Excellence in social reporting

A review of leading UK companies

November 2024

Excellence in social reporting

"Congratulations to SSE who have won this year's Excellence in Social Reporting award and to Natwest Group and Vodafone who were also shortlisted. All three had a number of outstanding disclosures that scored highly against our criteria. This report sets out examples of best practices from these and other high performing companies and explores the future direction of social reporting."

Dean Farthing

Partner
ESG, Workforce

Social reporting is still in its infancy

Companies' people and societal agendas are rapidly evolving in order to respond to the internal and external stakeholder expectations surrounding the 'S' of ESG. As these expectations grow, both companies and investors have been grappling with working out how to define, and report on, Social issues.

Whilst we have seen a steady increase in 'S' factors reflected in companies' strategic priorities, companies need to do more to articulate what actions they are taking in practice in order to demonstrate the social, not just financial, value they create. Importantly, investor and other stakeholder attention in this area means there is a growing need for companies to explain how they manage their relationships with their workforce and the societies within which they operate.

PwC's Building Trust Awards shine a light on best practices

This is the third year of the Social category under PwC's Building Trust Awards. It has been promising to see more companies adopt some of the basics of social reporting, and to see others who are pushing the boundaries. In particular, congratulations to SSE who won this year's Excellence in Social Reporting award and to Natwest Group and Vodafone who were also shortlisted – all three had a number of outstanding disclosures that scored highly against our criteria. This report sets out examples of best practices from these and other high performing companies.

However, whilst we have seen companies make progress since the inception of our award in 2022, Social reporting is still in its infancy. Overall our judges observed that there is still a gap between Social and Sustainability reporting. One of the challenges that companies face is how to bring their Social reporting into a cohesive narrative rather than a series of disparate disclosures – the complexity and breadth of new regulations makes this goal all the more important.

New regulations bring complexity but also raise the bar on data quality

Regulation is a key driver for reporting for many companies. Sustainability reporting frameworks such as the EU Corporate Sustainability Reporting Directive (CSRD), the International Sustainability Standards Board (ISSB) and Securities and Exchange Commission (SEC) have expansive disclosure requirements including workforce. Some large global companies will need to report under the CSRD as early as 2025 (in respect of FY24 data). The CSRD requires companies to report impacts, risks and opportunities that are material to the organisation across four stakeholder groups: own workforce, workers in the value chain, consumers and end users, and affected communities. The reporting is vast and complex in the social space. For example, Own Workforce encompasses 51 pages of new legislation and 17 disclosure requirements including 20 quantitative metrics along with numerous policy, and stakeholder and employee consultation requirements. All of this will be subject to audit scrutiny. It is therefore vital that finance and reporting functions work alongside HR functions to determine how they will collect robust data that meets audit standards.

What does this mean for reporting?

All these new regulations will further push the agenda forward in the coming years. Companies should not underestimate the challenge of meeting the baseline level of reporting under these. However, there are also opportunities. Better data quality can support better planning – companies have an opportunity to bring their Social agenda within, and in support of, the overall business strategy, with potential benefits for both internal and external stakeholders.

Executive summary

Year 3 of the Building Trust Awards' Social reporting category

The EU Corporate Sustainability Reporting Directive

Spotlight on: Living Wages

Executive summary

How we assessed performance

Overview

All companies within the FTSE 350 were automatically scored as part of the Social 2024 Building Trust Award. This report presents data from the FTSE 100.

Scoring criteria

The scoring criteria looked at the areas below.

	How we assessed performance	Contents
01 **Alignment to strategy (pages 7 – 10)**	**Materiality and alignment to strategy** • Is there a materiality assessment of ESG issues which includes social issues? Is there a link between key social goals and the materiality assessment and/or the company's strategy/values? **Target setting, impact and evidence** • Is there a summary of key social goals with targets and progress? Is there evidence of the impact of social initiatives/policies? Is there evidence that non-financial social reporting metrics have been assured? Is social data available to download?	• Materiality • Target setting and impact • Transparency and assurance
02 **Stakeholder disclosures (pages 11 – 18)**	**Best practice disclosures – workforce** • Does the company provide best practice disclosures on its own workforce, such as representation of different employee characteristics, ethnicity pay gap, the pensions wealth gap, fair pay charter, health and safety, wellbeing, and training and development? **Best practice disclosures – suppliers** • Does the company provide best practice disclosures on its interaction with its supply chain, such as a supplier charter, corresponding adherence to the charter, and the extent to which suppliers pay living wages? **Best practice disclosures – communities** • Does the company provide best practice disclosures on its interactions with communities including community programmes and investment in the community (cash, time and in-kind)?	Best practice data and policies relating to workforce, suppliers and communities: • Diversity gap gap • Global living wage and Fair pay • Upskilling/Reskilling • Supplier charter • Community investment and programmes
03 **Overall reporting (pages 19 – 20)**	**Look and Feel** How easy was it to identify and understand the company's reporting in respect of each scoring category?	• Alignment to external frameworks • Clarity of disclosure • Signposting • External accreditation

Executive summary

How companies performed

The chart below sets out an overview of how companies in the FTSE 100 performed against our 2023 criteria. The 2023 criteria is based on current reporting expectations/standards. Over the coming years, we expect there to be a step change in the quality of reporting, this will be reflected in evolving criteria for 2024 and beyond.

Scoring criteria

Shortlisted companies

SSE
Winner
The judges commended the read across from the company's long-term strategy and purpose through to its social goals – and in particular the disclosures in relation to the just transition. Good signposting and simple language that avoided jargon created an accessible and clear report.

Natwest
Highly commended

Vodafone
Highly commended

Executive summary

Principles for better reporting

Companies will increasingly be required to report on social metrics, as a result of the evolving global and local sustainability reporting regulations – particularly under the EU Corporate Sustainability Reporting Directive (CSRD). We set out four principles for better social reporting – which can be applied regardless of which regime a company is required to report. In our view, companies that apply these principles will be more able to tell a compelling and cohesive narrative around their social agenda – something that is currently missing in many of the reports that we reviewed.

01 Strategic Alignment

Is it clear how companies have identified their material topics?

How do these link to the company's strategy?

