



ETHICALSCREENING

Intelligence Report:

Living Wage Commitments

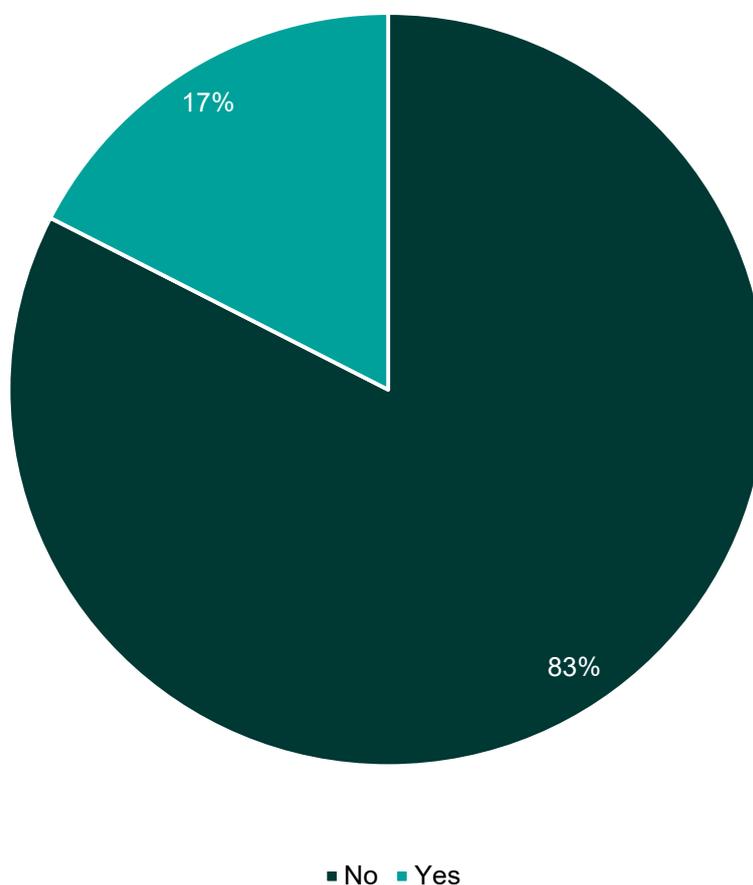
ABSTRACT

In our third Intelligence Report, we will be examining commitments made by companies to pay a living wage. An overview has been presented, and comparisons between UK and US companies and FTSE 100 and 250 constituents have been made. An examination of commitments between a range of sectors has also been discussed.

VISUALS AND INSIGHTS

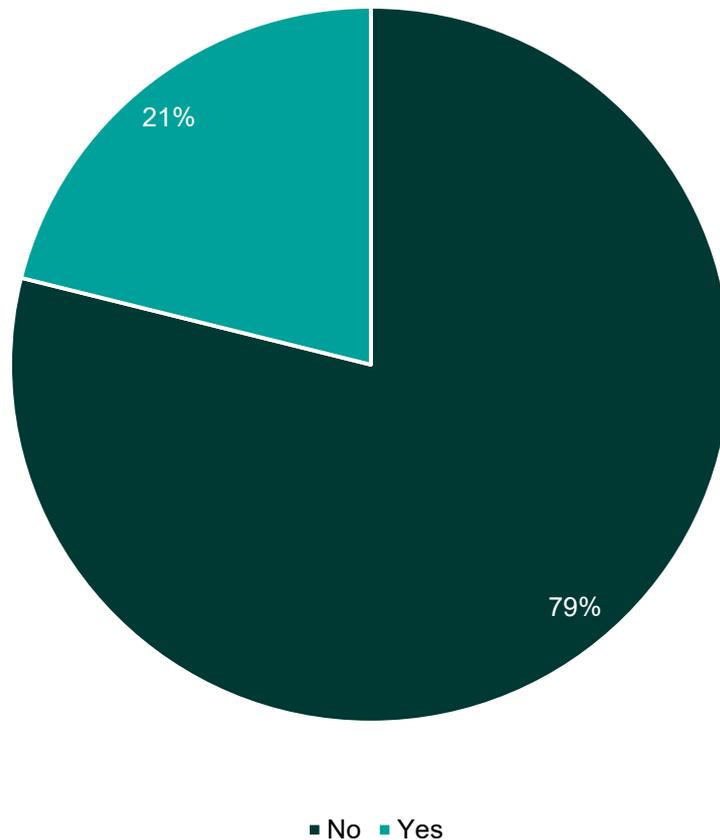
The figure below illustrates the proportion of companies in the Ethical Screening database that have made explicit commitments to pay a real living wage. As highlighted by the following chart, the proportion of companies which have done so is relatively low:

