WELCOME

Human Capital Project Workshop

Center for Safety and Health Sustainability (CSHS)
March 13, 2018

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#humancapital
Agenda

- Welcome & Opening Remarks
- Corporate Disclosure: Measuring, Managing and Reporting ESG Information
  - Global Reporting Initiative (GRI)
  - International Integrated Reporting Council (IIRC)
  - Sustainability Accounting Standards Board (SASB)
- Networking Break
- Investor Perspective: The Growing Demand for Social & Human Capital Performance Information
  - Shareholder Association for Research & Education (SHARE)
  - Jarislowksy Fraser Global Investment Management
- Observations & Instructions for Working Session
- Working Lunch & Breakouts
- Market Reality: Disclosure Practices and Trends from Reporting Companies
- Breakout Sessions – Reactions
- Closing Remarks & Next Steps
Welcome

- Kathy Tull, President, Canadian Society of Safety Engineering
- Dennis Hudson, Executive Director, American Society of Safety Engineers
Human Capital Project

Center for Safety and Health Sustainability

Dennis Hudson, Executive Director
American Society of Safety Engineers

March 13th, 2018
Corporate Social Responsibility

“The billions spent on CSR programs have barely moved the needle in terms of improving working conditions and the lives of workers in global supply chains.”

“The corporate social responsibility mirage,” ISHN – May, 2017
Corporate Social Responsibility

“While international brands have benefited from positive CSR public relations with customers and shareholders, millions of supply chain workers still face lives of long hours of work; low wages, unpaid work and stolen wages; lack of legal labor rights; sexual harassment of women workers; and unsafe and unhealthy working conditions.”

- “The corporate social responsibility mirage,” ISHN – May, 2017
The ILO estimates that some 2.3 million women and men around the world succumb to work-related accidents or diseases every year:

- Over 6000 deaths every single day.

Worldwide, there are around 340 million occupational accidents and 160 million victims of work-related illnesses annually.
“Traditional methods of reporting on sustainability produce reams of data that are incomplete, inaccurate, irrelevant and not readily understood or useful to key stakeholders.”
Human Capital Project

Objectives are to promote:

- Adoption of more impactful metrics
- Standardized CSR reporting
- Public reporting
- Integrated approaches to addressing human capital-related issues
Adoption of More Impactful Metrics

- Leading indicators
  - Low levels of reporting on the three leading indicators recommended by CSHS

- Occupational disease-related indicators
  - No organization specifically mentioned fatalities related to occupational diseases

- Indicators relating to workers for suppliers in developing countries
Adoption of More Impactful Metrics

- GRI 403: Occupational Health and Safety
  - CSHS had 2 representatives on the GRI OHS working group
  - New leading indicator has been developed
    - How many workers are covered by a management system
  - Greater emphasis on measuring impacts on workers
    - As opposed to measuring loss of productivity/lost time

- SASB’s recent public comment period on the exposure drafts of the standards
  - CSHS solicited input from its members, over 600 responses
  - Industry-specific
Standardized CSR Reporting

- No consensus on
  - the metrics or indicators that should be reported
  - the data collection methodology and reporting formats to be used
  - definition of terms

- Difficult to compare performance across organizations
  - 14 different definitions were used for workers
  - 12 different definitions of absentee or explanations of the scope of absenteeism-related information were used
  - 11 different formulas were used to calculate the absentee rate
Public Reporting

- Public reporting of performance-related data has been shown to be an impetus for organizations to improve or maintain performance.
Public Reporting

- Partnered with ASSE, ASSEF, and Labor and Worklife Program at Harvard Law School
- Investigates human capital reporting practices of major global corporations
Harvard Research

Human Capital Project Workshop
Chicago March 31, 2017

Corporate Human Capital Reporting

Larry Beeferman Director
Aaron Bernstein Fellow
Harvard Law School Pensions and Capital Stewardship Project
Definitions

- **Employee development (ED)**
  - Training on OSH, leadership, sales, young talent development

- **Benefits**
  - Impact on firm performance or strategic targets

- **Quantitative**
  - Employee engagement, turnover, efficiency, cost

- **OHS Oversight**
  - Targets, action plans, progress reports

- **OHS Framework**
  - Risk assessments, databases on work-related risks

- **Work Environment**
  - Actions to make it healthy and safe
Training Costs per Employee

Survey Respondents

Survey Non-Respondents
Employee Development Business Benefits

Survey Respondents

Survey Non-Respondents
Employee Development Quantitative Impact

Survey Respondents
Survey Non-Respondents

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

All Companies  US  GB  Europe  Asia Pacific  Large Companies  Medium & Small Companies

Survey Respondents  Survey Non-Respondents
Operating Profit per Employee

- Survey Respondents
- Survey Non-Respondents

- All Companies
- US
- GB
- Europe
- Asia Pacific
- Large Companies
- Medium & Small Companies
Lost-time Injuries