02 Transparency

Does the company disclose data in respect of its social agenda?

How comprehensive and accessible is this data? Is it downloadable?

How robust is the data? Has it been externally assured?

03 Accountability

Has the company set targets in respect of its social agenda?

Does it disclose the targets in its reporting?

Does it disclose progress towards the targets over multiple years?

04 Impact

Has the company articulated the impact of the social initiatives they have undertaken?

For example, what proportion of participants in an reskilling programme have gone on to find employment?

01

Alignment to strategy

- Materiality
- Target setting and impact
- Transparency and assurance

Materiality

How do companies identify their material topics, with a key focus on the social issues that are relevant to them and their stakeholders?

Clear articulation of a structured methodology to identify material topics provides assurance to stakeholders that the process followed is robust and helps the reader to gauge the relevance and importance of topics that are addressed throughout the company's annual and sustainability reports. The highest performing companies were able to demonstrate how their material social topics aligned with, and supported, the overall business strategy and added value to both internal and external stakeholders.

High performing companies conducted their own double materiality assessments, which will form a baseline for them ahead of the introduction of the CSRD, which will require companies to conduct a full double materiality assessment.

01 **Basic**

Company discloses how it identifies material issues with minimal detail

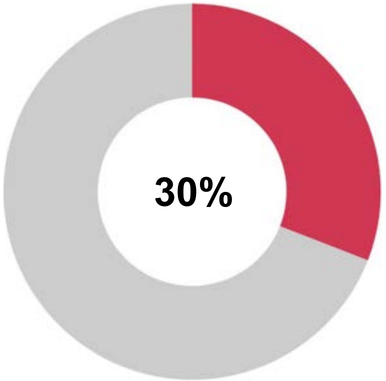
02 **Intermediate**

Company discloses how it identifies material issues with bespoke detail

03 **Advanced**

Company discloses how it identifies material issues with bespoke detail and reference to external frameworks (e.g. Double Materiality or CSRD)

% of companies who reference an external framework as part of their materiality assessment



National Grid – Responsible Business Report 2023-24 (pg.6)

Materiality assessment

ESG Materiality Assessment
Disclosure note 2023

An important input into our external reporting and responsible business approach is our ESG materiality assessment. This process enables us to define the priority topics for National Grid's strategic development and refine how we report on our performance.

We conducted a full ESG materiality assessment in October to December 2022 in accordance with the Global Reporting Initiative's (GRI) 2021 standard on materiality (GRI3). GRI has not yet published a sector standard for the utilities industry. Any additional considerations stemming from the publication of this standard will be reflected in our reporting at the earliest opportunity.

This year, we went further and incorporated a preliminary financial materiality lens to each of the material impacts identified. This enabled us to begin to assess the financial impact of environmental, social and governance issues on the business. Our approach was inspired by Exposure Draft IFRS S1 the General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements Exposure Draft) published by the International Sustainability Standards Board (ISSB) in March 2022. We will continue to evolve our approach to incorporate the requirements of the final ISSB standards, any implementation guidance and emerging best practice.

To confirm that there were no significant changes impacting the results of our assessment in the period from January 2023 to date. We completed this through an internal review during the completion of our refreshed Responsible Business Charter.

Definition of material topics

Material ESG topics are those that represent National Grid's most significant impacts on the economy, environment, and people, including impacts on their human rights.

A materiality assessment enables the identification of the most important sustainability topics to key stakeholders (Investors, Colleagues, Customers, Contractors and Suppliers, Communities, Governments and Regulators) and comparing these to the view of the company.

The financial materiality lens allows us to assess the relative financial impact of material topics identified on our future cash flows, performance, assets and liabilities and other capitals. This was performed from our company's perspective, collating the views of financial and non-financial reporting subject-matter-experts.

nationalgrid

National Grid conducted a double materiality assessment, with reference to the GRI. The accompanying disclosure note sets out the methodology in detail covering i) Definition of ESG topics, ii) Impact analysis, iii) Financial materiality, and iv) Validation.

Target setting and impact

How transparent are companies in regards to target setting and accountability for key social performance indicators?

Once a company has identified its material social topics, there is an opportunity to set targets under each of these, in order to support continuous improvement and drive outcomes that will support the business strategy and align with the company's stated purpose. Where disclosed, targets also support accountability with external stakeholders, allowing them to track a company's progress towards their stated ambitions.

The highest performing companies disclosed multiple social targets, aligned to material topics and presented performance against the targets for both the current year and prior years.

01 Basic

Company discloses some social KPIs

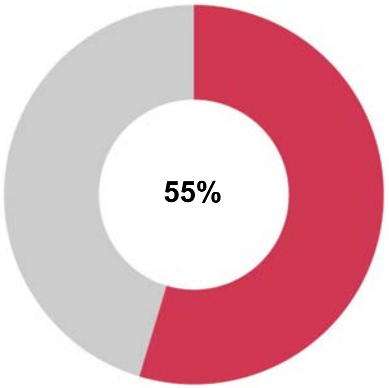
02 Intermediate

Company discloses some social KPIs with in-year progress against these KPIs

03 Advanced

Company discloses social KPIs and multi-year progress against them

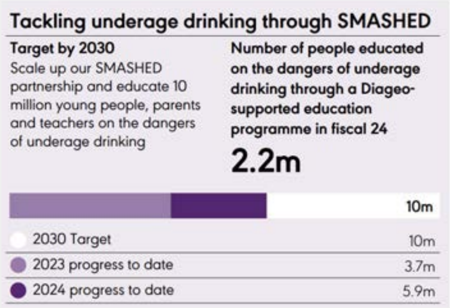
% of companies with multi-year progress against some of their key Social targets



NatWest Group – 2023 Environmental, Social and Governance Disclosures Report (pg.6)

NatWest Group's ESG disclosures report shows multi-year progress against key social targets and indicates which metrics are subject to external assurance.

Diageo – 2024 Annual Report (pg.51)



Diageo sets out progress over time, and clearly sets out targets to 2030

Transparency and assurance

Do companies provide the reader with detailed social data? Is this in a digestible format which allows the reader to carry out their own analysis if required? Have the data points been subject to external assurance?

