

WORKFORCE DISCLOSURES ACROSS THE ASX 100

AUSTRALASIAN CENTRE FOR CORPORATE RESPONSIBILITY
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ABOUT ACCR

The Australasian Centre for Corporate Responsibility (ACCR) is a not-for-profit association that promotes responsible investment through undertaking and publishing research to evaluate and improve the performance of Australian listed companies on environmental, social and governance (ESG) issues.

We have a small portfolio of shares that we hold for the purpose of engaging with companies, including through the filing of shareholder resolutions. We encourage other investors to use our research to engage with companies in their portfolio. www.accr.org.au

ABOUT THIS REPORT

This report has been prepared by Dr Katie Hepworth, ACCR's Director of Workers' Rights. Dr Hepworth has worked extensively on workers' rights in global supply chains across a range of academic, international development and trade union roles.

This report follows earlier research by ACCR into the financial, reputational, procurement and legal risks which may derive from a failure by companies (and investors) to properly engage on workforce issues. That research was published in a briefing note entitled *Measuring "Decent Work"*.



EXECUTIVE SUMMARY

There is increasing recognition of the importance of the workforce in delivering long-term strategic objectives for a company, with some investors arguing that workforce issues can “be proxies for quality of management and potential predictors of future performance”.¹ Judicious management of the workforce can directly improve value creation, while poor management of the workforce may not only reduce value creation but also may increase various business and operational risks. These risks include systemic risks, direct risks, reputational damage, political risks, and regulatory risks.

Despite growing investor interest in workforce issues, and human capital management more broadly, engagement on these issues is hindered by a lack of reporting on workforce and broader “S” issues. As the Pensions and Lifetime Savings Association (PLSA) argue, current reporting workforce issues by companies “is generally not of sufficient quality to enable investors to identify risks or opportunities relating to a company’s workforce and target their engagements accordingly”.² Similarly, the Human Capital Management Coalition identified a lack of sufficient disclosure by US-listed companies on workforce issues, calling for greater mandatory disclosure of companies’ human capital.³

To date, there has been no analysis of the extent of workforce disclosures by ASX-listed companies. Analysis of corporate disclosure has instead focused on sustainability disclosures of a general nature or climate-specific disclosures. This research aims to extend this work, through attention to the specific disclosures that will “promote strong governance, transparency and corporate board accountability around the effective management of human capital”.⁴

This report follows earlier research by ACCR into the financial, reputational, procurement and legal risks which may derive from a failure by companies (and investors) to properly engage on workforce issues.⁵ That research, published in a briefing note entitled *Measuring “Decent Work”*, reviewed key global labour rights benchmarking initiatives, and reporting standards, to identify 5 core workforce issues related to company value creation and conversely, potential workforce-related business risk: employee remuneration, turnover and new hires, workforce composition (diversity and equal opportunity), workforce composition (contractors and labour-hire), occupational health and safety (OHS).

Through analysis of sustainability reporting by ASX 100 companies, this latest report, *Workforce Disclosures Across the ASX 100*, has found that:

- Of the 48 ASX 100 companies which report in accordance with the Global Reporting Standards (GRI), only 38 report using the optional GRI workforce standards (401 – 409). 33 of these companies report on OHS, 30 report on workforce diversity, and 25 report on turnover and new hires.
- Only 16 companies disclose the number of independent contractors appointed in a given reporting year, and of these companies only Macquarie Group Ltd also discloses the number of agency or labour-hire workers employed in their operations.
- 30 companies report on their equal pay gap (ratio of male to female remuneration in similar roles), while only 3 companies report on their gender pay gap (ratio of median male to median female remuneration). These companies are: Rio Tinto, BHP, and National Australia Bank.
- No companies in the ASX 100 report on the racial pay gap – which reflects limited reporting on race and cultural diversity overall. The racial pay gap is getting increasing attention in the

¹ S Rohan, *Valuing Decent Work in your Investments*, Toronto, SHARE, 2017,

<https://share.ca/documents/investor_briefs/Social/2017/Valuing_Decent_Work_Investor_Guide.pdf> [accessed 5 February 2019].

² Pensions and Lifetime Savings Association, *Understanding the worth of the workforce – a stewardship toolkit for pension funds*, PLSA, 2016, <<https://www.plsa.co.uk/Policy-and-Research/Document-library/Understanding-the-worth-of-the-workforce-a-stewardship-toolkit-for-pension-funds>> [accessed 6 February 2019].

³ Human Capital Management Coalition, ‘Letter to SEC’, Human Capital Management Coalition, 2017, <<https://www.sec.gov/rules/petitions/2017/petn4-711.pdf>>.

⁴ ESM, ‘Q&A with CalPERs on its Strong Support for Human Capital Disclosures by Public Companies’, in *Engagement Strategies Media*, , 2017, <<http://enterpriseengagement.org/Q-A-with-CalPERs-on-its-Strong-Support-for-Human-Capital-Disclosures-by-Public-Companies/>>.

⁵ ACCR, *Briefing Notes: Measuring ‘Decent Work’: An Analysis of Workforce Indicators and their Relevance for Investors*, Sydney, ACCR, 2019, <https://accr.org.au/wp-content/uploads/brief_decent-work-and-investment.pdf>.

US proxy season, with investors filing numerous resolutions on the Gender and Racial Pay Gap in the 2019 proxy voting season.

