Welcome

Human Capital Global Summit
Paris, 3rd April 2019

Putting People Back into Sustainability
Human Capital Project

Mike Wallace
Partner, ERM & Special Advisor to CSHS
Bienvenue

Malc Staves
Corporate Health & Safety Director, L’Oréal

L’ORÉAL
Safety Contact

Malcolm Staves

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#CSHSParis
#humancapital
Network ID
LOREAL_EVENT

Password
loreal2017event
Why is L’Oréal hosting the 4th CSHS Human Capital Workshop?

Putting People Back into Sustainability – what does this mean to L’Oréal?
Agenda

• Why are we here?
  • Center for Safety and Health Sustainability (CSHS)
  • Institution of Occupational Safety and Health (IOSH)
  • American Society of Safety Professionals (ASSP)
  • Canadian Society of Safety Engineers (CSSE)

• What are the latest trends and developments?
  • ShareAction and Workforce Disclosure Initiative (WDI)
  • Chartered Institute of Personnel and Development (CIPD)
  • EcoVadis
  • Environmental Resources Management (ERM)

• Refreshments

• What do investors want and expect?
  • Hermes Investment Management
  • BNP Paribas
  • Arabesque

• Keynote Speaker
  • Paul Dickinson, CDP and ShareAction

• Lunch and refreshments

• What are leading companies doing?
  • L’Oréal
  • Nike
  • Google
  • AP Moller-Maersk

• How is corporate disclosure and reporting evolving
  • Global Reporting Initiative (GRI)
  • Sustainability and Accounting Standards Board (SASB)
  • International Integrated Reporting Council (IIRC)
  • Afnor Group & ISO

• Instructions for breakout sessions and refreshments

• Feedback from breakout sessions

• Closing remarks and next steps
Why are we here?

1997: GRI (Environmental Sustainability)
2000: CDP (Environmental Protection)
2010: Integrated Reporting
2012: Natural Capital Coalition
2014: Social & Human Capital Coalition
2020: WDi (Global Wellbeing Indicators)

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Why are we here?

Center for Safety and Health Sustainability

CSHS provides over 100,000 occupational safety and health professionals in over 70 countries with a stronger voice in shaping sustainability policies. Officially launched in June 2011, CSHS is a 501(c)3 nonprofit organization committed to advancing the safety, health and sustainability of the global workplace.

CSHS was established to create awareness of the fact that a sustainable organization cannot be one that does not ensure safe and healthy working conditions for its employees and contractors. Unfortunately, when an organization considers the “social” aspect of its own sustainability picture, occupational safety and health receives very little attention, if any at all. Yet more than 2 million people die from occupational accidents or work-related diseases each year.

http://www.centershhs.org
Evolution of a Profession
OHS > Sustainability > Human Capital

This white paper provides an overview of emerging trends in sustainability and financial accounting practices that will have lasting ramifications for the occupational safety and health profession.

The study revealed troublesome gaps and a lack of transparency in occupational safety and health sustainability reporting among organizations rated highly for sustainability performance.

The Best Practice Guide for Occupational Health and Safety in Sustainability Reports provides occupational health and safety professionals with metrics and best practices in OHS sustainability reporting.

The report finds that voluntary sustainability reporting on OHS lacks the degree of rigor necessary to allow key stakeholders to effectively evaluate corporate performance or compare performance across organizations.

A follow-up to the 2013 study analyzed publicly reported data between June and December of 2016, identifying changes in reporting practices over the past four years related to occupational safety and health sustainability.

Source: http://www.centershhs.org/ourwork.php

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Today’s Challenge

• How do we close the evidence gaps on the links / dependencies between OHS performance and social, economic and environmental sustainability impacts?

• What are the key skill-sets for promoting and delivering OHS within the human capital and sustainability agendas, who is affected and how can these skills best be developed?

• What types of opportunities, incentives and actions would motivate a change in the voluntary measurement and public reporting of OHS within the human capital and sustainability agendas, and who can best provide and promote them?