In recent years the number of data points that companies are disclosing in relation to social topics has increased significantly. To date there has been less focus over the use of external assurance for these but the market expectation is set to change as the CSRD requires companies to seek assurance over an increasing number of metrics. This will initially be limited assurance – meaning that the auditor confirms nothing has come to their attention that suggests the information is incorrect. From 2028, companies will need to provide reasonable assurance – more comparable to the audit opinion provided on companies' financial results.

The highest performing companies already seek external assurance for all of their key social metrics. But in many cases this remains the lower level of 'limited assurance'. Only a small number of companies disclose social metrics that have been subject to the higher standard of 'reasonable assurance'.

01 Basic

Some data tables in annual report or sustainability report

Limited assurance on some social KPI

02 Intermediate

Extensive data tables in annual or sustainability report, not downloadable

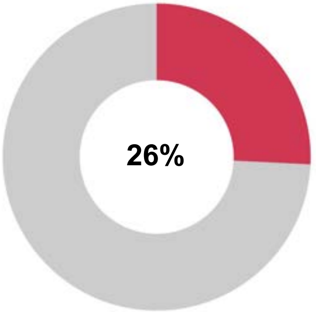
Limited assurance on all and/or Reasonable assurance on some

03 Advanced

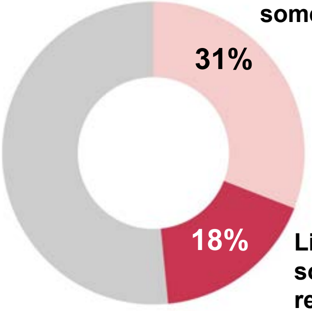
Extensive data tables downloadable as excel

Reasonable assurance on all Social KPIs

% of companies with comprehensive downloadable ESG data on website, including social (e.g. via spreadsheet)



% of companies with assurance over social metrics



Natwest – 2023 Assurance statement (pg.1)

Table A: Reasonable assurance Subject Matter	
Climate	Operational footprint: Scope 1 and 2 (market-based and location-based) CO_2 equivalent emissions in tonnes (tCO_2e)
	% of UK residential mortgage portfolio with an EPC rating of C or higher
Colleague	Proportion of Black, Asian, and Ethnic minority in top four leadership layers (defined as CEO, CEO-1, CEO-2, CEO-3 and CEO-4) in the UK (%)
	Gender balance in top three senior layers (defined as the CEO, CEO- 1, CEO-2 and CEO-3) (%)

Natwest Assurance Report provides reasonable assurance on Social metrics covering its employees.

Lloyds ESG Data book

Baseline year	Progress to date	Key Metrics and progress	Target year
2021	✓ 40.1%	Percentage of women senior managers	50% by 2025
2021	✓ 11.3%	Percentage of senior managers from a Minority Ethnic background	13% by 2025
2021	✓ 1.7%	Percentage of senior managers from a Black Heritage background	3% by 2025
2023	12.4%	Percentage of colleagues in senior roles who disclose they have a disability	12% by 2025

Lloyds' Sustainability Metrics Data Sheet allows readers to download the databank in a spreadsheet format and therefore to conduct their own analysis e.g. into Lloyds' 'How we deliver', 'Sustainable future' and 'Inclusive future' social metrics.

With the number of data points – particularly in areas such as employee data – set to increase under CSRD, the datasheet is user-friendly and provides greater transparency than the traditional PDF table.

02

Stakeholder disclosures

- Workforce
  - Diversity pay gaps
  - Global living wages and fair pay
  - Upskilling and reskilling
- Suppliers
- Communities

Diversity pay gaps

Most companies in the FTSE 350 are required to publish a gender pay gap report. To what extent do they voluntarily publish additional pay gap reports – such as ethnicity, disability, LGBTQ+ or social mobility? How detailed are these reports?

Is there evidence that companies are considering the wider impact on earnings (e.g. pensions wealth gap)? Are companies evolving their pay gap reporting beyond the regulatory requirements and taking actions to make meaningful change in this area?

This helps the reader to understand the progress that companies are making over different diversity dimensions.

01 **Basic**

Gender Pay Gap

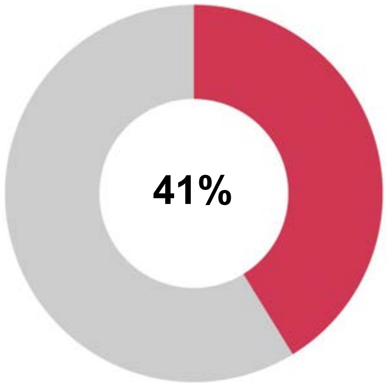
02 **Intermediate**

Ethnicity Pay Gap

03 **Advanced**

Beyond Ethnicity Pay Gaps e.g. Social Mobility, Disability, Sexual orientation. Acknowledgement of other pay gaps (e.g. pensions wealth gap)

% of companies who publish an ethnicity pay gap



BT – Disability Pay Gap (website)

2023 Disability pay gap

This is the first time the business has conducted a disability pay gap analysis to understand and address any inclusion barriers that are preventing disabled colleagues from thriving at work.

We have applied the same methodology as the gender and ethnicity pay gap analysis.

The 2023 disability median pay gap was 0.0%, and the 2023 disability mean pay gap was 0.7% across the business.

Within our four entities, the pay gap does vary with some positive and some negative results in each entity. When aggregated at a BT Group level, the median pay gap evens out at 0%, and the mean pay gap at 0.7%.

0.7%
mean

0.0%
median

BT reported it's disability pay gap for the first time in 2023.

Phoenix Group – Inclusion and Pay Gap Report 2023 (pg.14)

UK-wide ethnicity pay gaps

	Hourly Pay		Bonus Pay	
	Median	Mean	Median	Mean
Black, Asian and Mixed/Multiple Ethnicities (combined)	-3.0%	2.9%	6.2%	16.2%
Black	-4.0%	7.2%	13.3%	45.1%
Asian	-7.5%	-1.3%	-8.7%	5.7%
Mixed/Multiple Ethnicities	20.0%	17.9%	31.0%	28.8%

Note: This data is as at April 5th 2023 to keep it in line with reporting data of our gender pay. We have not produced ethnicity pay gap for the 'Other' category as the number who chose to identify as this group was not high enough.