Living Wage Commitment - All Companies



However, when examining companies that are signatories to the UN Global Compact, the figure is slightly larger:

Living Wage Commitment - All Companies
(UN GC Signatories)

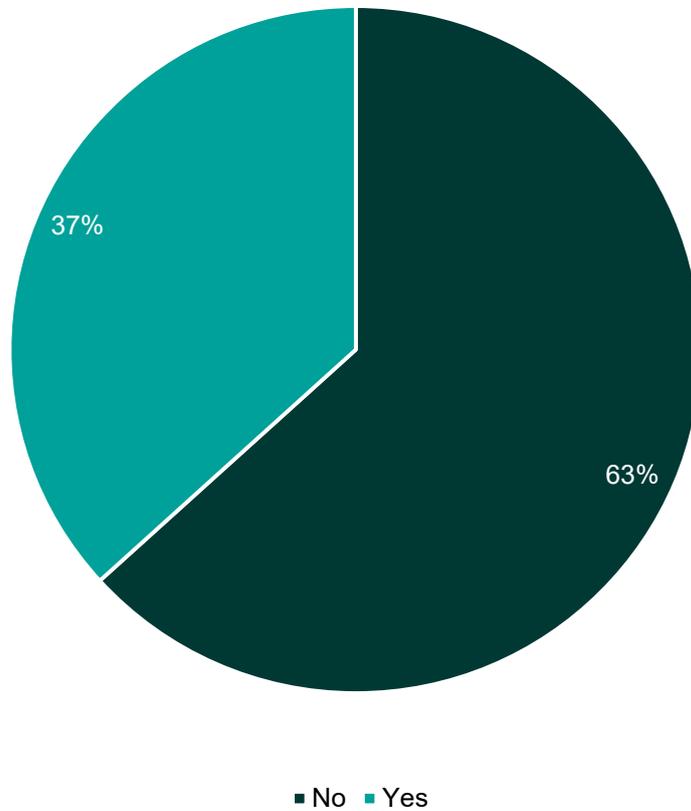


Given that the UN Global Compact is considered an international standard for corporate sustainability, this is not overly surprising. Signatories to the Compact are perhaps more likely than non-signatories to make commitments which relate to human and labour rights-related issues, such as the living wage.

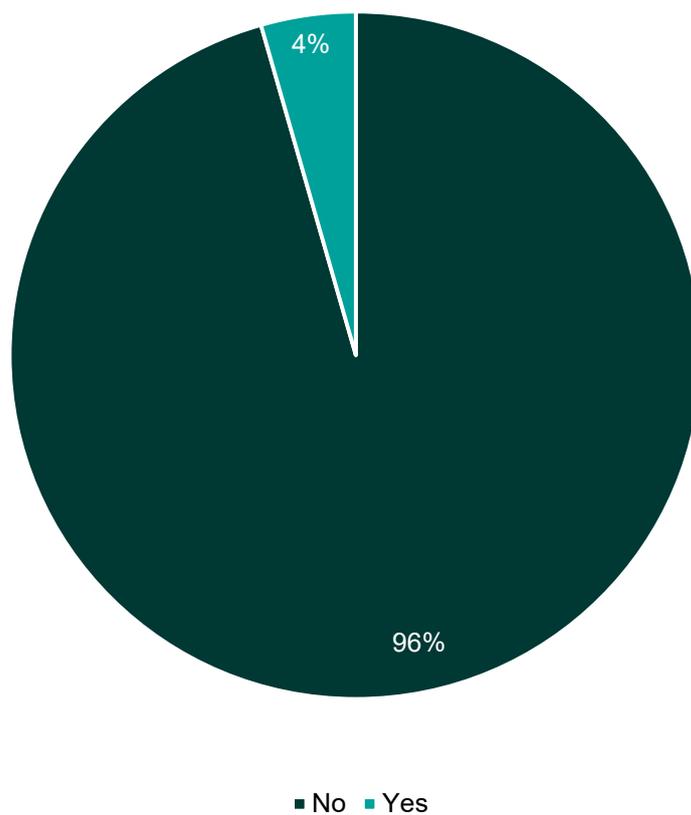
That said, committing to pay a real living wage is not a formal requirement of becoming a signatory, and perhaps not even a convention among signatories, as can be seen by the fact that the proportion of signatories which have made such a commitment is still relatively low at only 21%.