• What is the role of the Center in promoting evidence-based policy and practice; opportunities; incentives; collective action and competence development?
Why are we here?

• Kathy Seabrook, Chair, Center for Safety and Health Sustainability; Board, Social and Human Capital Coalition

• Andrew Sharman, President Elect, Institution of Occupational Safety and Health (IOSH)

• Rixio Medina, President, American Society of Safety Professionals (ASSP)

• Trevor Johnson, President, Canadian Society of Safety Engineers (CSSE)
What are the latest trends and developments?

- Amy Metcalfe, Head of Programmes, ShareAction and the Workforce Disclosure Initiative (WDI)
- Edward Houghton, Head of Research and Thought Leadership, Chartered Institute of Personnel and Development (CIPD)
- Pierre-Francois Thaler, Co-Founder & Co-CEO, EcoVadis
- Keryn James, Group CEO, Environmental Resources Management (ERM)
Evolution of the Concepts

The Harvard research (2017) looked at disclosure on twelve topics selected from the Human Capital section of RobecoSAM’s Corporate Sustainability Assessment (CSA).

- Training Hours
- Training Cost
- Return on Training
- Employee Development
- Employee Development Business Benefits
- Employee Development Qualitative
- Operating Profit per Employee
- OHS Framework
- OHS Oversight
- OHS Work Environment
- Lost-Time Injuries
- Fatalities
Amy Metcalfe
Head of Programmes, ShareAction and Workforce Disclosure Initiative (WDI)
Workforce Disclosure Initiative

120+ investor signatories
$13.5 trillion AUM

SUSTAINABLE DEVELOPMENT GOALS

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

WDI partner organisations

Amundi
Australian Super
BMO Global Asset Management
Invesco
Nordea
Rockefeller & Co.
Legal & General
M&G Investments
UBS

UKaid from the British people
OXFAM
Riaa Responsible Investment Association Australasia
Shareholder Association for Research & Education

@WDIWork
- 90 companies
- Workers in 100+ countries
- Supply chains include 1.5m firms

Total number of people employed by disclosing companies
Disclosing companies by country

- USA: 6 companies (2017: 3, 2018: 6)
- Canada: 4 companies (2017: 3, 2018: 4)
- Sweden: 3 companies (2017: 1, 2018: 3)
- Ireland: 3 companies (2017: 1, 2018: 3)
- Switzerland: 3 companies (2017: 1, 2018: 3)
- France: 15 companies (2017: 3, 2018: 15)
- Australia: 5 companies (2017: 1, 2018: 5)
- Japan: 1 company (2017: 1, 2018: 1)
- Italy: 1 company (2017: 1, 2018: 1)
- China: 1 company (2017: 1, 2018: 1)
- Belgium: 1 company (2017: 1, 2018: 1)
- Germany: 4 companies (2017: 1, 2018: 4)
- Denmark: 1 company (2017: 1, 2018: 1)
- Finland: 1 company (2017: 1, 2018: 1)
Companies must articulate how they manage workforce risk
Disaggregated data = a gap to fill

98% of companies reported the gender of direct operations employees by seniority

52% of companies provided a gender breakdown for some or all of their contingent workforce

17% of companies said they collected gender data for their supply chain
Pay attention to low paid workers
Investor expectations are rising
Champion the workforce being at the heart of business management and decision making

Gather disaggregated data across your supply chain on workforce composition, hours and wages

Impact on workers is key and what investors want to understand

Anticipate greater scrutiny from investors. Encourage your company to engage with them on these issues
Edward Houghton
Head of Research and Thought Leadership, Chartered Institute of Personnel and Development (CIPD)
Making “good work” a reality

Are we asking the right questions of business and policy makers?
CIPD’s purpose

Championing better work and working lives...

...by improving practices in people and organisation development...

...for the benefit of individuals, businesses, economies and society.
How do employees know if their work is “good”?