Phoenix Group shares its Ethnicity pay and Bonus gap data split by ethnic group into Black, Asian and Mixed/Multiple Ethnicities. Along with their calculations, they also provide commentary on their figures, acknowledging the gap and comparing this with market standard.

Diversity pay gaps

Looking ahead

The evolving UK landscape

The King's Speech of 17 July 2024 outlined the UK government's legislative agenda, including priorities aimed at promoting security, fairness, and opportunity for all. Among the 40 proposed bills is the draft Equality (Race and Disability) Bill.

The draft Equality (Race and Disability) Bill plans to extend gender pay gap reporting such that employers with 250 employees or more will also be required to disclose ethnicity and disability pay gaps. Whilst a significant minority of FTSE 100 companies (40%) already publish an ethnicity pay gap, we found very few examples of companies reporting additional pay gaps.

The UK developments coincide with other incoming regulations in this area (e.g. the EU Pay Transparency Directive), which will further increase pay transparency.

What is included in the draft UK Equality (Race and Disability) Bill?

Enshrining in law the full right to contractual equal pay for ethnic minorities and disabled people

Currently, the Equality Act 2010 (as amended) provides that men and women should receive ‘equal pay’ if they perform ‘equal work’. Under the legislation, a failure to provide equality of contractual terms can be very costly and cause extensive reputational damage to organisations.

The new Government plans to extend the legal requirement of equal pay for equal work to both ethnic minorities and disabled people. Extending the legal right of contractual equal pay to ethnic minorities and those with disabilities will provide a specific framework for claims for individuals who have been paid differently to comparable colleagues.

Introducing mandatory ethnicity and disability pay gap reporting

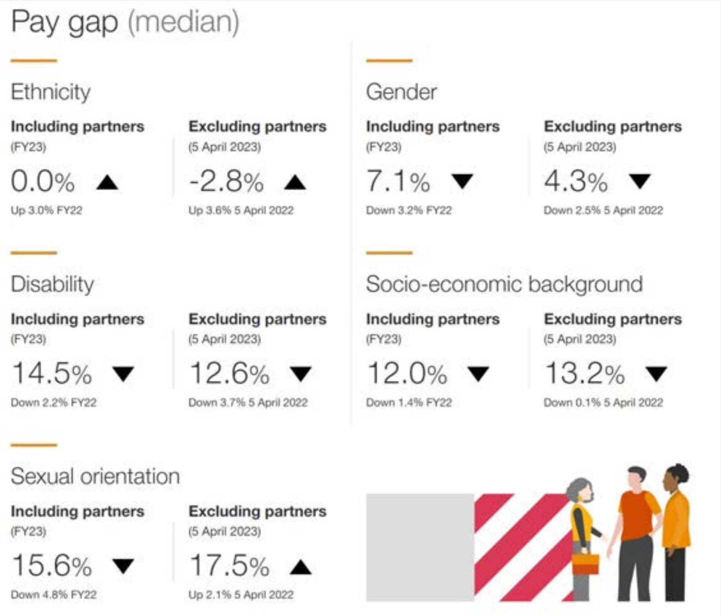
Mandatory gender pay gap reporting was introduced in 2017 for organisations with 250 employees or more. An increasing number of organisations have voluntarily reported on pay gaps beyond gender as part of their broader focus on Diversity, Equity and Inclusion (‘DE&I’).

The draft Equality (Race and Disability) Bill plans to extend gender pay gap reporting such that employers with 250 employees or more will also be required to disclose ethnicity and disability pay gaps. This enhanced transparency will identify pay disparities at an organisation-wide level and prompt employers to constructively consider why pay gaps exist and how to tackle them.

Case study – PwC’s diversity journey

We first voluntarily published our gender pay gap in 2014, prior to the Gender Pay Gap Regulations being introduced in 2015. Since then we have held ourselves accountable by disclosing data points even where there is no regulatory requirement to do so (e.g. including partners in our gender pay gap reporting). We have published our ethnicity pay and bonus gaps since 2018.

Since 2021, we have reported our socio-economic background (SEB) and disability pay and bonus gaps and we are into our second year of disclosing our sexual orientation pay and bonus gap, having published for the first time in 2022.



We have set targets by grade for gender, ethnic background and socio-economic background which are based on accelerating our progress over a 5+ year period. Alongside this, we are also progressing our plans to increase the levels of disclosure in relation to disability and sexual orientation to enable us to set targets.

Global living wages and fair pay

With reporting on fair wages to become mandatory under the CSRD, companies will have to consider the basis on which to disclose whether they pay an Adequate Wage on a global basis. How are companies currently reporting on fair wages and fair pay? Have they carried out a living wage review in more than one country? Do they publish a publicly available fair pay charter?

This helps the reader to understand if and how the company applies principles around fair wages to their organisation.

01 **Basic**

Limited reference to how company considers fairness in remuneration

02 **Intermediate**

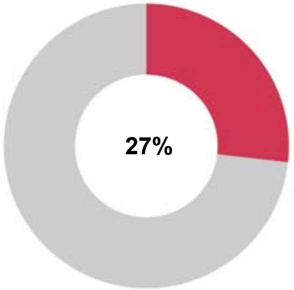
Living wage employer in UK.

