Why Human Capital Project?

ASSE Gulf Coast Chapter

Darryl C. Hill, Ph.D., CSP
April 5, 2018

#humancapital
Agenda

- Corporate Social Responsibility (CSR)
- Human Capital Project
  - More Impactful Metrics
  - Standardized CSR Reporting
  - Public Reporting
- Harvard Research
- Findings
- Conclusion
- Questions
- Closing Remarks & Next Steps
Learning Objectives

• Discuss the importance of CSR for OSH professionals

• Describe the Human Capital Project key elements

• Analyze the Harvard research study and its relevance for the OSH profession

• Assess the Harvard Study findings and conclusion and how key stakeholders can leverage the research findings

• Evaluate actions for the OSH profession based upon the business case and the investment community
CSHS Board of Directors

Alan Leibowitz
AIHA

Darryl Hill Chair,
Advisory Council

Peter Sturm
CSHS Advisory Council, CSSE

Shelley Frost
IOSH

Dennis Hudson
CSHS Secretariat – ASSE Executive Director

Kathy A. Seabrook
Chair, CSHS

Laura Clements
CSHS – ASSE Manager
Professional and Global Affairs
CSHS Advisory Council

John Howard
NIOSH

Mike Wallace
BrownFlynn

John Henshaw

Deb Martin
Dupont

Dr. Jukka Takala
Workplace S & H Institute, Singapore

Richard Jones
IOSH UK

Dr. Darryl Hill
Abbott Laboratories

Derran Williams
European Bank for Reconstruction & Development

Steve Newell
ORC Strategies LLC

Peter Sturm–
Director, Canadian Society of Safety Engineering

Malcolm Staves
L’Loreal

Fay Feeney
CEO, Risk for Good
“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
“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
International Labour Organization (ILO)

• 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.”
What is the Human Capital Project?
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
Corporate Disclosure
Measuring, Managing & Reporting ESG Information
Corporate Disclosure of Human Capital Metrics: Standards & Framework

Global Reporting Initiative (GRI)

International Integrated Reporting Council (IIRC)

Sustainability Accounting Standards Board (SASB)
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 Exchange Ranking).

- **Council for Clean Capitalism**
  - CEO-supported group catalyzing smart and efficient public policy.
  - Engages with leading public policy-makers.
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

- 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).
Public Reporting

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

- 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
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
Human Capital Topics

- 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
Definitions

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

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

- **ED Quantitative**
  - Employee engagement, decreased turnover, cost savings

- **OHS Governance Oversight**
  - Action plan targets, progress reports

- **OHS Governance Framework**
  - Management systems, risk assessments, databases

- **Work Environment**
  - Work-life balance, wellness
Training Hours per Employee

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

Survey Respondents
Survey Non-Respondents

Center for
Safety & Health
Sustainability
Training Costs per Employee

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

Survey Respondents
Survey Non-Respondents
Return on Training

- **All Companies**: 60%
- **US**: 50%
- **GB**: 40%
- **Europe**: 70%
- **Asia Pacific**: 60%
- **Large Companies**: 50%
- **Medium & Small Companies**: 40%

- Survey Respondents
- Survey Non-Respondents
Operating Profit per Employee

- Survey Respondents
- Survey Non-Respondents
Summary of Findings

- We identify 12 HC metrics companies could disclose
- Majorities or large minorities of firms already report most metrics
- Respondents 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 medium and small ones
- Wide variations in reporting within and across industries
Interpretation of Findings

- Majority of firms likely have many metrics, even if not always public

- Respondents: Possible selection bias

- Non-respondents may have data but don't make public

- Law or practice may spur greater disclosure on some metrics
Significance of Findings

Confirms that companies:

▪ Have the resources to collect HC metrics

▪ Track those metrics

▪ Recognize the importance of HC to performance

▪ Differ widely in their use of HC metrics and can be assessed on that basis
Next Steps

- Research to break down metrics by industry and within industries
- Materiality studies to complement existing literature, especially OSH, which is under-studied
- Pilot program with companies on which metrics work
- Work with Global Compact, standard setters and ESG raters to incorporate metrics
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.
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?
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!

@CenterSHS
#humancapital