

February 12, 2021

Janine Guillot
Chief Executive Officer
Sustainability Accounting Standards Board (SASB)
1045 Sansome Street, Suite 450
San Francisco, CA 94111

Sent by email to Kelli Okuji Wilson, Analyst, Sector Lead – Health Care; kelli.okuji-wilson@sasb.org

Dear Ms. Guillot,

Re: 2021 Consultation on the scope of human capital management themes across SASB's sectors

With approximately C\$8 billion in assets under management, NEI Investments' approach to investing incorporates the thesis that companies can mitigate risk and take advantage of emerging business opportunities by integrating best environmental, social and governance (ESG) practices into their strategies and operations. As a result, we commend SASB for offering stakeholders the opportunity to provide feedback on the materiality of human capital themes across SASB's sectors, and welcome the opportunity to share our perspective.

Our Perspective on the Materiality of Human Capital Management

We believe that successful companies (which from our perspective would constitute excellent ESG performers – and by extension financial outperformers) all rely on human capital to excel. In particular, the role of culture, a sense of shared purpose, and an empowered workforce that has a certain level of autonomy, are all crucial facets of outperforming companies. Our motivation for seeking better human capital metrics is with the goal of uncovering these attributes. Current disclosure does not provide us with that information.

A second, separate motivation is our desire to address inequality in all its facets. We remain concerned about how all stakeholders share in the value generated by the company, and the systemic risks and moral concerns presented by inequality.

We would also like to underscore the impact that the regional landscape and context will have on the relevance of standards and disclosures, as this was not highlighted as a major consideration for the purposes of this consultation. For example, stakeholders will inevitably value different types of information on diversity and inclusion depending on the geographic focus of a company's operations, and the underrepresented groups as per those regions. Any standards will have to be built to afford for flexibility as applied by companies operating in different countries and/or regions.

Within this correspondence we have noted information that we would find useful in evaluating corporate performance in relation to the detailed human capital themes as per the questions outlined by SASB. As requested, we have attached a summary of our responses to the survey as an Appendix.

Useful Information for Evaluating Human Capital Management

Information we believe would be most helpful in relation to each of the themes provided by SASB is explained below. This information can be categorized under the following 3 themes:

- Employee Perception: Information that speaks to the employee experience at the company, such as turnover and promotion rates across person groups. In some circumstances the process of capturing metrics that speak to employee perception, such as engagement surveys, may require the involvement of a neutral third party.
- Outcomes of Employer Initiatives: Information that speaks to the intended or achieved outcome of targets or initiatives implemented by the company. This would include the intended results for inclusion initiatives, or the benefits to worker engagement from certain training programmes.
- Consideration of Fairness and Equity: We would value disclosure from the company on financial and non-financial incentives available for employees in different pay bands. We would also find useful an explanation from the company on the fairness and appropriateness of incentives given employee health considerations, cost-of-living, and other regional or industry specific considerations. Fairness and equity would also be core to evaluating remedial processes.

Diversity and Inclusion

The following information would be useful to evaluate corporate performance with respect to diversity and inclusion:

- Self identified diversity data for the board, executive team and throughout the different levels of the workforce.
- Details on diversity and inclusion targets, and target setting strategies, as relevant given the geographic focus of the company's operations.
- Inclusion metrics that relay the organization's status with respect to the recruitment, advancement and promotion of diverse talent. These metrics could include turnover and promotion rates across different person groups, and results of employee engagement surveys (anonymized). We note that with respect to employee engagement surveys it would be helpful to know whether the survey was conducted by a third party.
- Yearly metrics where available to evaluate corporate progress towards attaining targets.

The above information could be used to understand: 1) how the company is currently performing with respect to developing and implementing its diversity and inclusion mandate 2) how the company plans to measure and evaluate its progress in becoming more inclusive and 3) how the company is performing relative to its peers. We expect that even within a sector the metrics and information disclosed may vary depending on the geographic focus of the company's operations.

Workforce Engagement

The following information would be useful to evaluate corporate performance with respect to workforce engagement:

- Turnover rates at the company, potentially in comparison to industry averages.
- Employee engagement survey results (anonymized) with applicable context from the company on how it intends to foster, for example, employee perception of autonomy or employee commitment to a shared sense of purpose.
- Information on the financial and non-financial incentives available to employees.

The nature and level of workforce engagement will likely vary across different industries. Standards would need to be flexible enough to adapt to the various realities of companies across different sectors. Notably, workforce engagement can likely also be assessed using some of the metrics suggested in relation to other themes discussed in this correspondence.

Workforce Skills Training/Development

The following information would be useful to evaluate corporate performance with respect to workforce skills training/development:

- An understanding of the ‘learning management system’ in place at a company, which could include information on the frequency and type of training employed to prevent health and safety incidents, data breaches or other such incidents, in accordance with the company’s business model.
- Information on the value and outcomes of any training or development programme. This could include a change in employee turnover and promotion rates that may speak to the effectiveness of the programme.

Skills training could be employed to ensure compliance with certain industry, corporate or health and safety standards. In such cases, it would be useful to have information on how the company is implementing training to prevent incidents that could negatively impact various stakeholders. However, professional training and development could also provide a proactive means for facilitating the personal and professional growth of employees which could improve their productivity and/or creativity, and could facilitate greater worker engagement and drive profitability. In both cases we are most concerned with understanding the *value* and *outcome* of skills training. We have found that disclosure limited to explaining the sole existence of such programming, does not provide the context on how this training furthers key performance areas, such as worker engagement.