More detailed reference to how company considers fairness in remuneration

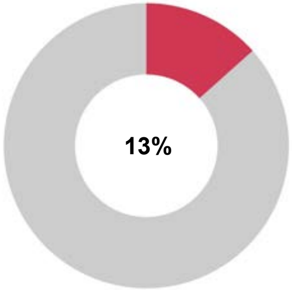
03 **Advanced**

Living wage review in more than one territory globally. Fair pay charter encompassing principles for pay across the organisation

% of companies who pay the living wage in more than one country



% of companies who publish a Fair Pay Charter



Unilever – Annual report 2023 (pg.42,137)

Championing a living wage

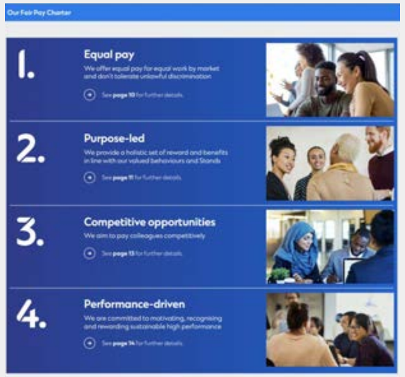
One of the most impactful ways we can improve livelihoods is by ensuring workers who directly provide goods and services to us are paid a living wage. Since 2021, we have focused our efforts on ensuring that the contracts we sign with dedicated collaborative manufacturers include a requirement to pay a living wage. We plan to make a living wage a mandatory requirement in our Responsible Partner Policy (RPP). In advance of this, we have asked priority suppliers to voluntarily sign our Living Wage Promise. To help create a level playing field and mainstream living wage, we are also advocating for change through industry forums such as the UN Global Compact as well as supporting free, publicly accessible living wage data.

Unilever is committed to paying their employees at least a living wage by 2030, and report progress against the target in the annual report.

Sustainability pillar	Sustainability target	KPI	2022/23 target	Judgement[(a)]	SPI 2023 2022/23 actuals	SPI 2022 2021 actuals
Raise living standards	Ensure that everyone who directly provides goods and services to Unilever will earn at least a living wage or income by 2030	The estimated total monetary value of Dedicated Collaborative Manufacturing contracts signed with a requirement to pay a living wage from 1 January 2021 to 31 December 2022, expressed as a percentage of the estimated total monetary value of all unexpired Dedicated Collaborative Manufacturing contracts	80%	Over-achieved	90%[†]	78%

Standard Chartered – Diversity, Equality and Inclusion Impact Report 2023 (pg.9)

Standard Chartered has set out a revised 4-point Fair Pay Charter which outlines the company's underlying philosophy and commitment to equitable reward.



Global living wages

Looking ahead

Living wage commitments continue to be a priority for organisations and an important part of creating sustainable business while enabling all workers to receive a wage which is sufficient to allow a reasonable standard of living.

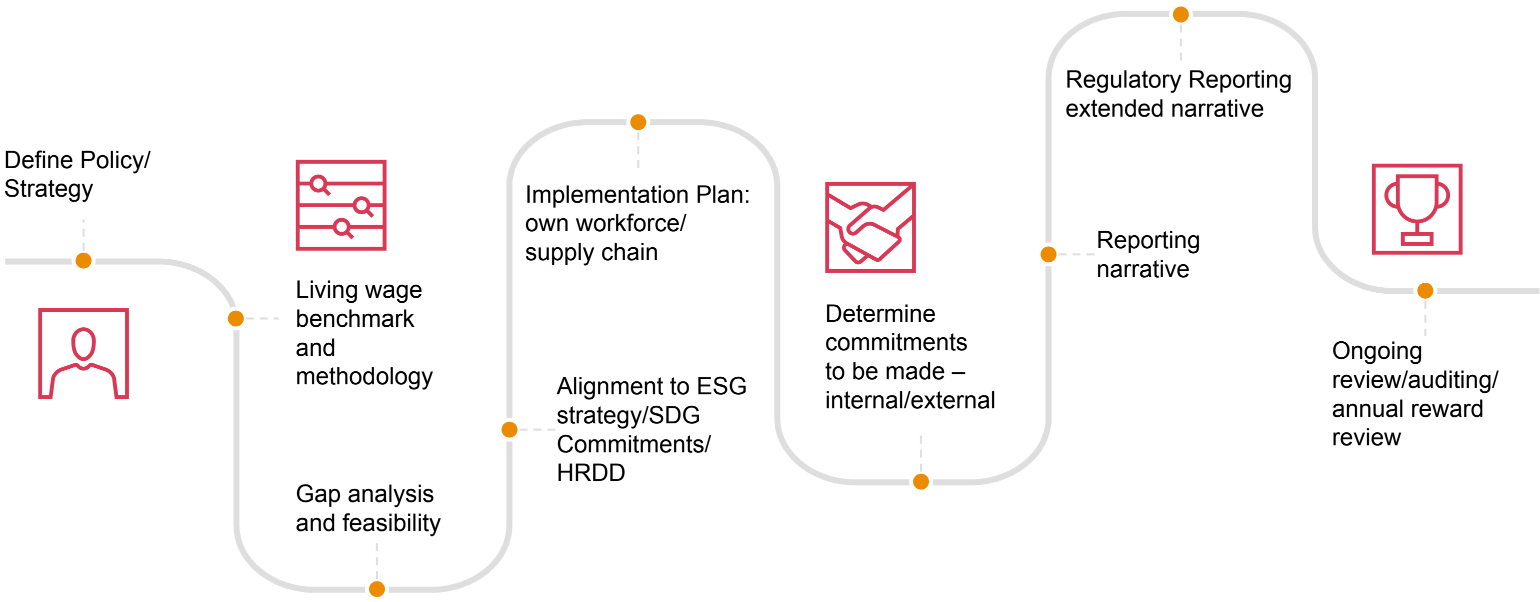
Emerging regulations are increasingly including living/adequate wages into scope. For example, the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD). In recognition of this, WageIndicator Foundation have expanded their global living wage database to include adequate wage benchmarks.

UN Targets continue to address living wage commitments as part of accelerating progress across all 17 SDGs, with targets introduced in 2023 under the Forward Faster Initiative:

1. 100% of employees across the organisation to earn a living wage by 2030.
2. To establish a joint action plan(s) with contractors, supply chain partners and other key stakeholders to work towards achieving living wages and/or living incomes with measurable and time-bound milestones.

For many organisations, complexity still exists around the lack of a consistent approach and different definitions. However, definitions of a living wage are continuing to converge. In March 2024, the International Labour Organisation (ILO) reached an agreement on the definition of a living wage.

Journey to paying a living wage



Upskilling and reskilling

Do companies publish data on in-year training and upskilling programmes? Do they go beyond quantitative detail (e.g. hours) to articulate the impact that these programmes are having?

Is there evidence that companies considering their wider impact as employers (e.g. social responsibility to upskill or reskill in light of the energy transition)? This helps the reader to understand how companies are investing in their workforce and broader society.

