allow companies and investors to build their understanding of workforce issues, leading to better outcomes for both. Because of this, we commend the 141 companies that have contributed towards this push for greater workforce transparency by taking part in the 2020 WDI survey.

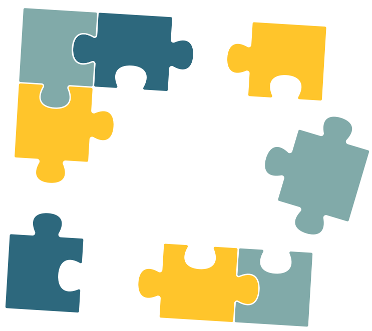
As we move towards greater levels of convergence in sustainability reporting, we must keep this momentum. We are proud to continue to support the WDI in its mission to improve the standard of workforce reporting. We hope that, in the future, even more companies will take part and reap the benefits that greater workforce transparency offers them, and society more widely.

Amanda Young,

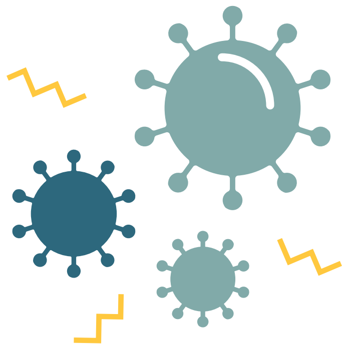
Global Head of Responsible Investment, Aberdeen Standard Investments

Why safeguarding workforces is important

Investors are more interested than ever in workforce data



There remains a huge gap in meaningful and publicly available data



COVID-19 has emphasised the value of good workforce management

Investors are more interested than ever in data on the specific steps companies and their Boards are taking to safeguard workers across their direct operations and supply chains.

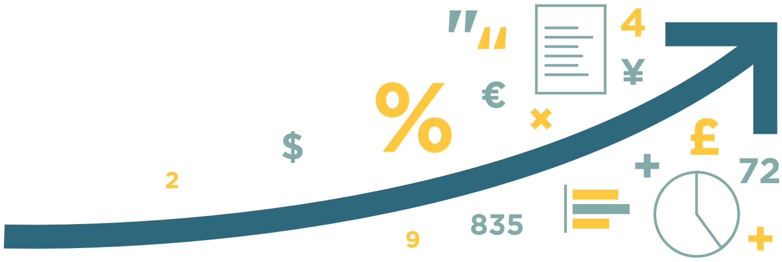
Despite progress from some companies, in some geographies, on issues such as pay, working conditions and diversity, there remains a huge gap in the amount of meaningful and publicly available corporate data on workforce matters worldwide.

The COVID-19 pandemic has caused the biggest shock to the global economy in living memory and its impact on working lives has been immense. COVID-19 has cost global workers $3.7 trillion in lost earnings[2] and many workers have been forced to choose between their jobs and their health.[3] Even for those in secure employment, the upheaval caused by the pandemic has had significant consequences. These have ranged from negative mental health outcomes, such as increased anxiety and depression,[4] to turning back the clock on gender equality.[5]

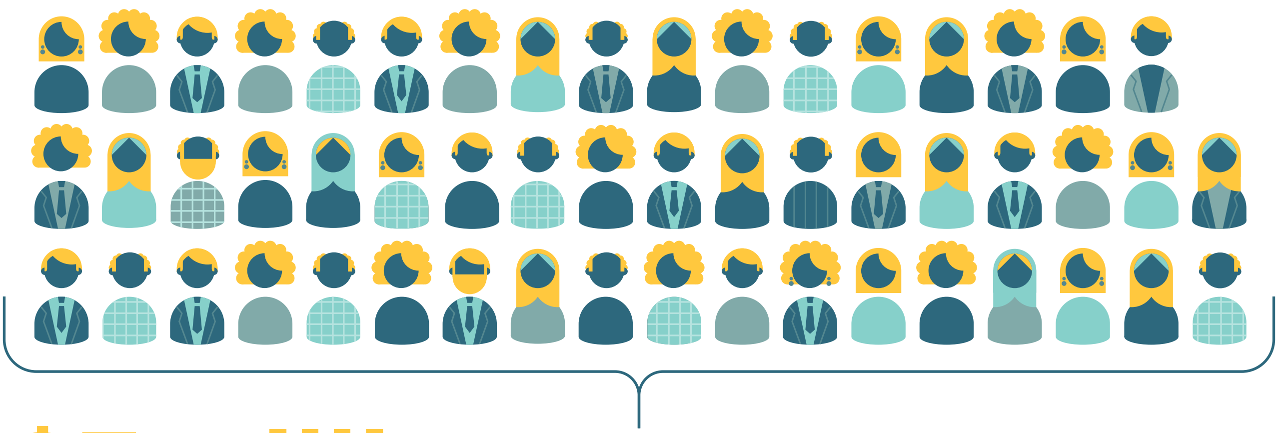
As the world begins to look to rebuilding following the pandemic, the fair treatment of workers has never been more important. While governments' responses will be a major determinant in outcomes for workers, the way businesses respond will also be instrumental in the protection of jobs and livelihoods and ensuring working conditions are safe. At this time, investors are more interested than ever in data on the specific steps that companies are taking to safeguard their workforces and supply chain relationships.[6] Investors increasingly recognise that firms taking positive action in this regard will be more resilient in the current crisis and better equipped to succeed in the future.

Why the WDI is important

Corporate reporting initiatives fail to generate meaningful & comparable data on work-force issues at scale. The WDI was launched to rectify this.



By improving the volume and quality of data on workforce governance structures, risk management, health and safety, and other related practices, the WDI enables investors to push companies to improve their policies and practices.



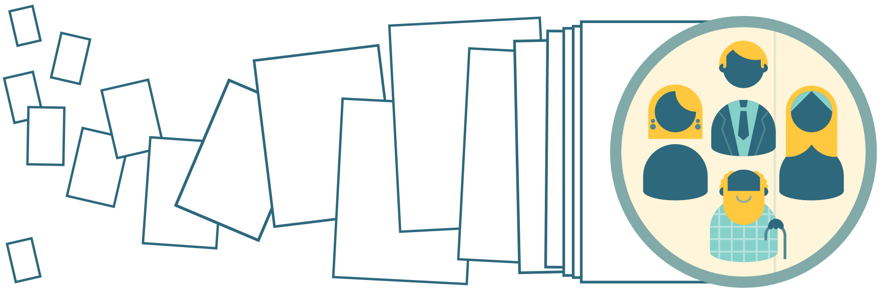
$7 trillion assets under management

By bringing together 53 investors with $7 trillion in assets under management, we harness their power to encourage companies to provide public data to the 13 sections of our survey, covering topics such as:

 **Wage levels**

 **Staff turnover**

 **Workers' rights**



As reporting standards move towards greater levels of convergence,[7] and mandatory reporting increases,[8] it is essential that workforce issues, and social data more widely, are not left behind.

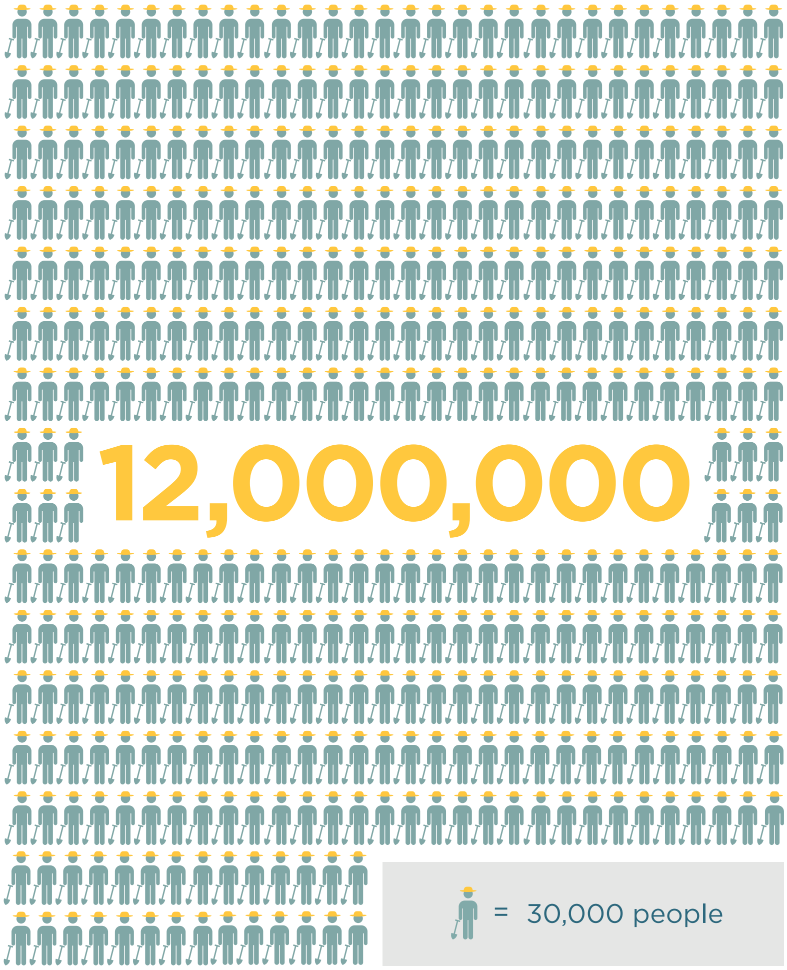
Workforce Disclosure Initiative 2020 overview

WDI submissions in 2020

We welcomed submissions from 141 companies

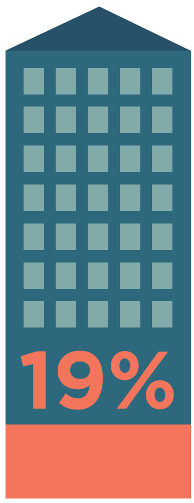
Submissions came from 19 countries

For the fourth year in a row, we saw all 11 economic sectors report to the WDI

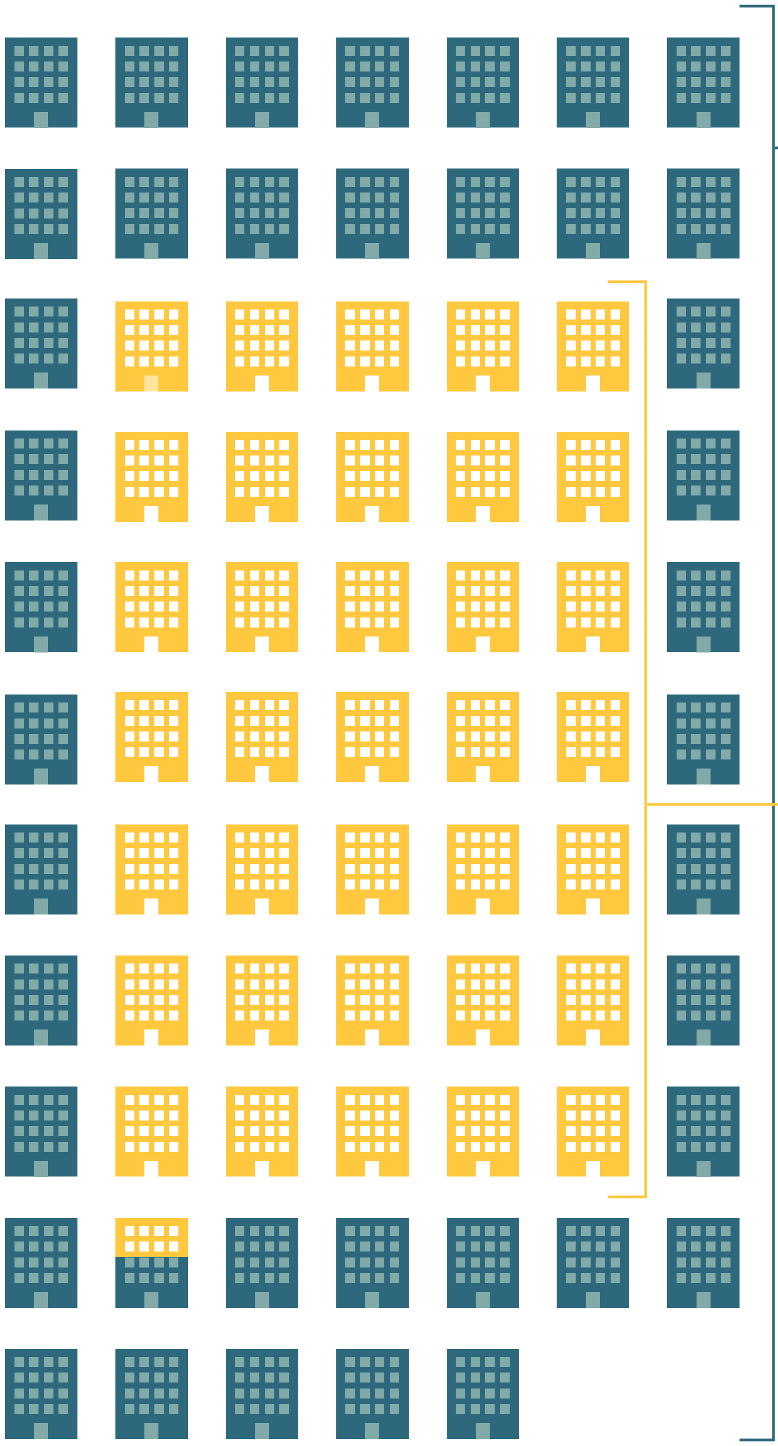


Submissions covered over 12 million employees in companies' direct operations and many more in supply chains.

