Workforce

Health and safety | Workplace culture | Diversity and inclusion | Psychosocial safety

Thematic overview

A company's workforce is one of its most valuable assets. A good employee value proposition should include the promise of a safe and inclusive work environment, fair and equitable pay and leave arrangements, and sufficient benefits that support reduced turnover and enhanced employee satisfaction.

Since the onset of COVID19, many companies have struggled with labour shortages, higher turnover rates, diminishing safety performance, increased labour costs and ongoing industrial action from employees covered under collective bargaining agreements. This trend has continued to emphasise the need for businesses to increase the focus on workforce value, recruiting and retaining key staff, and maintaining a strong social licence to operate.

This is a material issue for the vast majority of companies in our portfolios. Depending on the company, the specific risks and opportunities within workforces vary. Within our ESG Framework we have identified five key elements under the Social pillar that help us assess workforce-related risks and opportunities; health and safety, diversity and inclusion, workplace culture, and psychosocial safety, and strikes.

2024 update

Materiality

Workforce continues to be a highly material thematic. In 2024, four of the five workforce-related issues ranked in the top 30 most material ESG topics across our holdings; health and safety, workplace culture, diversity and inclusion, and psychosocial safety. Strikes are a material issue to some companies but this issue is often well managed.

Psychosocial safety and workplace culture has continued to increase in materiality since we first identified this as a priority issue in 2022. Australia has introduced several legislative requirements mandating that businesses proactively manage psychosocial risks alongside physical ones. This year, a number of companies highlighted psychosocial risk as a growing concern. Woolworths, for example, reported a 63% increase in psychosocial safety incidents in the 2024 financial year.

Similarly, for global equities we have noted an increase in the number of culture-related issues but so far this has been limited to investment banks and very large companies like Amazon.

We generally assess **diversity and inclusion** as an opportunity for industries such as mining, industrials and finance, where historically a lack of diversity has been known to cause cultural issues. It can also be a risk for some companies where transparency requirements highlight issues in diversity, or where an exclusive culture threatens company performance. In Australia, companies are now required to report gender diversity metrics including the ratio of women to men across the workforce, and information on the gender pay gap. Similarly in Europe, companies are required to report diversity information for their Boards and disclose diversity-related policies.

We do note, however, the change in the US away from diversity and inclusion as a specific measure for workforce and organisational health. Towards the end of 2024, a number of large US companies like Deere and Amazon changed their diversity commitments. As we move in 2025, we have seen this trend continue under the Trump Administration.

We have not noted a change in materiality for **health and safety** between 2023 and 2024. This issue is relevant for companies within most sectors including mining, industrials, manufacturing, and consumer.

Research

- Initiated a project to expand our **Workplace Culture Framework** (published in 2022) to cover sectors other than mining such as retail and investment banking. This included desktop research of reported information and engagement with companies such as JP Morgan, Morgan Stanley, Bank of America, Woolworths, and Wesfarmers.
- Analysis of gender pay gap data for our Australian portfolio holdings and confirmed engagement priorities.
- A research trip to Robe River included a night in mining accommodation and a real experience eating and sleeping in a remote mining accommodation. See the engagement example in this section for actions from this trip.

Examples of company engagement

Brambles

SAFETY

In 2022 we initiated an **engagement objective** for Brambles to improve its oversight of health and safety across its outsourced factory workforce and report on safety metrics to investors. We view Brambles ESG leadership as integral to its success. Mismanagement of safety within its outsourced workforce, and any subsequent serious incidents, could materially impact this reputation. In 2024 we **escalated** this issue and raised our concerns with the Chair of the Board. The Chair confirmed that this issue had also been identified by the Board as a priority and we should expect to see better disclosures in the coming years. Although we consider this as a good step forward, we will continue to engage on this issue.

QUANTA SERVICES

SAFETY

We **engaged** with senior management at Quanta to discuss improved reporting on worker safety. As an infrastructure services provider, Quanta prioritises worker safety as a key ESG risk area. While Quanta's safety policies and processes are leading, the company's fatality reporting lags behind peers. In 2024, we provided feedback and requested better reporting. We will continue to monitor progress.

