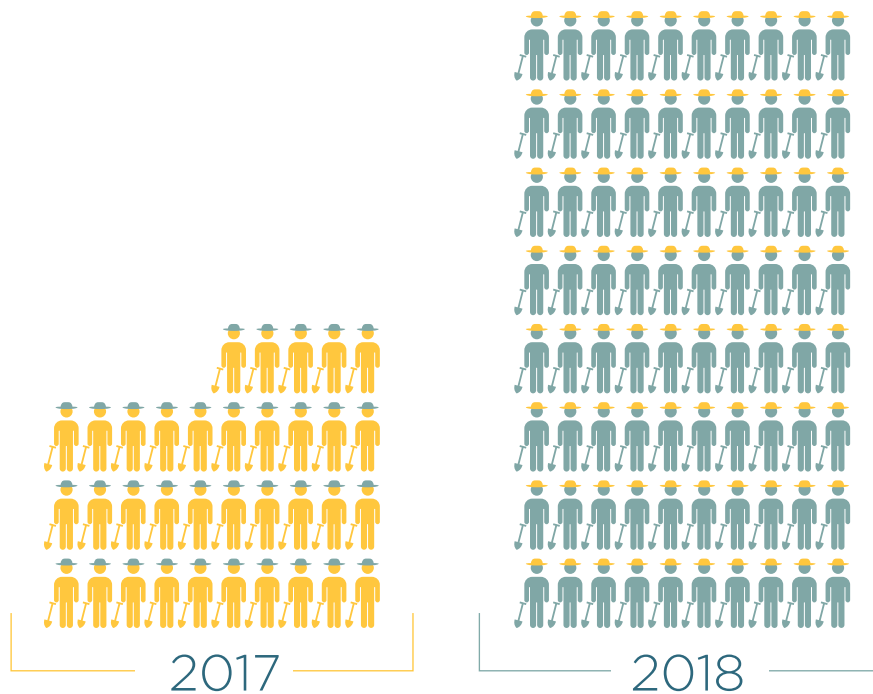
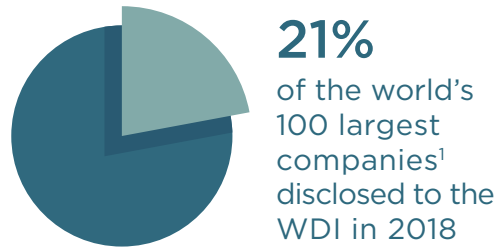
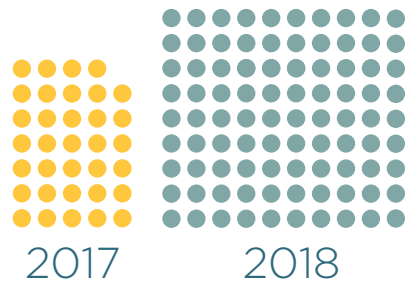


WORKFORCE DISCLOSURE INITIATIVE

IMPROVING THE QUALITY OF JOBS • Report on 2018 company disclosures





Total number of people employed by disclosing companies

“ ”

The WDI provides a solid basis for engagement with companies around social considerations – both at operational and supply chain levels.

- MATT CHRISTENSEN,
AXA Investment Managers

“ ”

The WDI is already providing real insights into how to enhance workforce reporting and incentivise best practice.

- JAMES GOMME,
World Business Council for Sustainable Development

¹Global Industry Classification Standard (GICS): www.msci.com/gics

INTRODUCTION

The Workforce Disclosure Initiative (WDI) aims to improve the quality of jobs in companies' direct operations and supply chains, by promoting greater transparency and understanding of the policies and practices that govern working lives and business success. The WDI launched in 2017 as a response to investor concerns that public reporting by companies on workforce issues does not provide the sort of meaningful and comparable information that they seek. Access to this information helps investors to understand investee companies more fully, and is an important early step towards improving workforce management and acknowledging where there is good practice.

More than 120 investors with combined assets in excess of \$13 trillion are signatories to the WDI.² There is clear evidence of the growing and sustained interest among investors for this type of social data – the WDI's signatory group has expanded by more than half since the pilot year launch. It is in the interests of companies to measure and publicly disclose workforce data, both to better understand their own workforce challenges, and to manage the message that is received by investors and other stakeholders.³

Embarking on more comprehensive and transparent workforce reporting catalyses more efficient ways of collaborating: internally and with suppliers. Companies have told us that the process of reporting to the WDI has helped to

bring together relevant personnel from across the organisation – such as Human Resources, Sustainability, Compliance, Procurement, and Legal – promoting greater alignment that benefits core business interests, as well as those of their workers.

In 2018, 90 companies – including representatives from 38 industries, and 21 of the 100 largest companies in the world⁴ – recognised these benefits and responded to the WDI's investor-led request for data.⁵ The full list of participating companies is available on page 4. They should be commended for their willingness to embark on the WDI and take steps towards demonstrating how their approach to workforce management is evolving.

Companies disclosing to the WDI in 2018 have an enormous footprint. They have operations in more than one hundred countries, employ upwards of 8.3 million people in their direct operations, and have business relationships with more than 1.5 million suppliers.

A further group of leading companies approached during 2018 indicated that they intend to report to the WDI in the future, presenting a welcome signal that these companies are increasingly seeing the value of collecting and disclosing information on their workforce management. This is in contrast to others that continue to believe that their existing public reporting is adequate, despite a growing number of investors signalling otherwise. There needs to be more transparency and collaboration,

as companies cannot tackle endemic workforce practices alone. Without this, governments will need to tighten existing regulations or introduce new legislation – such as on ethnicity pay gaps – to address social impacts. By participating in the WDI and responding to investor interest in particular workforce data metrics, companies can position themselves well for future legislation and benefit from enhanced workforce insights ahead of their peers.

Those companies that have previously declined to participate in the WDI have cited challenges such as the limitations of existing internal data collection systems, resource constraints, a lack of integrated oversight for decentralised operations or supply chains, and sensitivities around sharing data that is not currently disclosed publicly. Where such issues exist, these are significant barriers to ensuring good oversight and governance. Such challenges are surmountable and, in the face of continued and growing investor support for workforce transparency, addressing them should be a priority.

