

CSHS Human Capital Workshop

Event Summary

March 31, 2017

On March 31, 2017 the Center for Health and Safety Sustainability (CSHS) hosted a workshop for key stakeholders to advance the conversation around human capital disclosure in sustainability reporting frameworks. The event consisted of:

- Presentation on human capital disclosure in the RobecoSAM Corporate Sustainability Assessment (CSA) by researchers at Harvard Law School's Labor and Worklife Program
- Stakeholder panel discussion with representatives from Novo Nordisk, RobecoSAM, the United Automobile Workers (UAW) Retiree Medical Benefits Trust, the Pensions and Lifetime Savings Association (PLSA), and the American Society of Safety Engineers (ASSE)
- Keynote presentation by the Director of Corporate Responsibility at Nasdaq
- Group break-out sessions and report-outs

Throughout each of these discussions, several key themes emerged as important for furthering this work.

Theme 1: There is a gap between human capital management and disclosure

While many companies track performance on employee training, development, health, and safety, significantly fewer disclose this information publicly.

- Groups discussed challenges such as disengaged management and difficulty convincing governance bodies to take these topics seriously.
 - There is a general fear of disclosing too much information, which is often driven by legal teams and management concerned about protecting competitive advantage.
 - Investors said they increasingly seek this data to make more informed investment decisions. There are many investors who are trying to shift the conversation to long-term versus short-term thinking and want to see a sustained investment in employees.
 - In addition to receiving data, investors also would like to see increased verification and assurance.
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Theme 2: There should be increased attention on investing in employees for overall health

Occupational health and safety (OHS) is a foundational element to improved culture, organizational sustainability, and business performance.

- There was a consensus that healthy and engaged employees lead to stronger performance. Groups expressed a need to reframe the discussion around health and safety. One panelist said, "It's not compliance; it goes right to the heart of the culture."
- While companies often focus on the safety of production employees, they should place more focus on the mental well-being of all workers, which translates to higher productivity. According to one attendee, "employees are to be invested in, not considered a cost to be contained."
- Many companies currently report on negative indicators such as injury and illness rates. There was discussion around the need to use more positive and leading metrics that measure the systems in place to promote overall well-being instead of incident rates.

Theme 3: There is a need for improved quality, consistency, and comparability of metrics

Each company uses different metrics to measure performance for occupational health and safety and employee training and development. There is a need for more standardized public disclosure.

- While companies experience “survey fatigue” from responding to multiple sustainability frameworks, ratings, and rankings, investors also cite “investor fatigue” from reviewing large amounts of sustainability data that is not always consistent and comparable.
- Groups discussed the need to build metrics that are more opportunistic and better linked to financial performance, strategy, risk, and organizational culture. These types of metrics will enable sustainability and occupational health and safety professionals to engage CFOs and investors in more informed discussions.
- To do this, attendees discussed how corporations need tools and guidance to better quantify investments in employee training, development and engagement initiatives.

Theme 4: Human capital management and reporting can drive performance, yet more research is needed

While practitioners understand that investing in employees and reporting on management practices drives performances, more research is needed to strengthen the business case.

- According to corporate attendees, when companies begin to report human capital and/or sustainability performance, it forms a network of communication within the organization.
- Requests for information often drive action for companies. Reporting identifies gap areas that enable companies to improve systems and processes for managing employees.
- While some studies exist in the field of economics, attendees expressed a desire to see more research connecting human capital metrics to financial and operational performance. This would help all stakeholders to make the business case for investing in employees.
- Attendees identified an opportunity for CSHS to form a “bridge” by providing clarity and communicating this project’s work to corporate practitioners, sustainability reporting frameworks, occupational health and safety professionals, investors, and other key decision-makers.