

# CSHS Human Capital Workshop #3

## Event Summary

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*March 13<sup>th</sup>, 2018*

On March 13, 2018, the Canadian Society of Safety Engineering (CSSE) and the Center for Safety & Health Sustainability (CSHS) co-hosted a workshop for key stakeholders to advance the conversation around human capital. The event consisted of:

- Background information on the Center for Safety and Health Sustainability (CSHS), including highlights from completed research and broader occupational health & safety and human capital trends.
- Panel discussion on the Corporate Disclosure of human capital, featuring representatives from the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the International Integrated Reporting Council (IIRC)
- Panel discussion on the growing need for human capital performance information for the investment community, featuring representatives from Shareholder Association for Research and Education (SHARE) and Jarislowsky Fraser Global Investment Management
- Working group sessions and report-outs from the multi-stakeholder group of attendees
- Disclosure trends from Corporate Knights and their proposal to partner on a disclosure project aimed at increasing the percentage of large companies reporting basic health & safety information

Throughout each of these discussions, stakeholders built on themes from previous workshops in March and October (2017), as well as identified emerging themes and action items.

### **Key Action Item: Human Capital Health and Safety Disclosure Project**

Stakeholders heard discussion on the need for a Human Capital Health and Safety Disclosure project — mirroring the success of the 2002 Carbon Disclosure Project — considering less than 25% of large companies report their lost time injury and fatality rates, the same problem with lack of climate change information in the late 1990s. Corporate Knights offered to partner with CSHS to launch this project.

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### **Theme 1: Progress on health & safety is slow and hindered by lack of disclosure, standardization, and regulatory requirements**

Even after decades of work, and enormous amounts of invested capital, the International Labor Organization (ILO) estimates that 2.78 million workers die each year as a result of occupational accidents or work-related diseases, and only about 17% of large companies disclose even the most basic health & safety information.

- Safety professionals highlighted the outcomes from the Harvard Labor and Worklife Program research (Corporate Disclosure of Human Capital Metrics); human capital performance data exists but is not being publicly disclosed. They also called attention to the variances in metrics and indicators and provided the example of 11 different formulas or definitions for reporting fatalities.
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- Standards bodies spoke to the need for organizations to speak the same language and for an established common baseline, as well as highlighted that progress can be made by focusing on a few, carefully selected indicators. They also estimated that only about five percent of reporting efforts on the part of corporations address intellectual and human capital, compared to 80 percent on manufactured and financial capital, and 15 percent on natural and social capital.
  - Investors discussed disclosure projects, such as the Workforce Disclosure Initiative (WDI); they also spoke to the lack of a central repository for human capital data, making them more reliant on corporate public disclosure. They called for additional regulatory requirements and asked for that information to be included in the Management Discussion & Analysis (MD&A) section of financial disclosures.
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### **Theme 2: Stakeholders need access to accurate, comparable, decision-useful information about human capital performance**

Each company uses different indicators or formulas to measure performance for occupational health and safety and employee training and development, and there is a lack of consensus on which indicators are truly moving the needle on the most material issues.

- Stakeholders agreed the focus should be on increasing decision-useful disclosure on human capital performance that help companies in their operational decision-making process.
  - Investors gave the following example to support disclosure of performance information on human capital value-generators:
    - Canadian company has 13,000 full-time employees and 17,000 part-time. Their public disclosures say these figures exclude “temporary help.” 500 of their stores are operated by third-parties, and the number of employees in those stores is unclear.
    - Despite their strategic initiative to “Achieve sustainable growth by [...] enhancing customer experiences,” investors did not find a single metric about training the corporate or franchise workforce, or information about turnover rates, and were unable to fully assess the company’s strategic objectives without such information. Investors would be interested in more information on turnover, employee engagement, workforce diversity and pay equity.
  - Standards bodies spoke to the need for industry-specific metrics, particularly regarding explicit health & safety concerns based on exposure to risk or occupational disease across sectors.
  - Safety professionals and standards bodies highlighted the need for standardized data reporting, which allows interested stakeholders to do comparable analysis themselves. Safety professionals also cautioned that increased disclosure requirements could drive companies to outsource their more dangerous work into their supply chain, to minimize responsibility.
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### **Theme 3: The business case is driven by a combination of investor interest, ratings firms, peer pressure, and market awareness.**

While practitioners understand that reporting on management practices drives performance, more external drivers are needed to strengthen the human capital and safety business case.

- Organizations such as Blackrock, Vanguard and possibly State Street are reviewing the issue of human capital and related data to influence and support investment decisions.
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- Stakeholders agreed that bringing awareness to and getting buy-in from executive level leadership, including the c-suite and the board of directors is the primary internal hurdle to disclosure.
  - Stakeholders discussed the importance of market awareness and used the example of recent headline-making corporate activities —such as Delta Airline’s statement on ending their relationship with the National Rifle Association (NRA) —to emphasize the need to be proactive around issues the company cares about, because the next big issue can be difficult to predict.
  - Stakeholders also proposed reframing the language used to discuss human capital performance, from a cost to an investment — particularly in regard to attracting, retaining, and engaging talent.
  - Stakeholders expressed growing interest in how human capital performance is or can be linked to executive compensation.
  - Finally, stakeholders discussed a “love/hate” relationship with ratings and rankings agencies. Investors described them as helpful tools for flagging potential areas for additional due diligence, and safety professionals described them as catalysts for raising awareness internally and generating peer pressure within industries. However, the variations of assessments from the ratings and rankings agencies creates confusion as to which issues are actually seen as material.
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#### **Theme 4: Health & safety is a critical component of a broader concept of human capital**

Stakeholders agree on the importance of health & safety as one part of the broader conversation around ways to support employees thriving at work.

- Stakeholders felt that health & safety performance is one part of the definition and valuation of human capital. Standards bodies emphasized that the roles and responsibilities of companies regarding human capital are broader than only health & safety. Some stakeholders spoke to needing to include topics like diversity into the definition and scope of human capital.
- Safety professionals, investors, and standards bodies agreed that more positive, or leading, indicators should be incorporated into disclosure frameworks, and suggested looking at human capital management practices more closely.
- Stakeholders highlighted the changing nature of work in a gig economy and asked where responsibility lies when there is a more pronounced difference between employees and workers.
- Stakeholders called for more voices at the table to define human capital and relevant indicators, including policy makers, insurance providers, workers, and data users.