This report is the first piece of analysis highlighting the most important messages emerging from the WDI data, priority areas for corporate attention as they look to improve disclosure going forward, and aspects for investors to prioritise in their engagements with companies. During the course of 2019, detailed insights into the different sections of the survey will be published online and will include specific examples of good practice in both

disclosure and workforce practices. The WDI will also produce further analysis, which will identify trends in particular sectors, and areas in need of further attention.

One aim of the WDI is to drive more workforce data into the public domain so that stakeholders such as shareholders, civil society, and worker organisations can access and use the information to improve working practices. This year, 60% of disclosing companies made some or all of their workforce data publicly available compared with 20% of disclosing companies in the pilot year.⁶ Companies that demonstrated good practice and disclosed data publicly have been recognised throughout this report. The public data in its original format is also available to download with the rest of the materials at: shareaction.org/wdi/2018-data

Disclosure is only the first step. The WDI looks forward to working with companies, investors, and other stakeholders during the year ahead to drive and celebrate further improvements in workforce reporting and transparency on what works when it comes to truly valuing the workforce. Such progress is crucial if businesses and workers are to reap the benefits of effective management, and for society to build towards the attainment of the Global Goals for Sustainable Development on decent work, equality, and poverty reduction.

SUSTAINABLE DEVELOPMENT GOALS

8 DECENT WORK AND ECONOMIC GROWTH



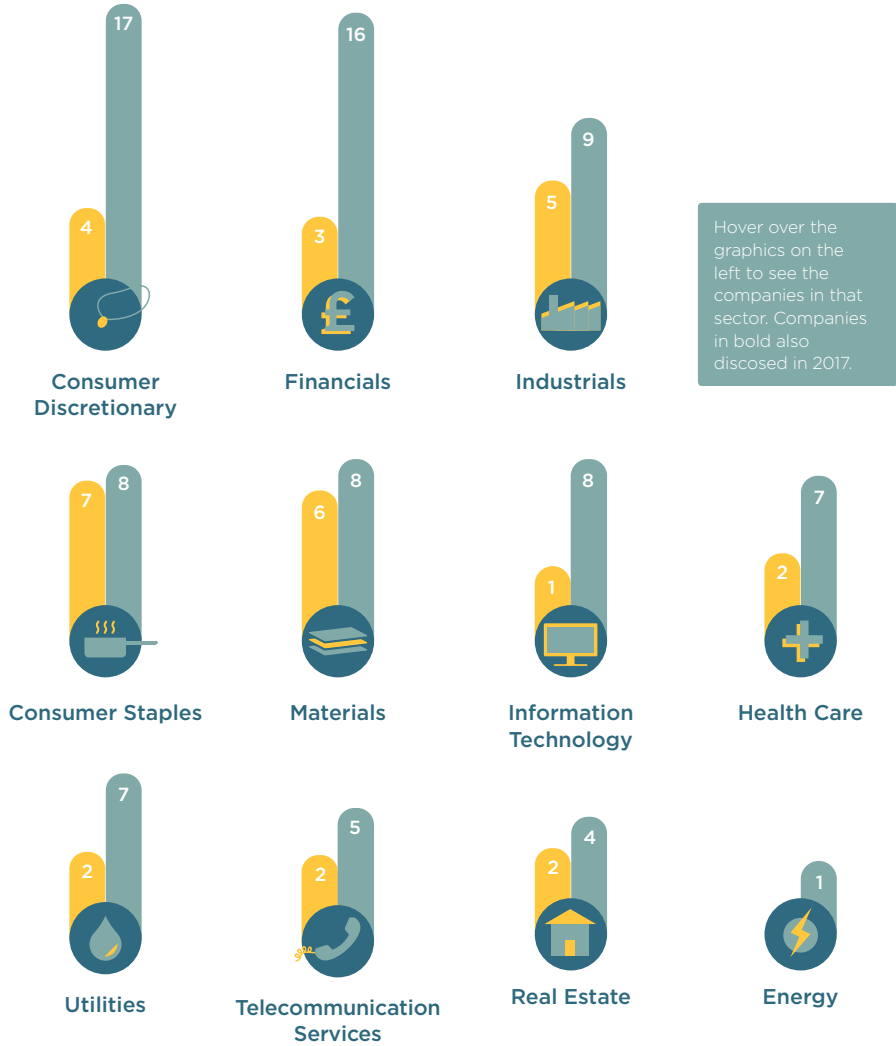
An increasing number of companies are including information in their public reports about their commitments to the Sustainable Development Goals.⁷ Sharing meaningful and comparable data on workforce management should be integral to this effort.^{8,9} Global Goal 8 – Decent Work and Economic Growth – sits at the heart of delivering poverty reduction, as well as underpinning the sustainable societies that business depends on to thrive.