Now let us examine how companies incorporated within the UK compare with those incorporated in the US:

Living Wage Commitment - UK Companies



Living Wage Commitment - US Companies



These figures clearly illustrate that, despite similar sample sizes (i.e. 400 and 339 companies, respectively), living wage commitments are far more common among companies incorporated within the UK.

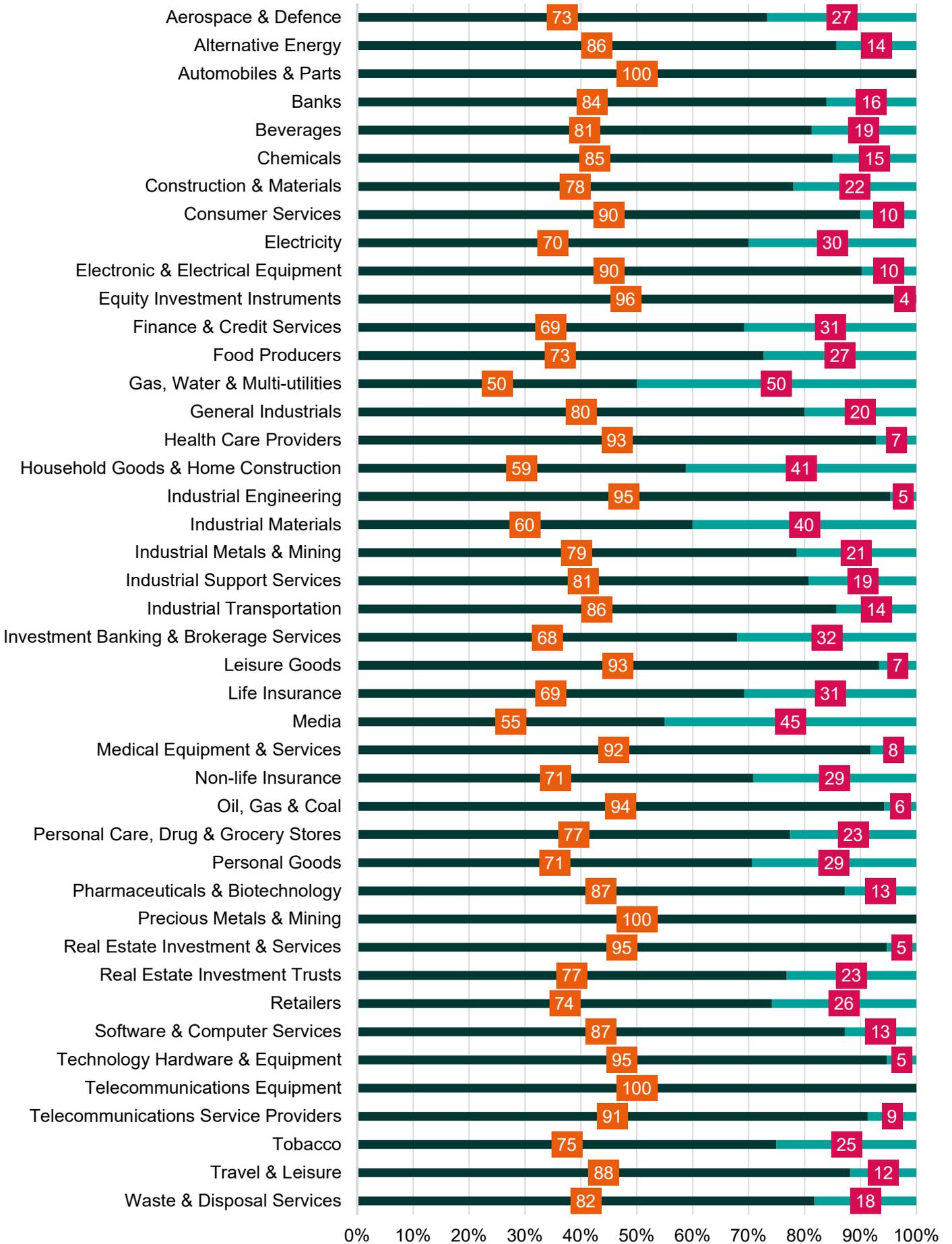
Why there is such a notable difference is more difficult to examine, as there are numerous potential explanations. One reason may be linked to cultural differences between UK and US companies regarding responsibilities to employees, and another may be due to the UK government's policies regarding the "national living wage".

