

SECTION 7. SOCIAL FACTORS AND WORKFORCE

Since the advent of ESG, climate change has been at the forefront of investors' minds, since it poses far-reaching global financial risks. Over the years, social factor concerns have lagged for a variety of reasons, from issues with its definitions to difficulties in quantifying social risks and opportunities for the portfolio.

However, recent global events - such as the Covid-19 pandemic pushing millions of people globally into extreme poverty,⁵⁷ the 2022 Russian invasion of the Ukraine and the 2023 Israel/Gaza conflict, several protest movements, such as Black Lives Matter or the movement towards Iranian women rights, and the treatment of the Uyghur people in China - have helped to create context and a momentum for engagement with social topics that may have links to pension fund investments.

Despite social factors being wide-ranging, the industry has agreed these can manifest at the company level and can also represent systemic risks. According to the DWP call for evidence on 'consideration of social risks and opportunities by occupational pension schemes',⁵⁸ published in 2021, there are several lenses through which it is useful to view social factors: practices within a company, practices within a company's supply chain, company products and selling practices, and a company's impact on the community.

A study by Deutsche Bank Wealth Management conducted in 2019⁵⁹ showed that companies that take into consideration social factors are able to reduce systematic risk, idiosyncratic risk and total firm risk, and that in fact only the S in ESG is able to lower systematic risk.

Social factors include a wide range of topics from health and safety in supply chains, modern slavery, product quality and safety, customer privacy and data security, community engagement and impact on local businesses, to name a few.

A sign of the increasing Government prioritisation of this topic was the creation of the Taskforce on Social Factors for UK Pensions Industry,⁶⁰ supported by DWP and launched in 2023. The group, composed by industry experts, has three objectives:

- Identify reliable data sources and other resources, which could be used by pension schemes to identify, assess and manage financially material social risks and opportunities.

⁵⁷ Norbert Schady, Alaka Holla, Shwetlena Sabarwal, Joana Silva and Andres Yi Chang 'Collapse & Recovery: How COVID-19 Eroded Human Capital and What to Do About It', World Bank Group (2023) <<https://openknowledge.worldbank.org/server/api/core/bitstreams/6fb17cf5-1fad-4147-b7bb-691f63c29541/content>>.

⁵⁸ Department for Work and Pensions 'Consideration of social risks and opportunities by occupational pension schemes', Department for Work and Pensions (2021) <<https://assets.publishing.service.gov.uk/media/6059fc5ce90e0724cfff4492/consideration-of-social-risks-and-opportunities-by-occupational-pension-schemes.pdf>>.

⁵⁹ Professor Alfonso Del Giudice 'Guest contribution by Professor Del Giudice: Social criteria can reduce risk – with clear corporate and investor benefits', Deutsche Bank Wealth Management (2019) <<https://www.deutschewealth.com/content/dam/deutschewealth/cio-perspectives/cio-special-assets/s-in-esg/CIO%20Special%20-%20The%20S%20in%20ESG.pdf>>.

⁶⁰ Taskforce on Social Factors 'Launch of Taskforce on Social Factors for UK Pensions Industry', Taskforce on Social Factors (2023) <https://www.taskforceonsocialfactors.co.uk/siteassets/shared-media/images/270223_taskforce_on_social_factors_lunch_feb_23.pdf>.

- Monitor and report on developments relating to the International Sustainability Standards Board (ISSB) and other international standards.
- Develop thinking around how trustees can identify, assess and manage the financial risks posed by modern slavery and supply chain issues.

In the Taskforce's guide on Considering Social Factors in Pension Scheme Investments,⁶¹ published in October 2023 - which was open to industry consultation until 1 December 2023 - the taskforce stated that achieving an orderly and just transition to net zero requires extensive stakeholder engagement, including on issues such as low pay, poor health, and social inequalities that leave individuals and communities more vulnerable to climate change and other social shocks.

The guide also provides a framework for pension schemes to address social factors in their portfolios, considering that a coherent approach to addressing social factors in pension schemes can help manage portfolio risk and broader systemic risks.

This framework is divided in three levels – baseline practice, good practice and leading practice. Among the recommendations, the Taskforce stated that trustees demonstrating good practice should carry out a materiality assessment of the scheme's key risks and opportunities for social factors, regarding the type of investment via asset classes and geographies.