However, to generate the levels of data required to create systemic change, we need to reach even more companies – and the workers they represent – in the coming years. With just under 19 per cent of companies approached in 2020 completing the survey, we need to see more pressure on companies to increase the amount of data being reported on the workforce.



Selection of companies in 2020



In 2020, the WDI investor signatories requested 750 of the largest publicly listed companies from around the world take part in the WDI reporting cycle.

Of those 750, 355 ‘core’ companies were selected to receive tailored and focused engagement.

= 10 companies

Company selection was based on a combination of:

- Market capitalisation
- Significance of the company (in terms of sector, local market and scale)
- Exposure of their workforce to risk
- As well as those of specific interest to the WDI investor group

Workforce data in an evolving landscape

Sustainable Development Goals and the WDI

If we are to meet the ambitious agenda set by the Sustainable Development Goals by 2030, innovative collaboration within the private sector must grow. It is only by harnessing the power of the investment community and corporations that we will tackle some of the most challenging problems the world faces today. While the WDI's focus is on Goal 8 and how we "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all", the reality is that good work also supports ending poverty (Goal 1), gender equality (Goal 5), industry, innovation and infrastructure (Goal 9), reduced inequalities (Goal 10) and peace, justice and strong institutions (Goal 16).

Environmental, social and governance principles

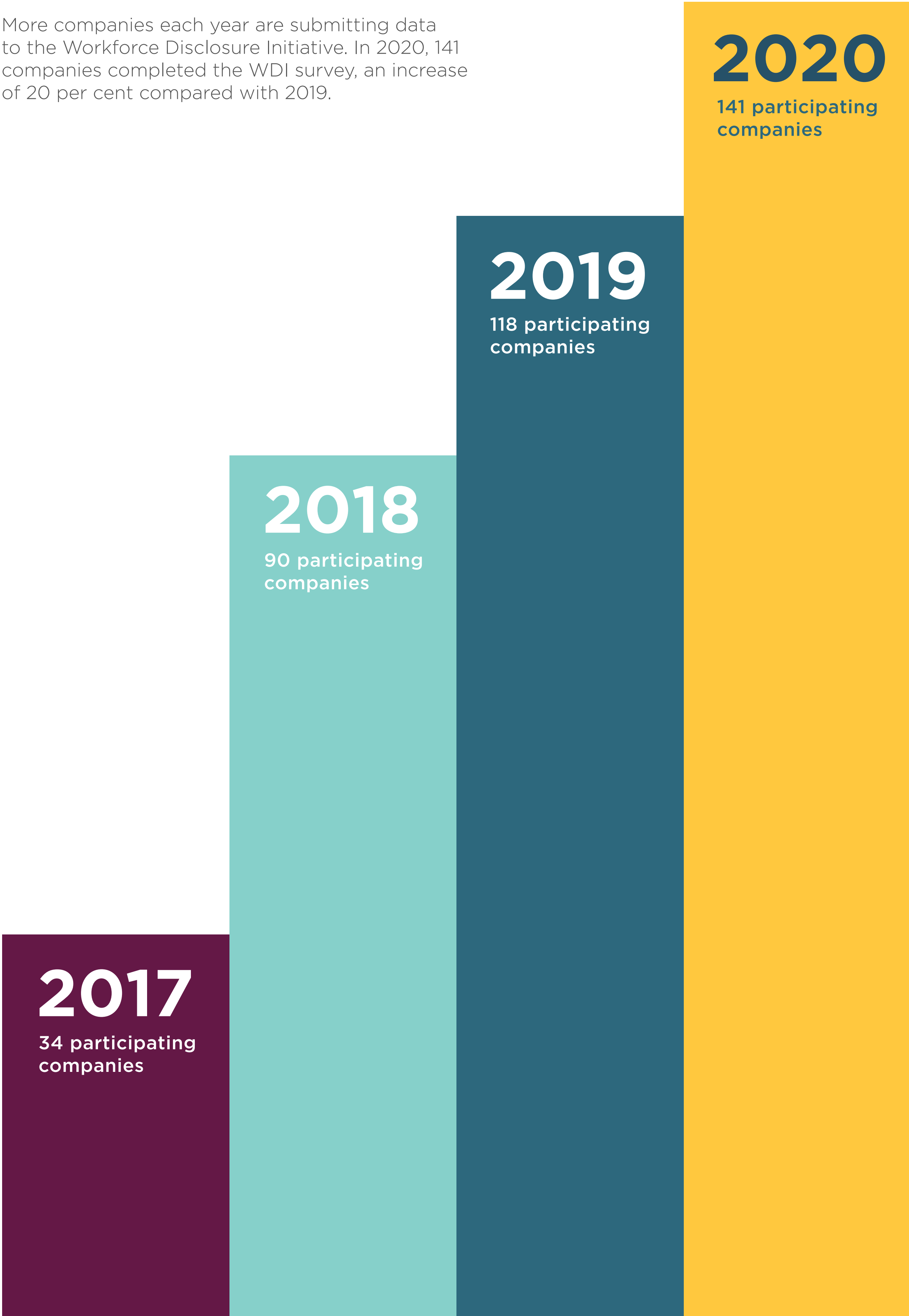
Recognition within the investment system of the importance of integrating environmental, social and governance (ESG) factors into investment analysis and stewardship is growing year-on-year. The value of ESG data is growing too, with total global assets operating on ESG issues expected to double in the next five years.[9] As a result, the risks associated with poor workforce management, which falls under both the 'social' and 'governance' aspects of ESG, can no longer be ignored by the investment community or companies themselves.

WDI investor signatories are increasingly aware of the damage poor workforce management can have on company performance and the COVID-19 pandemic has served to focus attention on companies' workforce practices. However, while the 'S' of ESG is gaining increased recognition, it is crucial that this increased momentum continues if we are to address the pressing challenges. Similarly, some companies are aware of the role workers play in contributing to their value,[10] but improvements to policies and practices lag behind.

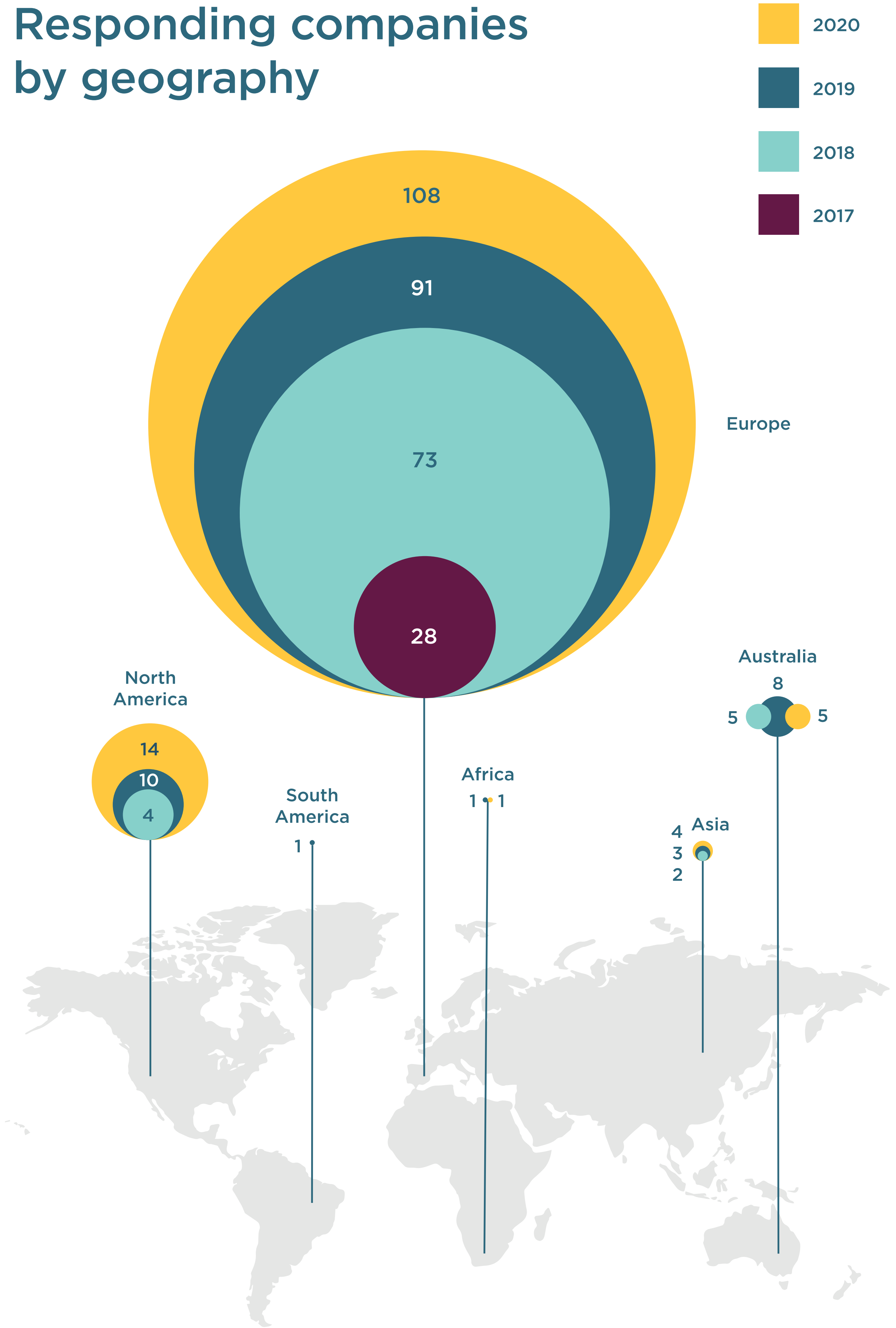
This report sets out a summary of the findings from the 2020 WDI reporting cycle, including trends in company reporting by sector and geography, the average level of the survey that was completed and insights from the different sections of the survey. Six thematic findings were identified, covering COVID-19, human rights commitments, human rights due diligence, wage levels, diversity and inclusion, and supply chain workforce practices.

Number of responding companies in 2020

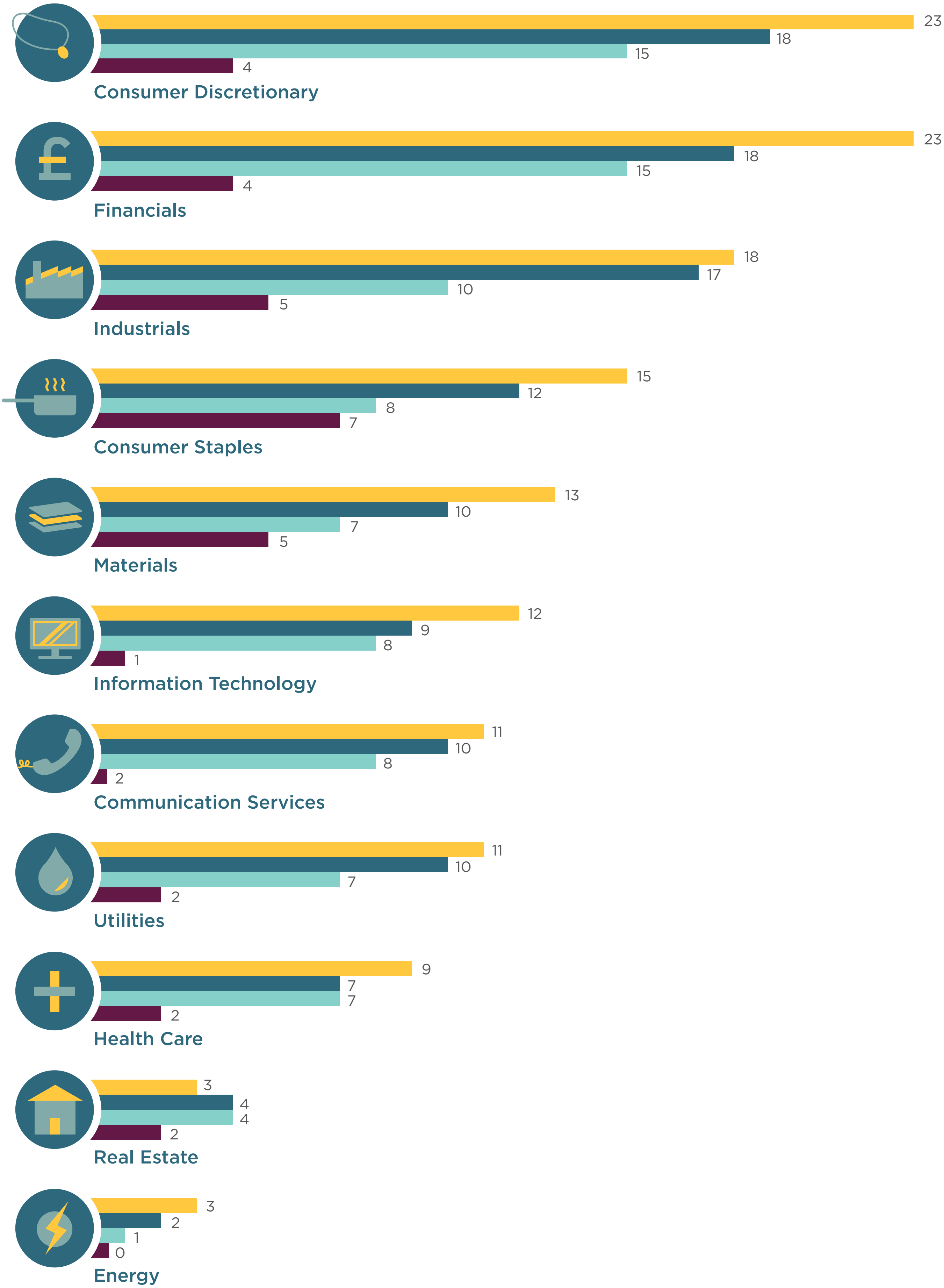
More companies each year are submitting data to the Workforce Disclosure Initiative. In 2020, 141 companies completed the WDI survey, an increase of 20 per cent compared with 2019.