The decision by the UK government to establish this may have driven more companies to ensure they are aligned with the policy, with a view to retain existing (and attract new) employees or investors.

In regard to commitments among sectors (based on Ethical Screening's data), this has been examined in the following pages.

Living Wage Commitment - Sector Breakdown

■ No ■ Yes



Commitments are most common within the Gas, Water & Multi-utilities sector, with 50% of companies having made a commitment.

No companies within the Automobiles & Parts, Precious Metals & Mining, and Telecommunications Equipment sectors have made a commitment.

A standard deviation (i.e. a measure of variability) of 12.3 is observable among sector commitment rates.

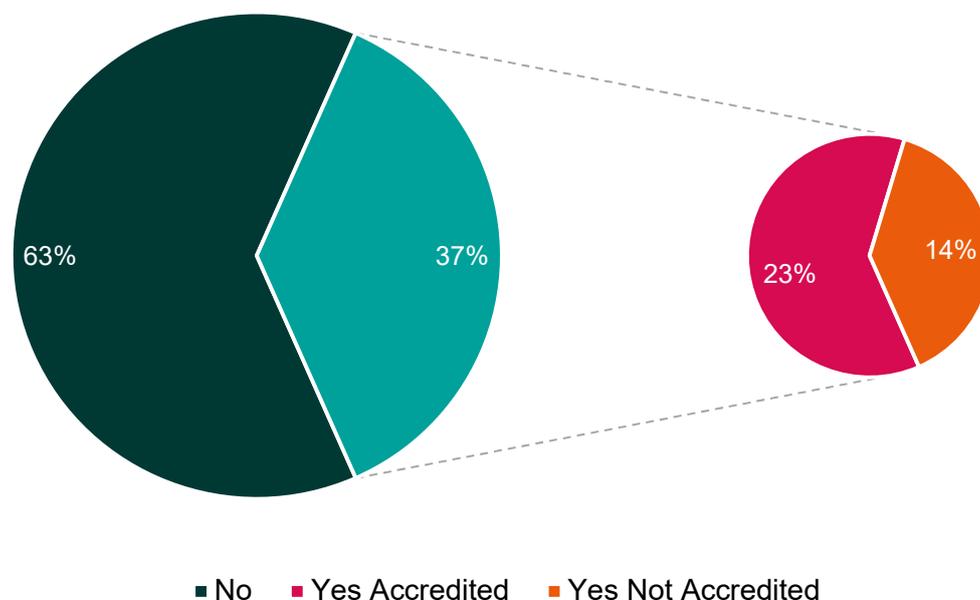
There are only 4 sectors with commitment rates greater-than-or-equal-to 40%.

There are 14 sectors (of a total of 43) where at least 90% of companies in the sector have not made a commitment.

In the previous sections of this report, we have discussed commitments to paying living wages. However, it is often of benefit for these commitments to be externally verified by an independent third party.