Following this analysis, trustees should prioritise the most relevant social factors and highlight these as stewardship policy priorities, while integrating these into voting guidelines and sharing them with managers as Expression of Wish (or execute their own proxy voting).⁶²

According to Minerva Analytics,⁶³ shareholder proposals in the social space in the 2023 proxy voting season were mostly related to human rights and workforce issues, as the themes of shareholder initiatives tend to follow actual trends in society. For example, proposals requesting racial equity audits were first filed in 2021 following coverage of racial injustices in the United States in 2020. In 2023, there has been an increase in the number of proposals filed on labour issues, including the freedom of association and company compliance with the United Nations Guiding Principles on Business and Human Rights, as workers' living wages are impacted by inflation, and separately, on reproductive rights linked to the US workplace after the overturn of *Roe v Wade*.

WORKFORCE

A company's workforce is one of the main contributors to its long-term success, with clear and significant reporting being in the best interest of organisations. Investors will value the disclosure

⁶¹ Taskforce on Social Factors 'Considering Social Factors in Pension Scheme Investments: Guide from the Taskforce on Social Factors', Taskforce on Social Factors (2023) <https://www.taskforceonsocialfactors.co.uk/siteassets/shared-media/images/uk_social_factors_consultation_v4.pdf>.

⁶² Ibid.

⁶³ Minerva Analytics, 'Minerva Briefing 2023 Proxy Season Review' Minerva Analytics (2023).

of this information, especially when companies recognise the risk poor employment practices can pose and include people matters as a key element of their strategy.

As pension schemes turn their attention to the “S” and “G” of ESG, workforce issues are at the forefront of social factors stewardship policies. Asset owners are rightfully engaging with investee companies in relation to occupational health and wellbeing – with mental health becoming an even hotter topic after the Covid-19 pandemic – alongside checking on improvements in their inclusion and diversity policies, while also not forgetting issues surrounding human rights.

WELLBEING

Wellbeing at the workplace relates to all aspects of the working life, from the quality and safety of the physical environment, to how workers feel about their work and their working environment. According to the International Labour Organization, the goal of workplace wellbeing measures is to complement occupational safety and health measures and to make sure workers are safe, healthy, satisfied and engaged at work.⁶⁴

Physical health

Under health and safety law, all workers are entitled to work in environments where risks to their health and safety are properly controlled, with employers having the primary responsibility for this.

According to the Health and Safety Executive, companies have duties under law to assess risks in the workplace, which includes identifying work activities that could cause injury or illness and taking action to eliminate the hazard, or if this is not possible, control this risk. Employers must also give information about the risks in the workplace and how staff is protected and consult with employees on health and safety issues. Companies also have a legal duty the Health and Safety Information for Employees Regulations to provide health and safety information.⁶⁵

Recent studies from the World Health Organization and the International Labour Organization have shown a correlation between working long hours and increasing deaths from heart disease and stroke.⁶⁶ Research published in 2011 estimated that, in 2016, 398 000 people died from stroke and 347 000 from heart disease as a result of having worked at least 55 hours a week.

Recently, more attention has been paid to corporate employment practices, especially in the areas of physical health and safety, mental health and sick pay entitlements, due to the pandemic.

⁶⁴ International Labour Organization <https://www.ilo.org/safework/areasofwork/workplace-health-promotion-and-well-being/WCMS_118396/lang-en/index.htm>.

⁶⁵ Health and Safety Executive <<https://www.hse.gov.uk/simple-health-safety/index.htm>>.

⁶⁶ World Health Organization & International Labour Organization ‘Long working hours increasing deaths from heart disease and stroke: WHO, ILO’ World Health Organization & International Labour Organization (2021) ><https://www.who.int/news/item/17-05-2021-long-working-hours-increasing-deaths-from-heart-disease-and-stroke-who-ilo>>.

HUMAN RIGHTS AND MODERN SLAVERY

Although modern slavery is not yet defined in international law, it is described as a crime and a violation of fundamental human rights. The UK government states it can take many forms including the trafficking of people, forced labour, servitude and slavery. It is a global problem that interlinks with age, gender and ethnicity.⁶⁷ It is not an issue confined to history or an issue that only exists in certain countries.⁶⁸

It is estimated that 49.6 million people were living in modern slavery in 2021, of which 27.6 million were in forced labour and 22 million in forced marriage.⁶⁹ Of the 27.6 million people in forced labour, 17.3 million are exploited in the private sector; 6.3 million in forced commercial sexual exploitation, and 3.9 million in forced labour imposed by state.