Responding companies by geography



Responding companies by sector



Making more workforce data available

The WDI survey

Central to the WDI's mission is making more data on workforce policies and practices available publicly. The WDI encourages increased transparency on important areas of workforce reporting, such as workforce composition (including contingent workers), wage levels and pay gaps, human rights due diligence and steps taken to monitor and address supply chain risks, that companies traditionally do not consistently disclose.

Releasing more workforce data into the public domain opens up company practice to increased scrutiny from investors, civil society organisations, media and consumers and other peer corporations. It improves investor understanding of an organisation's approach to its workforce and can enable companies to learn from each other. Taken together, these measures help increase the provision of good jobs and fair wages worldwide.

WDi

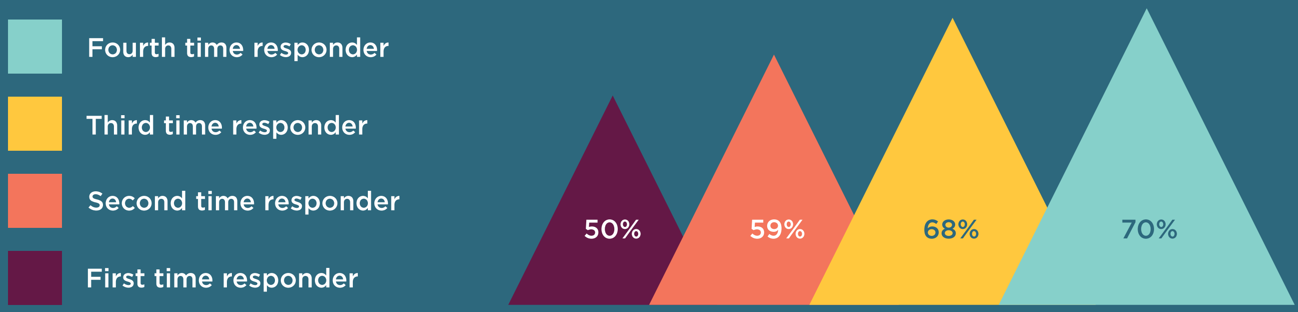
The WDI survey includes:

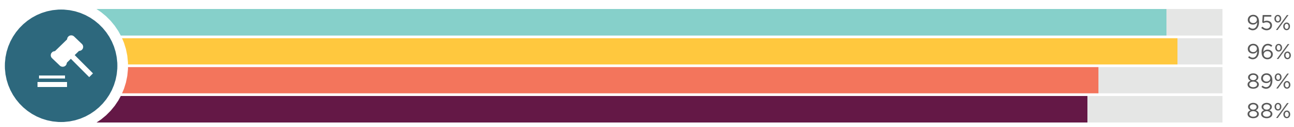
131	230
questions	data points

across 13 thematic sections

The survey is designed to challenge companies' workforce data collection. As a result, only 61 per cent of the total survey was completed in 2020 on average. The challenging nature of the survey helps companies think about what data they currently collect on their workforce and how this could be improved in the future.

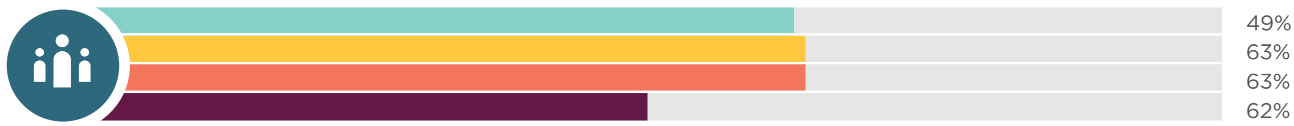
The longer companies take part, the more of the survey they can complete



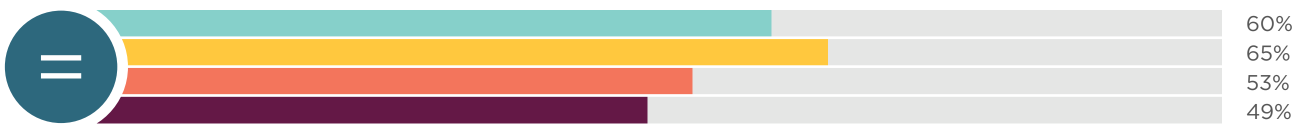


1 GOVERNANCE

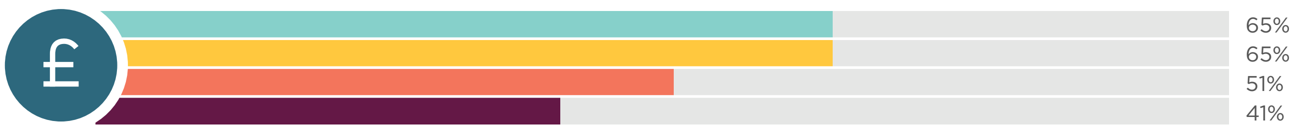
2 RISK ASSESSMENT



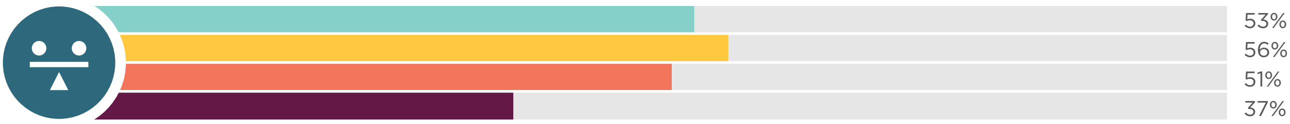
3 WORKFORCE COMPOSITION



4 DIVERSITY AND INCLUSION

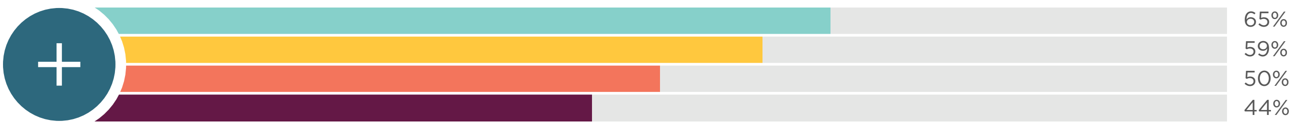


5 WORKFORCE WAGE LEVELS AND PAY GAPS

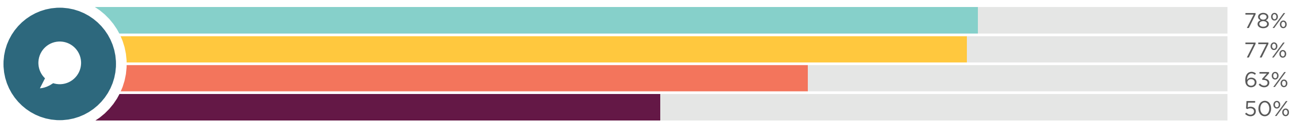


6 STABILITY

7 TRAINING AND DEVELOPMENT

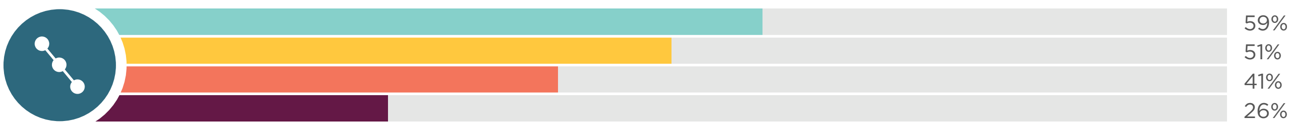


8 HEALTH, SAFETY AND WELLBEING

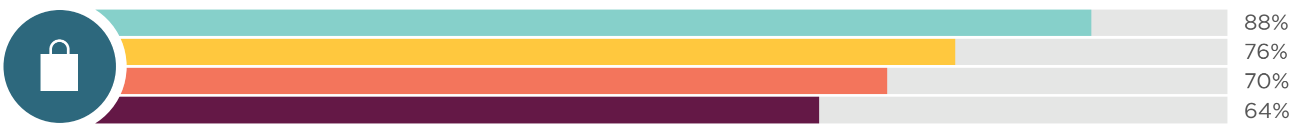


9 WORKER VOICE AND REPRESENTATION

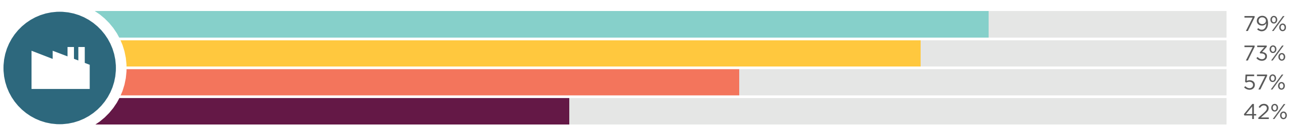
10 GRIEVANCE MECHANISMS



11 SUPPLY CHAIN TRANSPARENCY

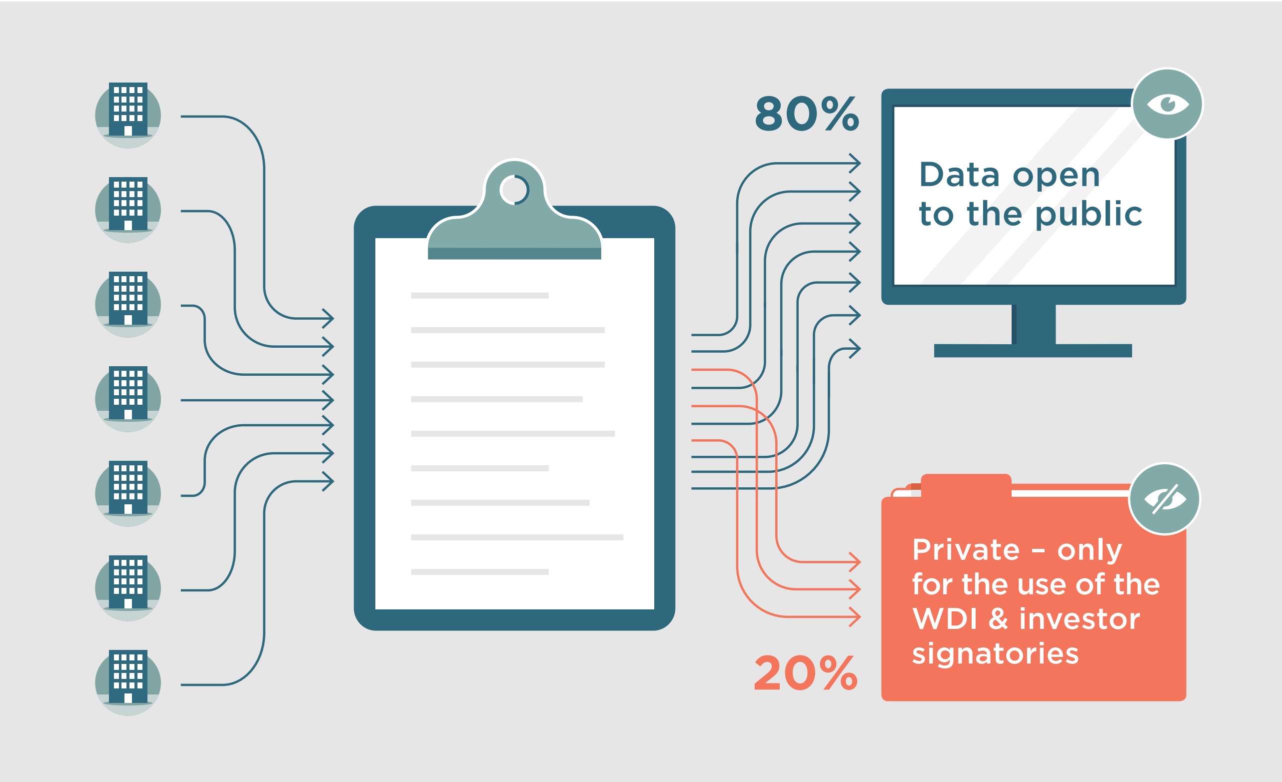


12 RESPONSIBLE SOURCING



13 SUPPLY CHAIN WORKING CONDITIONS

Public versus private data collected by the WDI



Companies are encouraged to make as much data submitted through the WDI survey available to the public as possible to demonstrate their openness on these issues and so that companies can learn from each other on workforce reporting and management. This can, however, act as a barrier to participation, because some organisations are nervous about putting this information into the public domain. To mitigate this, over the last four years, companies have had the option to share some data publicly or privately.