Money
Terms of employment
Job design
Voice and representation

Relationships, psychological safety
Health and well-being
Work-life balance
Do investors seek and use people data?

• Businesses should take the lead in reporting workforce information more readily.

• Management quality is a key information category for investors – but what does it mean?

• New standards can help e.g. ISO 30414 Human Capital Reporting

• Investors: are they asking the right questions?
'HR-related factors end up influencing decisions 100% of the time. Top management is always the big driver. If they are competent, the issues with the rest of the firm are solvable. If there are potential problems with top management, [...] chances are you’ve got issues further down the line.'

Investment director, a.u.m. £170m

‘It tends to be more a case of reinforcing our view of management quality when we see that the workforce is managed well. Or, potentially, when it’s not managed well, that erodes our view of management quality.’

Fund manager, a.u.m. £33.5bn
Are corporate reports transparent?

• Define 7 types of people risk:
  • Talent management
  • Health and safety
  • Diversity and equality
  • Employee relations
  • Business continuity
  • Reputation
  • Employee ethics
• Clear reporting on wellbeing and diversity
• Lack of insights on critical business risk
Roles of the future people profession

- People broker
- Digital enablement of human potential
- De-construction and re-construction of the system of work
- Facilitating and relationship building
- World of work horizon scanning
- Humanising
Pierre-Francois Thaler
Co-Founder & Co-CEO, EcoVadis
ESG Ratings for Supply Chains

Center for Safety and Health Sustainability
Human Capital Project - Paris, 03 April 2019
A Complex Challenge...

**Buyers**
- Time-consuming
- No reliable indicators
- Not scalable

**Suppliers**
- Duplicate efforts
- No standards
- Little feedback

- CO2 footprints
- CSR Rating?
- CA Transparency Act
- Conflict Minerals
- Social Audits
- SA8000?
We are enabling a Global CSR Ratings Network

300+ MNCs / Brands

12,000 buyers • ~1Tn$ spend

50,000+ Assessed companies

70% SMEs • 150 categories • 120+ countries
Assessment: EcoVadis Rating Model

- Third-Party Professionals (ex Certificates)
- Company Management System (questionnaire)
- Stakeholders (360 Watch)

Validation → Scorecard
### Policies - Actions - Results

<table>
<thead>
<tr>
<th>ENVIRONMENT</th>
<th>LABOR &amp; HUMAN RIGHTS</th>
<th>ETHICS</th>
<th>SUSTAINABLE PROCUREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Energy Consumption &amp; GHGs</td>
<td>- Employee Health &amp; Safety</td>
<td>- Corruption</td>
<td>- Supplier Environmental Practices</td>
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<tr>
<td>- Water</td>
<td>- Working Conditions</td>
<td>- Anticompetitive Practices</td>
<td>- Supplier Social Practices</td>
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<tr>
<td>- Biodiversity</td>
<td>- Social Dialogue</td>
<td>- Responsible Information Management</td>
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<td>- Local &amp; Accidental Pollution</td>
<td>- Career Management &amp; Training</td>
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<tr>
<td>- Materials, Chemicals, &amp; Waste</td>
<td>- Child Labor, Forced Labor &amp; Human Trafficking</td>
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<td></td>
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<tr>
<td>- Product Use</td>
<td>- Diversity, Discrimination &amp; Harassment</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>- Product End-of-Life</td>
<td>- External Stakeholder Human Rights</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>- Customer Health &amp; Safety</td>
<td>-</td>
<td>-</td>
<td></td>
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<tr>
<td>- Environmental Services &amp; Advocacy</td>
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</table>

A Robust Methodology: 21 CSR Criteria Covered

[Logos for ecoVadis, GRI, ISO 26000]
H&S Measures: Size comparison

Size as per EcoVadis classification: Small (26-99 employees) - Medium (100-999) - Large (>1000 employees)
H&S Actions: ISO45001 / OHSAS18001 certification

