

PensionBee Supply Chain Mapping Report - 2021/2022

Introduction

PensionBee acts ethically in all business dealings and we expect our suppliers to adhere to ethical business principles too, adopting similar policies within their own businesses. We know that when companies understand their supply chains, conditions for workers are more likely to be improved.

We are an investor signatory of the [Workforce Disclosure Initiative](#) (WDI) and from 2021 also became a disclosing participant. The WDI aims to improve corporate transparency and accountability on workforce issues and help increase the provision of good jobs worldwide. [In our first year we got a 90%](#) disclosure score, as compared to a financial sector disclosure average of 69%.

As part of that disclosure process, PensionBee committed to carrying out an assessment - as part of our human rights due diligence - to map our supply chain. Understanding the structure and complexity of our own supply chain is the first step in identifying where workers are more exposed to risks as well as potential and actual risks to business and to workers' rights.

As a financial technology company PensionBee's supply chain is mainly composed of technology suppliers, asset managers and advertising suppliers for acquisition purposes (TV, radio, outdoor, online). We also have professional services providers for services such as audit, legal, compliance, PR and pension transfers. All our suppliers are based in either the UK or Ireland.

PensionBee is regulated by the [Financial Conduct Authority \(FCA\)](#). The FCA has recently introduced a new [Consumer Duty](#) for all regulated firms, aimed at setting a higher standard of consumer protection in retail financial markets. As we work on our supplier due diligence, we take into account the new Duty as part of this process.

Particularly, the Duty outlines an expectation that we hold our suppliers to account, share data about consumer needs / outcomes with them¹, exchange data with

¹ FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty, Financial Conduct Authority, pp. 12-15.
PensionBee is authorised and regulated by the Financial Conduct Authority (Ref: 744931) and registered in England and Wales (9354862).

suppliers, challenge practices which we believe ultimately lead to consumer harm, for example, lack of diversity in leadership, and report any concerns to the FCA. This will help to maintain a system whereby various companies in the distribution chain actively hold each other to account for producing good consumer outcomes.

Summary of our supply chain mapping

In 2021, we engaged with our suppliers on their workforce issues, including topics such as use of contractors, whether our suppliers pay a [Living Wage](#) to their employees, contractors and in their own supply chains, upholding human rights (including in their own supply chains), rights of association and policies on discrimination and harassment. We have also asked our main suppliers to disclose under the WDI.

In 2021 we mapped our top 20 suppliers by contract value. All suppliers are based in either the UK or Ireland. Our top 20 suppliers represent 84% of our total supply chain and can be divided into spend tiers. When we get beyond tier 4, the % of total value of contracts is worth less than 1% of our total supplier spend.

We categorise tiers of suppliers by contract value / spend in 2021:

- Tier 1 > spend greater than £1m (4 suppliers)
- Tier 2 > spend greater than £500k and up to £1m (2 suppliers)
- Tier 3 > spend greater than £250k and up to £500k (7 suppliers)
- Tier 4 > spend less than or equal to £250k (7 suppliers each worth less than 1% of total spend)

As our biggest suppliers are large companies² based in either the UK or Ireland, they are subject to [Modern Slavery](#) Legislation, [Gender Pay Gap Information](#) legislation, and other comparable EU legislation (in Ireland). As the bulk of our suppliers provide technology or online advertising services and are based in low-risk countries, we have assessed the threat of human rights issues in their businesses to be low risk. None of our suppliers are located or have direct operations in high-risk countries³.

² We define this size as more than 250 employees and turnover of more than £36 million.

³ We define high-risk countries those associated with poor human rights practices, including poor workplace conditions issues, discrimination, child labour, forced or compulsory labour, lack of freedom of association and collective bargaining - further details of the definition <https://www.unepfi.org/humanrightstoolkit/geographic.php>, <https://www.unepfi.org/humanrightstoolkit/supplychain.php>

Actions

PensionBee began a formal process of engagement with its suppliers in early 2021, when we requested them to provide: quantitative data on their workforce composition, gender pay gap, ratio of CEO to median worker pay, employee engagement and retention, responsible sourcing, code of conduct (covering approaches to bribery and gifts, anti-corruption, conflicts of interest etc.), and human rights standards. We also formally asked all of our suppliers to participate in the WDI, if they weren't already doing so and requested to meet to discuss the objectives of the initiative in more detail. We used this data for our first WDI submission in autumn 2021.

In 2022 we published our [Responsible Supplier Policy and Code of Conduct](#). This is an expectation that our suppliers, or anyone doing business for or with PensionBee and others acting on our behalf, will uphold the high standards set out in the code and to adopt similar policies within their own businesses. To facilitate this we have shared our Responsible Supplier Policy and Code of Conduct directly with all of our suppliers and offered to discuss its principles and objectives via online or in person meetings, call or email.

In July 2022, to collect data for our 2022 WDI submission, we've expanded our data request to suppliers to include: workforce data on percentage (%) of workforce that are contractors vs permanent employees, gender composition and associated pay gaps, ethnicity composition, the company's approach to modern slavery, forced labour and human trafficking.

The results of our engagement efforts have so far been mixed.