Specific SDG8 targets that intersect with the WDI

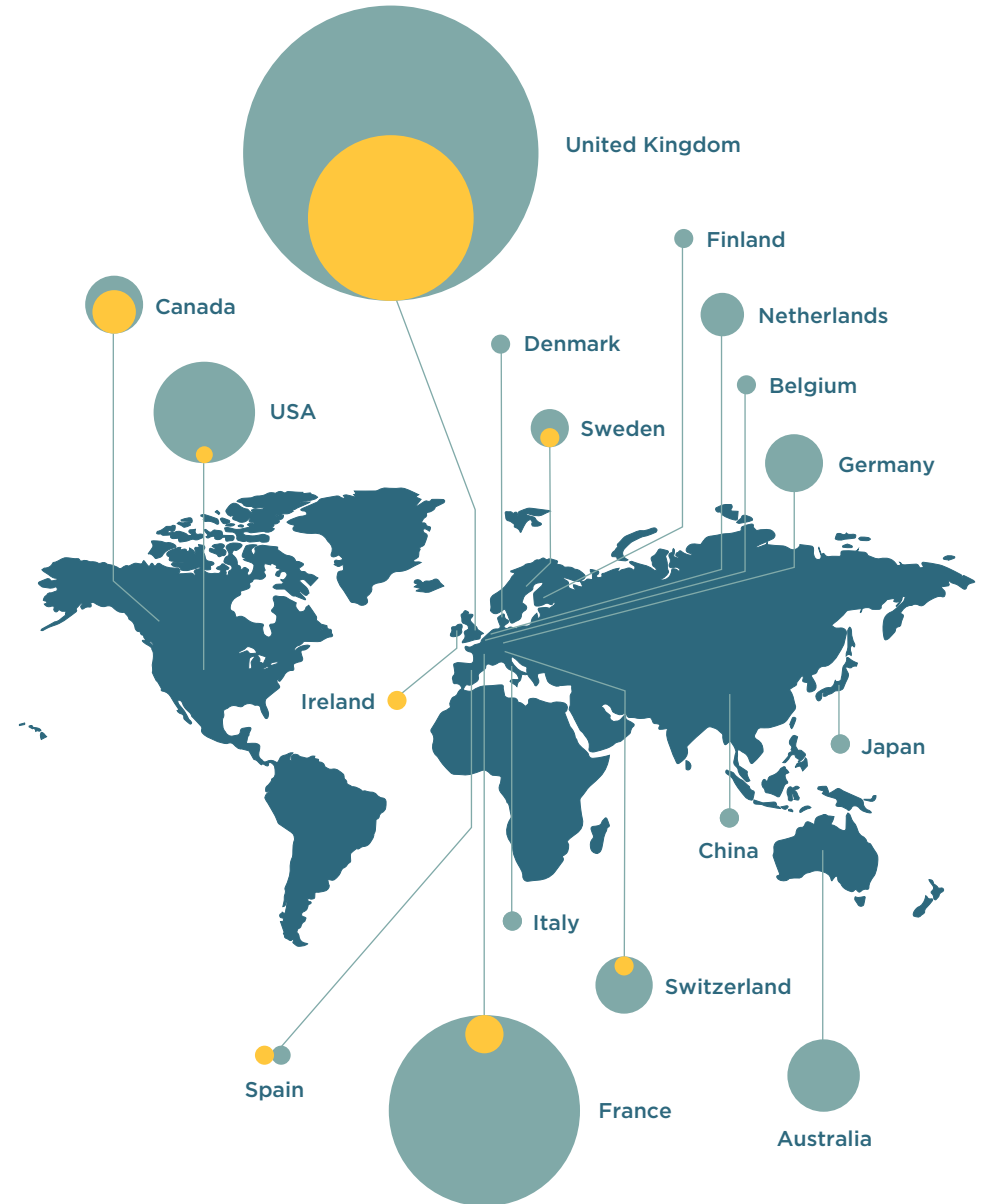
- **8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- **8.7** Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms
- **8.8** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

Disclosing companies by GICS sector

● 2017 ● 2018



Disclosing companies by country



The full list of companies invited to disclose to the WDI in 2018 is available here: bit.ly/wdi-companylist-2018

SUMMARY OF FINDINGS

FINDING 1

Workforce risks were poorly communicated and rarely linked to business strategy or impact on workers

Overall, companies did not provide sufficient information on the processes they have in place for identifying and prioritising workforce risks and opportunities, with companies using generic and ambiguous language. The lack of detail on risk management processes has implications for other areas of company disclosures and warrants further investigation, in particular where the risks relate to human rights. Few companies referred to management of risks and opportunities in relation to their wider business strategy, culture, or values.

FINDING 2

There was significant variation in the level of disaggregated data – data by demographic group such as by gender, age, and ethnicity – reported across the workforce

Companies reported more demographic data for their employees compared to the contingent workforce (see [definition of contingent worker](#)) or supply chain. Many companies reported gender and age composition data for their employees, however often this data did not cover the company's entire business operations. Few companies reported any gender composition data for their supply chain. Only a small number of companies reported demographic data in different workforce themes such as turnover, training and development, and health and safety.

FINDING 3

Disclosures lacked detail on low paid workers

Companies did not report data for their lowest paid workers, and when they did, this information did not cover their entire geographic operations. Companies' disclosures showed low levels of understanding of the living wage (see [more info on the living wage](#)), and there was little meaningful data and good practice in relation to monitoring and improving wages for contingent and supply chain workers.

FINDING 4

Companies provided limited information on how they manage and protect contingent workers