14% of all assessed companies with at least 1 site certified to ISO45001/ OHSAS18001 (+6,000 companies)
H&S Reporting

- 45% Report zero accidents
- 29% Report other KPIs on accidents
- 26% No information or No evidence
Focus on Large Manufacturing Companies (N=4000)
Investors & Supply Chain ESG Ratings

- Scalability
- Private companies (no disclosures)
- Engage suppliers into improvements
- Focus on supply chain issues (ex Tier2)
- Easy to use & understand

5000 Large Cap

2M+ Suppliers
THANK YOU

Pierre-François Thaler

pfthaler@ecovadis.com
Keryn James
Group CEO, Environmental Resources Management (ERM)
Safety as a human capital issue

Keryn James, CEO ERM

CSHS Human Capital Project - Global Summit
Paris

3 April, 2019
ERM Global Safety Survey

- 22 Countries
- 120 Companies
- 6.8M Employees
- $4.3T Annual Revenues (USD)
- 72% Global Directors/VPs
Key findings

1. Stakeholder expectations are rising
2. Most companies do not understand how much they are investing in safety
3. Risk continues to shift to contractors
Stakeholder expectations

88% of respondents agreed or strongly agreed that the safety performance expectations placed on them by Stakeholders are increasing.

62% agreed/strongly agreed that regulators are taking an increasingly tougher stance in relation to safety performance.

“We are already performing 30 times better than others in our industry, but our stakeholders expect the bar to be raised year after year.”
Lagging performance indicators remain dominant

How do you assess the effectiveness of your investments in safety?

- Incident statistics (lagging indicators)
- Leading indicators
- Safety culture surveys / employee engagement surveys
- Audit processes
- Cost/Benefit Analysis techniques

% or respondents who cited technique
Key findings

1. Stakeholder expectations are rising

2. Most companies do not understand how much they are investing in safety

3. Risk continues to shift to contractors
Investment into Human Capital and Safety

Average Estimated Investment in Safety as a % of Labour Costs by Sector

- O&G: 25%
- Mining & Metals: 20%
- Manufacturing: 17%
- Chemical: 15%
- Pharma.: 10%
- Power: 8%
- Food, Beverage & Agri: 6%
- TMT: 5%
- Transport: 4%
Where is the investment going?

We developed a comparative index to determine the relative scale of investment in the five focus areas of the study. Leadership Engagement and Culture Change stands out – by far – as the highest priority.

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>Leadership Engagement and Culture Change</td>
<td>13.5</td>
</tr>
<tr>
<td>Contractor Management</td>
<td>8.5</td>
</tr>
<tr>
<td>Training and Competency</td>
<td>7.7</td>
</tr>
<tr>
<td>Construction Safety</td>
<td>5.1</td>
</tr>
<tr>
<td>Fatality Prevention</td>
<td>3.9</td>
</tr>
</tbody>
</table>
Companies are increasing their investment

82% planning to increase their investment in safety over the next 3 years with a quarter planning to increase spending by more than 15%

78% increased their level of effort in safety over the past 3 years
What we learned

1. Stakeholder expectations are rising

2. Most companies do not understand how much they are investing in safety

3. Risk continues to shift to contractors
Contractor management

72% of respondents reported increasing use of contractors.

55% reported their contractors are undertaking more hazardous activities than the company’s own employees.

69% regard managing contractor safety as more challenging than addressing safety for their own employees.
So what can we learn?
A leadership challenge

75% identified leadership engagement (at all levels) as the most effective means of delivering behavioural change on the front line.
Thank you

Keryn James
Chief Executive Officer
ERM
Break
10:30am – 10:45am
Sustainability > Human Capital > OHS
What do investors want and expect?