There have been several initiatives from governments to prevent modern slavery. In the UK, the Modern Slavery Act 2015 contains a section which requires commercial organisations – which are a body corporate or a partnership, carry on a business, supply goods or services and have an annual turnover of £36 million or more – to develop a slavery and human trafficking statement each year. Section 54 dictates the statement is expected to set out what steps companies have taken to ensure modern slavery is not taking place in their business or supply chains.

However, an independent review of the act,⁷⁰ commissioned by the government and published in 2019, concluded although the new requirement contributed to raising awareness of these issues and has encouraged many companies to start considering and addressing it, its impact has been limited to date. Evidence gathered by the reviewers showed that a lack of enforcement and penalties, as well as confusion surrounding reporting obligations, resulted in poor-quality statements and an estimated lack of compliance from over a third of eligible firms.

In 2022, the FRC's review of corporate governance⁷¹ found that overall, while nearly half of companies report on their policies and procedures as they relate to modern slavery, reporting fails to address the effectiveness of these measures. Furthermore, not one company in the FRC sample disclosed that it had found any cases of modern slavery in the reporting year. There were also no

⁶⁷ Genevieve LeBaron, Neil Howard, Cameron Thibos and Penelope Kyritsis 'Confronting root causes: forced labour in global supply chains', openDemocracy and Sheffield Political Economy Research Institute (SPERI), University of Sheffield (2018) <https://cdn-prod.opendemocracy.net/media/documents/Confronting_Root_Causes_Forced_Labour_In_Global_Supply_Chains.pdf>.

⁶⁸ Home Office 'Frequently Asked Questions on Modern Slavery', Home Office <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/638369/What_is_Modern_Slavery_NCA_v1.pdf>.

⁶⁹ International Labour Organization 'Global Estimates of Modern Slavery: Forced Labour and Forced Marriage', International Labour Organization (2022) <https://www.ilo.org/global/topics/forced-labour/publications/WCMS_854733/lang--en/index.htm>.

⁷⁰ Home Office 'Independent review of the Modern Slavery Act 2015: final report', Home Office (2019) <<https://www.gov.uk/government/publications/independent-review-of-the-modern-slavery-act-final-report>>.

⁷¹ Financial Reporting Council 'Review of Corporate Governance Reporting', Financial Reporting Council (2022) <https://www.frc.org.uk/getattachment/6a896f6b-8f4a-4a19-8662-f87a269ffce3/Review-of-Corporate-Governance-Reporting_-_2022.pdf>.

reports of finding instances of modern slavery in the businesses supply chain as a result of the modern slavery audits.

In a bid to tackle modern slavery in supply chains, the UK Government published new guidance⁷² in February 2023 for commercial and procurement professionals. Although the guidance is aimed at helping Government practitioners to comply with their supply chain obligations, it is expected it will filter through to a much wider group of businesses, and is considered as an example of how the trend towards greater transparency and engagement with supply chains will affect not just those caught directly by new laws in this area.⁷³ The guidance focuses on four key areas: identifying and managing risks in new procurements, managing risks in existing contracts, action when victims of modern slavery are identified and training.

DIVERSITY AND INCLUSION

Workforce gender and ethnic diversity has been ranking highly in the public and political agenda in recent years, though high-profile reviews set targets for company boards rather than on an employee level.

According to the most recent FTSE Women Leaders Review (the third and successor phase of the former Hampton-Alexander & Davies Reviews), released in February 2023, progress continues to be made in certain regards on gender diversity.

On ethnicity, there has been an increased focus in this area in recent years, most notably since the widespread global protests against racism in 2020 following the death of George Floyd while in US police custody. FTSE100 companies 2021 Annual Reports included disclosures on how these organisations are investing in inclusion and diversity (I&D), mainly focusing on gender and race. Evidence of this investment was provided by 93%,⁷⁴ but only 22% of Annual Reports disclosed the workforce ethnic composition.

More information on this topic of diversity and inclusion can be found in Section 3: Composition, Succession and Evaluation, and Section 5: Remuneration discusses the gender pay gap and ethnicity pay gap.

⁷² Cabinet Office 'Update to Tackling Modern Slavery in Government Supply Chains', Cabinet Office (2023) <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1135523/PPN_02_23_-_Update_to_Tackling_Modern_Slavery_in_Government_Supply_Chains_2023_-_Guidance.pdf>.

