

Section 7: Social factors and workforce

Social factors include a wide range of topics from health and safety in supply chains, modern slavery, product quality and safety, customer privacy and data security, community engagement and impact on local businesses, to name a few. According to the DWP call for evidence on ‘consideration of social risks and opportunities by occupational pension schemes’,¹ published in 2021, there are several lenses through which it is useful to view social factors: practices within a company, practices within a company’s supply chain, company products and selling practices, and a company’s impact on the community.

A study by Deutsche Bank Wealth Management conducted in 2019² showed that companies that take into consideration social factors can reduce systematic risk, idiosyncratic risk and total firm risk, and that in fact only the ‘S’ in ESG is able to lower systematic risk.

The 2025 proxy season has seen a marked rise in the prominence of social factors within stewardship and voting considerations. While climate remains a material concern, the growing complexity of social risks, ranging from workforce wellbeing to geopolitical developments, has prompted UK investors to deepen their focus and adapt their stewardship approaches accordingly.

This shift in focus towards paying greater attention to social factors has been coming and we are seeing the UK Government’s previous decision to prioritise social issues, most notably through the creation of the Taskforce on Social Factors for the UK pensions industry, paying off. Launched in 2023 and supported by the Department for Work and Pensions, the Taskforce was established to help pension schemes identify, assess and manage financially material social risks and opportunities. Its final guidance³, published in March 2024, outlined how social factors align with trustees’ fiduciary duties and provided a structured framework for integrating these considerations into investment and stewardship policies.

¹ Department for Work and Pensions, 2021, Consideration of social risks and opportunities by occupational pension schemes, <https://assets.publishing.service.gov.uk/media/6059fc5ce90e0724cfff4492/consideration-of-social-risks-and-opportunities-by-occupational-pension-schemes.pdf>.

² Professor Alfonso Del Giudice, 2019, Guest contribution by Professor Del Giudice: Social criteria can reduce risk – with clear corporate and investor benefits’, Deutsche Bank Wealth Management, <https://www.deutschewealth.com/content/dam/deutschewealth/cio-perspectives/cio-special-assets/s-in-esg/CIO%20Special%20-%20The%20S%20in%20ESG.pdf>

³ Taskforce on Social Factors, 2024, Considering Social Factors in Pension Scheme Investments: Guide from the Taskforce on Social Factors, <https://assets.publishing.service.gov.uk/media/65e72c6d7bc3290adab8c22a/considering-social-factors-in-pension-scheme-investments-guide.pdf>

The guide includes a materiality assessment framework, indicators of baseline to leading practice, and practical tools for addressing issues such as modern slavery and supply chain risks. Trustees are encouraged to prioritise relevant social factors, embed them into voting guidelines, and communicate expectations to managers through mechanisms such as Expressions of Wish or direct proxy voting.

Pensions UK has previously supported this work through its publication of best practice case studies in *Putting the Spotlight on Social Factors*,⁴ which showcase how schemes are approaching social issues across the investment cycle. While awareness is growing, many trustees still find social factors challenging to navigate, underscoring the need for continued guidance and capacity-building.

In acknowledgement of the Government's clear commitment to increasing local investment, particularly through reforms to the LGPS, we have sought to do more.

Place-based investing is expected to become a growing priority in the coming years. Pensions UK is looking to find ways to support this direction and contributed to the debate through our sponsorship of The Good Economy's white paper⁵ on local investment for place-based impact which outlines how pension schemes can invest in local economies to deliver social impact and long-term value.

In parallel, the emergence of the Taskforce on Inequality and Social Factor Disclosures (TISFD)⁶ signals a broader international effort to standardise and elevate social risk reporting. This is particularly relevant as investors grapple with the implications of escalating global conflict and the ethical dimensions of defence investment.

Defence investment is an area that continues to grow in profile and importance both to governments and investors, particularly in the context of national security and human rights protection. There are many complexities around defence investment and at Pensions UK, we encourage schemes to make their own decisions based on ethical and values-based considerations. We recognise that this will lead different investors to come to different conclusions but encourage all schemes to ensure these conclusions derive from a principled and considered approach.

