CSHS supports proposal for companies to disclose human capital metrics

PARK RIDGE, Illinois — The Center for Safety and Health Sustainability (CSHS), whose member organizations represent more than 100,000 workplace safety and health professionals around the world, has filed one of many letters of support of a petition from the Human Capital Management Coalition. The coalition is calling for the U.S. Securities and Exchange Commission to require companies to disclose key human capital metrics.

The petition states there is broad consensus that human capital management is an integral part of corporate culture and therefore important to a company's bottom line and long-term value creation. A large body of empirical work indicates that skillful management of human capital is associated with improved corporate performance, safer and healthier workplaces, and better risk mitigation. Human capital disclosures can shed light on the quality of upper management and the stewardship of a company, possibly signaling broader challenges that lie ahead.

Requiring public disclosure of human capital metrics in annual 10-K reports would help protect investors, encourage organizations to elevate safety and health programs, and promote competition and capital formation.

"Under current disclosure requirements, investors are not able to adequately assess a company's operations, risks and prospects," said Kathy A. Seabrook, CSP, CFIOSH, EurOSHM, chair of the CSHS Board of Directors. “Greater transparency in human capital management would enhance safety and health measures while allowing investors to more effectively implement long-term strategies, known to strengthen financial markets and the U.S. economy.”

Human capital – commonly defined as people’s competencies, capabilities, experience and their motivations to innovate – is responsible for carrying out a company's day-to-day work. That may involve shelving goods at a store, caring for hospital patients or investing assets to provide retirement benefits. Safe and healthy workers are critical to obtaining a competitive advantage. Research has shown that poor human capital management can hamper the ability to retain talented employees and keep them safe; disrupt a supply chain; and damage a firm's reputation.

Many investors seek information that will enable them to analyze the effectiveness of a company’s human capital management practices, including how a business is developing talent and incorporating safety and health programs into daily operations. This integrated reporting movement pushes for information on all factors that create value, not just traditional measures of financial and physical capital.

“For investors, human capital management is an input for fundamental analysis alongside more traditional inputs like product quality, technological innovation and distribution channels,” Seabrook said. “That information should be disclosed to the investing public. Current corporate reporting practices fail to yield the comprehensive and meaningful data needed by key stakeholders to evaluate human capital management performance.”

If the SEC acts favorably on the coalition's petition, CSHS stands ready to offer expert technical input on the appropriate occupational safety and health metrics that should be part of the disclosure, as well as the data collection methodology and reporting formats that should be adopted.

CSHS aims to advance the safety and health sustainability of the global workplace, with a focus on human capital initiatives. CSHS's work includes research on corporate reporting practices, the development of a best practices guide on reporting occupational safety and health metrics, and a series of workshops on the implications of human capital policies and practices. CSHS engages safety and health partners around the world to work toward minimum standards that help reduce workplace injuries, illnesses and fatalities. CSHS is a collaborative effort by the American Society of Safety Professionals, American Industrial Hygiene Association, Canadian Society of Safety Engineering, and Institution for Occupational Safety and Health. For more details, visit www.centershhs.org.