- Only 3 ASX 100 companies report on their CEO-median worker pay gap (or similar). These companies are: Dexus, BHP and Stockland.
- 57 ASX 100 companies provide some reporting on the gender diversity of their workforce, however only 7 companies provide any information on the racial and/or ethnic diversity of their workforce. 5 of these companies provide some information on the percentage or total number of their Indigenous workforce (Cimic, Fortescue Metals, Oilsearch, Spark Infrastructure, Westpac), while 2 provide a detailed breakdown of the racial/cultural identity of their workforce (Stockland and Commonwealth Bank).
- Only 2 ASX 100 companies provide numerical data for indicators under all 5 workforce areas examined in this report: Scentre Group and Telstra. It should be noted that while these 2 companies provide the most comprehensive reporting overall across the indicators, they are not the leading companies in every individual indicator. For example, both companies only report on the equal pay gap and not the median gender pay gap between all male and female employees. They also only provide detail on their independent contractors and not the agency or labour-hire staff working in their operations.
- 15 ASX 100 companies do not provide numeric disclosures on any of the indicators analysed in this report: Afterpay Touch, Altium, Aristocrat Leisure, Computershare, IDP Education, Magellan Financial Group, REA Group, Resmed, Santos, Soul Pattison, Spark NZ, Tabcorp Holdings, a2 Milk Company, TPG Telecom, Xero.

These findings show that while a number of companies are leading the way on reporting, providing clear and easily navigable data across a range of commonly recognised workforce indicators, far too many companies are performing terribly across all or almost all key workforce indicators. Furthermore, the majority of ASX 100 companies do not provide sufficient data to allow investors to effectively engage on workforce issues.

Based on this research, ACCR recommends that companies provide more detailed reporting on workforce issues, in line with the 5 workforce themes detailed in this report, to allow for greater transparency on workforce issues and allow for more targeted engagement by investors. These disclosures should be provided in an easily navigable fashion to facilitate effective engagement and to allow for tracking against targets from year to year.

METHODOLOGY

This report focuses specifically on workforce disclosures by ASX 100 companies.

In April 2019, ACCR conducted a review of major labour rights benchmarking initiatives to identify key workforce issues that are of relevance to investors.⁶ Human rights initiatives which included a workforce or labour rights component were also included in that review. These indicators were aggregated into 5 themes, which were used to guide the analysis of each company and to determine the key risks in each of the industries examined.

This report investigates the extent to which ASX 100 companies are reporting on those 5 workforce themes.

The research in this report is based on a desktop analysis of publicly available information for the 2018 reporting year for 99 companies in the ASX 100. The list of companies included in this analysis is current as of 1 March 2019. Coles Ltd was excluded from this analysis as it only demerged from Wesfarmers in 2018, and at the time of research had not yet published an annual report or sustainability report.

Depending on the reporting period for each company, the analysis included information for the fiscal year ending 30 June 2018 or the calendar year ending 30 December 2018. The cut-off date for information to be included in our analysis was 31 March 2019.

⁶ ACCR.

The report has considered sustainability information included in annual reports, sustainability reports and on company websites. While the research has not valued particular reporting formats over others, in instances where information was extremely difficult to find, or only available internally and not publicly, it was considered unreported. For example, where GRI context indexes identified Workforce Gender Equality Agency (WGEA) reports as the primary documentation of gender pay information, that information was reviewed in the analysis. However, where that information was not made available on the company website, it was not reviewed. It should also be noted that the analysis has only looked at disclosures regarding companies' direct operations, and not their broader supply chain.

This research takes the Global Reporting Initiative (GRI) Standards as the starting point for its analysis of workforce disclosures. However, the GRI Standards do not include disclosures on the full range of workforce issues that are an increasing source of business, operational and investment risk (for example, use of labour-hire and contract labour).⁷ For this reason, ACCR has also considered the reporting requirements of other benchmarking initiatives. These initiatives include:

- Committee on Workers' Capital (CWC) Guidelines for the Evaluation of Workers' Human Rights and Labour Standards
- Corporate Human Rights Benchmark (CHRB)
- Ethical Trading Initiative (ETI) Base Code: the ETI Base Code is founded on the conventions of the International Labour Organisation (ILO) and is an internationally recognised code of labour practice
- Global Reporting Initiative (GRI)
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights: the authoritative global standard on business and human rights. The UNGPs reference the International Bill of Human Rights (consisting of the Universal Declaration of Human Rights and the main instruments through which it has been codified: the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights), coupled with the principles concerning fundamental rights in the eight ILO core conventions as set out in the Declaration on Fundamental Principles and Rights at Work.
- UN Principles of Responsible Investment (UNPRI)
- Workforce Disclosure Initiative (WDI)

KEY FINDINGS

GRI STANDARDS: WORKFORCE REPORTING

The Global Reporting Initiative (GRI) Standards are a set of globally recognised standards for sustainability reporting.⁸ The standards cover a range of issues, including workforce issues. All companies following the GRI Standards are required to use the three 'Universal Standards' and then choose from the 36 'Topic-specific Standards' under the economic, environmental and social categories. Workforce reporting is covered under GRI standards 401 – 409 (see Appendix 1 for details). Companies reporting in line with the standards are required to identify material topics and explain how they are being managed.

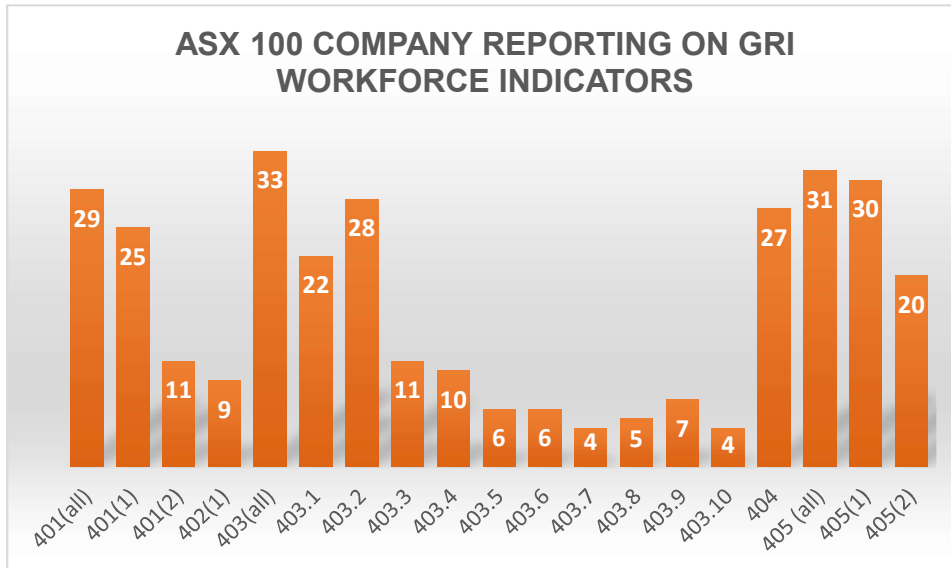
ACSI's 2018 report *Corporate Sustainability Reporting in Australia* looked at overall GRI reporting by ASX 200 companies.⁹ That research found that there was an upward trend in ASX 200 companies using some iteration of the GRI, with ASX 100 companies leading this trend. This research did not specifically consider which companies reported on workforce issues using at least one of the GRI workforce standards (401 – 409).