⁷³ Osborne Clarke 'New guidance issued on tackling modern slavery in UK government supply chains', Osborne Clarke (2023) <<https://www.osborneclarke.com/insights/new-guidance-issued-tackling-modern-slavery-uk-government-supply-chains>>.

⁷⁴ Pensions and Lifetime Savings Association, Chartered Institute of Personnel and Development and Railpen, 'How Do Companies Report On Their 'Most Important Asset'?' Pensions and Lifetime Savings Association, Chartered Institute of Personnel and Development and Railpen (2022) <<https://www.plsa.co.uk/portals/0/Documents/Policy-Documents/2022/How-do-companies-report-on-their-most-important-asset-Mar-22.pdf>>.

EVIDENCE BASE

At present, modelling the impact of social factors is difficult. This is because schemes normally use asset and liability modelling, with the process focussing on the more ‘traditional’ factors. Systemic issues, and many social factors in particular, do not lend themselves this type of modelling.

Currently, the 17 Sustainable Development Goals (SDGs) are the most commonly used impact performance measurement tool, with investors looking at impact to one or more of the goals, like promoting inclusive economic growth or gender equality.

Whilst it is hard to measure the impact of social factors, there is a range of data that could be standardised and compared across investment portfolios. Investors should look at investee companies’ Annual Reports to gather data on number of full-time equivalent employee roles, the proportion of those who are paid a living wage, the employee turnover and the proportion of workforce on ‘zero hour’ contracts.⁷⁵

While it is particularly difficult to get concrete metrics in the area of wellbeing, investors should look for progress over time and evidence that the company’s approach is changing for the better.

Investors should look at Annual Reports for information about health, safety and wellbeing initiatives, alongside examples of practices to mitigate risks in this area. A useful proxy for employee mental and physical health is absence rates. High absence rates can point to unhealthy and possibly overworked staff.⁷⁶

Companies with over 250 employees are mandated to report on gender pay gap, which is normally included in a separate document alongside their Annual Report.⁷⁷ Ethnicity pay gap reporting, however, is not yet compulsory. A recent recommendation from UK Government’s Commission on Race and Ethnic Disparities detailed that companies that choose to publish pay gaps between ethnic groups should also publish a diagnosis and action plan to address them.

On human rights and modern slavery, companies should include their annually updated statement of compliance with the Modern Slavery Act, signed by a company Director and approved by the board, on the homepage of their website, which should be easily accessible. The government also has a modern slavery statement registry⁷⁸ which contains documents issued by companies.

When a company does not publish a modern slavery statement – either because they are not obliged by law to do so or because they elect to state they do not take any steps to help prevent

⁷⁵ Taskforce on Social Factors ‘Considering Social Factors in Pension Scheme Investments: Guide from the Taskforce on Social Factors’, Taskforce on Social Factors (2023) <https://www.taskforceonsocialfactors.co.uk/siteassets/shared-media/images/uk_social_factors_consultation_v4.pdf>.

⁷⁶ Railpen, High Pay Centre, Chartered Institute of Personnel and Development, Pensions and Lifetime Savings Association and Board Intelligence ‘Worthwhile Workforce Reporting: Good practice examples from the UK’s biggest companies’, Railpen, High Pay Centre, Chartered Institute of Personnel and Development, Pensions and Lifetime Savings Association and Board Intelligence (2022) <<https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2022/Worthwhile-Workforce-Reporting-Dec-2022.pdf>>.

⁷⁷ Government Equalities Office ‘Gender pay gap reporting: guidance for employers’, Government Equalities Office (2020) <<https://www.gov.uk/guidance/who-needs-to-report-their-gender-pay-gap>>.

⁷⁸ <<https://modern-slavery-statement-registry.service.gov.uk/>>.

slavery and human trafficking in their supply chain – further analysis should be done by investors to understand risks. This includes focusing on their jurisdiction of operations and industry sector to assess if the level of risk of there being incidences is high, medium or low.

WHAT DOES GOOD COMPANY BEHAVIOUR LOOK LIKE?