• Natacha Dimitrijevic, Senior Engager, Hermes Investment Management
• Adam Kanzer, Head of Stewardship, Americas, BNP Paribas
• James von Claer, Director, Arabesque
When engaging boards on HCM we are likely to discuss:
- Oversight of policies meant to protect employees (e.g., whistleblowing, codes of conduct, EEO policies) and the level of reporting the board receives from management to assess their implementation.
- Process to oversee that the many components of a company’s HCM strategy align themselves to **create a healthy culture and prevent unwanted behaviors**.
- Reporting to the board on the integration of HCM risks into risk management processes.
- Current board and employee composition as it relates to diversity.
- Consideration of linking HCM performance to executive compensation to promote board accountability.
- Board member visits to establishments or factories to independently **assess the culture and operations** of the company.

When engaging management teams, the topics we may cover include:
- Policies to encourage employee engagement outcomes and key drivers (e.g., **wellness programs**, support of employee networks, **training and development programs**, and stock participation programs).
- Process for ensuring employee health and safety and complying with occupational health and safety policies.
- Voluntary and involuntary turnover on various dimensions (e.g., seniority of roles, tenure, gender, and ethnicity).
- Statistics on gender and other diversity characteristics as well as promotion rates for and compensation gaps across different employee demographics.
- Programs to engage organized labor and their representatives, where relevant.
- Systems to oversee matters related to the **supply chain** (including contingent workers, contractors and subcontractors).
Evolving Investor Interest in Human Capital


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Evolving Investor Interest in Human Capital
What do investors want and expect?

• Natacha Dimitrijevic, Senior Engager, Hermes Investment Management
• Adam Kanzer, Head of Stewardship, Americas, BNP Paribas
• James von Claer, Director, Arabesque
Human Capital Project

Paul Dickinson
Executive Chair
3rd April 2019
$35 TRILLION
Combined value of the world’s largest companies by market capitalization, according to MSCI. That’s twice the GDP of the USA in 2015.

31 GIGATONNES
of GHG emissions produced globally each year, that’s equivalent to 8,139 coal power stations.

5.5 TRILLION
Estimated global market for low-carbon goods and services. That’s half of China’s GDP in 2015.
OUR VISION & MISSION

We want to see a thriving economy that works for people and planet in the long term.

We focus investors, companies and cities on taking urgent action to build a truly sustainable economy by measuring and understanding their environmental impact.
CDP is a global environmental impact non-profit working to secure a thriving economy that works for people and planet.

Information is the fundamental basis for action. We help investors, companies and cities to measure, understand and address their environmental impact.

The world’s economy looks to CDP as the gold standard of environmental reporting with the most comprehensive dataset on corporate and city action.

We aim to make environmental reporting mainstream and provide detailed insights to drive action for a climate safe, water secure, deforestation free world.
Companies take action to tackle climate change, safeguard water resources and prevent the destruction of forests.

Investors and purchasing companies use CDP to make informed decisions, reward companies with superior performance and drive action.

INVESTORS & COMPANIES

Request environmental information through CDP

COMPANIES & SUPPLIERS

Measure their impact to improve performance

Companies and suppliers provide data on environmental impacts, risks, opportunities, investments and strategies.
HOW WE WORK

- 525+ investors with US$96 trillion in assets
- 110+ supply chain members with over US$3 trillion in purchasing power
- 7,000+ companies responded through CDP
- 620+ cities disclosed environmental information
- 120+ states and regions measured their environmental impacts
Moving to sector-based disclosure;

Requesting more forward-looking metrics to assess how companies are planning for the transition to a sustainable economy;

Integrating the Task Force on Climate-related Financial Disclosure recommendations into the disclosure platform;

Greater alignment across climate change, water security and deforestation;

A new robust reporting platform for companies and cities disclosure.
Paul’s conceptual framework for considering society

An alternative labelling system for this diagram is presented below in blue:

<table>
<thead>
<tr>
<th>ECOLOGICAL SECURITY</th>
<th>THE PRESENT</th>
<th>THE FUTURE</th>
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</thead>
<tbody>
<tr>
<td>CONSERVATION</td>
<td>COMMERCE</td>
<td>DEVELOPMENT OF SOCIETY</td>
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</table>

- Institutional Investors - or ‘Universal Owners’
- Corporations
- Government

**ROLE:**
- Protect integrity of overall system through time. Funds Act together
- Run main activity of society
- Select political development of society

I added in 2013 ‘NGOs’ or ‘Civil Society’
CDP growth fuelled by Supply Chain

1. Growth in companies disclosing to CDP since 2003
Wishing this event great success!

Thank you!

paul@cdp.net
Lunch and refreshments
12.00pm – 1:15pm

Bon Apétit!
What are leading companies doing?