⁷ For a detailed overview of these issues, and their relevance to a range of business and operational risks, see ACCR's briefing note *Measuring "Decent Work": An Analysis of Workforce Indicators and their Relevance for Investors*, published in April 2019.

⁸ GRI, 'GRI Standards', 2019, <<https://www.globalreporting.org/standards/>>.

⁹ ACSI, *Corporate Sustainability Reporting in Australia*, Melbourne, ACSI, 2018, <<https://www.acsi.org.au/images/stories/ACSIDocuments/generalresearchpublic/2018-Sustainability-Report-FINAL-June-2018.pdf>> [accessed 24 June 2019].

ACCR's analysis found that of the 99 ASX 100 companies analysed, 48 companies state that they report according to the GRI Standards. Of these, 38 companies (79% of those who report under GRI) have some reporting on labour issues, while 10 companies (21% of those who report under GRI) do not report on labour issues under the GRI. OHS was the most commonly reported GRI indicator, with 33 companies reporting against at least one of the indicators from GRI standard 403. This was closely followed by workforce diversity (30 companies) and turnover and new hires (25 companies).



Of the 45 ASX 100 companies which report in line with the GRI, 43 provide a GRI content index. The format of the content index is set out in GRI 102-55. The content index provides an overview of the standards that a company reports against and facilitates easy navigation across all their reporting. Of this group of companies, 29 also provide GRI data tables. These provide useful numeric data in line with the material topics identified in their content index and supplement the narrative reporting in company annual and sustainability reports. While the remaining companies provide numeric data in line with GRI reporting standards throughout their reports, they do not collect this information in a single location.

UNSDG 8: DECENT WORK AND ECONOMIC GROWTH

The Sustainable Development Goals (SDGs) are a list of 17 global goals aimed at alleviating poverty, reducing inequality, and confronting other environmental and social challenges. They were negotiated between UN member states in 2015, and form part of the 2030 Agenda for Sustainable Development.

Increasingly, investors are integrating SDG-related considerations into their decision-making processes, allowing them to maximise financial and impact returns, minimise financial and impact risks, and further satisfy their fiduciary duties.¹⁰ Therefore, investors stand to benefit from thorough, credible, and easily comparable corporate reporting on SDG matters.

There is currently no formal disclosure framework for SDG-related reporting.¹¹ However, several guidance documents have been developed, which define the key components of effective corporate SDG reporting. For corporate SDG-related reporting to be useful, companies should note which SDGs they have identified as being core to their business, and outline their progress on contributing to these targets.

Companies may focus on SDGs in relation to their immediate operations, or they may understand specific SDGs as being relevant to their supply chain and their relationships with suppliers.

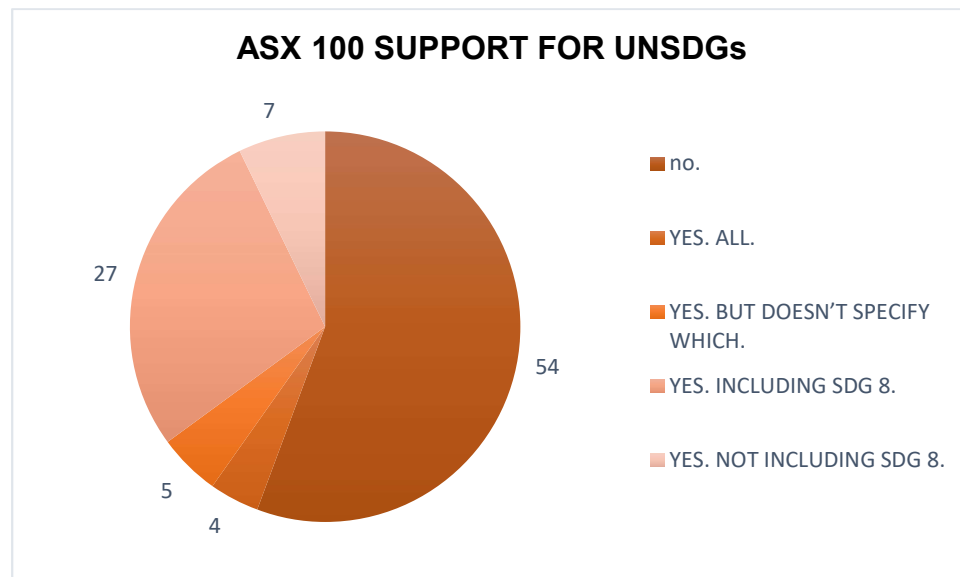
¹⁰ PRI, *In Focus: Addressing Investor Needs in Business Reporting on the SDGs*, Geneva, PRI; UN Global Compact, 2018, <<https://www.globalreporting.org/resource/library/addressing-investor-needs-sdgs-reporting.pdf>>; see also MT Eastman et al., *Investing for the SDGs*, MSCI; OECD, 2018, <<https://www.msci.com/documents/10199/1a9bb8dc-2fd5-de60-bc83-28cc93102fbc>>.

¹¹ PRI, p. 9.

Australian listed companies have embedded the SDGs in their business processes to varying degrees, and their reporting reflects this.