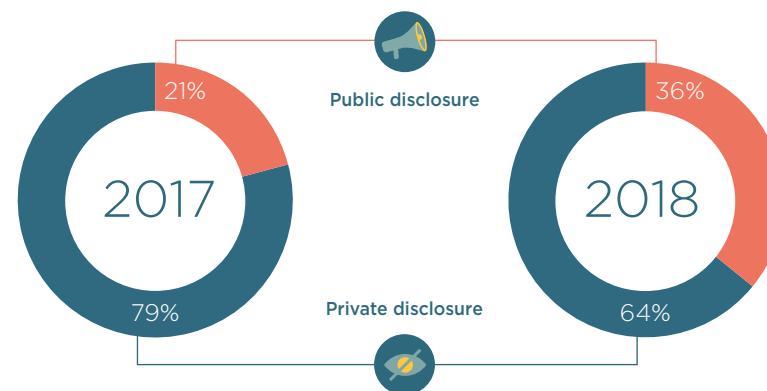
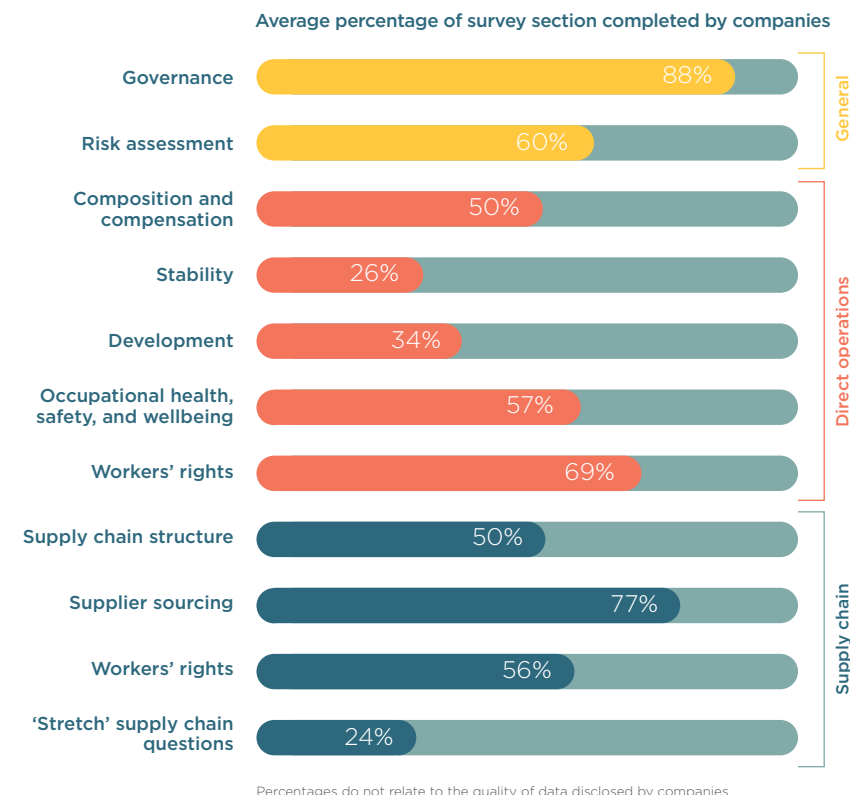
Companies with a large proportion of contingent workers generally did not provide sufficient information regarding the nature of work carried out by these workers, or how the company is ensuring decent working conditions, protecting the fundamental rights of workers, and creating equal opportunities in the workplace. There is also significant room for improvement in the reporting of contract types by gender, particularly since women are often at increased risk of precarious work.

FINDING 5

Quantity of disclosure is not currently a proxy for determining quality and good practice

The tendency for companies to provide large amounts of disclosure but with limited relevance to the question permeated topics throughout the 2018 survey. For example, although almost all companies reported extensively on their governance of workforce issues, the quality of these responses was highly varied and often missing key information. Companies are encouraged to use the WDI framework to identify where they have data gaps, why that is, and share information on what steps they are taking to address this.

How did companies disclose?



RECOMMENDATIONS



Companies

Continue to build internal dialogue between different functions

Cross-functional coordination and information sharing is essential for companies to adequately manage and address workforce risks and opportunities. Leadership must ensure there are clear roles and responsibilities, and that those tasked with collecting and reporting this data have the capacity and support to deliver on investor expectations.

Prioritise data collection and reporting on key areas, as discussed in this report

Companies need to start filling the gaps and increase their ability to respond to the workforce data points that investors are most interested in, as outlined in the WDI. We encourage companies to study the guidance that accompanies the survey and assess what steps are needed for them to start collecting and reporting data within this framework.

Increase public reporting of workforce data

Companies should not fear transparency. Investors want companies to report their workforce data publicly so that data is available to all interested stakeholders and so that their practice can be acknowledged and help to drive improvements across sectors and economies. Companies are not expected to have all the answers immediately - publicly acknowledging data gaps and where progress is needed is a positive indication of intent, and one that sets companies positively apart from their peers.



Investors

Apply leverage with companies that repeatedly fail to disclose or that provide little data

Companies that are not responding to the investor request for workforce data should be challenged to disclose next time. Where there are concerns over limited resources, duplication of effort, or limited availability of data, companies and investors are encouraged to engage in a dialogue to better understand these concerns and meet them head on.

Use the data in a variety of ways

Acknowledge the effort of the companies that have disclosed data to the WDI. In addition to accessing and using the data to inform investment analysis and portfolio management, investors can use the data to inform their voting decisions, and collaborate with others to put forward AGM questions and shareholders resolutions seeking improved workforce management and disclosure.

Engage on the topics covered in this report

Investors are encouraged to engage with companies on topics highlighted in the findings of this report, the analysis WDI will publish over the next year, and to participate in the topic specific engagement activities coordinated by the WDI and its partners. This will help to drive greater understanding within engagement and portfolio teams of how workforce practices interlink with performance, and to engender more ambition within investee companies.



Stock exchanges

Introduce guidance and mandatory reporting on social impacts

Stock exchanges are uniquely positioned to influence the companies that they list. Requiring companies to publicly report key data points on their social performance, including labour and human rights, would help to increase the availability of this type of data. Encouragement can be drawn from the progress being made in this way on gender equality.¹⁰



Civil society and worker organisations

Use the data to support efforts to improve working practices

The WDI is already generating a large amount of workforce data for public access (shareaction.org/wdi/2018-data). We encourage and support those interested in using the data to advocate for improvements in working practices and to initiate or inform a dialogue with companies and investors.

All stakeholders

The WDI will continue to evolve its methodology in order to ensure it captures meaningful data on workforce impacts. We invite all those interested in this effort to work with us in this pursuit.



Policy makers

Prioritise clear and ambitious legislation that helps to drive improvements in workforce disclosure and outcomes

Regulation and legislation are helping to fast-track disclosure in some areas, as seen for example in executive pay ratios and gender pay gap reporting (See [Finding 3](#)). However, the quality of data is highly varied and in some cases, is dependent on the specificity of mandatory reporting requirements.

Regulatory context

For European companies, the Shareholders Rights Directive (and increasing influence of say on pay voting practices) is changing disclosure practice across the executive compensation landscape. Executive pay ratio reporting has been a requirement in the US since 2018. Similarly, it is being introduced in the UK in 2019 where, for the past year, statutory reporting obligations for listed companies over a certain size have also included Gender Pay Gap reporting. The knock-on impact of such compliance was evident in the WDI 2018 data with, for example, many companies using information required in line with the UK's Modern Slavery Act and the French Duty of Vigilance Law as the basis of their response. However, there remain significant gaps in company disclosures (as noted in [Finding 5](#)). Clearer and enforceable requirements from governments on human right due diligence, for example including the identification and prioritisation of high risk suppliers and the results of audits, would support much-needed disclosure and improvement. These areas are currently severely under-reported, and yet are critical to identifying the most severe impacts for workers - and by definition the most severe risks to companies and their investors.