The shift in perception has been accelerated by escalating global crises, notably the ongoing conflicts in Ukraine and the Israel–Gaza region, which have

⁴ Pensions UK, 2024, Putting the Spotlight on Social Factors, <https://www.plsa.co.uk/Policy-and-Research/Document-library/Putting-the-spotlight-on-social-factors-best-practise-case-studies>

⁵ The Good Economy, 2025, Scaling-up local investing for place-based impact: A strategic framework and guidance for LGPS, https://thegoodeconomy.co.uk/portfolio_cat/white-papers/#.

⁶ Taskforce on Inequality and Social-related Financial Disclosures (TISFD), 2024, <https://www.tisfd.org/>

underscored the role of defence in safeguarding democratic institutions, civilian populations, and critical infrastructure. These events have highlighted defence as not only a matter of national security but also a contributor to global stability and the protection of human rights in times of conflict.

Some investors are recognising that defence companies, when operating within international law and responsible business frameworks, can align with ESG principles by supporting humanitarian objectives and resilience against systemic geopolitical risks. However, trustees should carefully weigh these considerations against their scheme's ethical stance and member expectations, ensuring that any investment decisions are underpinned by transparent policies and robust governance.

Last year, we flagged several social issues in the guidelines as emerging issues. These continue to attract attention and evolve:

- Mental health remains underreported relative to physical health, despite its material impact on workforce performance and corporate culture.
- Menopause is gaining recognition as a workplace issue, with growing calls for employer support and policy reform.
- Maternity and paternity pay is increasingly viewed as a driver of gender inequality, with evidence suggesting that more equitable parental leave could boost economic output and narrow the gender pay gap.
- Anti-microbial resistance (AMR) has been identified as a top global public health threat, and companies in high-risk sectors are expected to disclose robust AMR management strategies.
- Harmful content and misinformation in the tech and media sectors remain under scrutiny, with investors urging companies to improve oversight and transparency to avoid regulatory backlash.

As the ESG landscape continues to evolve, UK investors will need to think creatively and strategically, particularly in markets like the US, where political and regulatory headwinds are reshaping the tools available for stewardship. Traditional shareholder proposals may face procedural barriers, requiring investors to leverage alternative mechanisms such as director elections, collaborative engagement, and targeted voting strategies to uphold social standards and drive meaningful change.

Ongoing key issues

Workforce

A company's workforce is one of the main contributors to its long-term success, with clear and significant reporting being in the best interest of organisations. Investors will value the disclosure of this information, especially when companies recognise the risk poor employment practices can pose and include people matters as a key element of their strategy.

Workforce issues are increasingly at the forefront of social factors stewardship policies. In 2025, investors expect parity between mental and physical health reporting, with mental health metrics integrated into health and safety frameworks. Menopause support and equitable parental leave are increasingly recognised as drivers of workforce retention and gender equality, while modern slavery reporting must move beyond policy statements to demonstrate effectiveness. Diversity disclosures remain under scrutiny, with calls for improved ethnicity pay gap reporting and workforce composition transparency beyond board level.

Wellbeing

Wellbeing in the workplace relates to all aspects of the working life, from the quality and safety of the physical environment, to how workers feel about their work and their working environment. According to the International Labour Organization, the goal of workplace wellbeing measures is to complement occupational safety and health measures and to make sure workers are safe, healthy, satisfied and engaged at work.⁷

As part of the Government's 2024 King's Speech announcement, the Employment Rights Bill⁸ proposed action to strengthen workers' rights. The Bill, introduced in October 2024 and expected to receive Royal Assent in late 2025, significantly expands worker protections and is likely to influence corporate workforce practices. Key provisions include changes to day-one rights for unfair dismissal with the qualifying period being reduced from two years to six months (from 2027), a ban on 'fire and rehire' (2026), expanded family leave and statutory sick pay from day one (2026), and stronger collective redundancy consultation rules. These changes will raise expectations for fair work standards and employee wellbeing, making compliance and proactive workforce management a stewardship

⁷ International Labour Organization, https://www.ilo.org/safework/areasofwork/workplace-health-promotion-and-well-being/WCMS_118396/lang--en/index.html.

⁸ UK Government, 2024, Factsheet: Employment Rights Bill overview, <https://assets.publishing.service.gov.uk/media/67125a75386bf0964853d7ff/employment-rights-bill-overview.pdf>

priority. For pension schemes, the Bill may also affect sponsor financial resilience and HR strategies, which should be factored into covenant assessments for DB schemes.