Of the 99 ASX 100 companies analysed, 53 companies do not refer to the SDGs in their reporting. A further 5 state they support the SDGs but do not specify which of the SDGs are either material or relevant to their business. 4 support the SDGs, identifying all 17 as relevant to their business. Company reporting which suggests that either no SDGs are material or relevant to a company, or which suggests that all SDGs are equally material and relevant to a company, lacks credibility, and indicates that a company has not developed a rigorous enough approach to SDG prioritisation.

Of the 35 companies which identify specific SDGs as material, 28 of these include SDG 8: Decent Work and Economic Growth. This SDG is aimed at the promotion of “sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”.



UN GLOBAL COMPACT

The UN Global Compact is a ‘corporate citizenship’ initiative sponsored by the UN. It is the largest corporate sustainability initiative in the world, with over 13,500 participating businesses and other organisations. The UNGC asks businesses to align their values, strategies and operations with its ten principles in the areas of human rights, labour, environment, and anti-corruption. The ten principles are derived from key universal rights agreements, including the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work. Participants of the Compact commit to meeting these key principles, and to providing an annual report on their progress.

The Global Compact Network Australia (GNCA), launched in 2009, is a network of UN Global Compact signatories which are located in Australia. It is one of 85 UN Global Compact Local Networks around the world. GNCA has a total of 97 members: 69 businesses, 7 business associations, 13 non-profit organisations and 8 universities.

Of the 99 ASX 100 companies analysed, 21 companies are either “participants” or “signatories” in the UN Global Compact and members of Global Compact Network Australia. Both participants and signatories are active members of the UN Global Compact.

A further 3 companies are either signatories to or participants in the Global Compact but are not members of the Global Compact Network Australia.

73 companies are neither signatories/participants to the UN Global Compact nor members of Global Network Australia.

EMPLOYEE REMUNERATION

Across the ASX 100, reporting on employee wages is almost exclusively confined to pay equity, as it relates to equal pay between men and women in similar roles within a company. This reflects both the focus of the GRI and the reporting requirements under Australian legislation. However, as discussed below, there are some notable exceptions to this, which may reflect statutory reporting obligations in overseas jurisdictions.

It is worth noting that no companies in the ASX 100 report on the racial pay gap – which reflects limited reporting on race and cultural diversity overall. The racial pay gap is getting increasing attention in the US proxy season, with investors filing numerous resolutions on the Gender and Racial Pay Gap in the 2019 proxy season.

Equal pay gap v. gender pay gap

In the US, there has been growing interest in company disclosure regarding the gender pay gap, with shareholder proposals filed against 12 companies in 2019 calling on companies to report on their global median gender and pay gap. These proposals won 26% of the vote at Bank of America, and 23 percent at Wells Fargo.¹² It is anticipated that greater pay transparency, whether due to US-style resolutions or the UK legislation, will accelerate pay equity across corporations and not just in like-for-like roles.¹³

Of the 99 ASX 100 companies analysed, 30 companies state that they report in accordance with GRI 405.2: Ratio of the basic salary and remuneration of women to men for each employee category.

Notably, Rio Tinto goes beyond the reporting required under GRI 405.2, distinguishing between and reporting on both the “equal pay gap” and “gender pay gap”. Under the GRI 405-2, equal pay gap reporting refers to a comparison between the earnings of men and women “employed by the same company, in the same location, performing equal work”.¹⁴

By comparison, Rio Tinto define the gender pay gap as the:

... measure of the difference between men’s and women’s average earnings across an organisation or industry, regardless of the roles that each are performing. It is normally expressed as a percentage of men’s earnings.¹⁵

As this definition indicates, where the equal pay gap indicates whether men and women are being paid differently for undertaking comparable roles, the gender pay gap provides an indication of the extent to which employees (typically women) are concentrated in lower paid roles. Research shows that an overconcentration of women in lower paid roles may be partly due to issues in recruitment, promotions, turnover, starting salaries, limited opportunities for part-time work, and gendered caring responsibilities.¹⁶

Only 2 other companies provide information on the gender pay gap: BHP and the National Australia Bank (NAB).

¹² S Reisinger, ‘Median Gender Pay Proposals So Far Lose Proxy Votes but Gain Momentum’, in *Corporate Counsel*, , 25 April 2019, <<https://www.law.com/corpcounsel/2019/04/25/median-gender-pay-proposals-so-far-lose-proxy-votes-but-gain-momentum/?slreturn=20190521212037>>.

¹³ R Resch, R Tewani & W Towers Watson, ‘New Developments in Shareholders’ Gender Pay Gap Proposals’, in *Harvard Law School Forum on Corporate Governance and Financial Regulation*, , 22 March 2019, <<https://corpgov.law.harvard.edu/2019/03/22/new-developments-in-shareholders-gender-pay-gap-proposals/>>.

¹⁴ Rio Tinto, ‘Pay equity’, in *Rio Tinto*, , 2018, <<http://www.riotinto.com/investors/pay-equity-24508.aspx>> [accessed 24 June 2019].

¹⁵ Rio Tinto.

¹⁶ Government Equalities Office, *Eight ways to understand your organisation’s gender pay gap*, London, Government Equalities Office, 2019, <<https://gender-pay-gap.service.gov.uk/public/assets/pdf/understand-your-gender-pay-gap.pdf>>.

Reporting on the gender pay gap has been required under UK legislation for companies employing over 250 employees since 5 April 2017. Companies are required to report these figures on their own website, and to the government.¹⁷ This data is then made publicly accessible and searchable.

In Australia, the Workforce Gender Equality Agency (WGEA) requires companies with over 100 employees to report on the equal pay gap (“Equal remuneration between women and men”). It calculates the gender pay gap for specific industries, based on this self-reported data as well as on ABS data.¹⁸ It does not provide this information on a company by company basis. Given that companies are already reporting this data to WGEA, it would not be particularly onerous for companies to calculate the median gender pay gap and include this information to shareholders within their standard sustainability reporting.