In the case of UK companies, enter the [UK Living Wage Foundation](#). This organisation allows companies to apply for formal accreditation to their standard, and allows stakeholders (such as investors) to easily identify companies which have met its requirements for real living wages. Take the following:

Living Wage Commitment and Accreditation - UK Incorporated

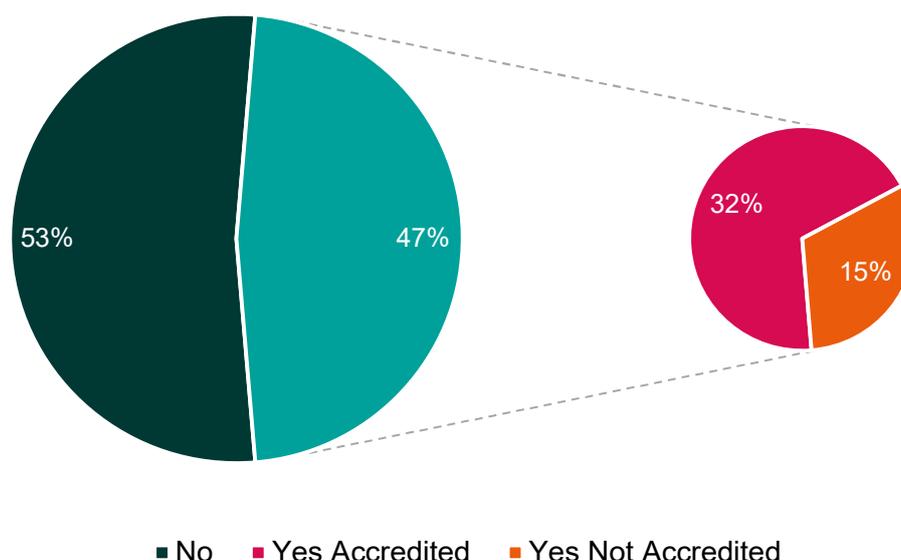


The above shows that while 37% of UK incorporated companies included in the Ethical Screening database have made commitments to paying a living wage, only 23% have been accredited as real living wage employers by the UK Living Wage Foundation.

The remaining 14% have made commitments but have not been accredited, meaning there is no external verification to confirm that the pay/wage commitments made by these companies reflect a real living wage.

Previous visualisations in this report have illustrated that living wage commitments are more common among companies that are signatories to the UN Global Compact. This trend also applies to accreditation among UK signatories:

Living Wage Commitment and Accreditation - UK Incorporated (UN GC Signatories)

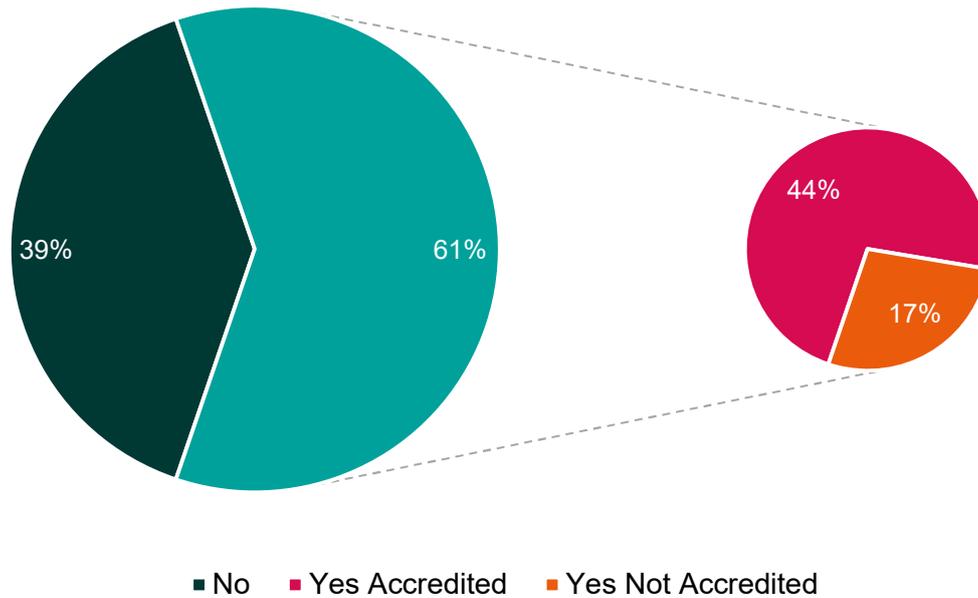


The above shows that commitments among UK signatories are more common than non-signatories (i.e. 47% compared with 37%), but also that UK Living Wage Foundation accreditation is more common; 32% of UK signatories are accredited living wage employers, compared with 23% of non-signatories.