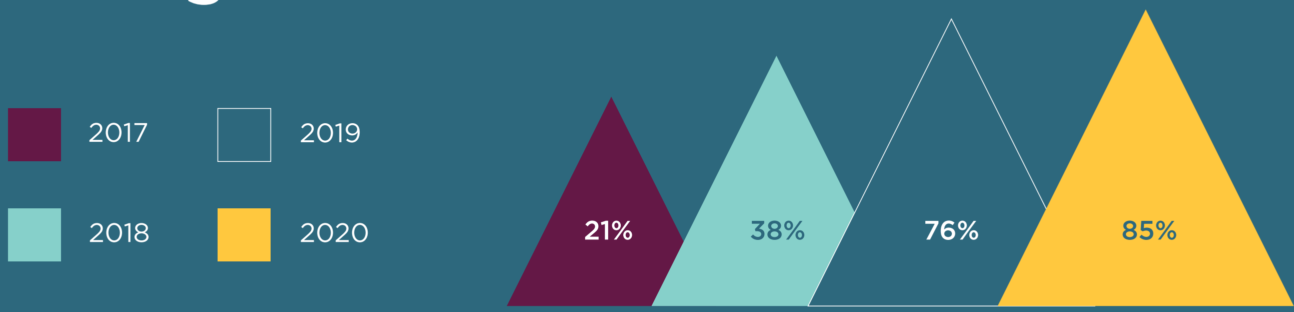
Mandatory public data

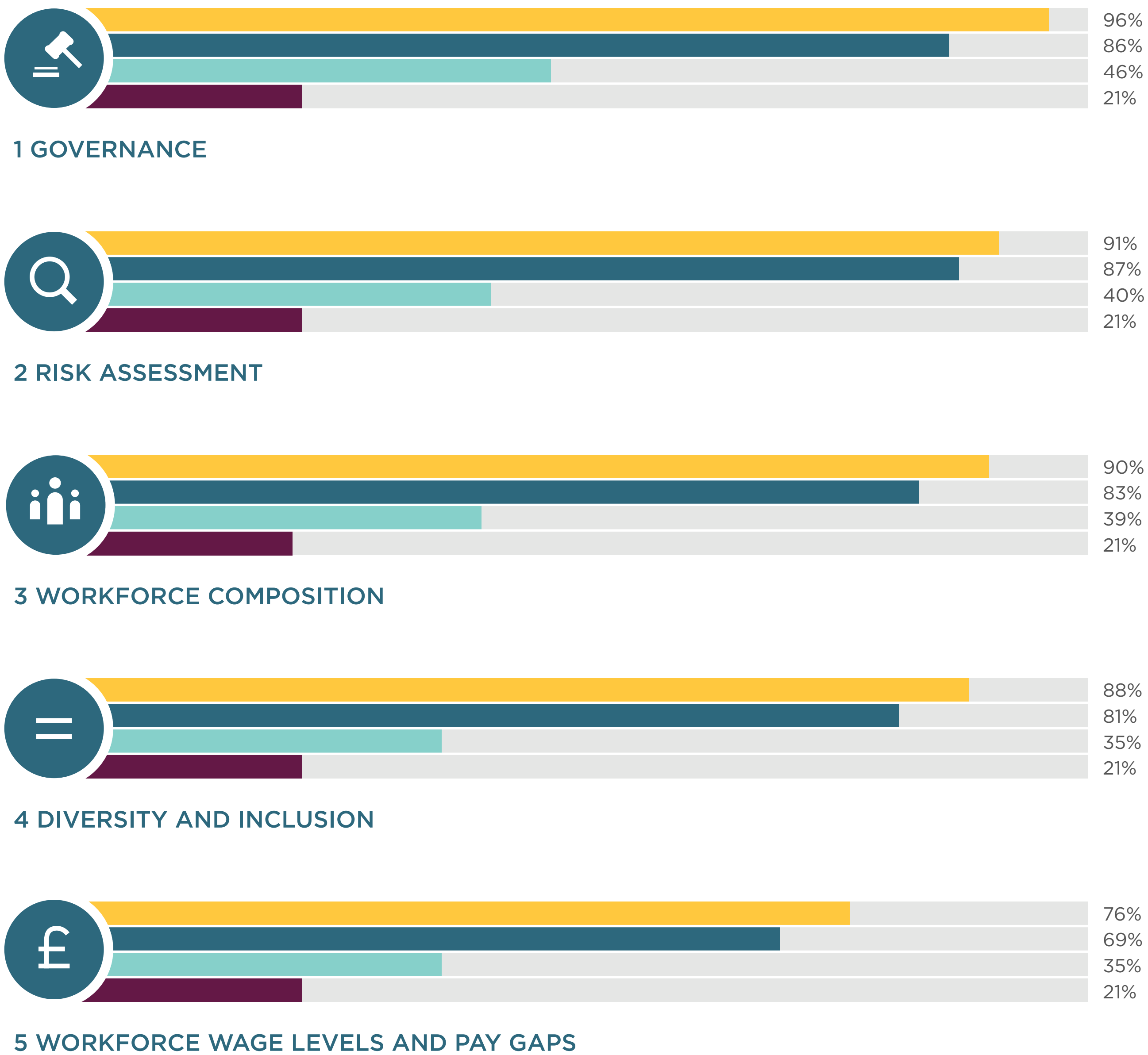
The WDI asks 48 questions, the responses to which are made available to the public by default through the WDI website. Companies can, however, choose to make more data available publicly. **In 2020, 80 per cent of companies' responses were submitted under the "public" option**. With each year, the WDI increases the number of mandatory public questions to ensure the quantity of publicly available, comparable workforce data increases.

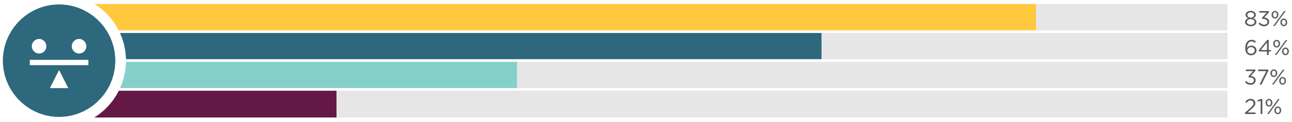
Private data

For all questions which are not marked as "mandatory public", companies have the choice whether they submit their answer publicly or privately. Data submitted privately is only available to WDI investor signatories to help target their engagement activities on workforce issues with companies they currently invest in or may invest in in the future.

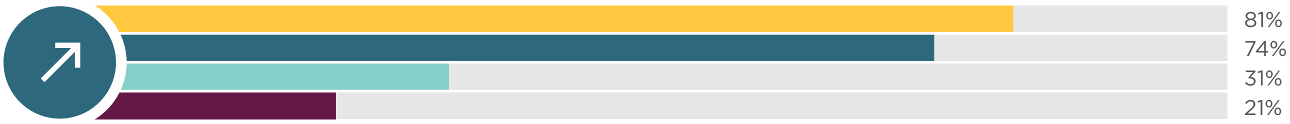
Companies are increasing the amount of data they make publicly available through the WDI[11]



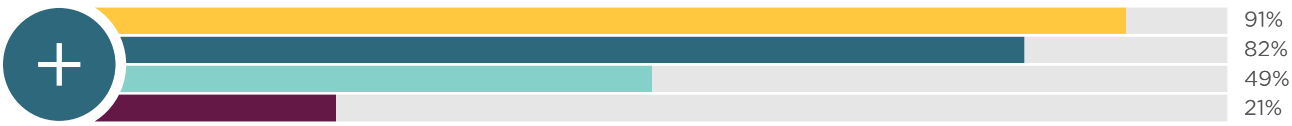




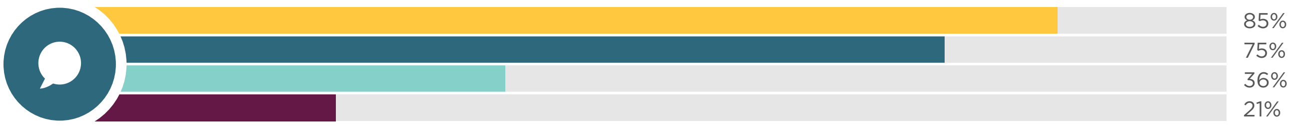
6 STABILITY



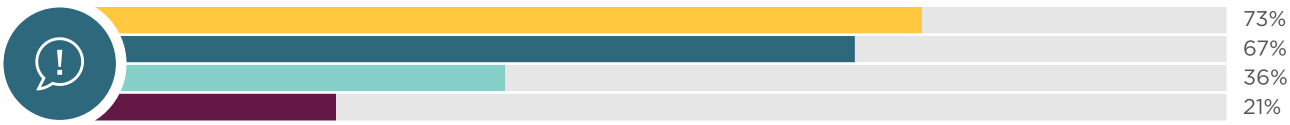
7 TRAINING AND DEVELOPMENT



8 HEALTH, SAFETY AND WELLBEING



9 WORKER VOICE AND REPRESENTATION



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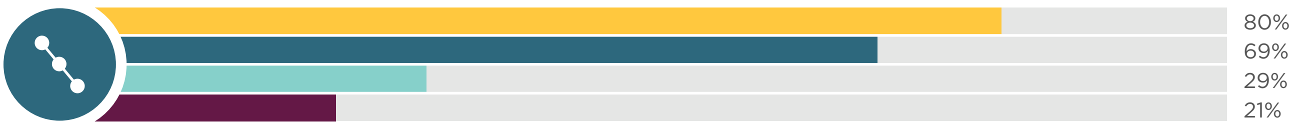
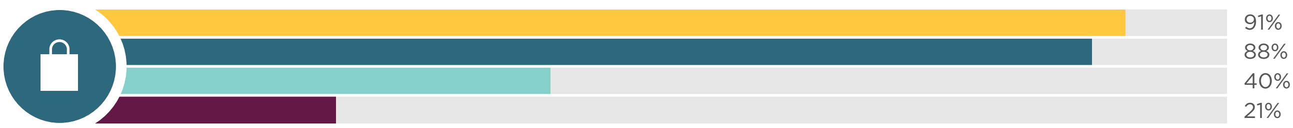


11 SUPPLY CHAIN TRANSPARENCY

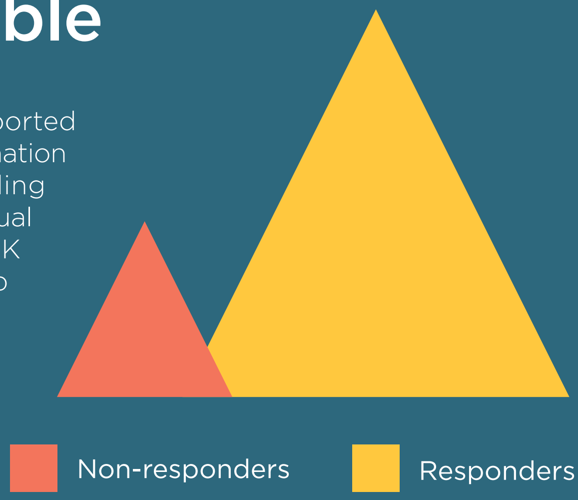


12 RESPONSIBLE SOURCING

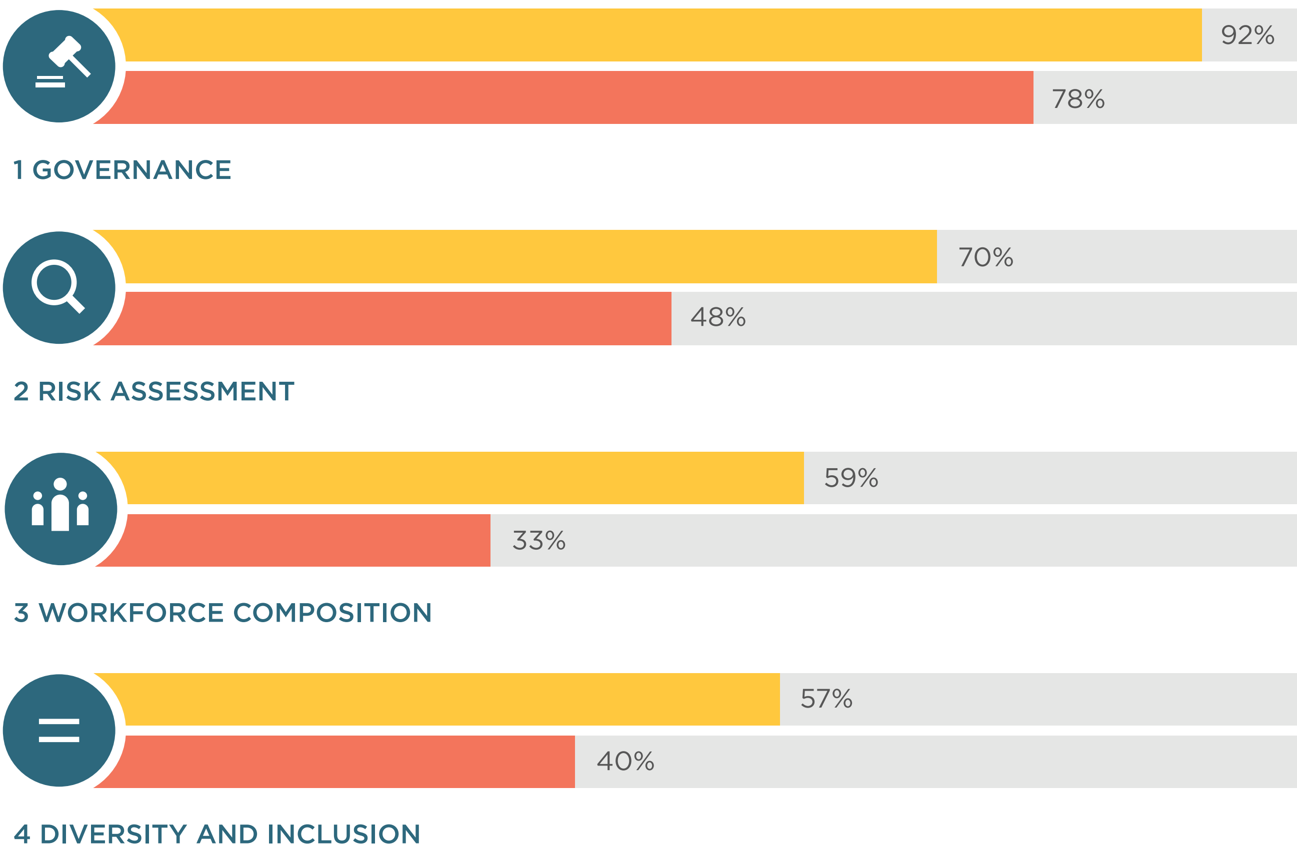
13 SUPPLY CHAIN WORKING CONDITIONS[12]