CEO-median employee ratio

Of the 99 ASX 100 companies analysed, Dexus was one of the only companies to go beyond pay equity reporting.¹⁹ In line with GRI 102-39, it also reported on:

- Multiple of all employees’ salaries to CEO salary
- Multiple of all employees’ salaries, excluding Group Management Committee members, to CEO salary
- Multiple of all employees’ salaries, excluding all Senior Management, to CEO salary
- Ratio of the percentage increase in annual total remuneration ratio (CEO versus all other employees)

Similarly, BHP provides data for the ratio of the highest paid individual to median employee pay, disaggregated by region. Stockland provides the ratio between the Managing Director’s annual total remuneration and the employee median salary, and the percentage increase in the Managing Director’s annual total remuneration and the employee’s median increase.²⁰ This reporting reflects reporting required in UK and US jurisdictions.

Since January 1, 2017, US companies have been required to report on their CEO to median-worker pay.²¹ According to research by MSCI, companies with a lower ratio – what they define as a lower intra-corporate pay gap – outperformed companies with higher intra-corporate pay gaps between 2009 and 2014.²²

Similarly, since 1 January, 2019, companies listed on the London Stock Exchange with more than 250 UK employees are required to report on the ratio of their CEO’s total pay (including bonuses) to the 50th percentile (median employees’) remuneration, the 25th percentile employees’ remuneration, the 75th percentile employee’s remuneration.²³

¹⁷ Government Equalities Office, *The Gender Pay Gap Explained*, London, Government Equalities Office, 2018, <<https://gender-pay-gap.service.gov.uk/public/assets/pdf/understand-your-gender-pay-gap.pdf>>.

¹⁸ WGEA, ‘Gender Pay Gap’, in *Workforce Gender and Equality Agency*, , 2018, <<https://www.wgea.gov.au/topics/gender-pay-gap>>.

¹⁹ Dexus, *Dexus Performance Pack*, , 2018, <<https://www.dexus.com/-/media/files/articles/crs-reports/2018/2018-dexus-performance-pack.pdf?la=en>>.

²⁰ Stockland, *Stockland People Data Pack*, Stockland, 2018, , p. 3, <https://www.stockland.com.au/~/_media/corporate/pdf/about-stockland/sustainability/people-data-fy18.ashx?la=en>.

²¹ BHP, *BHP Sustainability Report 2018*, BHP, 2018, , p. 68, <<https://d2s7ymlq1fp6va.cloudfront.net/>>.

²² S Block, *Income Inequality and the Intracorporate Pay Gap*, MSCI, 2016, p. 14, <<https://www.msci.com/documents/10199/b94ae705-4d36-49e5-8873-b6fe42fdd291>>.

²³ Department for Business, Energy and Industrial Strategy, *Corporate Governance: The Companies (Miscellaneous Reporting) Regulations 2018 Q & A*, London, Department for Business, Energy and Industrial Strategy, 2019, <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/755002/The_Companies__Miscellaneous_Reporting_Regulations_2018_QA_-_Publication_Version_2__1_.pdf>.

TURNOVER AND NEW HIRES

Turnover rates are often indicative of company stability or instability,²⁴ and satisfaction or dissatisfaction amongst a workforce. They may also indicate structural changes in an organisation. Where disaggregated turnover data is provided by workforce demographics or region, this data can be used to highlight incompatibility or inequities in either the workplace or different areas of a company's operations.²⁵

The GRI calls on companies to report on: the total number and rate of new employee hires during the reporting period, by age group, gender and region; and the total number and rate of employee turnover during the reporting period, by age group, gender and region.

The Committee on Workers' Capital (CWC) goes beyond the GRI indicators to ask for specific reporting of turnover amongst the contingent workforce, and for the company turnover rate relative to industry averages.²⁶ The latter comparison can be particularly useful in identifying whether issues are company specific or relate to sector-wide issues.

Of the 99 ASX 100 companies analysed, 25 companies (26%) state that they report in accordance with *GRI 401-1: New employee hires and employee turnover*. Of these, 16 companies report on turnover and new hires in ways which are consistent with the requirements of the GRI. That is, they provide the total number and the rate of both turnover and new hires, disaggregated by gender, region and age. An additional 2 companies report on new hires but have no reporting on turnover, while 1 company reports on turnover but has no reporting on new hires.

2 companies do not report on either new hires or turnover, while the remaining companies have limited reporting on either turnover or new hires. ACCR has classified companies as providing "limited" reporting on turnover and/or new hires where companies do not provide disaggregated data, or where companies provide only a subset of the information (e.g. only providing the percentage of voluntary turnover without providing a figure for involuntary turnover.)

ASX 100 REPORTING ON TURNOVER AND NEW HIRES (GRI 402-1)				
	Limited reporting on turnover	No reporting on turnover	Reporting on turnover	Grand Total
COMPANY REPORTS ON GRI 402-1	2	4	19	25
Limited reporting on new hires	1	0	2	3
No reporting on new hires	1	2	1	4
Reporting on new hires	0	2	16	18
COMPANY DOES NOT REPORT ON GRI 402-1	14	48	12	75
Limited reporting on new hires	1	0	1	2
No reporting on new hires	12	48	5	65
Reporting on new hires	1	0	6	7
TOTAL	16	51	31	99

²⁴ Pensions and Lifetime Savings Association; WDI, *Workforce Disclosure Initiative 2018: Guidance Document*, WDI, 2018, <https://shareaction.org/wp-content/uploads/2018/07/WDI_Survey_Guidance_2018.pdf> [accessed 27 February 2019].

²⁵ GRI, *GRI 401: Employment*, 2016, <<https://www.globalreporting.org/standards/gri-standards-download-center/gri-401-employment-2016/?g=44744251-f999-4e97-980e-291e1466afd5>>; WDI, *Workforce Disclosure Initiative 2018: Guidance Document*.