- Contributions to improving social and economic conditions in local communities where the company operates.
- Apply a social lens to markets where the company operates which allows to identify new sources of customer value.
- Investment in their current workforce, which will allow companies to develop the talent they need for the future by investing in employee learning and development.
- Enhance supply chain resilience by building socially responsible relationships with suppliers, to ensure fair and equitable practices.⁷⁹
- Reporting through the Workforce Disclosure Initiative (WDI),⁸⁰ which allows companies to demonstrate to their investors, clients and other stakeholders that they are effectively managing their staff and supply chain workers.
- Practice ethical behaviour and social responsibility, which can be promoted through codes of conduct, transparency and accountability.
- Clear reference to and use of credible social risks mitigation measurement frameworks in the Annual Report and Accounts and/or Sustainability Report. This could include reference to the UN Global Compact – Sustainable Development Goals, Global Reporting Initiative, or other established third-party frameworks. Companies should provide explanations as to the rationale for their choice of framework and the extent to which, if at all, relevant metrics have been blended with others. Please note that smaller and medium sized companies should be allowed some discretion and flexibility regarding their choice of framework and timescales.
- Companies take into consideration social factors in all of its activities, including the products and services they offer. Businesses should ensure that their products and services do not pose safety risks, and/or minimize the exposure to geopolitical conflicts in their supply chains. Companies should also consider wider social considerations in relation to future demographic or consumer changes and how these relate to their products and services.
- Publish a clear commitment to promoting a culture of openness on mental health, with the CEO signalling leadership commitment on this area.
- Publish formal objectives aimed at improving workplace mental health. Board members and operational management should have responsibility for mental health initiatives in the company.

⁷⁹ Bain & Company 'The Visionary CEO's Guide to Sustainability', Bain & Company (2023)

<[bain report the visionary ceos guide to sustainability.pdf](#)>.

⁸⁰ <<https://workforcedisclosureinitiative.org/>>.

- Include health, safety and wellbeing matters in its risk assessment, and detail how the risk will be managed.⁸¹
- The company board sets objectives and targets to improve mental health and reports annually on progress against these goals.
- Publish gender and ethnicity gap reports annually, alongside initiatives to reduce these gaps.
- The board has diversity and inclusion as one of its priorities and has developed a training/awareness programme for at least the senior leadership in this area. Nevertheless, it should be taken into account there is no evidence unconscious bias training can fully eliminate implicit bias, and its ability to effectively change behaviour is limited,⁸² so training programmes should be tailored to the needs of each organisation.
- The Modern Slavery Act statement, which is published on the company's website homepage, contains information about not only its policies in this area but also refers to audits and inspections conducted on sites of their suppliers.
- Company has a long-term training plan for employees and contractors on modern slavery if appropriate.
- Follow the Transparency in supply chains guide⁸³ issued by the Home Office and has appropriate technology to improve transparency on end-to-end supply chain management.

EMERGING AREAS OF INTEREST FOR COMPANIES

Mental health

The health and safety of employees includes mental health as well. While monitoring the physical safety of employees is a more well-established practice, mental health is a newer aspect to workforce wellbeing disclosure that is only beginning to be explored. Similarly to physical health standards, poor mental health can negatively impact corporate cultures and employee performance. The World Health Organisation has stated that poor working environments – including discrimination and inequality, excessive workloads, low job control and job insecurity –

⁸¹ Railpen, High Pay Centre, Chartered Institute of Personnel and Development, Pensions and Lifetime Savings Association and Board Intelligence 'Worthwhile Workforce Reporting: Good practice examples from the UK's biggest companies', Railpen, High Pay Centre, Chartered Institute of Personnel and Development, Pensions and Lifetime Savings Association and Board Intelligence (2022) <<https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2022/Worthwhile-Workforce-Reporting-Dec-2022.pdf>>.

⁸² Civil Service HR 'Unconscious bias and diversity training – what the evidence says', Civil Service HR (2020) <<https://www.gov.uk/government/publications/unconscious-bias-and-diversity-training-what-the-evidence-says>>.

⁸³ Home Office 'Transparency in supply chains: a practical guide', Home Office (2015) <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/649906/Transparency_in_Supply_Chains_A_Practical_Guide_2017.pdf>.

pose a risk to mental health.⁸⁴ Due to this, it makes sense for companies to provide data on wellbeing and mental health together with physical accidents and injuries.⁸⁵

The PLSA was involved in the work of two workforce disclosure reports, which delved into the importance of mental health, with the first concluding that since the onset of the Covid-19 pandemic, mental health decline has become more widespread. Reference to employee wellbeing was made by 89% of companies in FTSE100 in 2021, with many acknowledging the negative impact of Covid-19 in employees' welfare. However, only 13% of these company's Annual Reports discussed mental health in relation to health and safety or risk assessments.⁸⁶ In the majority of cases, mental health is not being treated with the same seriousness or reporting in detail as physical health. Collecting information on mental health can be more sensitive and challenging to gather, but it is a material issue for all companies. Organisations should find ways to address and issues and sensitivities, so they are able to report on this matter.