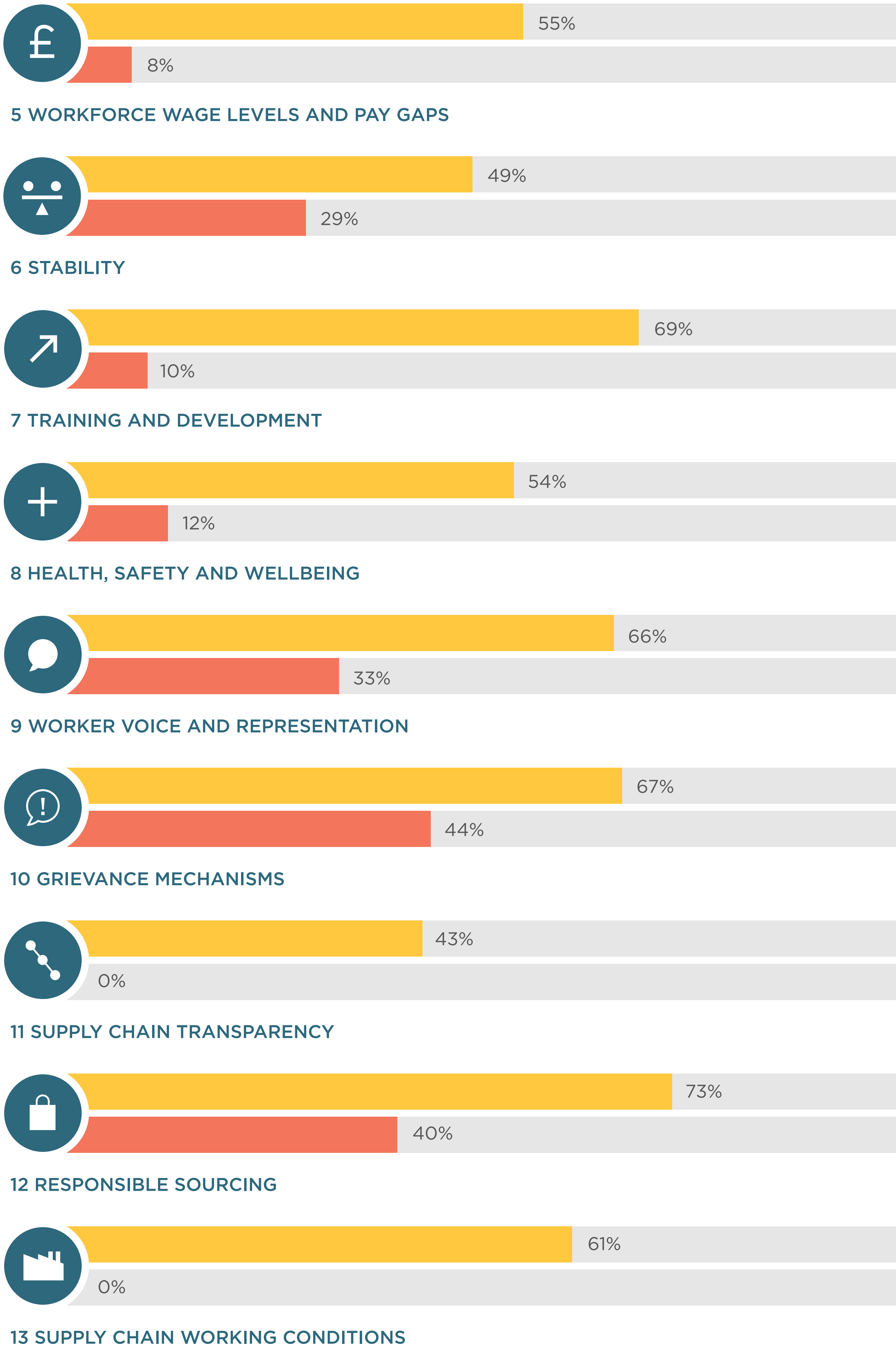
The WDI increases the amount of data publicly available

To demonstrate the WDI's commitment to publicly reported workforce data in 2020, we compared how much information was available in the public domain between responding and non-responding companies. Using companies' annual reports, sustainability reports, public policies and 401K disclosures, the WDI survey was completed for a group of 192 non-responding companies. By comparing how complete each section of the survey was for these 192 to the 141 responders, we were able to determine how much more data participating companies were publishing through the WDI than is traditionally made available online.



This research revealed that companies who complete the WDI survey are making almost 3 times as much data available than those who do not complete the survey.

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5 WORKFORCE WAGE LEVELS AND PAY GAPS
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29%
6 STABILITY
69%
10%
7 TRAINING AND DEVELOPMENT
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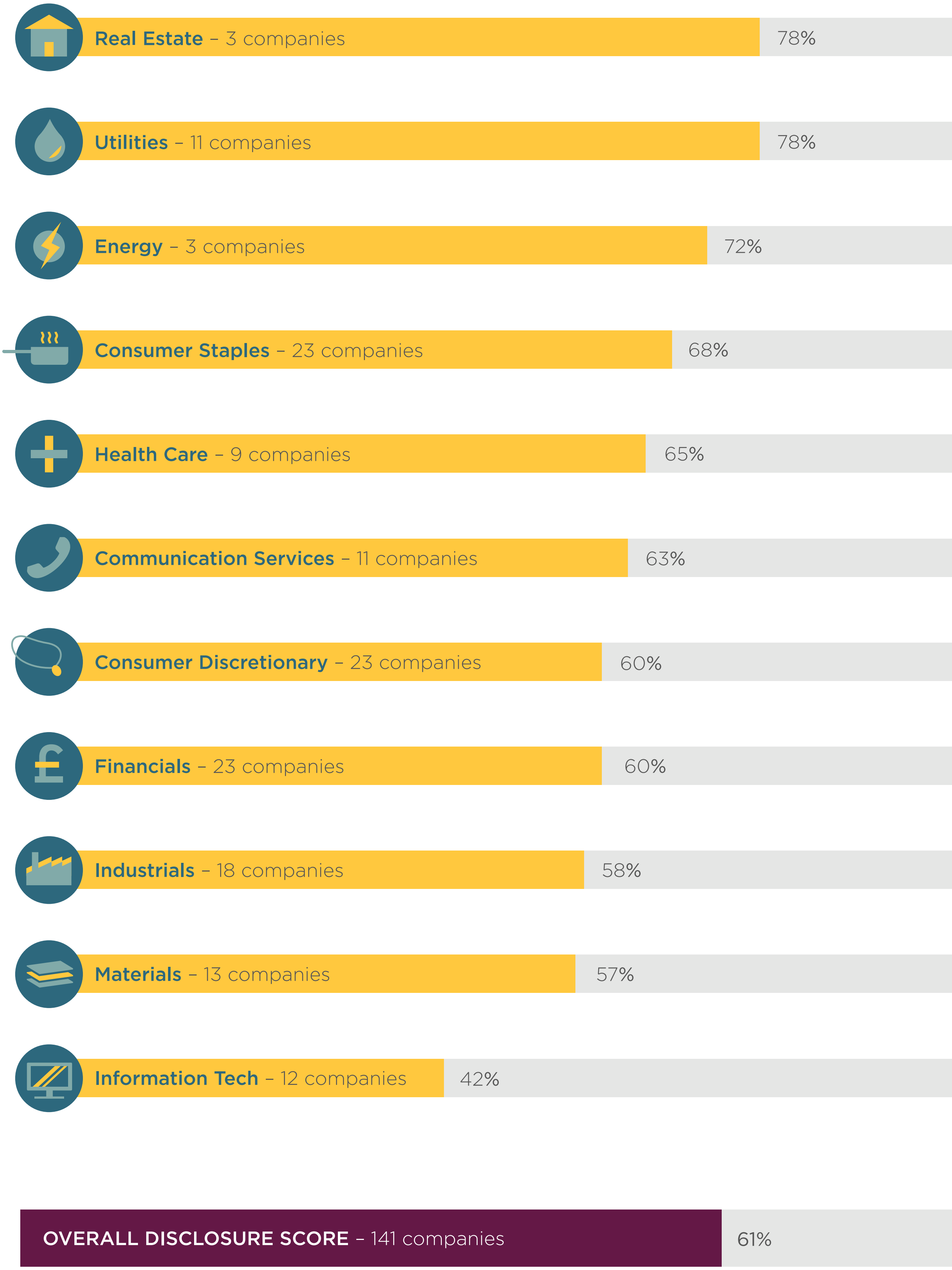
12%
8 HEALTH, SAFETY AND WELLBEING
66%
33%
9 WORKER VOICE AND REPRESENTATION
67%
44%
10 GRIEVANCE MECHANISMS
43%
0%
11 SUPPLY CHAIN TRANSPARENCY
73%
40%
12 RESPONSIBLE SOURCING
61%
0%
13 SUPPLY CHAIN WORKING CONDITIONS

Insights from the WDI

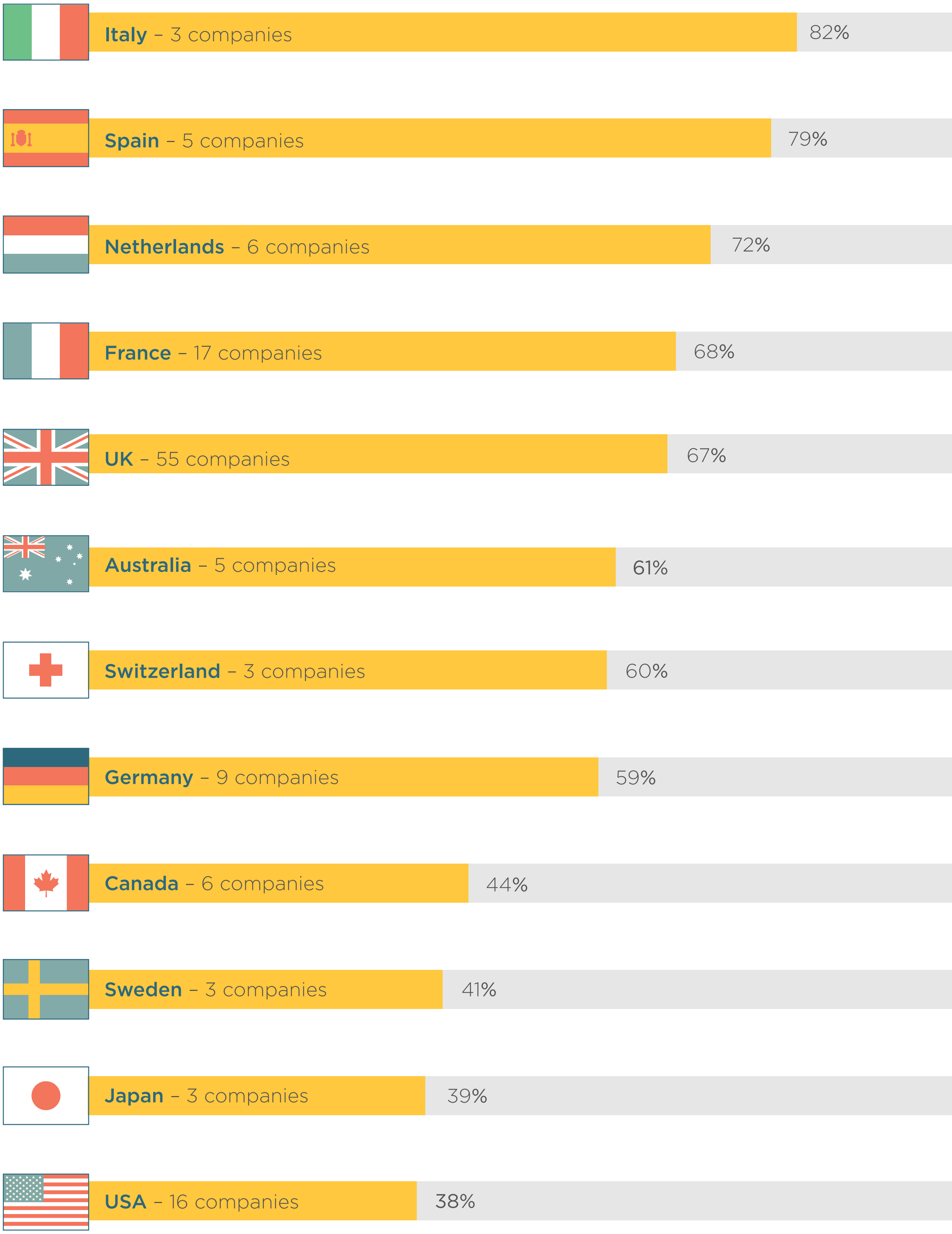
Disclosure score by sector

Utilities and real estate companies are leading the way in workforce transparency.



