

CSHS Human Capital Workshop #2

Event Summary

October 23rd, 2017

Harvard Law School's Labor and Worklife Program co-hosted a workshop with the Center for Safety & Health Sustainability (CSHS) for key stakeholders to advance the conversation around corporate disclosure of human capital metrics. The event consisted of:

- Presentation of the *Corporate Disclosure of Human Capital Metrics* publication and findings, by researchers at Harvard Law School's Labor and Worklife Program
- Stakeholder panel discussions on the State of Human Capital Disclosure, with representatives from Abbott, Cummins, members of the Human Capital Management Coalition (the United Automobile Workers (UAW) Retiree Medical Benefits Trust and the California State Teachers' Retirement System), the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the International Integrated Reporting Council (IIRC).
- Group break-out sessions and report-outs focused leveraged the outcomes of Workshop #1 and asked participants to react on three specific areas:
 - Human capital management and reporting can drive performance, yet more research is needed. What research is most important? What are the best ways to engage with companies in that research?
 - There is a gap between human capital management and disclosure. What are the best ways to spur companies to publicly disclose the metrics that they do track and collect (privately) and inspire them to publicly disclose?
 - There is a need for improved quality, consistency, and comparability of metrics. What steps should be taken by and with whom to spur a more broadly shared uniformity of metrics for public disclosure?

Throughout each of these discussions, stakeholders built on themes from the workshop in March, as well as identified emerging themes and potential action items.

Research results included:

- Identification of twelve (12) Human Capital metrics companies could disclose
- Majorities or large minorities of firms already report most metrics
- Respondents to the RobecoSAM DJSI process report far more than non-respondents
- European and British firms report more than Asia Pacific and US ones; far more among non-respondents
- Large firms report more than small and medium enterprises (SMEs)
- Wide variations in reporting within and across industries

Interpretation of Findings:

- Majority of firms likely have many metrics, even if not always made public
- Respondents: Possible selection bias
- Non-respondents may have data but don't make it public
- Law or practice may spur greater disclosure on certain metrics

Significance of Findings (confirms that companies):

- Have the resources to collect Human Capital metrics
- Track certain metrics
- Recognize the importance of Human Capital to overall organizational performance
- Differ widely in their use of Human Capital Metrics and can be assessed on that basis

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.

- Investors feel it is difficult to obtain what they feel are important Human Capital data points, such as workforce size, demographic details, workforce composition, and other Human Capital employee data from US companies.
- Corporates are interested in identifying metrics that will be most important to stakeholders; they are searching for where they can add the most value for their own organizations, investors, and other key stakeholders
- Corporates see Investor Relations/Corporate Governance driving the conversation for why Human Capital is a business driver
- Standards bodies see confidential disclosure and proprietary models as hindering the evolution of the market in terms of Human Capital performance and transparency
- Breakout groups called for further conversation around metrics; the focus should be on management and transparency rather than outcomes; groups discussed a tactical approach of raising pre-qualifying standards during supplier engagement processes
- Breakout groups discussed the possibility of approaching the next generation of business leaders in business schools

Theme 2: 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.

- Corporates and standards bodies articulated that there is more consistency now than 10 years ago, demonstrating improvement in the space
- Corporates and standard bodies discussed the importance of leading reporters driving the market forward on transparency, and working to get companies collaborating with standards bodies to develop indicators that work for both sets of stakeholders
- Corporates and standards bodies asked for further development of leading indicators
- Standards bodies discussed the need to determine and set out baseline expectations for performance on Human Capital that can drive market changes
- Standards bodies encouraged practitioners not to get caught up in comparability of metrics, expressed that this would improve over time with consolidation around key indicators
- Standards bodies pushed back against companies adopting metrics that measured the health of their employees – identified it as a US trend, and found that there is much less support globally for that type of reporting
- Standards bodies acknowledged that they are working to annotate and align where possible; they expressed potential value adds with industry-specific metrics and aligning sustainability disclosure to the business strategy

Theme 3: 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.

- Corporates stressed the need to have strong evidence in support of disclosure to show to their C-Suite leaders; need more evidence that demonstrates that the more companies that invest in human capital, the more it drives success
- Corporates discussed how short-term capital needs can constrain funding for initiatives that would advance Human Capital reporting
- Corporates discussed a need to mitigate potential reputational risk
- All parties identified the need for an impetus to get companies to move toward integrated reporting – asked for more studies to demonstrate link between transparency and long-term value creation
- Breakout groups asked for further studies to demonstrate the OHS is material and identifying specific material OHS topics
- Breakout groups asked where boards of directors are receiving their information on Human Capital

- Stakeholders expressed interest in more research around the employee/worker definition and integrating Human Capital worker-heavy business models

Theme 4: Stakeholders have not come to consensus on the meaning and focus of Human Capital

Stakeholders agree on the importance of increasing disclosure on Human Capital, but have not reached agreement on the definition of Human Capital.

- Stakeholders identified two distinct views around Human Capital – one being the focus on maximizing the well-being of the workforce, and the other being the focus on maximizing the productivity of the workforce
- Investors pushed back on viewing Human Capital as a social topic (under the Environmental, Social, Governance categories), and challenged corporates to discuss it as an asset – the knowledge and talents of employees are part of the value of an organization
- Academics suggested viewing it more as “Human Capabilities” to reduce the “dehumanizing” impact of the term “Human Capital”