FINDING 1

Workforce risks were poorly communicated and rarely linked to business strategy or impact on workers

Why is risk identification and management important?



A robust and dedicated risk assessment is essential if companies are to identify and prioritise their workforce-related risks and opportunities. Without a clear and dedicated process, there is a danger that companies may be overlooking and failing to appropriately act on the most severe risks and impacts to workers, as well as missing the benefits of improved practices. Crucially, workforce risks and opportunities are most effectively prioritised and managed when they form an integral part of the company's wider risk assessment, and when the plans and targets to address them are embedded in the company's core behaviours, values, and strategy.

Analysis of disclosures

The process for identifying and prioritising workforce risks and opportunities was generally poorly defined: 51% of disclosing companies provided no detail on who is involved in the risk management process, how frequently it is carried out, or which business operations were covered by the assessment. For instance, rather than describe their risk assessment process, 24% of companies simply described the company's management of one workforce risk in detail, while a further 20% gave either extremely general responses with little detail at all, or statements such as "Risk committee meet every month" or "We have a comprehensive risk management framework".

Encouragingly, 53% of companies mentioned that workforce risks and opportunities for their direct

operations were integrated into a wider 'enterprise risk' management approach (including AGL Energy, BT, Canadian National Railway (CN), SSE, and Standard Chartered) – 46% of these companies were two-time disclosers to the WDI, also having participated in the 2017 pilot year. However, the company disclosures related to workforce risk assessment in the supply chain were too general. Most companies only highlighted third-party risk assessments and supplier codes of conduct as the primary means for assessing and mitigating risks, despite these methods being widely regarded as insufficient at identifying supply chain risks,¹¹ rather than describing how assessment is integrated into the broader supplier management program and aligned with supplier incentives.

The lack of detail on risk management processes has implications for other areas of company disclosures, and may help to explain why many of the risks identified were generic and not specific to the company. Nearly all (94%) disclosing companies identified generic risks – such as "Talent development and retention" or "Safety and Health" – while few could link the risks they identified to actual or potential impacts on their business or workers, suggesting that more needs to be done to understand these connections.

In some cases, the lack of detail should raise concerns over the robustness of the assessment process. This is particularly true of the supply chain, where many companies cited human rights violations such as forced and child labour as risks but gave little indication as to where in the business these risks are most salient, and by extension which workers are most at risk.

When discussing management of their identified risks, only 29% of companies referred to their supply chain procurement strategy or practices (including AGL Energy, L'Oreal, Microsoft, Mondi,

and SSE), including how the identified risks shape existing purchasing decisions, relationships, and engagement with suppliers. 49% of companies either provided extremely limited responses or failed to refer to their company's sourcing strategy at all.

It was interesting to note only 13% of companies (including AGL Energy and BHP) – of which two-thirds were two-time WDI disclosers – referred to their wider business strategy, culture, or values when discussing the management of workforce risks and opportunities (in the direct operations).

Investors may be concerned where generic and ambiguous language has been used, since it may suggest companies have insufficient understanding of their workforce, and in turn may be less capable of mitigating some of the most severe impacts such as human rights violations and other risks critical to people development and business success. It also raises questions over how effectively companies are identifying opportunities to invest and nurture their workforce, and indeed how a company values their workforce as an asset that is integral to the future of the business.

It may suggest companies have insufficient understanding of their workforce, and in turn may be less capable of mitigating some of the most severe impacts such as human rights violations and other risks critical to people development and business success.

What companies can do to improve disclosure



Companies should take a systematic approach to workforce risk assessment and report each aspect of this approach. This should involve describing if the company has a distinct process with dedicated resources, structure, and frequency and how, if at all, the process integrates the results of the company's human rights due diligence.

Workforce risks and opportunities must sit at the heart of business management decision making.

Companies should disclose how workforce risk assessment is integrated into the company's wider risk management framework – Workforce risks and opportunities must sit at the heart of business management decision making.

For investors to understand this approach, companies are asked to describe how the workforce and wider business risk assessment relate to one another.

The results and decisions that emerge from a robust risk assessment should be embedded across the company. Companies should report workforce impacts, plans, and targets to address risks and opportunities. This information should also contain evidence to demonstrate how these matters are core to the businesses purpose, values, and business decision making and strategy.

FINDING 2

There was significant variation in the level of disaggregated data – data by demographic group such as by gender, age, and ethnicity – reported across the workforce.

Definition of contingent workforce

The WDI acknowledges that there are many ways for workers on non-permanent contracts to be classified: commonly these workers can be referred to as 'contract workers', 'agency workers', or even 'gig economy' workers. For the purposes of capturing data on this group of workers via the WDI survey, we have defined 'contingent workers' as follows: **those employed either directly or indirectly by the company on a contingent basis including contract, temporary, third party, and franchise workers – i.e. those most at risk of conditions of precarious work.**

Why is disaggregated data¹ important?

Companies have enormous influence over the way in which different demographic groups access labour markets and flourish in the workplace, including the structural barriers that prevent equal access to and enjoyment of decent jobs. As companies face growing calls to use their leverage responsibly and make a positive contribution to society,¹² it is imperative that they respond to the moral as well as economic argument for creating more equal and diverse working environments.

Companies committed to providing equal opportunities and drawing on the best talent should continuously monitor discrimination and other structural barriers at work – whether they relate to pay, contract types, the level of retention, or development opportunities offered – in the process, drawing out their learnings, and reviewing and tracking progress towards equality targets. This is relevant for companies across their business operations and supplier relationships; since without this information companies may be missing crucial insights into those who are at greatest risk in their business and supply chains, and depriving the business of the widely accepted benefits of a diverse workforce.¹³ Reporting disaggregated demographic data is a pre-requisite for delivering diverse and inclusive workplaces. Aggregated data impedes investors and companies from understanding who makes up the workforce, and limits their ability to identify where the greatest risk of discrimination and disparities may be, as well as their ability to evaluate efforts to enhance diversity and equality in the workforce.