Disclosure score by country

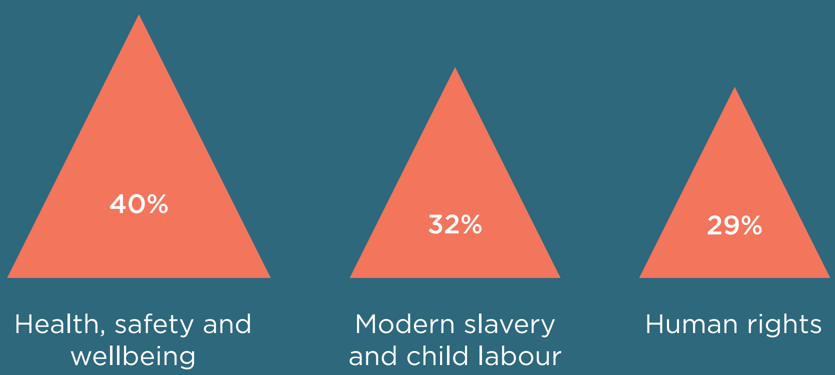
European companies provided, on average, the most workforce data.[13]



Top workforce opportunities and human rights issues reported by companies in 2020

Top three workforce opportunities

Top three salient human rights issues



The fact that many companies put 'human rights' as their salient human rights issue demonstrates the need for companies to be more precise when identifying these issues, as salient human rights issues are, by necessity, human rights.

Findings from the 2020 WDI data

Thematic findings

This year has presented unique challenges and opportunities for workforce transparency. The pandemic has placed unprecedented strains on companies, with workforce reporting, in some instances, being deprioritised. However, COVID-19 has also emphasised how crucial workforces are for enabling society to function and has shown the strength of the link between good workforce management and business resilience. It is, therefore, more important than ever that companies understand their workforce, are transparent about how they are managing it and are actively working to improve working conditions throughout their value chain.

Despite the pressures placed on businesses, many organisations have recognised this, not only taking part in the WDI but also increasing the amount of data they provided. There have been notable improvements in specific areas where companies have previously been able to provide little data. These include training and development, where companies have gone from being able to complete, on average, 33 per cent of the section in 2019 to 69 per cent of the section in 2020, and workforce stability, where companies have gone from being able to complete 21 per cent of the section in 2019 to 49 per cent of the section in 2020.

Significant gaps still remain, however, and an analysis of the 2020 data demonstrated a number of ways companies are still falling short. While data collection is improving, companies still appear to be prioritising information on general initiatives, rather than providing detailed insights into how they are managing their workforce. This was evident in several areas. For example, both human rights policies and action on diversity and inclusion lacked supporting information on the concrete steps companies are taking to respect human rights and the composition of the workforce. This data is essential if companies are to be able to tackle the pressing workforce challenges that they face. While high-level data on actions and commitments is important, it must be backed up with evidence that companies understand their workforce enough for these plans to be meaningful and are actually putting these commitments into practice.

Overview of findings

1. Companies recognise the impact of COVID-19 on their workforce but often are not extending protections to contingent workers.

2. Transparency on pay is improving but progress is needed to tackle inequality.

3. Diversity and inclusion are priorities for companies, but the information needed to implement them is lacking.

4. Companies' commitments to human rights are not matched by information on how rights are protected in practice.

5. Companies that conduct human rights due diligence have an enhanced ability to protect workers' rights.

6. Many companies do not explain how they are taking responsibility for their supply chains.

FINDING 1

Companies recognise the impact of COVID-19 on their workforce but often are not extending protections to contingent workers

COVID-19 has posed unprecedented challenges to businesses and workforces, with impacts on a scale and scope not seen in living memory. This has touched every part of the workforce, from organisations' direct operations to their supply chains, impacting companies and workers most immediately in terms of workers' physical health and safety, but also on issues as broad as mental health and wellbeing, workforce stability, and sourcing practices.

Overall, companies seemed to recognise effective workforce management as being crucial to both how companies immediately responded to the pandemic and how they approach the recovery, and there were generally good levels of response across most questions about COVID-19.

88%

88 per cent of companies explained their approach to workforce, supply chain and business resilience during the COVID-19 pandemic.

87%

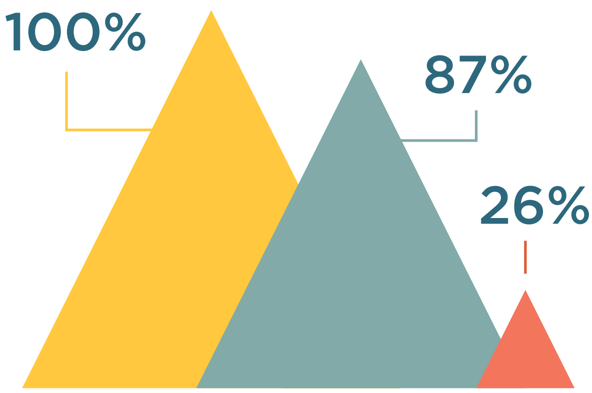
87 per cent outlined steps the company had taken to protect the physical and mental health of the workforce.

79%

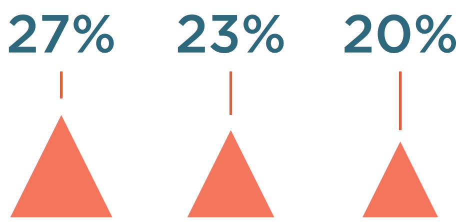
79 per cent explained measures that had been implemented to ensure workers take leave if sick and are protected economically when they do.

However, when asked to provide more detailed data on how measures in response to COVID-19 were implemented, companies provided less data, with 67 per cent of companies saying which workers are actually covered by sick leave measures.

For the companies that did provide data on measures to ensure workers took sick leave, there were significant disparities between the protection afforded to different groups of workers.



Every company that provided data said permanent employees were covered, but this dropped to 87 per cent of companies for temporary workers and 26 per cent for non-guaranteed hours workers.



This lower level of protection was reflected for other, more precarious workers: agency workers were covered by measures by 27 per cent of companies, contractors were covered by 23 per cent of companies and other contingent workers were covered by 20 per cent of companies.

The importance of established practices

While companies need to understand how they are protecting their workforce in the immediate response to COVID-19, the pandemic has also highlighted how important it is for companies to already have effective, integrated processes to deal with many of the challenges the pandemic has called attention to.

Health and safety

One obvious example of this is health and safety. This was one of the sections of the survey companies provided the least data for, with companies completing 54 per cent of the section on average. While the past year has shown how crucial an area this is for businesses, companies had limited data beyond their immediate response to the pandemic. For example, 94 per cent of companies provided some health and safety data relating to the pandemic, but a third of companies did not provide any data on health and safety incidents more broadly (31 per cent for injuries and 36 per cent for fatalities). Echoing the disparities seen in the COVID-specific health and safety questions, less than half of responders (42 per cent) reported health and safety data for both their permanent and temporary employees.

Workforce stability

Workforce stability was another area with significant implications for COVID-19 that companies appear to either be uncomfortable sharing information on or have limited information to share. Data from the International Labour Organization shows that there were unprecedented global employment losses of 33 million jobs, relative to 2019, in 2020.[14] Given the scale of the economic impacts of the pandemic, in some cases, job losses will be unavoidable. It is therefore essential that companies are adequately monitoring workforce turnover and stability, to ensure they are handling any changes in turnover in the fairest and most responsible way possible. However, just 35 per cent of companies provided any data on turnover for either workers on fixed-term contracts or those on temporary contracts, and only 18 per cent of companies were able to provide data for both contract types.

FINDING 2

Transparency on pay is improving but progress is needed to tackle inequality

A fairly compensated workforce is one in which workers earn at least a living wage and are equally compensated for their work, irrespective of their demographic group.[15] Higher wages can result in increased productivity, as a result of improved employee motivation, job retention, and company reputation, whereas companies with a high proportion of employees on low wages and with excessive pay gaps are vulnerable to higher absentee rates, lower staff engagement and higher staff turnover.[16]

Global inequality has continued to increase year-on-year,[17] something that has only been exacerbated by COVID-19,[18] posing a systemic risk to communities, workers, businesses and investors.

This is intimately linked to the extent to which workers are paid fairly, both in terms of receiving a wage that is sufficient to offer a decent standard of living and receiving a wage that recognises their contribution towards the success of the business as a whole. While the increase in inequality has been shown to be predominantly driven by lower investments in human capital,[19] this lack of investment has been inconsistent. Since 1978, CEO pay in the USA has increased by 1,007.5 per cent, whereas wages for the typical worker grew by just 11.9 per cent.[20] Given the central role that businesses have to play in tackling inequality, transparency around pay is essential.

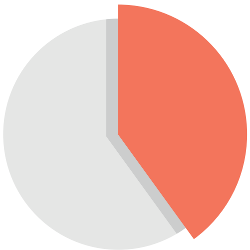
The importance of transparency around pay was, generally, reflected in the WDI:

74 per cent of companies gave the CEO to median worker pay ratio in 20-20, compared to 48 per cent in 2019.

US companies were leading the way when it came to disclosing this data, with every US company providing the CEO to median worker pay ratio. This is likely influenced by the fact that it has been mandatory to disclose this data in the USA since 2010.[21]

Higher levels of information did not, however, equate to lower ratios. Eight of the top ten companies with the highest pay ratios were based in the USA, with all companies in the top ten paying their CEO 200 times more than the median employee. The three companies with the highest CEO to median worker pay ratios all paid their CEOs over 500 times more than the median employee.

Companies have a less clear view of the wages of the lowest-paid workers



Only 37 per cent of companies gave the number of male and female workers whose salary is equal to, or just above the minimum wage.

While this is already a low figure, the content of companies' answers on the legal minimum wage suggest that, in practice, levels of understanding are lower: three-quarters of companies that provided this data appeared to conflate the legal minimum wage with the living wage.

The picture is similar when looking at contingent workers

Nearly half of companies did not explain how they are working to improve wages for workers who were not directly employed by the company, if not already paying the living wage.

It appears that some companies are making progress towards higher wage levels. While 40 per cent of companies did not provide any data on the extent to which they pay employees a living wage or above...

71 per cent of those that responded said they pay a living wage across their entire global operations, an increase from 55 per cent of companies in 2019. Nonetheless, the conflation between legal minimum wages and the living wage highlighted previously calls into question the extent to which these figures refer to the payment of a genuine living wage.

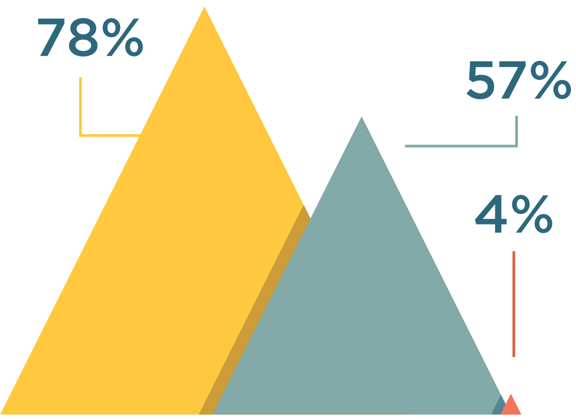
FINDING 3

Diversity and inclusion are priorities for companies, but the information needed to implement them is lacking

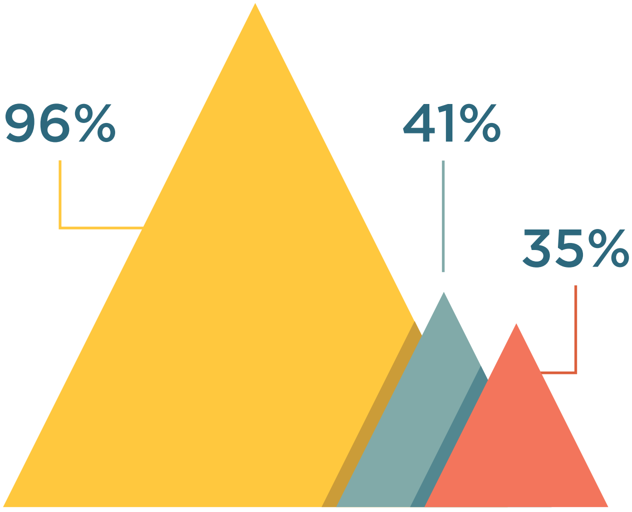
Businesses do not operate in a vacuum. As a result, structural inequalities and systematic biases in society that exist outside of companies, such as racism and sexism, are reproduced within the workplace. If companies do not take active steps to improve diversity and inclusion, these inequalities can be perpetuated, leading to negative outcomes for workers and, ultimately, businesses.