RioTinto

PSYCHOSOCIAL SAFETY

During a **research trip** to Robe River, hosted by the Robe River Kuruma Aboriginal Corporation, our Head of ESG and Sustainability stayed in the Rio Tinto's Mesa A and Mesa J mine accommodation. We later wrote a **letter** to the Chair of the Board about the lack of lighting, security cameras, and electronic locks at the camp. We have also discussed these concerns with multiple Executive Committee members since the tour. Our feedback aligns with the views in our **Workplace Culture Framework Report** (2022) and is part of our ongoing engagement on psychosocial safety.

SK hynix

WORKFORCE

In an ESG call with SK Hynix, the company confirmed several workforce-related commitments that have positively influenced our assessment of its ESG risks. Firstly, the company intends to increase female representation in leadership positions to 10% by 2030, which is currently quite low at 4%. This objective is supported by many training, development and university partnerships to increase female representation and their upward mobility. Secondly, it reported undertaking 11 disciplinary actions due to harassment in 2024. Additionally, the company demonstrated a mature management approach to safety by initiating a 10-year project to investigate occupational health and diseases-related to semiconductor manufacturing in response to some negative claims. This engagement has reaffirmed our **ESG risk level** of 1 for this company.

SOUTH32

WORKPLACE CULTURE

We completed an update to our 2022 workplace culture assessment for South32 through desktop review and using information from an **engagement** with the VP, Human Resources and team. We did not identify any material concerns through this engagement, however, we did identify a gap in the company's external reporting. We therefore initiated a new **engagement objective** for the company to increase disclosure on psychosocial risks and incidents consistent with peers such as BHP and Rio Tinto. We have also shared this feedback with the company.

Wesfarmers

SAFETY

In 2024, the Wesfarmers Board of Directors incorporated psychosocial safety as a factor in evaluating safety within the variable remuneration component for its executive team. While we concur that this element is a critical aspect of workforce safety and should indeed be considered by the Board, Wesfarmers has yet to establish a clear metric or target to enable transparent assessment and reporting. During our pre-AGM **engagement** with the Chair of the Board in October 2024, we inquired about the Board's approach to assessing this matter and communicated our perspective on enhancing transparency in 2025.

CASE STUDY

Morgan Stanley, JP Morgan, Bank of America and Macquarie Group research example: Psychosocial safety risks in investment banking

In 2024, the Wall Street Journal published a series of articles that examined the demanding work environments at investment banks. The reports highlighted how intense pressure on junior bankers is contributing to issues such as drug abuse, mental illness, physical health issues and in some instances, suicide. These manifest from a range of psychosocial hazards, including varying levels of bullying, hazing and a structural overreliance on junior bankers to meet client deadlines.

Our **ESG Framework** includes the assessment of workplace-related risks or opportunities such as culture, physical safety and psychosocial safety. We have a bespoke **workplace culture framework** to assess these risks in mining and industrial companies. However, these articles confirmed our concerns about culture in financial services and initiated a **research and engagement program** for investment banks.

To start, we used our existing **Workplace Culture Framework** to complete a comparative assessment to benchmark JP Morgan, Bank of America, Morgan Stanley and Macquarie Group. We compared performance against **11 indicators** such as policy commitments, employee engagement, turnover, incident reporting and speak up disclosures, incentive structures and workforce diversity.

We **engaged** with Bank of America and Morgan Stanley to improve our understanding of how this risk is managed and shared our findings in the meetings. This engagement indicated that the oversight of psychosocial risks and workplace culture is improving, however, is typically contained in certain departments or teams rather than across the entire organisation. For instance, both Bank of America and JP Morgan have implemented controls to manage work hours for junior bankers. However, this does not extend to the broader organisation.

This analysis will contribute to the broader project to enhance the Workplace Culture Framework to cover other sectors like investment banking and consumer retailers.