Physical health

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

According to the Health and Safety Executive, companies have duties under law to assess risks in the workplace, which includes identifying work activities that could cause injury or illness and taking action to eliminate the hazard, or if this is not possible, control this risk. Employers must also give information about the risks in the workplace and how staff are protected and consult with employees on health and safety issues. Companies also have a legal duty under the Health and Safety Information for Employees Regulations to provide health and safety information.⁹

Recent studies from the World Health Organization and the International Labour Organization have shown a correlation between working long hours and increasing deaths from heart disease and stroke.¹⁰ Research published in 2011 estimated that, in 2016, 398,000 people died from stroke and 347,000 from heart disease as a result of having worked at least 55 hours a week.

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

Human rights and modern slavery

Although modern slavery is not yet defined in international law, it is described as a crime and a violation of fundamental human rights. The UK Government states it can take many forms including the trafficking of people, forced labour, servitude and slavery. It is a global problem that interlinks with age, gender and ethnicity.¹¹ It

⁹ Health and Safety Executive, <https://www.hse.gov.uk/simple-health-safety/index.htm>

¹⁰ World Health Organization & International Labour Organization, 2021, Long working hours increasing deaths from heart disease and stroke: WHO, ILO, <https://www.who.int/news/item/17-05-2021-long-working-hours-increasing-deaths-from-heart-disease-and-stroke-who-ilo>

¹¹ Genevieve LeBaron, Neil Howard, Cameron Thibos and Penelope Kyritsis, 2018, 'Confronting root causes: forced labour in global supply chains', openDemocracy and Sheffield Political Economy Research Institute (SPERI), University of Sheffield, https://cdn-prod.opendemocracy.net/media/documents/Confronting_Root_Causes_Forced_Labour_In_Global_Supply_Chains.pdf

is not an issue confined to history or an issue that only exists in certain countries.¹²

It is estimated that 49.6 million people were living in modern slavery in 2021, of which 27.6 million were in forced labour and 22 million in forced marriage.¹³ Of the 27.6 million people in forced labour, 17.3 million are exploited in the private sector; 6.3 million in forced commercial sexual exploitation, and 3.9 million in forced labour imposed by state actors.

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

However, an independent review of the Act,¹⁴ commissioned by the Government and published in 2019, concluded that although the new requirement contributed to raising awareness of these issues and has encouraged many companies to start considering and addressing it, its impact has been limited to date. Evidence gathered by the reviewers showed that a lack of enforcement and penalties, as well as confusion surrounding reporting obligations, resulted in poor-quality statements and an estimated lack of compliance from over a third of eligible firms.

In 2022, the FRC's review of corporate governance¹⁵ found that overall, while nearly half of companies report on their policies and procedures as they relate to modern slavery, reporting fails to address the effectiveness of these measures. Furthermore, not one company in the FRC sample disclosed that it had found any cases of modern slavery in the reporting year. There were also no reports of

¹² Home Office 'Frequently Asked Questions on Modern Slavery', Home Office, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/638369/What_is_Modern_Slavery_NCA_v1.pdf

¹³ International Labour Organization, 2022, Global Estimates of Modern Slavery: Forced Labour and Forced Marriage, https://www.ilo.org/global/topics/forced-labour/publications/WCMS_854733/lang--en/index.htm

¹⁴ Home Office, 2019. Independent review of the Modern Slavery Act 2015: final report', <https://www.gov.uk/government/publications/independent-review-of-the-modern-slavery-act-final-report>

¹⁵ Financial Reporting Council, 2022, Review of Corporate Governance Reporting, https://www.frc.org.uk/getattachment/6a896f6b-8f4a-4a19-8662-f87a269ffce3/Review-of-Corporate-Governance-Reporting_-2022.pdf

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

In a bid to tackle modern slavery in supply chains, the UK Government published new statutory guidance¹⁶ in March 2025 for businesses on how to tackle modern slavery in supply chains and how to report this in modern slavery statements. This accompanies the guidance published in February 2023¹⁷ for commercial and procurement professionals. Although the 2023 guidance is aimed at helping government practitioners to comply with their supply chain obligations, it is expected it will filter through to a much wider group of businesses, and is considered as an example of how the trend towards greater transparency and engagement with supply chains will affect not just those caught directly by new laws in this area.¹⁸

The guidance focuses on four key areas: identifying and managing risks in new procurements, managing risks in existing contracts, action when victims of modern slavery are identified, and training. In addition, trustees should use the Taskforce on Social Factors' guidance and case studies for best practice, and press for reporting on effectiveness rather than policy statements alone.