While the benefits to businesses of diversity and inclusion have been well documented,[22] recent events such as the Black Lives Matter protests and the #MeToo movement have strengthened calls for businesses to recognise the role they play in combatting structural oppression.

Companies appear to be prioritising diversity and inclusion, at least on a strategic level, with 98 per cent of companies explaining their plans to tackle diversity and inclusion in their organisations. There was, however, a stark difference between companies being able to explain their plans, and providing the data needed to actually implement them.



While the majority of companies (78 per cent) stated how the company has addressed, or intends to address, pay gaps and pay ratios, only 57 per cent of companies actually provided data on their gender pay gap and just 4 per cent provided data on their ethnicity pay gap (when excluding companies operating in locations with legal restrictions on collecting this data).



96 per cent of companies provided data on their discrimination and harassment policy, but this number more than halves when it comes to the number of discrimination and harassment incidents reported (41 per cent, rather than grievances reported more generally) and drops even further when asking for data on the number of incidents that were resolved (35 per cent).

For plans and initiatives to work, a company needs to understand the composition of its workforce.

Without this data, companies cannot see if they are attracting and retaining a diverse pool of talent and are unable to design initiatives that will respond to the needs of their workforce. It means that organisations may be taking a shot in the dark, implementing practices without knowing who is in their workforce, and what it is that they need.

Companies' data also varied significantly between groups

More than twice as many companies provided data on the gender breakdown of their workforce (75 per cent of companies) than on the workforce's ethnic composition (36 per cent of companies).

This reflects findings on pay gaps, where over 10 times as many companies provided data for the gender pay gap than the ethnicity pay gap. It is important to flag that as this figure only includes companies that operate in contexts where they are not prohibited from collecting ethnicity data, even when legal restrictions are accounted for, corporate data collection on ethnicity is in its infancy compared to gender.

These differences were also apparent when it came to workers in leadership positions compared to more vulnerable or precarious workers:

Companies reported data on women in leadership positions more than any other gender metric, including the gender breakdown of the total workforce.

An average of 86 per cent of companies provided the percentage of women in leadership positions (the Board, executive committee and senior leadership), 11 per cent more than the proportion of companies that gave their overall workforce gender breakdown.

In contrast, only 36 per cent of companies explained how many female workers have a basic salary that is equal to or just above the legal minimum wage, and just 9 per cent gave the gender breakdown of their contingent workforce.

While data collection on diversity in leadership is an essential component of broader diversity and inclusion initiatives and efforts to increase progression and representation, this makes up a tiny proportion of the overall workforce.

The lowest-paid and contingent workers are often a much larger proportion of the workforce than those in leadership positions. They are also the workers who feel the negative consequences of a failure on diversity and inclusion the most keenly and have the most limited recourse to address this. Because of this, it is essential companies prioritise diversity data collection for these workers and are using this data to ensure their diversity and inclusion efforts include and consider all workers, not just those at the very top of the organisation.

FINDING 4

Companies’ commitments to human rights are not matched by information on how rights are protected in practice

Companies should have a public commitment to respect universal human rights – at a minimum, those set out in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and the core International Labour Organization (ILO) standards – that is approved by the highest governance body. A policy commitment to human rights represents an important public document that communicates a company’s values and principles in this area. It is a first step in setting out how a company will take action and influence decision-making within the business to ensure the commitment is made in practice.

As awareness has grown of businesses' responsibility to respect human rights, corporate human rights policies and commitments have proliferated.

91%
of companies publicly commit to respect human rights

94%
of companies publicly commit to prohibiting, identifying and preventing forced labour, modern slavery and human trafficking

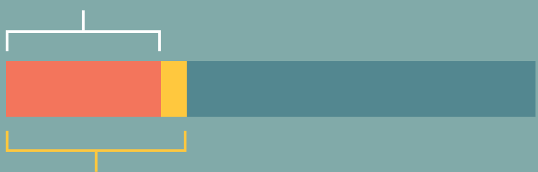
The development of these policies is positive. They demonstrate that a company, at least publicly, values human rights and is open to some level of accountability for its human rights impacts.

However, the value of policies is limited if it is not supported by clearly articulated action on human rights.

There were a number of areas in which companies' human rights commitments were not supported by data on how rights are actually protected in practice:

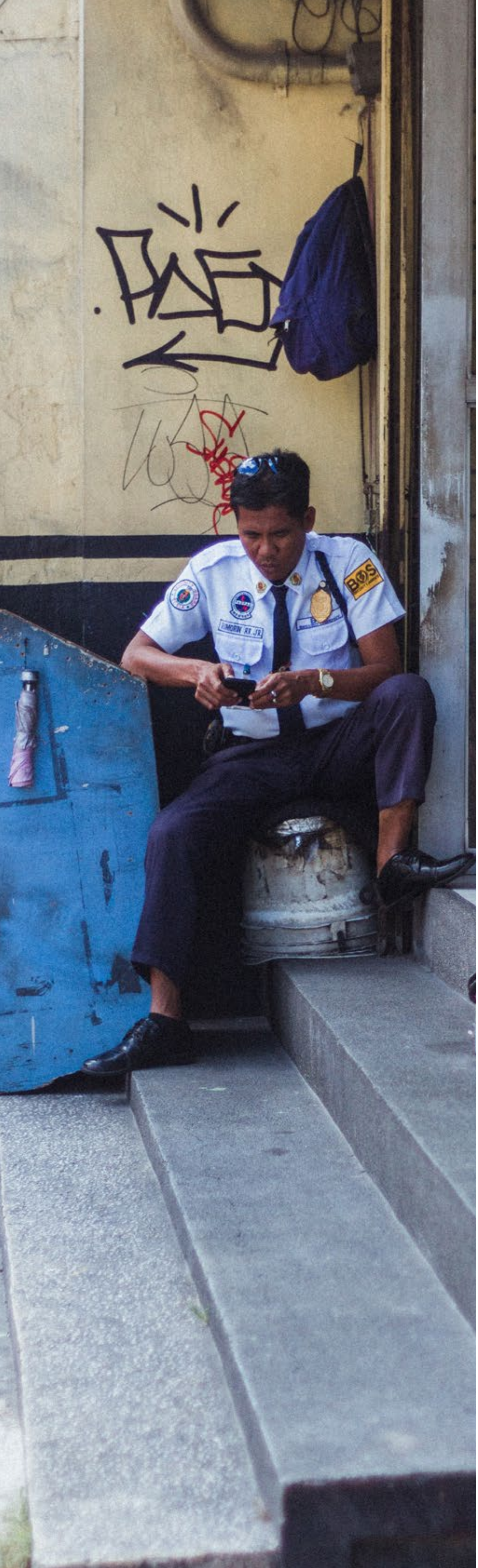
Almost half of companies with a human rights policy did not give an example of when they had provided a remedy for a human rights violation. Since no company can claim to be completely free of human rights risk,[23] it is unlikely that this number reflects the proportion of companies that may have needed to provide a remedy.

23 per cent of companies with a human rights policy did not explain how they assess suppliers against human rights commitments...



and 31 per cent did not explain any steps they have taken to improve supply chain workers' rights.

Just under a third of companies with a human rights policy did not explain what action they have taken to prevent or mitigate their salient human rights issues.



A similar pattern emerged with commitments on modern slavery:

10 companies

10 companies with a commitment to prohibiting, identifying and preventing forced labour, modern slavery and human trafficking from their operations and supply chains did not provide any description of their supply chain. This is the most rudimentary, essential information for beginning to identify and address modern slavery. If a company cannot even generally describe its supply chain, there is a limited likelihood they will be able to make meaningful progress on modern slavery.

39%

Only 39 per cent of companies that have a modern slavery policy disclose the results of their supply chain mapping.

33%

Disappointingly, 33 per cent of companies that have modern slavery policy did not even state whether they publicly disclose results of supply chain mapping, even to say they did not disclose the results of the mapping.

This data suggests that for a significant number of companies, human rights commitments are not sufficiently embedded throughout the business and have a limited impact on the extent to which companies seek to understand and address their human rights impacts. Companies need to be going beyond policies and require data on how they are actually taking action if they want to manage this risk and show that their commitment to human rights is legitimate.

FINDING 5

Companies that conduct human rights due diligence have an enhanced ability to protect workers’ rights

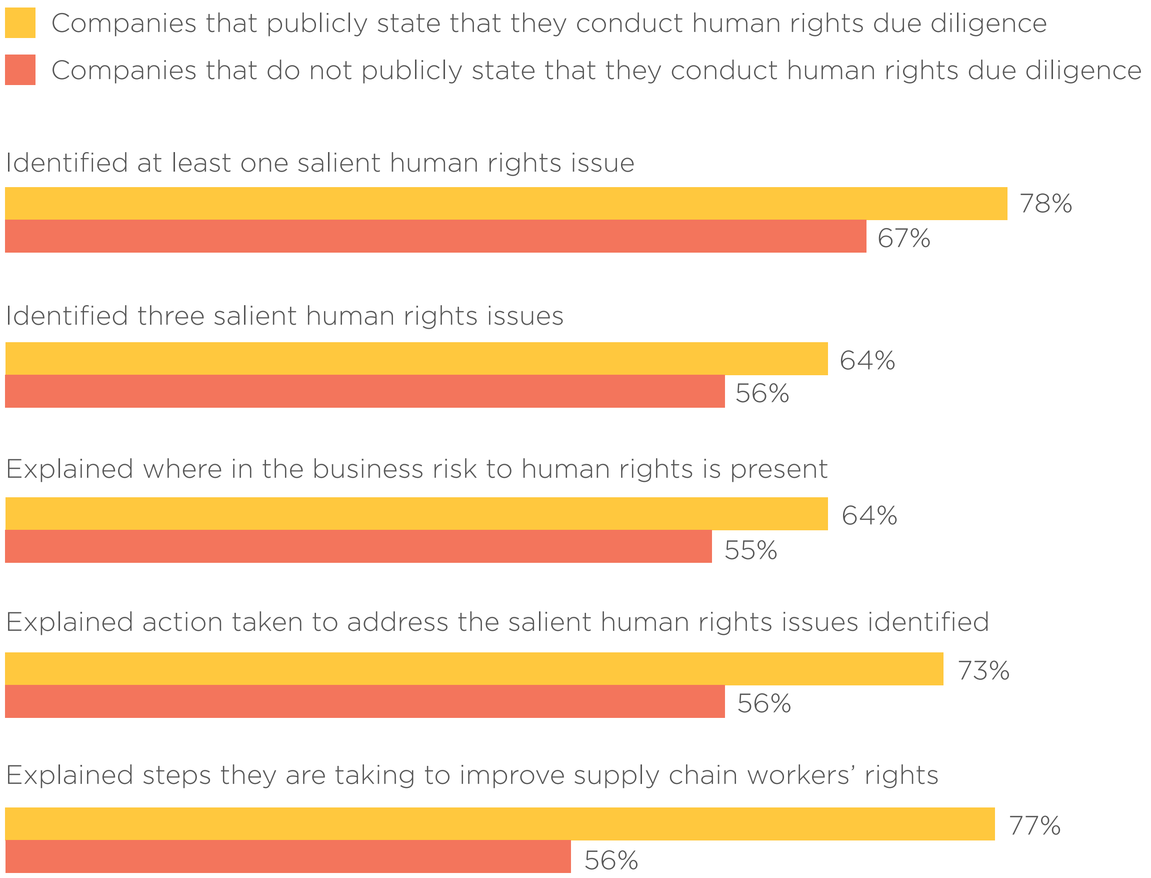
A robust, well-documented and ongoing human rights due diligence process is a key tool for companies to ensure they fully understand, identify and account for the positive and negative impacts they are having on people and society. Without due diligence, companies have a more limited ability to identify, prevent and address adverse human rights impacts, which can have negative reputational, operational, financial and legal consequences.

Due diligence is the cornerstone of a company's approach to respecting human rights

Human rights due diligence provides companies with the tools they need to effectively address risks to workers and to people more widely. It also creates a framework for action, giving companies the insight they need to prevent risks from becoming reality or to mitigate any harm already caused by human rights violations. This is particularly important given the globalised nature of businesses. Opaque supply chains, more insecure working arrangements, and stark differences in national contexts for human rights mean all companies, including, for example, service-based companies that may seem more removed from these issues, have some form of human rights risk exposure. This only increases with the scale of the organisation.

