

Investor Case studies

Case study 1:

Achmea Investment Management

Why did you become a WDI signatory?

'As an investment management, we work with some 150 Dutch pension funds. Human capital and labour rights are issues that our pension funds are interested in becoming more active in. Our fiduciary duty is to understand how we should consider labour rights in the context of responsible investment, whether through exclusion or engagement practices'.

How are you using the WDI data in practice?

We use the WDI data specifically in our thematic engagement processes both in human capital and also living wage engagement streams. Our living wage stream is largely focused on the garment and retail sector companies and we work closely within the platform living wage financials on this.

The second one is human capital engagement which is mainly focused on the hospitality sector, on companies like Starbucks, McDonald's, Royal Caribbean and several other cruise lines.

We use the WDI data to get a first look at if and how a company is reporting on these datapoints, we use it to see if it's lagging behind or doing well, but also to identify sector best practices. By identifying best practice, we can in turn identify logical engagement asks for specific companies because it's far easier ask a company to move forward on a specific topic, if you can already provide the evidence that several other organizations are already doing so.

What are the benefits?

So for us the WDI data is a mix for analysing the company and analysing the sector, but also to see if our engagement asks are logical and appropriate for individual industries. We see that a lot of companies, especially in the last year have touted that employees are the foundation of their operations, but their transparency and reporting is really lagging, especially in comparison to climate change. The work of the WDI in pushing for increased transparency across all business operations (direct and supply chain) is also extremely valuable in this regard.

Finally, we recognise when speaking to companies that those that report to the WDI think more profoundly about how human capital management, and specific CSR policies can be linked to the overall business strategy'. This sets the bar for our engagements and is the trajectory we'd like other companies to take.

Case study 2:

Aberdeen Standard Investments

We use the data within our UK jobs impact fund

WDI data is used in our sustainable equity fund called the **UK jobs impact fund**, launched in collaboration with the issue big issue invest, a charity group based in the UK that aims to create job opportunities and improve working conditions.

In order to ensure that investee and potential investee companies are making the stated impact, we developed an assessment framework, comprised of four pillars: job creation, pay practices, workforce development and geographical deprivation.

Each of these four pillars require a lot of workforce related data. For example, on job creation, as the fund has a UK focus, we require there to be a minimum threshold of employees, employed in the UK, but quite often, companies don't break down their workforce by geography/region or business operations. The WDI data provides that information which is crucial in our assessment.

The WDI data is also useful for the geographical deprivation pillar because the idea is to support companies that create jobs in areas where jobs are most needed, and to in order to assess company's performance in this area will also need data on the location of their workforce. Again, it is very infrequent to see companies publishing this information in annual or sustainability reports, but it is required by the WDI survey.

The WDI is also useful when analysing company pay practices and pay gaps by location because that is very granular information. The challenge is that not every company we invest in reports to the WDI and that's why there's a constant need to improve the coverage.

Case study 3:

Nest

We use the WDI data to enhance our voting subset.

We use the WDI data to enhance what we call a voting subset. We wanted to find a way of incorporating workforce data because this is a really core area for our engagement work, but it's often very hard to find specific agenda items on workforce. We hold thousands of companies and have various external fund managers and we try to find ways to at least flag the shortcomings of companies in which we have large holdings.

The most efficient way to do this was to create a focus list of companies around which we critically assess the vote recommendations of our fund managers and potentially override areas where we disagree.

What does this mean in practice?

We have very specific principles built into the voting policy and one of those is around workforce disclosure. Last year we started incorporating WDI reporting and non-reporting companies (non-disclosing companies would be on a separate watch list) into this voting subset, which will be flagged to our proxy voting provider (Minerva analytics) who can look at these companies' proxy voting history and reporting practices a bit more closely and potentially identify areas where they breach the Nest voting policy.

If we feel that a company is lagging behind, or is not really disclosing appropriately on their workforce management, then we may vote against the reporting accounts.

What are the benefits?

The benefit of that is essentially we may have picked up companies in our voting subset that we may not have otherwise done so because the WDI has been able to flag potential issues around workforce.

This year, as the number of responders has increased, there'll be much more information, more data, and we should be able to really test this strategy a little bit more. If proxy advisors used the WDI data we believe that proxy analysis could be really enriched.

Case study 4:

Newton Investment Management:

The team is working to integrate the WDI scorecard into their ESG dashboard.

At Newton, we believe that social factors, including human capital management and supply chain practices, are material to a number of stakeholders, as well as financially material to companies. However, these factors appear less well understood by investors and by companies, relative to other issues. The lack of access to high-quality data, or disclosures, compounds investor challenges in understanding human capital risks and opportunities. As such, we actively participate within the WDI to encourage better disclosure of human capital and supply chain data, as we believe this presents opportunities for active investors looking to incorporate this analysis.

What does this mean in practice?

In practice, this means we rely on responses to the WDI survey, as well as our direct and collaborative engagements with companies, to better understand how companies identify and manage both risks and opportunities across their direct workforce and supply chain. Our experience in using this data has shown that company responses to the survey often go beyond current public disclosures on human capital. We want to understand how well placed companies are to attract and retain talent and avoid reputational issues and labour disruptions, as we move towards The Future of Work. With regard to supply chains, we acknowledge their complexity and opacity, and want to understand how companies stay abreast of evolving risks, and are able to identify and pragmatically deal with human rights violations, while keeping in mind the individuals affected and the socio-economic conditions affecting their circumstances.

We also use the opportunity to engage with companies to better inform ourselves as investors, and with the aim of influencing company practices. Indeed, human capital is one of our engagement policy objectives in 2021.

What are the benefits?

The WDI presents an opportunity for us to be more efficient in our engagements, by working alongside our peers, to contribute to shaping best practice human capital disclosures and practices, and to consistently advocate for these. We are also working towards systematically including the WDI survey within our internal scoring mechanisms for companies.

Further case studies:

Sycamore's Happy @ Work fund: Sycamore AM use the WDI data to enhance their knowledge of portfolio companies.