²⁶ CWC, *Guidelines for the Evaluation of Workers' Human Rights and Labour Standards*, CWC, 2017, <https://www.workerscapital.org/IMG/pdf/cwc_guidelines-workers_human_rights_and_labour_standards_final_may17.pdf> [accessed 27 February 2019].

WORKFORCE COMPOSITION: DIVERSITY AND EQUAL OPPORTUNITY

Inclusion and diversity is a core element of human capital management (HCM).²⁷ McKinsey's 2018 report, *Delivering through Diversity* found that companies in the top quartile for gender diversity on executive teams were 21% more likely to outperform on profitability, while companies in the top quartile for ethnic/cultural diversity on executive teams were 33% more likely to have industry-leading profitability.²⁸ Glass-Lewis' guidelines for shareholder resolutions state that "companies without comprehensive [EEO] policies may face damaging recruitment, reputational and legal risks".²⁹ In Australia to date, research on corporate diversity has focused on a board or management level, with reports such as AICD's *Beyond the Pale: Cultural diversity on ASX 100 boards*.³⁰

Reporting on diversity and equal opportunity is covered by GRI 405-1. Race and Indigeneity is not a compulsory metric under GRI 405.1, which states that companies should report on "other indicators of diversity where relevant".

Of the 99 ASX 100 companies analysed, 30 companies state that they report in accordance with GRI 405.1. All of these companies provide total workforce numbers disaggregated by gender by position within the company (e.g. management, senior management, general workforce). A further 27 companies provide some reporting on gender within their core reporting, despite not identifying GRI 405-1 as one of their reporting standards.

Given that 91 ASX 100 companies are already required to report on gender diversity at different levels of the company to Workforce Gender and Equality Agency (WGEA), it would not be particularly onerous for remaining companies in the ASX 100 to include this data in their sustainability reporting, thereby improving the accessibility of this information for investors looking to engage on diversity.

Of the 30 companies which state that they report in accordance with GRI 405.1, only 18 provide workforce data disaggregated by age, despite age being a core metric of GRI 405.1. Furthermore, only 2 of these 30 companies provide data on the cultural/ethnic background of their workforce (Stockland and Commonwealth Bank). While a further 5 provide some information on the percentage or total number of the Indigenous workforce (Cimic, Fortescue Metals, Oilsearch, Spark Infrastructure, Westpac).

While racial and ethnic diversity may not yet be a focus of analysis and investor engagement in Australia, an analysis of resolutions filed in the latest US proxy season indicates that shareholders understand this issue to be materially significant. A preview of the proxy voting season by the Harvard Law School found that 4% of all shareholder resolutions filed related to workforce diversity, including one resolution on racial diversity filed against Home Depot for a record 18th time. In its 17th year, the resolution achieved a vote of 48.3%.³¹ According to the ICCR, these resolutions are material as:

... allegations of workplace discrimination damage a company's reputation and present costly legal and financial risks that impact shareholder value. Companies that foster diversity and inclusion across their businesses and in senior roles mitigate these risks and benefit from greater workforce stability.³²

²⁷ Human Capital Management Coalition.

²⁸ Glass Lewis, *2019 Proxy Paper Guidelines: An overview of the Glass Lewis Approach to Proxy Advice*, Glass Lewis, 2019, <http://www.glasslewis.com/wp-content/uploads/2018/10/2019_GUIDELINES_ShareholderInitiatives.pdf> [accessed 8 March 2019].

²⁹ Glass Lewis, *2019 Proxy Paper Guidelines: An overview of the Glass Lewis Approach to Proxy Advice*, Glass Lewis, 2019, <http://www.glasslewis.com/wp-content/uploads/2018/10/2019_GUIDELINES_ShareholderInitiatives.pdf> [accessed 8 March 2019].

³⁰ AICD, *Beyond the Pale: Cultural Diversity on ASX100 Boards*, AICD, 2018, <<https://aicd.companydirectors.com.au/-/media/cd2/resources/advocacy/board-diversity/pdf/beyond-the-pale-full-report-web.ashx>>.

³¹ ICCR, *ICCR's 2019 Proxy Resolutions and Voting Guide*, ICCR, 2019, , p. 93,

<https://www.iccr.org/sites/default/files/2019_iccrproxyresolutionsandvotingguide.pdf> [accessed 24 June 2019].

³² ICCR, , p. 83.

WORKFORCE COMPOSITION: CONTRACTORS AND LABOUR-HIRE WORKERS

In recent years a number of government inquiries have examined the specific and increased compliance risks associated with the use of labour-hire and contract workers over direct employees. These inquiries include the Migrant Worker Taskforce, the Black Economy Taskforce, and the Victorian and Queensland government inquiries into the labour-hire industry. As these inquiries highlight, the use of a contingent workforce can heighten a range of risks for a company, as they “have less influence over or understanding of the terms and conditions of their agency workers”.³³

Excessive use of temporary/contract workers increases the risk of creating a two-tier workforce, with the contingent workforce not receiving the same wages and conditions as the directly employed or permanent workforce. These conditions may include holiday leave, access to training, security of employment, and even wage rates.³⁴

For these reasons, the CWC calls on companies to report on both the workforce composition and to provide information on the wages and conditions provided to permanent staff that are not provided to contingent staff. They argue that a breakdown of the number of full-time, part-time and agency/labour-hire workers is useful in highlighting “potential... problematic issues that have arisen around poor treatment of ‘zero hours’ or agency staff at certain businesses”.³⁵

The GRI does not require companies to report on their contingent workforce. The exception to this is under its OHS reporting requirements (see below). A company’s contingent workforce includes any independent contractors, freelancers, and/or workers hired through third party arrangements (e.g. labour-hire agencies). It does not include employees on fixed term contracts, who have been directly employed by the company they perform work for.

Given these risks, it is concerning that only 16 companies disclose the number of contractors appointed in a given reporting year. Significantly, only Macquarie Group Ltd discloses the number of agency or labour-hire workers employed in their operations. This is of concern given the increased business and operational risks due to the use of workers appointed through third party labour-hire or agency arrangements.