Diversity and inclusion

Workforce gender and ethnic diversity remain a cornerstone of good governance and long-term value creation, even as investor attention in 2025 appears to have shifted toward other social priorities. While EDI has come under attack in some places, and faced less-positive public prominence, our commitment is unchanged. We continue to support investors to expect that companies demonstrate progress and transparency on workforce composition, inclusion policies, and pay gap reporting.

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

¹⁶ Home Office, 2025, Transparency in Supply Chains (TISC) – Statutory Guidance, https://assets.publishing.service.gov.uk/media/68873308cecc9ccd515ae09b0/Transparency_in_supply_chains_actical_guide.pdf

¹⁷ Cabinet Office, 2023, Update to Tackling Modern Slavery in Government Supply Chains, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1135523/PPN_02_23_-_Update_to_Tackling_Modern_Slavery_in_Government_Supply_Chains_2023_-_Guidance.pdf

¹⁸ Osborne Clarke, 2023, New guidance issued on tackling modern slavery in UK government supply chains, <https://www.osborneclarke.com/insights/new-guidance-issued-tackling-modern-slavery-uk-government-supply-chains>

Emerging issues

Artificial intelligence governance and workforce impact

In 2025, investor scrutiny of artificial intelligence (AI) has intensified, with a sharp rise in shareholder proposals and board-level oversight disclosures. AI is no longer viewed solely as a technological innovation but as a governance and social risk. Investors are increasingly concerned about how companies deploy AI in ways that affect workforce dynamics, privacy, bias, and ethical decision-making. The percentage of companies disclosing board oversight of AI has surged, and proposals now call for transparency on AI ethics, human rights implications, and the impact on job displacement. This reflects a growing recognition that AI governance is central to long-term value creation and risk mitigation.

For UK pension schemes, this issue intersects with workforce wellbeing and systemic stewardship. AI's potential to reshape employment structures, amplify inequalities, and introduce new forms of surveillance or discrimination means trustees must consider how investee companies are managing these risks. Advancements in technologies, particularly AI and information processing; robotics and automation; and energy generation, storage and distribution, are expected to be transformative.¹⁹

Stewardship policies may need to evolve to include expectations around AI governance frameworks, ethical safeguards, and board accountability. The emergence of responsible AI assessment tools and global governance initiatives, such as the EU AI Act and UK's AI White Paper, further reinforces the need for investor engagement on this issue.

Reproductive health and rights

Reproductive health has emerged as a material social factor in 2025, shaped by global legal shifts and investor concern over workforce equity. In the U.S., the post-Roe landscape has made this a politically sensitive issue, with state-level restrictions creating reputational and operational risks for companies. While not universally accepted, evidence suggests younger workers and those planning families increasingly consider employer policies on reproductive health when making career decisions, linking access to talent retention and workforce stability.

Reproductive health is broadly defined, covering contraception, abortion access, and maternal care. It is starting to include fertility benefits such as IVF and egg freezing, once niche but now offered by major employers as part of inclusive

¹⁹ World Economic Forum, 2025, Future of Jobs Report – Insight Report January 2025, https://reports.weforum.org/docs/WEF_Future_of_Jobs_Report_2025.pdf

workforce strategies. These benefits are gaining traction in competitive sectors, with nearly half of large U.S. employers covering IVF and many expanding family-building support to attract and retain talent.

For UK investors, the relevance extends beyond global portfolios to domestic contexts where reproductive and maternal health intersects with gender equity. The business case for strong maternity and paternity policies is well established, and reproductive health is now framed as a financial and reputational risk. Trustees may wish to consider how investee companies support reproductive health across geographies and whether stewardship policies should include expectations around inclusive healthcare benefits, privacy protections, and alignment with international human rights standards.

Child safety and online harm

Child safety online has gained significant traction in 2025, driven by regulatory developments and technological risks. The rise of AI-generated content has exacerbated threats such as deepfakes, sextortion, and the spread of harmful material. Investors are increasingly engaging with tech and media companies on their governance of child safety, demanding robust content moderation, transparent reporting mechanisms, and ethical design standards. Initiatives like the LexisNexis ADAM Program and Safe Online's expanded funding for child protection technologies reflect growing momentum in this space.

