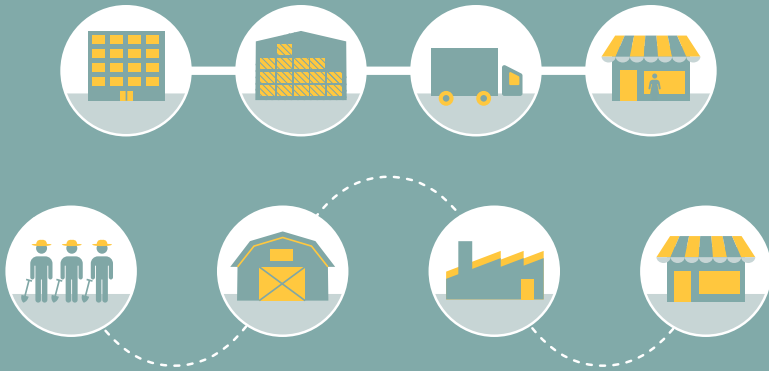


WORKFORCE DISCLOSURE INITIATIVE

IMPROVING THE QUALITY OF JOBS: **PILOT YEAR SUMMARY**



EXECUTIVE SUMMARY

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

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

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

There is growing evidence that workers, companies and investors can all benefit from improving the quality of jobs¹. A skilled and motivated workforce is vital to business performance whilst poor labour standards present significant risks to companies. Regulatory attention to employment standards is also increasing. Recent examples include the California Transparency in Supply Chains Act², the UK Modern Slavery Act³ and the French Duty of Care Law⁴.

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

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

The pilot year

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

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

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

Disclosing companies in WDI pilot year

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

1 Bernstein, A. and Beeferman, L. (15 November 2017). Corporate Disclosure of Human Capital Metrics. Available online: corpgov.law.harvard.edu/2017/11/15/corporate-disclosure-of-human-capital-metrics/ [accessed 3 April 2018]

2 State of California Department of Justice (2018) The California Transparency in Supply Chains Act. Available online: oag.ca.gov/SB657 [accessed 3 April 2018]

3 UK Government (2015) Modern Slavery Act 2015. Available online: www.legislation.gov.uk/ukpga/2015/30/contents/enacted

4 Assemblée Nationale (28 March 2017). Entreprises: devoir de vigilance des entreprises donneuses d'ordre. Available online: www.assemblee-nationale.fr/14/dossiers/devoir_vigilance_entreprises_donneuses_ordre.asp [accessed 3 April 2018]

Investor support

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

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

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

WDI signatories talk about the workforce as a material issue and also as an indicator of good corporate governance. Despite this, some companies commented that they do not feel their institutional shareholders prioritise workforce issues. The challenge to the investment community is both to communicate that good workforce management is an important business metric and to further integrate these issues into their engagements with companies.⁵ In the coming year, investor signatories will be engaging with companies to press for participation, improve the disclosure rates and to discuss the barriers companies face to greater workforce transparency.

For the full list of investor signatories visit: shareaction.org/wdi-investors

5 CIPD (2017) Do investors see the potential of people data? Available online: www.cipd.co.uk/knowledge/strategy/governance/investors-people-data [accessed 3 April 2018]

Disclosure rates

76 multinational companies were invited to complete the pilot year survey.⁶ For the full list of companies invited to participate in the pilot year see shareaction.org/wdi-report.

A total of 34 companies disclosed information to the pilot year survey – a 45 per cent disclosure rate. Those that responded provided a wealth of information, with two-thirds of disclosing companies covering at least 70 per cent of the survey topics in their responses.

By participating in this pilot year, companies have demonstrated a willingness to improve and develop their approach to the workforce. Disclosing companies – and many non-disclosers – also gave feedback on the process which provides an excellent base to refine in year two.

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

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

Findings

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

Finding 1:

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

Company engagement with the WDI process during the pilot year was encouraging. Among the 45 per cent of companies that disclosed, response rates for most questions were high. This suggests that the WDI survey has the potential to collect, via a single resource, a substantial quantity comparable workforce data.

For example, of the 34 disclosing companies:

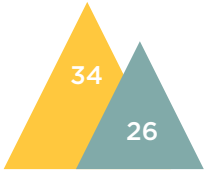
- 26 provided data to the WDI on contract types in their direct operations, whilst only five of these companies provide this information in their public reporting⁷
- 32 provided data to the WDI on wage levels in their supply chain, whilst only 10 of these companies provide this information in their public reporting
- 30 provided data to the WDI on supply chain occupational health and safety, whilst only seven of these companies provide this information in their public reporting

The pilot year survey demonstrated that workforce information is available but often not packaged and presented in a suitable format for institutional investors.