The lack of reporting on this issue, and the lack of consistency between company reports, makes it incredibly difficult for investors to engage on this issue, and properly assess the risks due to each company.

OCCUPATIONAL HEALTH AND SAFETY (OHS)

The ILO defines occupational health as: “the promotion and maintenance of the highest degree of physical, mental and social well-being of workers in all occupations by preventing departures from health, controlling risks and the adaptation of work to people, and people to their jobs”.³⁶

While large scale industrial accidents – like BP’s Gulf oil spill or the Rana Plaza collapse – can massively destroy shareholder value, less visible occupational health issues can also erode shareholder value in the long-term through increased workers’ compensation premiums, decreased productivity, absenteeism, higher health care costs, potential lawsuits, negative publicity, and a loss of investor and consumer trust.³⁷

³³ S Young & S Rawsthorne, *Hidden Talent: What do Companies’ Annual Reports tell us about their Workers?: An Analysis of the FTSE 100*, PLSA, 2017, , p. 15, <<https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2017/7160%20Hidden%20Talents%20research%20report%20v4.pdf>>.

³⁴ CWC, *Guidelines for the Evaluation of Workers’ Human Rights and Labour Standards*, CWC, 2017, <https://www.workerscapital.org/IMG/pdf/cwc_guidelines-workers_human_rights_and_labour_standards_final_may17.pdf> [accessed 27 February 2019]; WDI, *Workforce Disclosure Initiative. Improving the Quality of Jobs: Pilot Year Summary*, London, WDI, 2018, <<https://shareaction.org/wp-content/uploads/2018/04/WDI-Pilot-Year-Report-Executive-Summary.pdf>> [accessed 17 December 2018].

³⁵ Pensions and Lifetime Savings Association.

³⁶ ILO, ‘OSH Brief no. 1: What is Occupational Health and Safety?’, ILO, 2011, <https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/---sro-port_of_spain/documents/presentation/wcms_250188.pdf>.

³⁷ N Khushrushahi, *Investor Guidance on Occupational Health and Safety in Canada: An overview of corporate best practices*, SHARE Canada, <http://www.share.ca/files/12-4-27_Investor_Guidance_on_OHS_-_Final.pdf> [accessed 6 February 2019].

OHS is the most commonly reported upon metric in the ASX 100. Of the 99 ASX 100 companies analysed, 33 companies report state they report against at least one GRI safety indicator, with 75 companies reporting against at least one OHS metric. Commonly used metrics include Lost Time Injury Frequency Rates (LTIFR), Total Recordable Injury Frequency Rate (TRIFR), number of fatalities and number of reportable incidents.

Significantly, only GRI 403.9 and GRI 403.10 require reporting against numeric metrics. The GRI 403.1 to GRI 403.8 focus on the OHS systems and practices that an organisation has put in place, along with descriptors of the workers that are covered by each of those systems, and how they engage in OHS practices (including training).

When reporting on safety, the GRI specifies that companies must report on all workers, not just their direct employees. These include the contingent workforce (contractors and agency workers) whose work is controlled by the organisation, but also workers who are in a business relationship with the company, even if their workplace is not controlled by the company.

The discrepancy between the number of companies which report against OHS metrics (75 companies) versus those companies which state they report against either 403.9 or 403.10 is most likely related to the metrics that the companies report against and their failures to provide fully disaggregated data in line with the specifications of the GRI.

CONCLUSION

Investors globally have begun to argue for the importance of the workforce in driving value creation for a company. Conversely, there is a recognition that a failure to properly manage a company's workforce may both undermine value creation and increase a range of business and operational risks. This report has analysed the workforce disclosures of 99 ASX 100 companies. It found that although there are a number of companies who are leading the way on reporting, providing clear and easily navigable data across a range of commonly recognised workforce indicators, a number of companies perform terribly across all indicators. Echoing research in the US and UK, the majority of ASX 100 companies do not provide sufficient data to allow investors to effectively engage on workforce issues. In those jurisdictions, investors have been actively lobbying for increased mandatory reporting to improve their engagement on workforce issues.

Recommendation: Companies should provide more detailed reporting on workforce issues, in line with the 5 workforce themes detailed in this report, to allow for greater transparency on workforce issues and allow for more targeted engagement by investors. These disclosures should be provided in an easily navigable fashion to facilitate effective engagement and to allow for tracking against targets from year to year.

APPENDIX A: GRI WORKFORCE INDICATORS

401.1 New employee hires and employee turnover	<ul style="list-style-type: none"> a. Total number and rate of new employee hires during the reporting period, by age group, gender and region. b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.
402.2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	<ul style="list-style-type: none"> a. Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum: life insurance, healthcare, disability and invalidity insurance, parental leave, retirement provision, stock ownership, others. b. The definition used for "significant locations of operations".
401.3 Parental Leave	<ul style="list-style-type: none"> a. Total number of employees that were entitled to parental leave, by gender. b. Total number of employees that took parental leave, by gender. c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender. d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender. e. Return to work and retention rates of employees that took parental leave, by gender.
402.1 Minimum notice periods regarding operational changes	<ul style="list-style-type: none"> a. Minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them. b. For organizations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.
403.1 Occupational health and safety management system	<ul style="list-style-type: none"> a. A statement of whether an occupational health and safety management system has been implemented, including whether: <ul style="list-style-type: none"> i. The system has been implemented because of legal requirements and, if so, a list of the requirements; ii. The system has been implemented based on recognized risk management and/or management system standards/guidelines and, if so, a list of the standards/guidelines. b. A description of the scope of workers, activities, and workplaces covered by the occupational health and safety management system, and an explanation of whether and, if so, why any workers, activities, or workplaces are not covered.
403.2 Hazard identification, risk assessment, and incident investigation	<ul style="list-style-type: none"> a. A description of the processes used to identify work-related hazards and assess risks on a routine and non-routine basis, and to apply the hierarchy of controls in order to eliminate hazards and minimize risks, including: <ul style="list-style-type: none"> i. How the organization ensures the quality of these processes, including the competency of persons who carry them out; ii. How the results of these processes are used to evaluate and continually improve the occupational health and safety management system. b. A description of the processes for workers to report work-related hazards and hazardous situations, and an explanation of how workers are protected against reprisals. c. A description of the policies and processes for workers to remove themselves from work situations that they believe could cause injury or ill health, and an explanation of how workers are protected against reprisals. d. A description of the processes used to investigate work-related incidents, including the processes to identify hazards and assess risks