For pension schemes, child safety is emerging as a systemic social risk, particularly in portfolios exposed to digital platforms, telecoms, and AI developers. Stewardship policies may need to address how companies safeguard vulnerable users, comply with evolving regulations, and contribute to a safer digital environment. The issue also aligns with broader concerns around misinformation, platform accountability, and the social license to operate. Trustees should consider whether child safety is reflected in their voting guidelines and engagement priorities, especially as investor tools for assessing corporate performance on children's rights become more widely available.

Evidence base

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

In 2025, there is growing recognition that social factors often manifest as systemic risks, requiring portfolio-level approaches rather than traditional asset-liability

modelling. TISFD and PRI's work on system-level stewardship are helping to shape thinking on how to integrate social risks into long-term modelling frameworks.

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

The Taskforce on Social Factors guide provides insight into how to effectively utilise social factor data. It is widely acknowledged that it is hard to measure the impact of social factors, but the taskforce guide covers how gathering data on a range of metrics could help to effectively identify problems, opportunities and manage change. The taskforce outlines a range of data that could be standardised and compared across investment portfolios, including:

- Number of full-time equivalent employee roles [total]; proportion of those who are paid a living wage [%]; employee turnover [mean and median]; proportion of workforce on zero hours contracts [%]
- Gender pay gap data [mean and median]
- Ethnic pay gap data [mean and median]
- Accident incidence rate [mean and median]
- Fatality incidence rate [mean and median]
- Maximum supplier payment term [mean and median]
- Frequency with which those terms are exceeded [mean and median].

The taskforce suggests that these aggregated statistics could be supplemented by red flags regarding issues such as the absence of policies on modern slavery, and failure to recognise trade unions. If this data can be captured consistently and with confidence, the number of investments, or proportion of total assets, subject to such red flags could be aggregated across funds and so be assessed by pension trustees. This will allow for poor performance to be recognised and potentially addressed.

We are also seeing these efforts being complemented by international initiatives such as the ISSB and TISFD, which aim to standardise social factor disclosures and enable comparability across markets. This could improve the reliability of inputs for modelling social risks over time.

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

Investors should look at annual reports for information about health, safety and wellbeing initiatives, alongside examples of practices to mitigate risks in this area. A useful proxy for employee mental and physical health is absence rates. High

absence rates can point to unhealthy and possibly overworked staff.²⁰ In addition to traditional metrics such as absence rates, investors are beginning to explore alternative data sources, experimenting with AI-driven analytics, employee sentiment analysis and whistleblowing trends to identify early signals of workforce stress or cultural risk.

Companies with over 250 employees are mandated to report on their gender pay gap, which is normally included in a separate document alongside their annual report.²¹ Ethnicity pay gap reporting is not yet compulsory. Though the Employment Rights Bill and the forthcoming Equality (Race and Disability) Bill will expand mandatory reporting on ethnicity and disability pay gaps, creating more consistent datasets for assessing workforce equity risks.

On human rights and modern slavery, companies should include their annually updated statement of compliance with the Modern Slavery Act, signed by a company director and approved by the board, on the homepage of their website, which should be easily accessible. The Government also has a modern slavery statement registry²² which contains documents issued by companies.

When a company does not publish a modern slavery statement – either because they are not obliged by law to do so or because they elect to state they do not take any steps to help prevent slavery and human trafficking in their supply chain – further analysis should be done by investors to understand risks. This includes focusing on their jurisdiction of operations and industry sector to assess if the level of risk of there being incidences is high, medium or low.

What does good company behaviour look like?

- Contributions to improving social and economic conditions in local communities where the company operates.
- Apply a social lens to markets where the company operates which allows to identify new sources of customer value.
- Investment in the current workforce, which will allow the company to develop the talent it needs for the future by investing in employee learning and development.

²⁰ Railpen, High Pay Centre, Chartered Institute of Personnel and Development, Pensions and Lifetime Savings Association and Board Intelligence, 2022, Worthwhile Workforce Reporting: Good practice examples from the UK's biggest companies, <https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2022/Worthwhile-Workforce-Reporting-Dec-2022.pdf>

²¹ Government Equalities Office, 2020, Gender pay gap reporting: guidance for employers, <https://www.gov.uk/guidance/who-needs-to-report-their-gender-pay-gap>

²² <<https://modern-slavery-statement-registry.service.gov.uk/>>.