The recognition of the importance of due diligence was reflected in the WDI, with 121 companies (86 per cent) stating that they publicly describe their human rights due diligence process. Companies that conducted due diligence provided more data across a range of areas, suggesting that due diligence acts as an important enabling factor for a more detailed and practical understanding of the workforce.

Companies that publicly state how they conduct human rights due diligence were more likely to provide more detailed data on human rights



Companies that do not publicly state whether they conduct due diligence were twice as likely to only identify one salient human rights issue.

Despite the necessity of identifying human rights risks to prevent harm to workers and risks to businesses, almost a quarter (24 per cent) of companies did not provide a single salient human rights issue. It is extremely unlikely that the company poses no human rights risk, so this suggests either that organisations' risk assessment processes are not robust enough, or that companies are unwilling to share this data.

FINDING 6

Many companies do not explain how they are taking responsibility for their supply chains

The nature of supply chains means that they are often the site of some of the most acute risks to workers' rights. Production in supply chains often occurs in country contexts where labour rights policy may not be sufficiently evolved or enforced, and workers may not be able to freely negotiate improved working conditions with their employers. In complex, multi-tiered global supply chains, there may also be little oversight of suppliers' practices, allowing harmful and exploitative working conditions to proliferate.

Companies' practices can directly or indirectly inhibit adequate supply chain working conditions.

Companies that do not carry out effective human rights due diligence and have a limited understanding of their suppliers (particularly beyond tier one) are unable to effectively identify and remedy harmful working practices. Companies' buying practices can also impact suppliers' ability to improve working conditions, with suppliers being forced to lower working standards in order to meet buyers' commercial requirements for reduced cost and increased efficiency.[24] The COVID-19 pandemic has exacerbated this.

Research from the Center for Global Workers' Rights showed that 34 per cent of suppliers reported that buyers had not given them the flexibility required around shipment dates to be able to make the necessary social distancing adjustments within factories.[25]

Despite the intimate links between companies' practices and risks to workers in the supply chain, many companies still did not explain the actions they have taken, or intend to take, that can have a significant impact on supply chain workers. This extended across the full scope of companies' approaches to supply chains, from internal sourcing processes and practices to specific measures to protect supply chain workers' rights.

Internal

Organisational practices

Over one third (34 per cent) of companies did not describe any measures to incentivise those responsible for sourcing decisions to ensure the company meets responsible sourcing and workers' rights commitments.

Companies do not seem to understand how their sourcing and purchasing practices can impact suppliers' ability to meet workers' rights commitments. While 60 per cent of companies responded to this question, the vast majority spoke about their responsible sourcing commitment and mechanisms to monitor supplier compliance, rather than identifying company purchasing practices that may be limiting suppliers' ability to meet these commitments.

Relationships with suppliers

A third of companies (33 per cent) did not explain how suppliers are incentivised on workers' rights.

Just under a third of companies (31 per cent) did not provide information on any action they have taken to build suppliers capacity to manage and mitigate risks to workers' rights.

Supply chain workers directly

Almost half of companies (48 per cent) either do not monitor if supply chain workers have access to a grievance mechanism or cannot say if they do.

One-third of companies (34 per cent) did not explain how they are improving working conditions of supply chain workers.

External

Conditions in supply chains will not improve without active intervention.

Unfortunately, there is still a perception held by some companies and suppliers that restricting workers' rights is in their interest. If companies do not actively incentivise supplier performance (or do not have a systematic approach that they can explain) poor practices will flourish. This applies to direct interventions relating to supply chain workers themselves. Supplier practices, and local contextual factors, mean many workers in supply chains will be denied essential mechanisms to protect and assert their rights. Companies need to gather this data to identify what action, if any, they are taking to rectify this, and evaluate its effectiveness.

Sector spotlight: IT, Energy and Industrials

Some sectors had a particularly low understanding of the impact they were having on their supply chains. IT was the worst-performing sector across almost every indicator looking at responsible sourcing, providing data for an average of 59 per cent of indicators, compared to 76 per cent for all other sectors. Even on well-reported, fundamental indicators, IT lagged behind. For example, 58 per cent of IT companies stated if they assessed supplier performance against their own human rights commitments, compared to an average of 93 per cent of companies from all other sectors.

The disappointing levels of information from IT companies may be explained by an inaccurate perception that data on supply chains is not relevant to them. The IT sector is at high risk of some of the most severe supply chain labour rights violations, including forced labour.[26] A 2014 Verité study found that nearly a third of migrant workers in Malaysia's electronics sector are in situations of forced labour.[27] Commodities used to make products in the IT sector, such as tungsten, tin, tantalum (coltan), and gold, have all been shown to be produced using forced labour in the Democratic Republic of the Congo.[28] It is therefore essential that IT companies have an effective understanding of their supply chains and can clearly state how they are working to ensure their practices are supportive of adequate working conditions with their suppliers.

Other high-risk sectors also had some of the lowest levels of data. Two thirds (64 per cent) of energy companies and over half (56 per cent) of industrial companies did not provide any data on how they are improving working conditions for supply chain workers. The risks relating to supply chains for these sectors have been well documented for years; all of these companies should be working to improve supply chain workers' rights and should be able to provide this data.

More

Companies that completed the WDI survey in 2020 and their responses in 2019, 2018 and 2017

★ These companies provided the most data to the WDI survey (or came in the top ten per cent in terms of the completeness of their response)

R = Responded | D = Declined | ? = No answer | / = Not requested

Company	2019	2018	2017	Country	Sector
Accor	?	?	/	France	Consumer Discretionary
Adidas	R	R	/	Germany	Consumer Discretionary
AGL Energy	R	R	/	Australia	Utilities
Antofagasta	D	D	/	UK	Materials
Aristocrat	D	D	/	Australia	Consumer Discretionary
ASML Holding	R	R	/	Netherlands	Information Technology
Assa Abloy	R	/	/	Sweden	Industrials
Associated British Foods (ABF)	R	R	R	UK	Consumer Staples
AstraZeneca	R	R	R	UK	Health Care
AT&T	R	R	/	USA	Communication Services
Atos	R	R	/	France	Information Technology
BAE Systems	R	R	?	UK	Industrials
Barclays	R	D	D	UK	Financials
Barratt Developments	?	D	/	UK	Consumer Discretionary
Bayer	R	D	/	Germany	Health Care
BBVA	R	/	/	Spain	Financials
BCE	R	R	R	Canada	Communication Services
Beazley	?	?	/	UK	Financials
Berkeley Group	R	D	/	UK	Consumer Discretionary
BHP	R	R	R	UK	Materials
Biogen	?	?	/	USA	Health Care
BMO Global Asset Management	/	/	/	UK	Financials
BMW	R	?	/	Germany	Consumer Discretionary
BNP Paribas	R	R	/	France	Financials
★ British American Tobacco (BAT)	R	R	R	UK	Consumer Staples

Burberry	R	R	R	UK	Consumer Discretionary
Canadian National Railway (CN)	R	R	R	Canada	Industrials
Canadian Pacific Railway (CPR)	R	R	/	Canada	Industrials
Capgemini	R	?	/	France	Information Technology
★ Centrica	R	R	R	UK	Utilities
Cisco	R	R	/	USA	Information Technology
CNH Industrial	R	D	/	Netherlands	Industrials
Compass Group	R	R	R	UK	Consumer Discretionary
ConvaTec	R	R	/	UK	Health Care
Covestro	D	/	/	Germany	Materials
Cranswick	R	R	/	UK	Consumer Staples
Crédit Agricole	?	?	/	France	Financials
Croda International	R	?	/	UK	Materials
CSX	D	/	/	USA	Industrials
Diageo	D	D	R	UK	Consumer Staples
Direct Line	R	R	/	UK	Financials
Dominion Energy	R	/	/	USA	Utilities
Enel	R	R	/	Italy	Utilities
Engie	?	R	/	France	Utilities
★ Eni	R	?	/	Italy	Energy
Essity	R	/	/	Sweden	Consumer Staples
Evraz	R	/	/	UK	Materials
Fast Retailing	?	/	/	Japan	Consumer Discretionary
Ferguson (Wolseley)	R	R	R	UK	Industrials
Fresenius SE & Co. KGaA	/	/	/	Germany	Health Care
Fresnillo	?	?	?	Mexico	Materials
Fujitsu	R	?	/	Japan	Information Technology
General Motors	R	?	/	USA	Consumer Discretionary
GlaxoSmithKline (GSK)	R	R	R	UK	Health Care
Grainger	?	/	/	UK	Real Estate
H&M	R	R	R	Sweden	Consumer Discretionary
Hargreaves Lansdown	R	R	/	UK	Financials
HSBC	R	R	R	UK	Financials
★ Iberdrola	R	/	/	Spain	Utilities
IHG (InterContinental Hotels Group)	R	R	D	UK	Consumer Discretionary
Imperial Brands	R	D	D	UK	Consumer Staples
★ Inditex	R	R	R	Spain	Consumer Discretionary
ING	R	R	/	Netherlands	Financials

Intel	R	R	/	USA	Information Technology
International Consolidated Airlines Group	R	R	R	UK	Industrials
Intuit	?	?	/	USA	Information Technology
Jupiter Fund Management	R	/	/	UK	Financials
Kering	R	R	/	France	Consumer Discretionary
Kingfisher	R	D	/	UK	Consumer Discretionary
★ KPN	R	/	/	Netherlands	Communication Services
★ Landsec (Land Securities)	R	R	R	UK	Real Estate
Legal & General	/	/	/	UK	Financials
Lloyds Banking Group	R	R	?	UK	Financials
London Stock Exchange Group	?	?	/	UK	Financials
LVMH (Louis Vuitton)	R	R	/	France	Consumer Discretionary
Marston's	D	?	/	UK	Consumer Discretionary
Mastercard	R	R	/	USA	Information Technology
METRO AG	?	?	/	Germany	Consumer Staples
Microsoft	R	R	R	USA	Information Technology
Mondi	R	R	R	UK	Materials
Mowi	D	/	/	Norway	Consumer Staples
MTN Group	R	?	/	South Africa	Communication Services
National Grid	R	D	D	UK	Utilities
NatWest Group	R	R	R	UK	Financials
Nestlé	R	R	R	Switzerland	Consumer Staples
Nike	?	D	?	USA	Consumer Discretionary
Nokia	R	R	/	Finland	Information Technology
Orange	R	R	/	France	Communication Services
PayPal Holdings	?	?	/	USA	Information Technology
Pearson	R	R	/	UK	Communication Services
Persimmon	R	R	/	UK	Consumer Discretionary
Philips	R	R	/	Netherlands	Health Care
PostNL	/	/	/	Netherlands	Industrials
Prudential	R	R	/	UK	Financials
Reckitt Benckiser	R	R	?	UK	Consumer Staples
Relx	R	R	R	UK	Industrials
Rio Tinto	R	D	D	UK	Materials
Rolls-Royce Holdings	R	R	D	UK	Industrials
RWE	R	?	/	Germany	Utilities
★ Sainsbury's	R	R	R	UK	Consumer Staples
Saint Gobain	R	R	R	France	Industrials

★ Sanofi	R	R	/	France	Health Care
Santander	?	?	/	Spain	Financials
Schneider Electric	R	R	/	France	Industrials
SEGRO	R	R	/	UK	Real Estate
SGS	R	?	/	Switzerland	Industrials
Sodexo	R	R	/	France	Consumer Discretionary
South32	R	D	/	Australia	Materials
Spirax-Sarco Engineering	/	/	/	UK	Industrials
★ SSE	R	R	R	UK	Utilities
St. James's Place	R	?	/	UK	Financials
★ Standard Chartered	R	R	R	UK	Financials
Swiss Re	?	?	/	Switzerland	Financials
Symrise	D	/	/	Germany	Materials
Teck	D	/	/	Canada	Materials
Telefonica	?	?	/	Spain	Communication Services
Telstra	R	R	/	Australia	Communication Services
Tencent Holdings	?	?	/	China	Communication Services
Tesco	R	D	D	UK	Consumer Staples
The Toronto-Dominion Bank	R	?	/	Canada	Financials
TOTAL	D	?	/	France	Energy
Toyota Motor	R	R	/	Japan	Consumer Discretionary
Tyson Foods	R	?	/	USA	Consumer Staples
UCB	D	?	/	Belgium	Health Care
Umicore	D	/	/	Belgium	Materials
Unicredit	?	/	/	Italy	Financials
Unilever	R	R	R	UK	Consumer Staples
United Utilities	R	R	/	UK	Utilities
UPM-Kymmene	R	?	/	Finland	Materials
Valeo	R	?	/	France	Consumer Discretionary
Valero Energy	?	/	/	USA	Energy
Veolia	R	R	/	France	Utilities
Vestas Wind Systems	?	/	/	Denmark	Industrials
★ Vinci	R	?	R	France	Industrials
Visa	?	?	/	USA	Information Technology
Vodafone	?	D	D	UK	Communication Services
Volkswagen (VW)	R	R	/	Germany	Consumer Discretionary
Waste Connections	?	/	/	Canada	Industrials
Wells Fargo	D	?	/	USA	Financials
Woolworths Group	R	D	/	Australia	Consumer Staples
WPP	R	R	D	UK	Communication Services

Endnotes and references

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Author: Charlotte Lush

Design and illustration: Design by Maia

Publication date: March 2021

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