01 Basic

Company publishes some details on training for employees (e.g. number of training hours), but with little detail on these initiatives

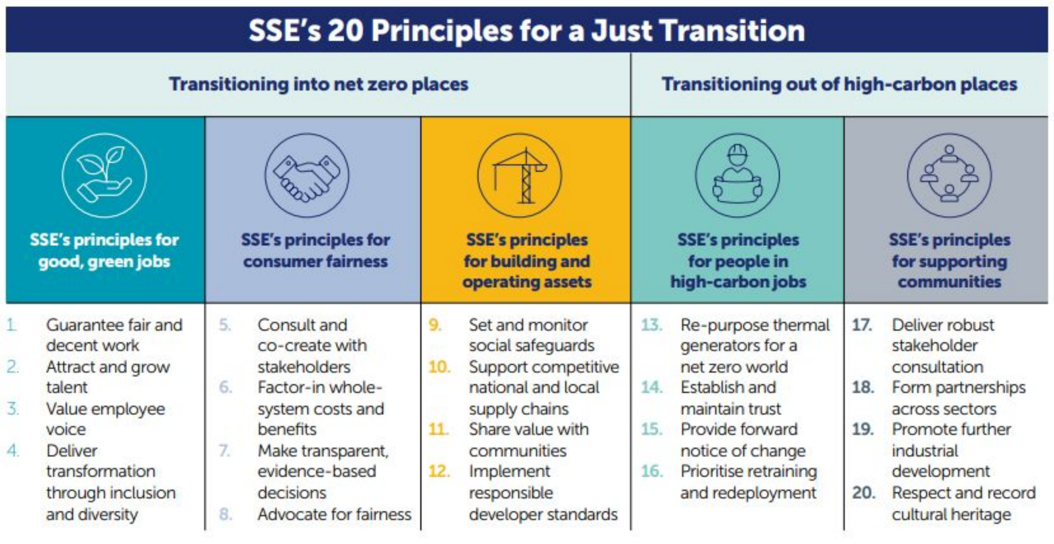
02 Intermediate

As basic, but with some additional detail on the initiatives

03 Advanced

Comprehensive disclosure of annual training hours and expenditure over multiple years against a target. Detailed disclosure of impact of training and how it supports other strategic priorities e.g. just transition

SSE – 2024 Sustainability Report (pg.63,78); 2024 Annual Report



The first pillar of SSE's 20 Principles for Just Transition sets out its principles for 'good, green jobs'. A section of SSE's sustainability report is dedicated to the just transition. This goes beyond providing data on upskilling (e.g. number of training hours) to include various disclosures on how the company is investing in its existing workforce to deliver net zero in a way that is aligned to its principles.

bp – Sustainability report 2023 (pg.35)

bp has comprehensive disclosure on the just transition based around its four objectives of: enable a just transition for the workforce; decent work; respect and remedy; and responsible security.

Suppliers

Do companies publish a publicly available supplier charter on their expectations for suppliers? Is this generic or does this cover key social dimensions?

In the initial years of reporting on social topics, companies have focused on their own workforce. As policies have been put in place for this group, attention has broadened to wider stakeholder groups, including workers in the supply chain.

Leading companies have drafted supplier charters which cover a number of social elements – such expectations for suppliers to comply with relevant labour laws, eliminate discrimination, and provide a healthy working environment. A small minority of companies referenced the payment of living wages or ethical wages (i.e. above minimum wage) in their supplier charter, albeit this was an encouragement to suppliers rather than requirement.

01 **Basic**

High level supplier charter

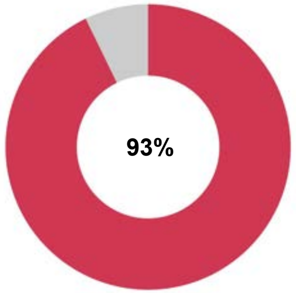
02 **Intermediate**

More detailed supplier charter

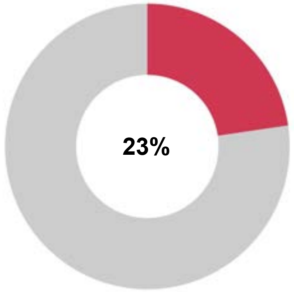
03 **Advanced**

Detailed supplier charter, including discussion of key social issues (e.g. E,D&I, Supplier Pay Gaps etc)

% of companies who have a publicly disclosed supplier charter



% of companies who encourage suppliers to pay a living wage



Natwest Plc – 2023 Group Supplier Charter

Our progress

- Eliminate all forms of discrimination on the grounds of age, disability, gender reassignment, race/ethnicity, religion or belief, gender, sex, sexual orientation, marriage and civil partnership, and pregnancy and maternity (in the UK, the UK Equality Act (2010)), and comply with discrimination laws that apply in each of the countries in which we operate
- Ensure that our people policies and processes are inclusive and accessible – from how we attract and recruit, to how we reward and engage colleagues, to how we support flexible working, adopt inclusive design principles and practices to create workplaces, products and services that are usable by diverse audiences and accessible for all (more information can be viewed in our Digital Accessibility section)
- Support and listen to our employees through strong colleague led networks, regular opinion surveys
- Provide diversity, equity and inclusion education, awareness and training to all employees (inclusive of senior leaders) to create a solid platform for behavioural and cultural change
- Partner with external suppliers who specialise in diversity, equity and inclusion to ensure we can continue to learn, adapt and embed best practice
- Have gender balance in our global CEO-3+ roles by 2030, improving representation of colleagues from ethnically diverse backgrounds in the UK CEO-4+ roles to 12% by 2025 and to have 3% Black colleagues in UK CEO-5+ roles by 2025

Our ask of suppliers

- To comply with regulations and rules of labour law that apply in each of the countries in which they operate. For UK specifically this is the Equality Act (2010)
- Ensure that the accessibility needs of disabled customers, colleagues and clients are front of mind (more information can be viewed in our Digital Accessibility section)
- Seek to eliminate all forms of discrimination on the grounds of age, disability, gender reassignment, race/ethnicity, religion or belief, gender, sex, sexual orientation, marriage and civil partnership, and pregnancy and maternity within their organisation and across their own supply chains
- Where possible, consider the following recommendations:
  - Implement appropriate mechanisms to enable internal colleagues to share feedback, ideas and raise issues
  - Make external commitments and communicate these publicly in relation to your organisation's own diversity, equity and inclusion agenda
  - Undertake regular diversity, equity and inclusion education, awareness and training for your colleagues, inclusive of senior leaders
  - Engage with external suppliers, conferences, events who specialise in diversity, equity and inclusion
- Develop a view on implementing diversity and inclusion metrics, for example gender balance and ethnicity targets in leadership teams, measuring colleague sentiment on inclusivity

What we will achieve

Diverse, equitable and inclusive workplaces with environments that allow everyone to bring the best of themselves to work for our colleagues and our supply chain partners. Resulting in a stronger, better, supply chain, able to draw on varied resources for the benefit of all, representing and supporting local communities.