Data reported by gender, age, ethnicity, disability, religion or belief, and sexual orientation



What companies can do to improve disclosure

Companies should report demographic data not only to reflect the composition of the workforce but also across different workforce themes such as contract types, pay, training and development, and health and safety. This information is needed to understand the risks of discrimination, harassment, and unfair treatment within their operations and business relationships. This data is also vital for understanding how companies are tapping into the opportunities and benefits of creating more equal and diverse workforces.

There can be plausible barriers to the collection of gender and other disaggregated data, whether in the direct operations or supply chain. Therefore, companies may initially prioritise data collection and reporting of disaggregated data for certain groups in the direct operations and specific parts of their supply chain. These decisions must be grounded in a robust assessment of the potential risks to workers in order to identify where data collection, monitoring, and action is needed. It is not sufficient for companies to dismiss gender data simply because there are few women in the company's supply chain, for example.



Analysis of disclosures

The disclosures indicated that companies collect much more disaggregated data for employees in the direct operations, than they do for their contingent workforce (see definition above) or the supply chain. Reporting employee data by gender, for example, is now a routine part of disclosure in the direct operations. In contrast, in the supply chain only a minority of companies report disaggregated data by gender.

Of the 90 disclosing companies, 98% reported the gender of direct operations employees by seniority. It is encouraging to note that 50% of companies said their employee gender data covered their entire operations.

However, it is also the case that half of disclosing companies were only able to report this data for some of their direct operations, providing an incomplete picture of gender diversity across their business operations. 52% companies provided a gender breakdown for some or all of their contingent workforce (by one or more non-permanent contract types). In contrast, only 17% of companies said they collected gender data for their supply chain, while the remaining companies either said that the data was collected by suppliers and not aggregated, or that they did not think gender information in the supply chain was relevant to their stakeholders. Without access to gender disaggregated data on the direct operations and supply chain, a company has limited to no insight

into whether they are enabling or impeding delivery of Global Goal 5 on gender equality and the empowerment of women and girls.¹⁴

For all other demographic categories (age, ethnicity, disability, religion or belief, and sexual orientation) disaggregated reporting in the direct operations was mixed.¹⁵ 81% of companies reported data disaggregated by at least one other category – age was the most commonly reported category followed by ethnicity and disability. However, on this basis only 31% of companies reported data that covered their entire direct operations (including AIA Group, ASML Holding, BNP Paribas, Enel, Inditex, Nokia, Orange, Pearson, Svenska Handelsbanken, and Volkswagen), and only 7% of companies provided non-gender demographic data for their contingent workforce (including HSBC, L'Oreal, Solvay, Standard Chartered, and Svenska Handelsbanken).

In the 2018 disclosures, there was limited reporting of disaggregated data for employees across different workforce topics: only 38% of companies reported turnover rates by gender, and even fewer by age (companies that reported both included AGL Energy, ASML Holding, Canadian National Railway

(CN), Commerzbank, Enel, LafargeHolcim, Pearson, Reckitt Benckiser, SAP, SSE, and Telstra Corporation). Only 14% of companies reported disaggregated training and development data (including Centrica, Inditex, and Standard Chartered), and only 10% reported health and safety data by gender (including Canadian National Railway (CN), Commerzbank, Enel, Inditex, Relx, and SSE). Not monitoring and reporting this data risks the concealment of unconscious biases and structural issues that, left unchecked, can be to the detriment of workers and business alike.

98% of companies reported the gender of direct operations employees by seniority

52% of companies provided a gender breakdown for some or all of their contingent workforce

17% of companies said they collected gender data for their supply chain

FINDING 3

Disclosures lacked detail on low paid workers

Why is data on low paid workers important?



A company's understanding of, and ability to report on, wages and pay disparities is an important measure of how they value the contributions that workers make across the business. These factors are also a good indication of how well the company understands the benefits that decent wages bring for creating a stable and productive workforce. Disclosure on wages – including on company commitments, actions, and the outcomes of these actions – also indicate how deeply the ideas of fairness, living wages, and workers' rights are embedded within the business and its relationships with suppliers. Additionally, investors require disclosure on wages in order to better understand their exposure to systemic risks such as inequality,¹⁶ which can undermine the social stability that businesses depend on to thrive.¹⁷

Analysis of disclosures

In general, companies did not provide wage level data that covers their global direct operations, and provided little data on workers on the lowest salaries.

39% of companies reported wage level information for their lowest paid employees,¹⁸ although only 13% reported wage level data that covered their entire global operations (including ASML Holding, Inditex, Landsec, Lloyds Banking Group, Novo Nordisk, Philips, Segro, and SSE). This suggests that many companies do not collect or are unwilling to report wage level data for employees outside of their core operating countries, despite many companies having a geographic presence in countries with low minimum wage standards.¹⁹

Reporting of pay ratios between company executives and lower paid workers is not yet mainstream – only a third of companies reported this data. There are, however, some signs that new and emerging legislation is having an impact: 34% of companies headquartered in the UK, 67% of

those based in the US, and a further 45% of those in the rest of Europe disclosed a pay ratio; and 46% of companies reported their Gender Pay Gap.²⁰

Just 24% of companies said they monitor wage levels for contingent workers.

Just 24% of companies said they monitor wage levels for contingent workers,²¹ while another 23% included clauses in third-party contracts but did not indicate they carry out additional due diligence to ensure these clauses are being met. Similarly, in the supply chain, many companies rely on compliance with legal minimum wage standards and audits to monitor pay.

62% of companies reported that they pay living wages in their direct operations. Of these, 19 are accredited living wage employers (in the UK). It is not clear how the remaining companies determined that wage levels meet living wage standards, although encouragingly, three non-UK companies – including Philips – gave examples to show how they apply the concept outside of the UK. Few companies gave any information about living wages in their global operations, as opposed to the country where they are headquartered. Only a handful of companies referred to living wages in their supply chains (examples of companies that did are Associated British Foods, Ansell, and Burberry).

