Professional Perspective

Prioritizing Women Supply Chain Workers in ESG Efforts

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Behind almost every product sold is a supply chain struggling with harm to and exclusion of women, despite evidence showing that advancing gender equity improves business and human outcomes.

As investors and companies consider the data evidencing the upside of safer, more accessible, and more equitable workplaces for employees, gender equity has soared to the forefront of the environmental, social, and governance (ESG) movement. But these efforts have largely excluded the 190 million women working in factories, warehouses, ports, and on farms all over the world.

If companies profess to walk the talk on gender equity and ESG, investors must prioritize women supply chain workers and pressure companies to disclose worker wellbeing data with a focus on women.

The Exclusion of Women Supply Chain Workers

Countries like China, India, and Vietnam have some of the poorest records of how women are treated in the workplace. Gender discrimination and sexual harassment are openly practiced in China, a hub of today's global supply chains. India's factories are notorious for being hotbeds of sexual violence, and women factory workers in Vietnam increasingly face high levels of sexual abuse.

Despite this public knowledge, current ESG ratings on gender equity—from agencies such as Sustainalytics and MSCI, and benchmarks like Bloomberg Gender Equity Index and Equileap—tend to focus narrowly on corporate HQ indicators, such as the number of women on boards and in senior management positions. As another example, Refinitiv's ESG score includes metrics such as the gender pay gap percentage, the proportion of women employees, the proportion of women managers, and the proportion of women new hires. But all these metrics only apply to a firm's own operations and do not take into account its supply chain partners.

By and large, companies are externally communicating these topline indicators on internal staffing in their sustainability, ESG and corporate diversity and inclusion (D&I) reports, such as Walmart's most recent report, *Belonging Begins with Us*. Far fewer are proactively disclosing their gendered supply chain data. Those who do include supply chain indicators only offer a few, such as the presence of a women-owned businesses sourcing program. Equileap, for example, requires, "Commitment to ensure diversity in the supply chain, including support for women owned businesses in the supply chain," or an indicator on broader human rights in supply chains.

These few supply chain indicators only scratch the surface of women's lived realities in supply chains. Without investor pressure on brands to transparently disclose more information on gender in their supply chains, we will continue to have limited insight into the realities of working conditions for women in supply chains and low capacity to improve these conditions.

To close these gaps, we propose that ESG metrics include supply-chain-wide indicators, such as whether a company has a strategy to promote diversity and inclusion, with gender as a prominent feature within the factory, farm, or women-owned business, and whether a company requires suppliers to have a strategy to promote diversity and inclusion.

These inclusions may appear modest, but they represent a shift away from a focus on internal, corporate operations when it comes to gender equity, and they help firms direct their attention and resources toward promoting gender equity across global supply chains.

As the world reckons with how to make global supply chains more resilient in light of climate change, trade wars, interstate conflict, and more, gender equity—and the support of women supply chain workers specifically—must be central to the conversation around ESG gender reporting.

Barriers to Improving Gender Equity in Global Supply Chains

Given this reckoning, why do investors and rating agencies largely exclude gender equity when evaluating firms' global supply chain operations?

First, most companies don't own the factories or farms in their supply chains, making it difficult to directly protect and support local women workers who are not their employees. Even if companies rely on local auditing to promote safe and healthy working environments, the results can be both limited and hard to verify.

Instead, businesses are focusing on corporate-level diversity initiatives, which are becoming increasingly quantifiable. Such efforts, although worthwhile, may lead to corporations checking the boxes but failing to address the global implications of their operations on gender equity.

Second, gender equity for women workers is difficult to measure and verify on a scale as large and varied as global supply chains. As a result, efforts to improve in this area can be hard to "package" for investors and consumers who want to know that their concerns are addressed and that their return on investment is substantial.

How Can Brands and Investors Make Progress?

First, investors must exert pressure on companies to expand their gender equity data disclosure efforts beyond the boardroom to significantly include women supply chain workers in factories, farms, ports, and warehouses. They must demand better disclosure on gender supply chain indicators and transparent engagement around the shareholder proposals they levy around women workers.

Second, investors can partner with regulators and rating agencies to improve regulatory efforts and incentivize companies and their supply chain partners to gather gender data and use it to build informed policies.

Third, investors can encourage global brands to lead industry-wide data efforts alongside non-governmental organizations that are experts in this area. For example, top apparel and footwear and multisector retailers have partnered with the International Center for Research on Women (ICRW) to create and pilot a gender supply chain data tool that assesses a factory's performance on gender equity. This tool is now expanding into other manufacturing sectors and in agribusiness. What would it look like, for example, to validate the data in the tool and then if BGEI and Equileap incorporated this tool into their framework so that investors could use it for decision-making?

Companies are already incorporating this tool into their daily supply chain operations. ICRW is currently convening apparel and footwear and multisector retailers to triangulate women workers' voices with the tool, which will provide greater insight into their lived realities in global supply chains. Firms can use these insights to enhance supplier training and sourcing decisions, and this tool could be a go-to source for investors, too.

What Will Increased Investor Engagement Mean for Women?

If investors demand that brands report more transparently on their gender supply chain data, rating agencies and investable indices could incorporate more of these indicators into their frameworks, and suppliers will be motivated to collect better data, measure it year-on-year, and create action plans in factories and farms that could advance their supplier score, and ultimately, gender equity.

If these improved indices cause suppliers to show, for example, that their sexual harassment policies are shoddy, women workers aren't offered life skills training, and there are very few women on worker committees at the supplier site, they will likely swiftly remediate these inefficiencies to improve their practices to stay in brands' good graces as preferred suppliers. The action they take will have a direct impact on women's lives, and in most cases, improvements for women at the factory site will have a positive spillover effect that benefits male workers as well.

Women supply chain workers are the foundation on which many a company's success rests. Investors must treat them as such. This means that investors—and the companies they support—must take responsibility for making gender equity efforts more inclusive, ambitious, and urgent. The resiliency of global markets depends on it, but more importantly, so do women's lives and livelihoods.