Natwest's supplier charter sets out expectations on key social issues, including ethical business conduct, payment of real living wages, prompt payment, human rights and modern slavery, environmental sustainability and diversity, equity and inclusion.

SSE plc – Sustainable procurement code (pg.12)

SSE's responsible procurement charter sets out a clear expectations on the payment of a living wage to certain workers within the supplier chain and goes beyond the requirements of the Living Wage Foundation.

Suppliers and contractors are:

- required to pay the enhanced voluntary real Living Wage rate as set by the UK's Living Wage Foundation to relevant employees contracted or subcontracted in the UK, subject to the conditions detailed within SSE's Living Wage Clause. Evidence of compliance with SSE's Living Wage Clause may be requested, and suppliers/contractors should cooperate in good faith with all reasonable requests made by SSE for information. They should allow for, and contribute to, audits and inspections to demonstrate compliance if required.
- required to resolve any instances of non-compliance in accordance with SSE's instructions, where these are issued, which shall include backdating any applicable payments.
- encouraged to become Living Wage accredited employers through the UK's Living Wage Foundation.

Communities

Do companies publish data on their interaction and investment with communities? Do they go beyond data to qualitatively articulate the impact of this investment?

Evidencing how community programmes are progressing and the impact being made as a result helps to illustrate through action the efforts of the organisation to make a difference. This helps the reader to understand how companies are investing in the communities in which they operate.

01 Basic

Some references to community programmes and investment

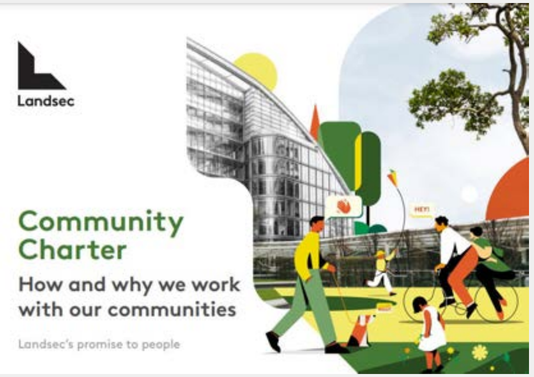
02 Intermediate

Detailed reference to community programmes and/or investment; quantifiable information on value, number of hours

03 Advanced

Detailed reference to community programmes and/or investment; quantifiable information on value, number of hours; explanation of impact

Landsec – Community Charter



Landsec have a Community Charter which sets out 4 commitments the business has established while working with its communities. Additionally, it provides tangible results for the progress made against its community targets in its Data Report.

AstraZeneca – 2023 Sustainability Report (pg.31)

Philanthropy	2021	2022	2023
Disaster relief product donation (total US wholesale acquisition cost value in USD, million) BV	23.3	12.10	7.54
Cash contributions (USD, million)	–	95.23	104.06
In-kind giving (USD, million)	–	0.72	1.33
Management overheads (USD, million)	–	4.61	1.69
Volunteer (USD, million equivalent)	–	0.56	0.82
Total community investment (USD, million) BV	**112.9**	**108.06**	**115.44**
Volunteerism hours	23,129	15,971	22,168
Non-profit organisations funded by AstraZeneca BV	1,220	1,107	811

AstraZeneca set out multiple years of quantitative data reporting on their philanthropy and giving.

03

Overall reporting

Overall reporting

How easy is it for the reader to find information within a company's annual report and broader reporting? Do companies use alternative forms of media to relay complex information?

Many companies have made strides to improve the accessibility of their reporting. Contents pages help navigation and effective use of colours can help flow and understanding. Hyperlinks are now common – both to link areas within the same report and to provide links to further information outside the report – and some companies are using QR codes. Most reporting is in text format. Few companies have explored alternative media (e.g. explanatory videos) which can make complex or technical issues more accessible to employees and the public.

01 Basic

Use of content pages for clear navigation. Use of colour supports understanding (e.g. thematic)

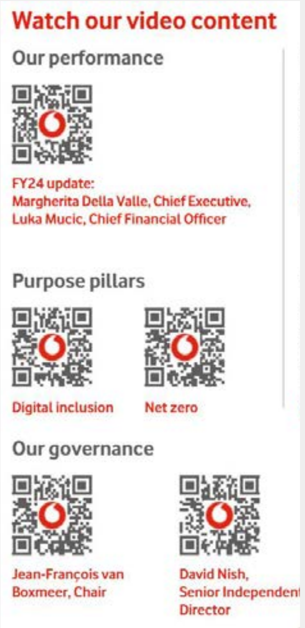
02 Intermediate

Use of hyperlinks for easy navigation within document and to other related content

03 Advanced

Use of hyperlinks for easy navigation within document and to other related content. Use of QR codes, use of video content