Companies demonstrated limited understanding of the concept of living wages, with 40% claiming to pay a living wage but then going to mis- or re-interpret the concept and discuss minimum wages and fair wages policies instead. Many companies also cited the lack of appropriate benchmarks as a barrier to paying living wages. [See Living Wage is a clearly defined concept].

There was little meaningful data and good practice in relation to monitoring and improving wages for the contingent workforce and supply chain workers. Most companies provided data on their

policies and extensive detail on their social audit activities, however few appear to be measuring the outcomes of their policies and activities, and only a handful report information that shows wages have increased as a result of their actions (including H&M and Sainsbury's).

In addition to wage level data, workers' rights to collective bargaining and freedom of association are key mechanisms for ensuring access to decent wages. In the direct operations, just over half of

companies provided the coverage of collective bargaining for their direct operations workforce. However, only one-third of companies reported carrying out additional due diligence to identify where the right to organise could be at risk, and even fewer companies – around 1 in 5 – reported sufficient detail on how they manage local constraints on union membership and ensure this right is respected (including Inditex, Novo Nordisk, and SSE).

What companies can do to improve disclosure



All companies can make progress in these areas by being more open and transparent about pay gaps and how the company is working to address them. Legislation need not be a pre-requisite for reporting on executive and gender pay gaps, although consideration is required regarding the methodology used in different jurisdictions.²²

Companies should improve their understanding and reporting of wage levels across all operations. This is vital for those employees and workers who are employed in countries where low wages prevail. Companies committed to paying decent wages should also go beyond compliance measures to understand if wage standards are being met for contingent and supply chain workers.

Where they have identified risks of low wages, companies are asked to report what the company is doing in relation to their employees, contingent workers, and supply chain. This information should include specific activities the company has carried out and the outcomes of those activities – for example, if progress has or is being made towards improved wages.

Living Wage is a clearly defined concept

All companies are encouraged to carry out living wage benchmarking in their operations and supply chain, particularly where they recognise there to be a risk of low wages. This involves seeking to better understand the concept of the living wage as distinct from local legal minimum wages, which can be below the standard required to meet a decent standard of living.

It is no longer always correct to say that it is impossible to track living wages locally and that benchmarks are not available. While local living wage benchmarks are not always available, the concept is clearly defined and the calculation methodologies are becoming well established. The Global Living Wage Coalition (GLWC) and Asia Floor Wage are examples of such benchmarks. While the living wage has not been calculated for all localities, companies can work individually or collectively with bodies like GLWC to fill the gaps that apply to them.

FINDING 4

Companies provided limited information on how they manage and protect contingent workers

Why is risk identification and management important?



Contingent workers (see definition) are often more vulnerable to labour exploitation. This is particularly the case in high-risk countries and in sectors where there is a high proportion of seasonal labour and female employment. Contingent workers are also often more likely to face stunted career development, making it more difficult for them to move out of low paid work.

The number of workers employed on a contingent basis has grown in recent years – every sector relies to some extent on contingent labour.²³ Although the conditions between permanent employees and contingent workers vary between companies, all need to actively manage the risks to those in temporary employment. Companies can only be confident that they have adequately mitigated the risks to contingent workers by carrying out appropriate due diligence, including by collecting data on this increasingly important, but often overlooked, component of the business.

Analysis of disclosures

Companies with a large proportion of contingent workers tended not to provide sufficient information regarding the nature of work carried out by these workers, or how the company is putting in place steps to ensure decent working conditions and equal opportunities for contingent workers. For example, although 27% of responding companies disclosed a high proportion of workers on temporary, non-guaranteed or third party contracts, only 3% explained the nature of their work, their geographic spread, or how the proportion of contingent workers was appropriate for the company's business model (including Centrica).

Contingent workers form part of the workforce for 73% of disclosing companies.

Contingent workers form part of the workforce for 73% of disclosing companies. However, few companies consistently reported information such as wage levels, turnover, training and development, and health and safety for the contingent workforce. There is also significant room for improvement in the reporting of contract types by gender, particularly since women are often at increased risk of precarious work.²⁴

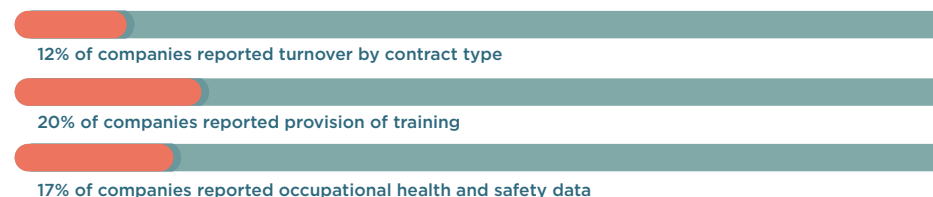
As mentioned in Finding 3, few companies monitor and collect wage data for contingent workers, with companies relying on clauses in agreements with third party contractors to ensure workers are paid at least the local minimum wage.

In general, contingent workforce data is reported poorly across all workforce topics.²⁵

For employees:



For contingent workforce:



What companies can do to improve disclosure



Companies with a significant proportion of contingent workers should report the composition (number and contract type) of this group of workers and the nature of the work they carry out, including how these workers support the delivery of the company's business model and strategy.

If contingent workers become a larger part of the workforce, companies will increasingly need to monitor and assess the potential risks and opportunities associated with a growing pool of non-permanent workers. For this reason, it is important that companies begin to collect and report contingent workforce data in a systematic way.

Companies often included some (or all) of their contingent workforce data in their disclosures for all employees. Although some are likely to have a rationale for doing this, it is important to note that combining data in this way limits visibility on how the company manages contingent workers, and as a result whether they are at a disadvantage compared with their permanent employee counterparts.

To counter this lack of visibility, companies are encouraged to report their contingent workers separately from their employee data, or to clearly explain which groups of contingent workers are included in employee numbers and the reason for this. Since few companies made it clear which types of contingent workers were included in disclosures for all employees, the distinction between these groups of workers remains opaque.