- Eric Wolff, Corporate QEHS Director, L’Oréal
- Sittichoke Huckuntod, Director, Health, Safety & Environment, Nike
- Anita Tarab, Global Director of Sustainability, Environment, Health & Safety, Google
- Kevin Furniss, Vice President – Head of Corporate Safety, A.P. Moller-Maersk
Corporate Board Perspective (NACD)

What are the key nonfinancial metrics used by your board to set CEO pay?

- Employee engagement/morale: 37%
- Risk management effectiveness: 34%
- Customer satisfaction: 33%
- Maintaining good standing with regulators: 28%
- Regulatory compliance record: 27%
- Workplace safety: 27%
- Product quality: 27%
- Nonfinancial measures not used: 20%
- Measures related to environmental/CSR: 11%
- Workplace diversity: 11%
- Employee turnover: 11%
- Other: 15%

2017-2018 Public Company Governance Survey
National Association of Corporate Directors
What are leading companies doing?

- Eric Wolff, Corporate QEHS Director, L’Oréal
- Sittichoke Huckuntod, Director, Health, Safety & Environment, Nike
- Anita Tarab, Global Director of Sustainability, Environment, Health & Safety, Google
- Kevin Furniss, Vice President – Head of Corporate Safety, A.P. Moller-Maersk
How is corporate disclosure and reporting evolving?

• Laura Espinach Tort, Senior Manager, Global Reporting Initiative (GRI)
• David Parham, Director of Research, Projects, Sustainability Accounting Standards Board (SASB)
• Jonathan Labrey, Chief Strategy Officer, International Integrated Reporting Council (IIRC)
• Laurence Breton-Kueny, Director of Human Resources, Afnor Group; Member ISO TC 260
Why are we here?
The Corporate Reporting Dialogue

Observer

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How is corporate disclosure and reporting evolving?

- Laura Espinach Tort, Senior Manager, Global Reporting Initiative (GRI)
- David Parham, Director of Research, Projects, Sustainability Accounting Standards Board (SASB)
- Jonathan Labrey, Chief Strategy Officer, International Integrated Reporting Council (IIRC)
- Laurence Breton-Kueny, Director of Human Resources, Afnor Group; Member ISO TC 260
Breakout workshop facilitators

- **Room 1** – Richard Jones, Head of Policy and Public Affairs
  Institution of Occupational Safety and Health (IOSH)

- **Room 2** – Ruth Wilkinson, Head of Health and Safety
  Institution of Occupational Safety and Health (IOSH)

- **Room 3** – Jonathan Nobbs, Head of Product
  Institution of Occupational Safety and Health (IOSH)

- **Room 4** – Alan Stevens, Head of Global Engagement and Partnerships
  Institution of Occupational Safety and Health (IOSH)
Breakout workshop instructions and refreshments

• How do we close the evidence gaps on the links / dependencies between OHS performance and social, economic and environmental sustainability impacts?

• What are the key skill-sets for promoting and delivering OHS within the human capital and sustainability agendas, who is affected and how can these skills best be developed?

• What types of opportunities, incentives and actions would motivate a change in the voluntary measurement and public reporting of OHS within the human capital and sustainability agendas, and who can best provide and promote them?

• What is the role of the Center in promoting evidence-based policy and practice; opportunities; incentives; collective action and competence development?

Report back at 4:15 please
Breakout session feedback
Next steps and closing comments
Merci et au revoir!