A considerable number of suppliers are demonstrating a really strong willingness to cooperate with us in this important process. Within this group, we noticed a common trend among asset managers and other finance suppliers towards greater transparency, which is positive. However, many still score poorly for gender composition at senior level and gender pay gaps, particularly gender bonus gaps. To conclude, their eagerness to engage with us on these topics and improve their business practices is very encouraging and we look forward to seeing improvements over time as part of this work.

On the other hand, some suppliers have not responded to our engagement attempts, and some, namely the technology suppliers, have declined requests to provide basic workforce data.

Technology suppliers

The most challenging part in our supply chain mapping process has been interacting with big technology companies and obtaining relevant data from them. Despite 21% of our supplier spend in 2021 going to US technology companies, we've struggled to obtain the basic level of workforce data required for our WDI submission and for our own oversight of their employment practices.

This is concerning because large US technology companies are widely reported to exhibit a high incidence of workforce issues related to stressful workloads, discrimination in promotion, anticompetitive practices, fair grievance mechanisms, and diversity, equality, and inclusion. Many of these tech companies are also reported to make extensive use of non-employee workers and contractors⁴.

In relation to WDI disclosure, companies in this sector also have the lowest level of completion of all sectors represented in the survey. Where tech companies are disclosing they display evidence of the highest average gender pay gaps and highest average ethnicity pay gaps out of all sectors. They also have the second highest average CEO to median worker pay ratios⁵.

Our own technology suppliers do not publicly disclose information required for the WDI on their workforce - particularly data on diversity, inclusion and wage levels - and if they do, this data either refers to the global workforce population as a whole, or to the headquarters in the US, where the senior leadership team is based.

Global-level disclosures make it easier to conceal evidence of problematic workforce issues in specific countries. For example, Ireland is widely used by many tech companies as a European base, due to favourable tax arrangements and a low corporate tax rate, but no national-level data breakdown is published for this business unit.

⁴ <https://www.nytimes.com/2022/06/12/business/google-discrimination-settlement-women.html>, <https://www.cityam.com/google-could-face-920m-in-damages-as-class-action-gets-green-light/>

⁵ All data from WDI: <https://shareaction.org/investor-initiatives/workforce-disclosure-initiative>

This lack of Ireland-specific data (for all these suppliers) is highly concerning from a supply chain perspective and prevents us from identifying issues with employment contracts, pay gaps, and inequality in their workforce there.

We know many tech companies have a reputation for extensive and unprovoked use of non-employee workers, who, as a consequence, face higher levels of human rights risk and job insecurity than regular employees. For example, it is reported that Google contractors far outnumber Google employees and the same applies to other large US technology companies, such as Facebook⁶.

For all the reasons mentioned above, in May 2022 PensionBee reached out to ShareAction and the WDI relaying our negative experience in obtaining the required workforce data. This resonated widely with many other disclosing participants and investor signatories, particularly big institutional investors in these companies, who also struggle to obtain this data as investors, rather than suppliers. As is well documented, large US technology companies also appear in the top 10 holdings list of nearly every UK pension⁷.

We approached ShareAction and the WDI with the purpose of finding a different and more effective way of engaging with these large US technology companies. As we discovered in 2021, individual action and approaches do not work, so for 2022 we proposed a collective WDI approach, and a coordinated ICT sector engagement project with other signatories of the WDI. We were very pleased to present the findings of our supply chain mapping work with these companies to other stakeholders at the first meeting of the WDI US technology companies workstream in March 2022.

Our learnings

PensionBee wants all companies to become better corporate citizens and help build a business ecosystem that rewards positive impact to the planet and, importantly, society.

We don't expect every company in our supply chain to be perfect but we do value their willingness to cooperate with us and improve their business practices.

⁶ <https://www.washingtonpost.com/technology/2021/01/26/tech-unions-explainer/>;
<https://www.cnbc.com/2018/10/22/silicon-valley-using-contract-employees-to-drive-profits.html>
⁷ <https://www.thetimes.co.uk/article/the-pension-funds-at-risk-of-a-dotcom-crash-dn2k3p0p5>

We recognise that implementing organisational and cultural changes can be long and complicated and we expect suppliers to do what is reasonable. However, our longer term goal is to see an increased level of engagement over time, especially from those companies who currently do not show any interest in engaging with either our supply chain mapping work or the WDI.

How we can improve

At PensionBee, we are solution-focused and we'll continue our hard work to find different and better ways to engage with our suppliers, including those less open to cooperation, like we've done with our proposal to start a US tech workstream with the WDI.

PensionBee will continue asking its suppliers to provide relevant and up to date workforce data so we can expand our oversight on their human and labour rights commitments and improvements.

We strongly encourage all our suppliers to hold themselves accountable and improve their transparency on workforce issues, therefore we'll continue asking them to participate in the WDI survey and start disclosing their workforce data under the initiative.

We'll continue our collaboration with ShareAction, the WDI and other investor signatories to expand our US technology companies or 'ICT' sector workstream, which hopefully will encourage these types of companies to improve their transparency on workforce data and ultimately become better corporate citizens, to improve society for the betterment of all.