⁷ Public reporting figures are based on data available in the responding companies' public reports as of June 2017

● Number of companies disclosing to the WDI

● Number of WDI disclosers providing this information in their public reporting



1.2a Employee numbers



3.6a Wages



5.1b Training hours by gender



6.4 Whistleblowing



2.1b Company policies



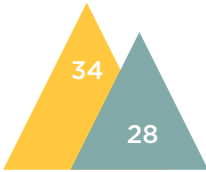
3.7a Working hours



5.2a Internal hire rates



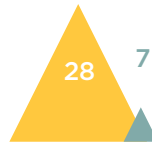
6.5 Freedom of association



3.1a Employee numbers by gender



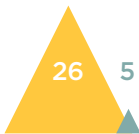
4.1a Employee turnover



5.3a Supplier training



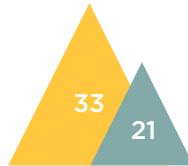
6.6a Employee engagement



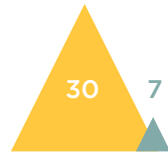
3.2a Contract types



4.2a Supplier turnover



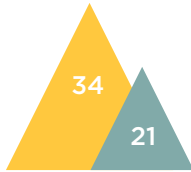
6.1a Health and safety



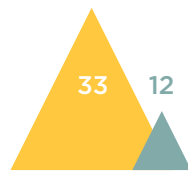
6.7 Health and safety



3.4b-d Gender pay gap



5.1a Employee training



6.2a Grievance mechanisms

Supply chain questions in red.

Graphics refer to pilot year questions: see page 68 of full report.

Finding 2:

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

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

In this pilot year, the quality of responses also varied greatly. The strongest responses provided contextual information and examples to help interpret the data. For example, one company's disclosure on gender diversity included:

- Contextualised data on current gender imbalances
- Identification that improved gender diversity has significant business benefits
- Analysis of the financial and business benefits of gender diversity

Strong responses also demonstrated an understanding of the links between different workforce issues. Of the most complete disclosures, many came from companies that have previously been heavily scrutinised on human rights impacts.

Finding 3:**Disclosures on accountability for workforce issues lacked clarity**

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

The company that provided the most detailed response for supply chain workforce governance described that:

The Board's oversight includes:

- regularly considering controls such as risk management systems and public disclosure of supply standards
- receiving regular updates from relevant risk and sustainability committees

Management of the supply chain is ultimately the responsibility of the Chief Executive Officer

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

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

For example:

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

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

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

Finding 6:**Companies faced a range of barriers to disclosure**

Commonly reported and discussed barriers include:

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

Finding 7:**Closer investor scrutiny should drive improvements in disclosure**

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

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

These are listed on [page 11](#). However, the quality of company disclosures suggests that there may be gaps in companies' assessment of their material risks and opportunities. The quality of responses and how they manage these risks and opportunities is analysed throughout the full WDI pilot year report.



Direct operations

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



Supply chain

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

Recommendations for companies

The pilot year has identified a number of key principles that companies can apply to their workforce reporting in order to improve disclosure. These are summarised on [page 15](#) in the Roadmap to Improve Workforce Reporting, with further detail available in the full pilot year report.

For improving WDI disclosures

- Facilitate cross-functional coordination. Company feedback indicates that the data collection process can be difficult to coordinate when it needs to come from a range of different departments, often in geographically dispersed offices. Companies may find the WDI is a useful opportunity to initiate an internal process to bring together relevant personnel from across the organisation such as Human Resources, Sustainability, Compliance, Procurement and Legal. Staff must have clear timescales and the capacity and support they need to respond, with clear roles and responsibilities with respect to data provision.
- Report actions, not intent. Although having robust policies and commitments towards workforce improvement are essential in underpinning good practice, many respondents quoted from these sources rather than disclosing what was actually happening as a result of them. Wherever possible companies should include workforce metrics, actions taken to improve these, and how the company is monitoring and measuring outcomes. If actions are currently not in place companies can instead acknowledge this gap and disclose steps they are taking to address it. This will make the workforce data collected in the survey more decision-useful and will give investors a clearer picture of the actions companies are taking.
- Start filling the gaps. The survey was developed through consultation with key stakeholders and continues to evolve to reflect data points that: i) investors are most interested in, and ii) address the most prominent workforce issues. This means that there is a benefit to companies in identifying their data gaps and starting to collect data on parts of the survey that could not be answered. We welcome feedback from companies during the upcoming survey revision consultation.

For companies' public reporting

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

Recommendations for investors

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

For engaging with companies

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

For promoting the WDI

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

Next Steps

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

The WDI pilot year is a positive and encouraging starting point. It has demonstrated that there are clear signs of leadership whilst also exposing a number of gaps in companies' workforce disclosure.