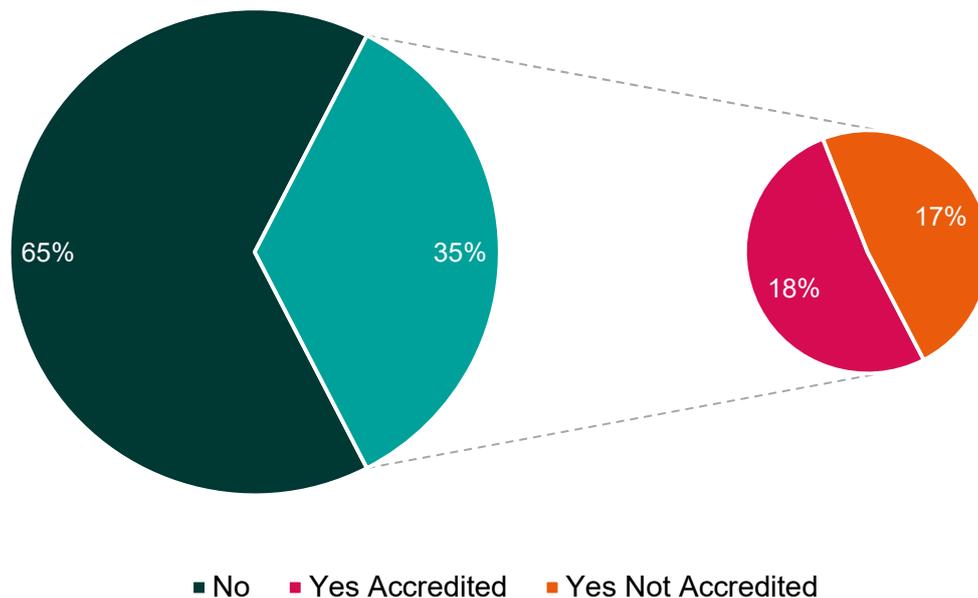
As such, there are grounds to argue that both commitments and accreditation should perhaps be more expected among Compact signatories. If a signatory has not been accredited, or even made a commitment, this may raise more questions than it would for non-signatories.

On the next page, commitments and accreditation rates have been examined by index:

Living Wage Commitment and Accreditation - FTSE 100



Living Wage Commitment and Accreditation - FTSE 250



These charts clearly illustrate that living wage commitments, and accreditation by the UK Living Wage Foundation, is far more common among companies in the FTSE 100 Index.

This may be due to the financial resources of FTSE 100 companies, or the extra pressure being placed on these companies by stakeholders, including investors.

Given the relative commonality of commitments and accreditation among the FTSE 100 companies, a lack of commitment or accreditation may be a valuable topic for engagement. The tables below show (as of the time of writing):

(i) The ten FTSE 100 companies with the highest turnover that had not made a commitment (**left**).

(ii) The ten FTSE 100 companies with the highest turnover that had made a commitment but were not accredited by the UK Living Wage Foundation (**right**).

1. Shell	1. Tesco
2. Glencore	2. Sainsbury (J)
3. Rio Tinto	3. Prudential
4. Vodafone Group	4. Associated British Foods
5. Imperial Brands	5. Marks & Spencer Group
6. British American Tobacco	6. JD Sports Fashion
7. Diageo	7. Mondi
8. BT Group	8. Frasers Group
9. International Consolidated Airlines Group	9. Entain
10. DCC	10. Melrose Industries

With the companies on the left, investors may wish to engage on why they have not made an explicit commitment to pay a living wage.

With the companies on the right, investors may wish to engage on why, despite making a commitment to pay a real living wage, they have not sought to become a UK Living Wage Foundation accredited employer.



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