Vodafone – 2024 – Annual Report (pg.2) and online video library

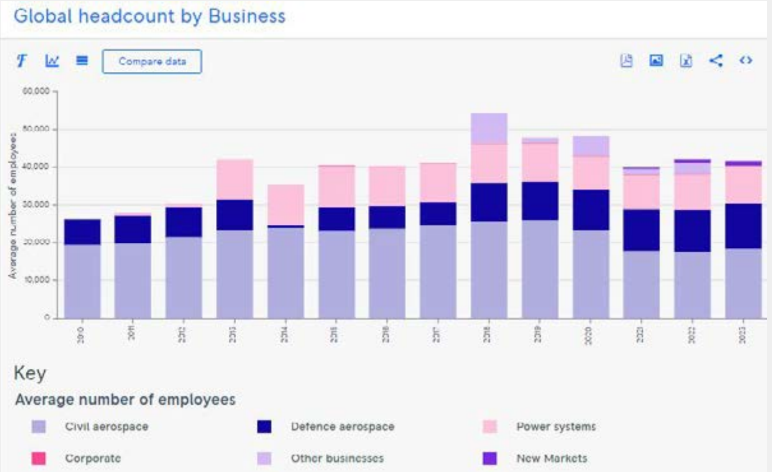


Purpose and responsible business

Digital inclusion

Vodafone uses a mix of hyperlinks, QR codes, search text and click through features allowing readers to navigate the reports with ease. Additionally, alternative media (video library) are used to explain key messaging.

Rolls Royce – Sustainability data charts (website)



Rolls Royce allow viewers to view People (e.g. headcount, training, turnover), Community Investment and Health and Safety data charts online. Charts are available to download.

04

Looking ahead

Looking ahead

CSRD introduces four social standards

Rising stakeholder demand for transparency on sustainability matters has resulted in the 'Big 3' disclosure frameworks, which will have a global impact: the EU's Corporate Sustainability Reporting Directive (CSRD), the International Sustainability Standards Board (ISSB), and the US Securities and Exchange Commission (SEC). Wide geographic scope and extensive workforce reporting requirements make data collection and materiality judgments highly challenging. From our experience, even leading companies in sustainability reporting will need substantial time and investment.

In particular, CSRD is not simply a reporting exercise. It aims to accelerate the transition to a more sustainable economy by disclosing the interaction between sustainability and business strategy including the requirement of businesses' to set sustainability targets and outline policies to achieve those targets. It represents a significant shift in the non-financial reporting landscape given the extensive and detailed requirements and audit scrutiny.

CSRD: 4 Social standards apply to all companies ('sector agnostic')

It is key from the development of this legislation that the intention goes way beyond simply reporting data, to aligning ESG with a much broader definition of 'people,' thus encompassing the workforce, value chain, communities, consumers, and end-users. The focus is using data and disclosures to support transformation.

ESRS S1	**Own workforce**	Disclosures related to a company's own workforce, including working conditions and equal treatment and opportunities for all.
ESRS S2	**Workers in the value chain**	The impact of the organisation on workers within its broader value chain, including labour practices and human rights issues of suppliers and contractors.
ESRS S3	**Affected communities**	Reporting on how an organisations' operations affect local communities, including social and economic impacts, community engagement, and development initiatives.
ESRS S4	**Consumers and end users**	Disclosures about the impact of products or services on consumers and end-users, covering aspects like safety, data protection, and customer satisfaction.

The EU Corporate Sustainability Reporting Directive (CSRD)

12 standards cut across E, S and G with numerous disclosure requirement and data points.

ESRS 1	General requirements
ESRS 2	General disclosures
ESRS E1	Climate change
ESRS E2	Pollution
ESRS E3	Water and marine resources
ESRS E4	Biodiversity and ecosystems
ESRS E5	Resource use and circular economy
ESRS S1	Own workforce
ESRS S2	Workers in the value chain
ESRS S3	Affected communities
ESRS S4	Consumers and end-users
ESRS G1	Business conduct

> 100 Disclosure requirements

> 1100 data points

> 20 monetary data points (€)

~ 20 templates

~ 80 categories of quantitative metrics

~20 references to financial statements

2025
is the earliest year of reporting based on the 2024 financial year. Therefore, reporting is imminent for those in scope.

c.50,000
companies are expected to be impacted across the EU and beyond because of the wide remit of CSRD.

Looking ahead

The impact of CSRD's social standards

Companies will increasingly be required to report on social metrics, as a result of the evolving global and local sustainability reporting regulations. With an increase in the data points in the public domain, it will be vital for companies to consider their overall social narrative and to communicate how they are taking action, in addition to the data points themselves.

Whilst not every company will be required to report under the CSRD, CSRD is arguably the 'gold standard' of reporting at this point in time and so its impact and influence are likely to be far reaching – we note these initial impacts to the right.

Key impacts introduced by CSRD

External audit assurance: These disclosures need to be of an assurable quality similar to those normally required of financial statement disclosures undertaken by an organisation's external auditor.

Double materiality assessment: Entities must report material information to help users understand impacts on sustainability and how these matters affect the entity's development, performance, and position.

Data requirements: The Workforce standard under CSRD includes more prescriptive reporting requirements than previously seen. The extent could lead to reporting at site, entity, country and global level and result in a massive need for data collection, processing and disclosure.

Value chain coverage: Companies must review not only their own employees and contractors but also the entire upstream and downstream value chain, an approach many have not previously encountered.

Transparency and transformation: CSRD mandates extensive reporting metrics, increasing the amount of information publicly available, potentially increasing reputational risk and considerations for using legal privilege.

Future developments anticipated

Increasing assurance standards: Limited assurance over CSRD disclosures will transition to reasonable assurance in three years, increasing scrutiny over reported information.

Country-by country transposition: Transposition across the EU is a work in progress. The results of which will interact with varying national law and practice.

Sector specific standards: The existing standards are sector agnostic, but sector specific standards (which have been delayed until 2026) are expected to provide more tailored and relevant disclosure guidance.

There are steps organisations can take now to ensure they are alignment with CSRD and future reporting developments, we list 5 no-regret steps below:

- Be curious about strategy – how is your social reporting connected to the wider sustainability reporting strategy and plan?
- Evaluate your 'Social' reporting readiness gap.
- Use the gap analysis to devise a social reporting readiness plan and dovetail this with the organisation wide plan.
- Ensure you have the right resource in place – in the form of people systems and technology to deliver the plan.
- Stay current and up to date – it is moving fast!

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Please refer to our relevant reporting and analysis, available online

CSRD

Gender Pay Gap

Global Living Wage

Workforce sustainability reporting inc. CSRD and CSDDD

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Thank you

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