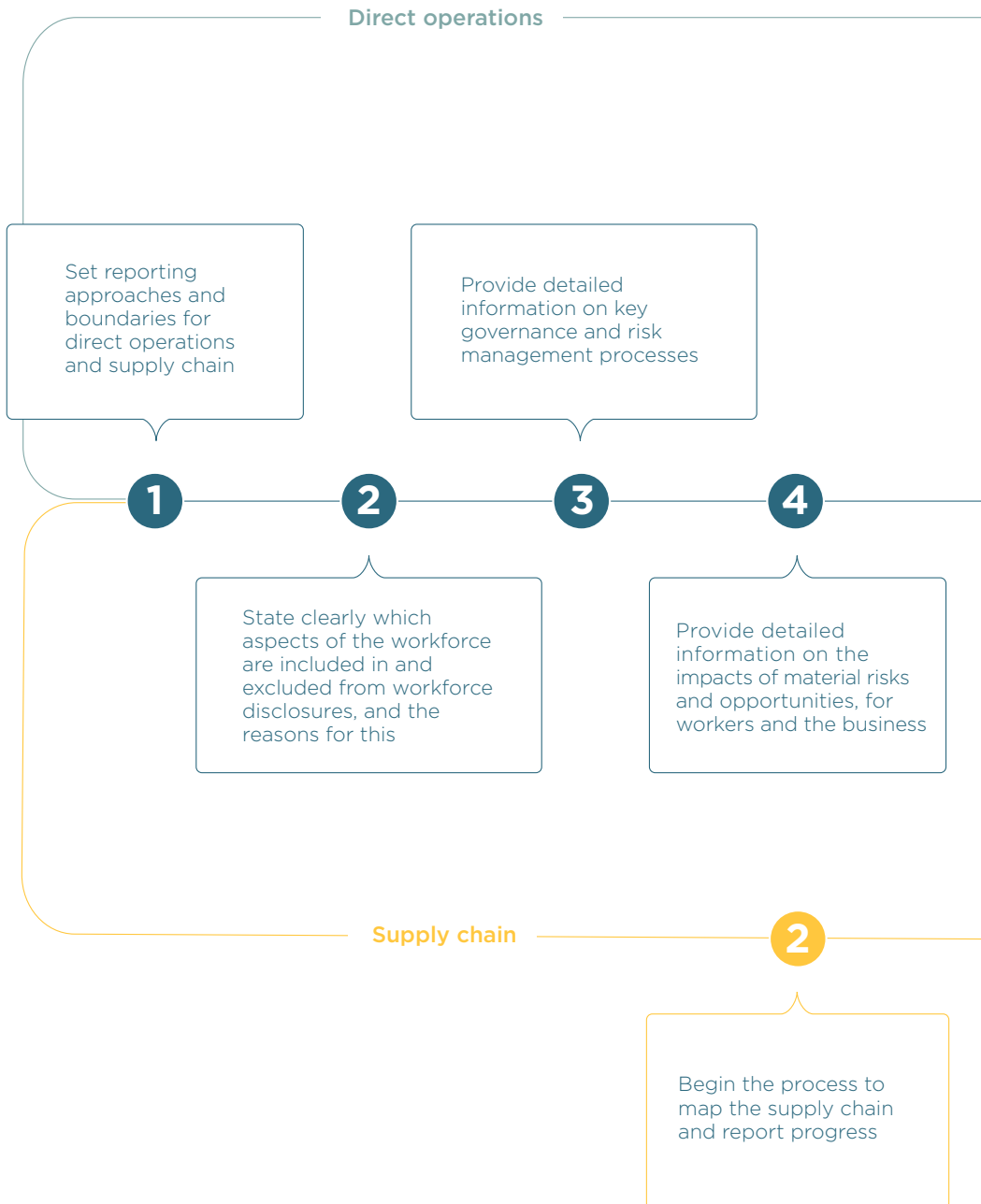
By participating in this pilot year, companies have demonstrated a willingness to improve and develop their approach to the workforce. Disclosing companies - and many non-disclosing companies - gave feedback on the process and this will enable the survey to be refined in year two.

In the coming years, a key measure of success will be in companies not just disclosing more data but in showing an evolution in their approach to workforce management and improved outcomes as a result.

The Workforce Disclosure Initiative sees data transparency as a vital step to ensuring that investors and business leaders have the information they need to prioritise, develop and maximise one of their most important assets: their workforce.

Workforce Disclosure Initiative

Roadmap for Improving Workforce Reporting



2

Based on robust identification of risks and opportunities, prioritise reporting for parts of the direct operations where risks and opportunities to the workforce and business are greatest

Provide disaggregated quantitative data on key metrics to support the effective management of workforce issues and to reflect the contexts and demographics of the business

Report how the company uses audit information and direct engagement to identify the areas where suppliers need support to manage material workforce risks and opportunities

5

6

7

Support quantitative data with qualitative information that is specific, balanced and forward looking to provide context and demonstrate the company's commitment to ongoing improvement

3

Based on robust identification of risks and opportunities, prioritise reporting for parts of the supply chain where the risks and opportunities related to the workforce and business are greatest. This may or may not include critical suppliers.

Acknowledgements

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

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

Design: designbymaia.com

About ShareAction

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

About the Workforce Disclosure Initiative

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

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

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

This document is a summary of the pilot year findings, which includes recommendations to both companies and investors. For the full report including analysis of disclosures and examples of company good practice, please visit the website.

shareaction.org/wdi

ShareAction»



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