- Enhance supply chain resilience by building socially responsible relationships with suppliers, to ensure fair and equitable practices.²³
- Reporting through the Workforce Disclosure Initiative (WDI),²⁴ which allows companies to demonstrate to their investors, clients and other stakeholders that they are effectively managing their staff and supply chain workers.
- Practice ethical behaviour and social responsibility, which can be promoted through codes of conduct, transparency and accountability.
- Clear reference to and use of credible social risks mitigation measurement frameworks in the annual report and accounts and/or sustainability report. This could include reference to the UN Global Compact – Sustainable Development Goals, Global Reporting Initiative, or other established third-party frameworks. The company should provide explanations as to the rationale for its choice of framework and the extent to which, if at all, relevant metrics have been blended with others. Please note that smaller and medium-sized companies should be allowed some discretion and flexibility regarding their choice of framework and timescales.
- The company takes into consideration social factors in all its activities, including the products and services they offer. The business should ensure that its products and services do not pose safety risks, and/or minimise the exposure to geopolitical conflicts in its supply chains. The company should also consider wider social considerations in relation to future demographic or consumer changes and how these relate to its products and services.
- Publish a clear commitment to promoting a culture of openness on mental health, with the CEO signalling leadership commitment on this area.
- Publish formal objectives aimed at improving workplace mental health, have formal reporting on mental health metrics in annual reports and integrate mental health into health and safety frameworks. Board members and operational management should have responsibility for mental health initiatives in the company.
 - Include health, safety and wellbeing matters in its risk assessment, and detail how the risk will be managed.²⁵
- The company board sets objectives and targets to improve mental health and reports annually on progress against these goals.

²³ Bain & Company, 2023, The Visionary CEO's Guide to Sustainability, [bain_report_the_visionary_ceos_guide_to_sustainability.pdf](#)

²⁴ <<https://workforcedisclosureinitiative.org/>>.

²⁵ Railpen, High Pay Centre, Chartered Institute of Personnel and Development, Pensions and Lifetime Savings Association and Board Intelligence, 2022, Worthwhile Workforce Reporting: Good practice examples from the UK's biggest companies <https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2022/Worthwhile-Workforce-Reporting-Dec-2022.pdf>

- Publish gender, ethnicity and disability gap reports annually and in line with anticipated Equality (Race and Disability) Bill requirements for ethnicity and disability pay gap reporting, alongside initiatives to reduce these gaps.
 - The board has diversity and inclusion as one of its priorities and has developed a training/awareness programme for at least the senior leadership in this area. Nevertheless, it should be taken into account there is no evidence unconscious bias training can fully eliminate implicit bias, and its ability to effectively change behaviour is limited,²⁶ so training programmes should be tailored to the needs of each organisation.
 - The Modern Slavery Act statement, which is published on the company's website homepage, as well as new Home Office guidance,²⁷ contains information about not only its policies in this area but also refers to audits and inspections conducted on sites of their suppliers.
- The company has a long-term training plan for employees and contractors on modern slavery if appropriate.
 - Follow the *Transparency in supply chains guide*²⁸ issued by the Home Office and has appropriate technology to improve transparency on end-to-end supply chain management.
- Publish clear policies on responsible AI use, including board-level oversight, ethical frameworks, and disclosure of workforce impact.
- Provide transparent policies on reproductive health benefits and expanded family leave, demonstrating alignment with fair work standards.
- For companies in tech and media, disclose governance measures to prevent harmful content and protect vulnerable users, including compliance with emerging regulations.
- Demonstrate how operations and supply chains mitigate exposure to geopolitical risks and support humanitarian objectives where relevant.

How investors should consider voting

²⁶ Civil Service HR, 2020, Unconscious bias and diversity training – what the evidence says,

<https://www.gov.uk/government/publications/unconscious-bias-and-diversity-training-what-the-evidence-says>

²⁷ Home Office, 2025, Transparency in Supply Chains (TISC) – Statutory Guidance,

https://assets.publishing.service.gov.uk/media/68873308cec9ccd515ae09b0/Transparency_in_supply_chains_a_practical_guide.pdf

²⁸ Home Office, 2015, Transparency in supply chains: a practical guide,

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/649906/Transparency_in_Supply_Chains_A_Practical_Guide_2017.pdf

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

Investors should consider voting against the approval of the annual report and accounts if:

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

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

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

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