FINDING 5

Quantity of disclosure is not currently a proxy for determining quality and good practice

Why is the quality of workforce data important?



It is welcome that companies have been willing to embark upon or continue their reporting journey with the WDI. However, it is essential that the quality of data also improves in line with the quantity. The tendency for companies to provide large amounts of disclosure but with limited relevance to the question permeated topics throughout the 2018 survey. For example, companies often responded positively regarding activities to improve wages, but then provided no details, or referred to action that does not directly relate to increasing low wages.

In order for investors to understand how a company is prioritising and managing workforce issues, they need to have access to quality data. Even on critical topics, such as Governance and Human Rights Due Diligence, the quantity of data disclosed was no indication of its quality. Companies frequently provided responses to questions that did not include the information requested in the guidance materials.²⁶ In these cases, companies are encouraged to use the WDI framework to identify where they have data gaps, why that is, and share information on what steps they are taking to address this.

Analysis of disclosures

Although almost all (98%) companies reported extensively on their governance of workforce issues, the quality of these responses was highly varied and often missing key information. For example, while all companies named an individual or committee responsible for workforce issues, only 40% referred to specific areas of oversight – some companies referred to the credentials of individual board members or the composition of a committee rather than what they were tasked with delivering,

While all companies named an individual or committee responsible for workforce issues, only 40% referred to specific areas of oversight – some companies referred to the credentials of individual board members or the composition of a committee rather than what they were tasked with delivering, while others did not even mention workers in their response. 10% of companies disclosed information on the regularity of oversight mechanisms and internal review of workforce issues (including Lloyds Banking Group).

There were significant weaknesses in the reporting of governance related to the workforce. Around half reported how overall responsibility for workforce issues is filtered down from the board to the rest of the organisation (including AIA Group, BAE Systems, Enel, Pearson, SSE, and Svenska Handelsbanken), and less than half provided specific examples of workforce-related performance indicators (including BHP, Cranswick, Inditex, Intel, Pearson, Veolia, and VW). Most companies only discussed corporate responsibility in general terms rather than linking workforce issues with performance-related remuneration.²⁷

Information reported on the governance of the supply chain was also often missing key details, despite extensive data being reported: for example, only 19% of companies refer to measures to monitor and reward those responsible for supply chain issues (including H&M, IHG, Lloyds Banking Group, and SSE). Most companies referred only to their generic corporate responsibility indicators or codes of compliance, and typically, this was only in relation to the responsibilities of those within the organisation rather than those assigned ultimate responsibility.

A similar pattern was observed in human rights data; although all companies said they have a human rights policy, companies did not generally provide details on how this policy was implemented.²⁸ For instance, 31% of companies reported who was responsible for the day to day



management of human rights, but just 6% referred to incentives and performance management in relation to human rights (including BNP Paribas and Solvay) and only 9% of companies reported their approach to engaging with potentially affected stakeholders (including BHP, BNP Paribas, H&M, and Inditex).

Likewise, 79% of disclosing companies described their human rights due diligence, many in extensive detail, however disclosure across each of the required themes was limited.²⁹ Although most disclosing companies reported information describing how they identify human rights risks, less than one-third included information relating to how these risks and impacts are assessed and prioritised, and how the business integrates the results of this assessment across different functions. Even fewer companies reported information on tracking and monitoring the effectiveness of actions taken to address risks and impacts (including HSBC, Landsec, Novo Nordisk, and SSE). Just 6% of companies provided details on how they communicate the ways in which human rights impacts are addressed (including Novo Nordisk and SSE).

What companies can do to improve disclosure



In critical areas of workforce disclosure such as governance and human rights due diligence, companies are encouraged to report the information which is fundamental to investors understanding their approach. In the case of human rights due diligence, given that reporting on this area is still extremely limited, companies are also encouraged to embrace the requirements as set out in the Corporate Human Rights Benchmark and the United Nations Guiding Principles on Business and Human Rights.

Companies are also encouraged to avoid obfuscation where information is not available. In instances where data is not currently collected or available, companies are encouraged to say whether and how they plan on obtaining this information in the future, rather than providing unrelated data.

Companies can look to leading practice to inform their disclosure in the future. A small number of companies are demonstrating what good looks like in relation to governance, human rights, and risk assessment reporting – many of them are two-time disclosers to the WDI. These companies come from different sectors and have clearly taken these issues seriously and embedded them across the organisation.

In 2018, the Workforce Disclosure Initiative (WDI) contacted more than 500 publicly listed companies headquartered in 30 countries to request data on how they manage their direct operations and supply chain workforce. The WDI is intended to drive progress on the quality of jobs by generating the type of meaningful, comparable information that investors need to more fully understand the approach of investee companies, but which is currently lacking from corporate reports. The request for disclosure is backed by more than 120 institutions that collectively manage in excess of \$13 trillion of assets. 90 leading companies based in 16 countries disclosed data in response to the investor request, including 21 of the world's biggest 100 firms.

Participating companies have provided disclosure on topics ranging from employee diversity, to development opportunities for contingent workers, workplace engagement, and health and safety, to supply chain sourcing strategies and their outcomes for workers. They have shown an openness to engage with investors on workforce issues that extends beyond the current efforts of their peers, and many of them have shared this information publicly.

Although there is still much ground to be made up in terms of the quality of available data, through their willingness to engage and shed more light on their own approaches, the companies that participated in WDI 2018 are helping to set the standard for others to follow.

This report is the first piece of public analysis highlighting the most important messages emerging from the WDI 2018 data, priority areas for corporate attention as they look to improve disclosure going forward, and aspects for investors to prioritise in their engagements with companies.

During the course of 2019, detailed insights into the different sections of the survey will be published online, including specific examples of good practice disclosure. Investor interest in better workforce disclosure is not going away. We encourage companies to see the benefits of engaging with the WDI – both for their own insights, and to provide investors with the data they need to understand and truly value better workforce management practices.

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