Survey Respondents

Survey Non-Respondents
Public Reporting

- CSHS is filing comments in support of the Human Capital Management Coalition’s request that the U. S. Securities and Exchange Commission “adopt new rules, or amend existing rules, to require issuers to disclose information about their human capital management policies, practices and performance.” (submitted pursuant to Rule 192(a) of the Commission’s Rules of Practice, dated July 7, 2017).
A new way of integrated thinking is one of the anticipated benefits of integrated reporting. Integrated thinking is defined by the IIRC as “the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects.”
Integrated Approaches

- CSHS launched Human Capital Project
- Workshops in March 2017, October 2017, March 2018
Conclusion

- CSR reporting on OHS is not yielding the relevant and quality data necessary to allow key stakeholders to effectively evaluate corporate performance or compare performance across organizations.

- New levels of collaboration and compromise are needed among the leading sustainability reporting frameworks and standards development organizations, NGOs, governments, business, labor, and other key stakeholders.
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Corporate Disclosure
Measuring, Managing & Reporting ESG Information
Corporate Disclosure of Human Capital Metrics

Alyson Genovese
Global Reporting Initiative (GRI)

Bob Laux
International Integrated Reporting Council (IIRC)

Sonal Pandya Dalal
Sustainability Accounting Standards Board (SASB)
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Investor Perspective:
The Growing Demand for Social & Human Capital Performance

Hugues Letourneau
Shareholder Association for Research & Education (SHARE)

Mark Fattedad
Jarislowsky Fraser Global Investment Management
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Context for Working Session

This facilitated group effort will help us all refine our respective interests regarding:

- The business case driving organizational performance and increasing transparency around human capital
- The scope and definition of the term human capital
- The measurement, management, and disclosure of human capital performance
- The tools or research still needed to grow disclosure of human capital policies, practices, and performance
Questions for Working Session

- **Question 1 – Business Case:** What are the most effective drivers for increased disclosure and transparency on the part of corporations?

- **Question 2 – Scope:** What needs to be included in the definition of Human Capital in the area of workplace health and safety performance?

- **Question 3 – Metrics:** What are the next steps to identifying the most critical metrics? Who should do it (standard bodies, rating agencies, safety profession, etc.)?

- **Question 4 – Research/Tools:** Which research and/or tools are the most critical to move the health and safety field toward Human Capital reporting that is complete, accurate, relevant and understood by investors and stakeholders?
Market Reality:
Disclosure Practices & Trends from Reporting Companies

Toby Heaps
Corporate Knights
Corporate Knights, a specialized media and research firm

Corporate Knights is a Toronto-based, employee-owned B Corp that operates in three segments:

- **Corporate Knights Magazine**
  - World's largest circulating magazine focused on sustainability and responsible business.
  - Reaches 380,000 of the world's most influential business and political decision-makers.

- **CK Research**
  - CK Research offers a range investment product sustainability ratings and tools
  - CK Research also manages several external research projects (e.g. Newsweek Green Rankings, Carbon Clean 200, Sustainable Stock Exchange Ranking).

- **Council for Clean Capitalism**
  - CEO-supported group catalyzing smart and efficient public policy.
  - Engages with leading public policy-makers.
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<td>16.59%</td>
<td>25.71%</td>
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*Global Disclosure: % of 5,990 public companies over USD$1 billion revenue, who disclose. Source: Bloomberg, Corporate Knights
## Safety Disclosure (Sector)

<table>
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<tr>
<th>Sector</th>
<th>LTIR % disclosure</th>
<th>TRIR % disclosure</th>
<th>Fatalities % disclosure</th>
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<tr>
<td>Consumer Discretionary</td>
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Safety Disclosure Project
Timeline

2002: Carbon Disclosure Project writes to 500 largest public companies requesting investment relevant information regarding climate change. At the time disclosure of GHGs is close to single digits

Today: 43 per cent of large public companies with annual revenues in excess of $1 billion now reporting their scope 1+2 greenhouse gases

Today: Less than one quarter of large companies reported their lost time injury rates or fatalities

Soon: The Safety Disclosure Project writes to 500 largest public companies requesting investment relevant information* regarding climate change.

Later this year: Launch the Safety Disclosure Report at a high profile gathering(s)

Future: Companies will provide fit for purpose public disclosure of their safety performance

*GRI 403 (Occupational Health and Safety) regarding workplace safety, including GRI 403-2 metrics: occupational disease rate (ODR), lost day rate (LDR), and absentee rate (AR) including for mental health reasons separately for all employees and all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by: region and gender, according to definitions of the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases (Code of Practice).
Closing Comments

- Next steps
- Your interest & involvement

Thank You!

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