Several research studies have shown a correlation between long-working hours and an increase in mental health deterioration. A 2008 study⁸⁷ concluded overtime workers of both genders had significantly higher anxiety and depression levels – and higher prevalence of anxiety and depressive disorders – when compared with those working regular working schedules. Another study published in 2019⁸⁸ found women's mental health is more affected than men, with increased depressive symptoms independently linked to working extra-long hours for women.

Menopause

With the number of women over 50 in employment increasing in developed countries due to higher life expectancy, menopause has become an important issue when considering workforce wellbeing. Menopause symptoms continue on average for 4 years – but can last up to 12 years – and mostly affect women between 45 and 55 years old.⁸⁹

⁸⁴ World Health Organization 'Mental Health at Work factsheet', World Health Organization (2022) <<https://www.who.int/news-room/fact-sheets/detail/mental-health-at-work>>.

⁸⁵ Pensions and Lifetime Savings Association, Chartered Institute of Personnel and Development and Railpen, 'How Do Companies Report On Their 'Most Important Asset?'' Pensions and Lifetime Savings Association, Chartered Institute of Personnel and Development and Railpen (2022) <<https://www.plsa.co.uk/portals/o/Documents/Policy-Documents/2022/How-do-companies-report-on-their-most-important-asset-Mar-22.pdf>>.

⁸⁶ Ibid

⁸⁷ Elisabeth Kleppa, Bjarte Sanne, Grethe S Tell 'Working Overtime is Associated With Anxiety and Depression: The Hordaland Health Study', Journal of occupational and environmental medicine / American College of Occupational and Environmental Medicine (2008) <https://www.researchgate.net/publication/5312376_Working_Overtime_is_Associated_With_Anxiety_and_Depression_The_Hordaland_Health_Study>.

⁸⁸ Gillian Weston, Afshin Zilanawala, Elizabeth Webb, Livia A Carvalho, Anne McMunn 'Long work hours, weekend working and depressive symptoms in men and women: findings from a UK population-based study', BMJ Journals (2019) <<https://jech.bmj.com/content/73/5/465>>.

⁸⁹ Dr Pratima Gupta in collaboration with the medical advisory council of the British Menopause Society 'The Menopause', Women's Health Concern (2022) <<https://www.womens-health-concern.org/wp-content/uploads/2022/12/15-WHC-FACTSHEET-The-Menopause-NOV2022-B.pdf>>.

Around 30-60% of women experience intermittent physical and/or psychological symptoms during the menopause,⁹⁰ and its symptoms can affect the quality of both personal and working life.⁹¹

A survey published by the UK's Parliamentary Women and Equalities Committee in February 2022 showed 31% of women took time off work due to menopause symptoms, which included problems with memory or concentration, anxiety/depression and headaches. Despite this, less than a third of respondents told anyone at work and just under 11% requested adjustments in the workplace due to their symptoms.

A report published by the same Committee months later concluded the lack of support from employers is pushing women out of work, and there are several movements in developed countries to push for a recognition of menopause as a protected characteristic in workers' rights.

HOW INVESTORS SHOULD CONSIDER VOTING

Investors should start by engaging in these topics and promote best practices which companies should follow. Due to the lack of a global framework of principles, data and metrics, and standards on social factors, voting against a company on this topic should be a decision only be taken if all engagement avenues have been exhausted.

Investors should consider voting against the approval of the Annual Report and Accounts if:

- FTSE 100 companies do not have a formal approach to workplace wellbeing disclosure, including mental health management and disclosure.
- After engagement initiatives with companies, there is insufficient progress on wellbeing activities disclosures.
- FTSE 350 companies fail to address the legal minimum requirements of the Modern Slavery Act.

Investors should consider voting against the re-election of the responsible Director if:

- Companies identified as highly exposed to modern slavery risks, or where there have been confirmed incident, fail to demonstrate an adequate risk management and a willingness to change their approach.
- Companies do not adopt sufficient measures to prevent, monitor, mitigate or remediate negative human rights impacts within its operations.

⁹⁰ Ibid

⁹¹ Department of Health 'Annual Report of the Chief Medical Officer, 2014', Department of Health (2015)
<https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/595439/CMO_annual_report_2014.pdf>.