	relating to the incidents, to determine corrective actions using the hierarchy of controls, and to determine improvements needed in the occupational health and safety management system.
403.3 Occupational health services	a. A description of the occupational health services' functions that contribute to the identification and elimination of hazards and minimization of risks, and an explanation of how the organization ensures the quality of these services and facilitates workers' access to them.
403.4 Worker participation, consultation, and communication on occupational health and safety	<p>a. A description of the processes for worker participation and consultation in the development, implementation, and evaluation of the occupational health and safety management system, and for providing access to and communicating relevant information on occupational health and safety to workers.</p> <p>b. Where formal joint management-worker health and safety committees exist, a description of their responsibilities, meeting frequency, decision-making authority, and whether and, if so, why workers are not represented by these committees.</p>
403.5 Worker training on occupational health and safety	a. A description of any occupational health and safety training provided to workers, including generic training as well as training on specific work-related hazards, hazardous activities, or hazardous situations.
403.6 Promotion of worker health	<p>a. An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided.</p> <p>b. A description of any voluntary health promotion services and programs offered to workers to address major non-work-related health risks, including the specific health risks addressed, and how the organization facilitates workers' access to these services and programs.</p>
403.7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	a. A description of the organization's approach to preventing or mitigating significant negative occupational health and safety impacts that are directly linked to its operations, products or services by its business relationships, and the related hazards and risks.
403.8 Workers covered by an occupational health and safety management system	<p>a. If the organization has implemented an occupational health and safety management system based on legal requirements and/or recognized standards/guidelines:</p> <ul style="list-style-type: none"> i. The number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system; ii. The number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been internally audited; iii. The number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been audited or certified by an external party. <p>b. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.</p> <p>c. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.</p>
403.9 Work-related injuries	<p>a. For all employees:</p> <ul style="list-style-type: none"> i. The number and rate of fatalities as a result of work-related injury; ii. The number and rate of high-consequence work-related injuries (excluding fatalities);

	<ul style="list-style-type: none"> iii. The number and rate of recordable work-related injuries; iv. The main types of work-related injury; v. The number of hours worked. b. For all workers who are not employees but whose work and/or workplace is controlled by the organization: <ul style="list-style-type: none"> i. The number and rate of fatalities as a result of work-related injury; ii. The number and rate of high-consequence work-related injuries (excluding fatalities); iii. The number and rate of recordable work-related injuries; iv. The main types of work-related injury; v. The number of hours worked. c. The work-related hazards that pose a risk of high-consequence injury, including: <ul style="list-style-type: none"> i. How these hazards have been determined; ii. Which of these hazards have caused or contributed to high-consequence injuries during the reporting period; iii. Actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls. d. Any actions taken or underway to eliminate other work-related hazards and minimize risks using the hierarchy of controls. e. Whether the rates have been calculated based on 200,000 or 1,000,000 hours worked. f. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded. g. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.
403.10 Work-related ill health	<ul style="list-style-type: none"> a. For all employees: <ul style="list-style-type: none"> i. The number of fatalities as a result of work-related ill health; ii. The number of cases of recordable work-related ill health; iii. The main types of work-related ill health. b. For all workers who are not employees but whose work and/or workplace is controlled by the organization: <ul style="list-style-type: none"> i. The number of fatalities as a result of work-related ill health; ii. The number of cases of recordable work-related ill health; iii. The main types of work-related ill health. c. The work-related hazards that pose a risk of ill health, including: <ul style="list-style-type: none"> i. How these hazards have been determined; ii. Which of these hazards have caused or contributed to cases of ill health during the reporting period; iii. Actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls. d. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded. e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.
404.1 Average hours of training per year per employee	<ul style="list-style-type: none"> f. a. Average hours of training that the organization's employees have undertaken during the reporting period, by: <ul style="list-style-type: none"> g. i. gender; h. ii. employee category.
404.2 a. Average hours of training that the organization's employees have undertaken during the reporting period, by:	<ul style="list-style-type: none"> a. Type and scope of programs implemented and assistance provided to upgrade employee skills. b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.

i. gender; ii. employee category.	
404.3 Percentage of employees receiving regular performance and career development reviews	a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.
405.1 Diversity of governance bodies and employees	<p>a. Percentage of individuals within the organization's governance bodies in each of the following diversity categories:</p> <ul style="list-style-type: none"> i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups). <p>b. Percentage of employees per employee category in each of the following diversity categories:</p> <ul style="list-style-type: none"> i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).
405.2 Ratio of basic salary and remuneration of women to men	<p>a. Ratio of the basic salary and remuneration of women to men for each employee category,</p> <p>b. By significant locations of operation.</p> <p>c. The definition used for 'significant locations of operation'.</p>
406.1 Incidents of discrimination and corrective actions taken	<p>a. Total number of incidents of discrimination during the reporting period.</p> <p>b. Status of the incidents and actions taken with reference to the following:</p> <ul style="list-style-type: none"> i. Incident reviewed by the organization; ii. Remediation plans being implemented; iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes; iv. Incident no longer subject to action.
407.1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<p>a. Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk either in terms of:</p> <ul style="list-style-type: none"> i. Type of operation (such as manufacturing plant) and supplier; ii. Countries or geographic areas with operations and suppliers considered at risk. <p>b. Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.</p>