Financial Investment in Workers

The following information would be useful to evaluate corporate performance with respect to financial investment in workers:

- Information/metrics describing how workers are paid relative to the minimum wage or living wage in a country, and any other specific geopolitical considerations at play in determining worker compensation. This could include the # of employees in various pay bands, or the # of employees earning the minimum wage.

- Information/metrics describing how workers at the company are paid relative to peer companies.
- Details on how executive pay decisions consider the wages and benefits of employees throughout the organization.
- Employee engagement survey results (anonymized).

The above information could be best utilized by considering how companies are performing relative to their peers, and more broadly by also considering whether workers are receiving fair wages and benefits given the applicable cost of living in their region. This could give insight into the company's approach to sustainable long-term value creation, with a view to decreasing societal income inequalities.

Mental Health and Physical Wellbeing

The following information would be useful to evaluate corporate performance with respect to the mental health and physical wellbeing of workers:

- Employee engagement survey results (anonymized)
- Details on health care benefits available to workers.
- Information on the nature of roles at the company for which workers may be at heightened risks for their mental health or physical health, and the systems in place to mitigate those risks and safeguard the health of workers. This could include mental health considerations for workers doing social media content moderation work, the heightened risk of exposure to covid-19 for frontline workers in the retail industry in the pandemic, and workers with increased risk of exposure to noxious substances in certain facilities.

Mental and physical health is important for all workers. However, there are instances where certain types of work may put workers' mental or physical health at increased risk. Companies should disclose, as is appropriate, how workers are faced with heightened mental or physical health risks, and the types of support offered by the company in relation to such concerns.

Health-related benefits

The following information, in addition to the information identified under the mental health and physical wellbeing heading, could be useful to evaluate the health-related benefits available to workers:

- Employee engagement survey results (anonymized)
- Disclosure on the nature of health-related benefits available to all employees throughout the workforce given industry and region-specific context. This could include a visual representation of the access to basic health benefits for different employees in accordance with their pay band.

Given that health-related benefits such as paid sick leave, will vary according to the industry, and country where workers are located, standards will need to be flexible to adapt to various circumstances. Health related benefits disclosure would be helpful if provided alongside information on the mental health and physical wellbeing of workers. This would provide more context on how optimal these benefits are given the needs of workers.

Alternative Workforce

The following information would be useful to evaluate corporate performance with respect to the alternative workforce:

- An explanation of the nature of the work performed by the alternative workforce in contrast to work performed 'inhouse' by company employees.
- Details on the number of permanent, full-time staff, and the number of alternative workforce team members.
- Details on how the roles and responsibilities, wages and benefits differ for alternative workers in comparison to full time, permanent staff.

Companies incorporate an alternative workforce into their strategy in different ways and for various reasons. The reasons for this approach should be disclosed and understood by stakeholders. The reasoning for whether work is outsourced or conducted inhouse should be provided alongside an explanation of the type of work that is core to the company's business model. Furthermore, it is helpful to assess such disclosure in the context of the appropriate regulatory framework, corporate disclosure on workforce engagement, and the financial investment in workers. Combined, this information would ideally create an understanding of the appropriateness of an alternative workforce and any risks to issues such as: fair compensation, cybersecurity, the brand or agility of the company.

Labour Conditions in the Supply Chain

The following information would be useful to evaluate corporate performance with respect to labour conditions in the supply chain:

- An explanation of corporate commitments, policies and relevant industry association memberships with respect to upholding labour rights in the supply chain.
- The number of suppliers in contravention of labour and human rights policies of the company, and an indication of the nature of the contravention (forced labour, child labour etc.).
- An indication of how many suppliers were able to rectify contraventions in accordance with legal and corporate standards.
- The number of relationships with suppliers that ended due to labour rights contraventions.
- An explanation of the remedial process available for workers where a contravention has been found to exist in a company's supply chain.
- Yearly figures, where possible, to demonstrate the effects of a change in policy/process at the company intended to uphold labour rights in the supply chain.
- An explanation of human rights due diligence activities, such as human rights impact assessments, undertaken by the company.

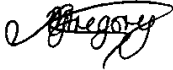
The above information would be useful in allowing stakeholders to assess whether any policies meant to uphold labour rights in the supply chain of a company are being successfully operationalized. Transparency on the types of contraventions found in the process, and the company's response to such contraventions, would speak to the company's intentionality around long-term sustainable value creation, and its commitment to employing a robust ESG approach to business.

Conclusion

We would again like to commend SASB for its efforts in furthering corporate disclosure on human capital management. We thank SASB for the opportunity to share our perspective and remain open to engaging on any of the issues we have raised in this correspondence.

Sincerely,

NEI Investments



Michela Gregory |
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Director, ESG Services

cc:

Jamie Bonham, Director, Corporate Engagement

Appendix – Survey Responses Regarding Financial Materiality

Diversity and Inclusion

Sector Focus – All or nearly all

There is now increasing evidence supporting the business case for diversity and inclusion. A company that lacks diversity could limit its growth and profitability by for example, limiting the ability of its products and services to appeal to a broad range of customers and stakeholders. A company with limited diversity also could lack diverse thought and opinions. Research indicates that diverse companies benefit from more creative teams which are better poised to push the company forward in alignment with its growth strategy.

Worker Engagement

Sector Focus – All or nearly all

Employees are a consistently important stakeholder group. While worker engagement may differ across sectors, countries, regions etc., we believe there is a link between workers, how engaged they are with the business, their productivity and the long term, sustainable success of the business. Worker engagement can affect the revenue of the business, as well as the expenses and liabilities of the business. Pension plans, out of court settlements with workers, salaries and benefits, worker creativity and productivity driving revenue – are all examples of how worker engagement is financially material.

Workforce training/skills development

Sector Focus – All or nearly all

While the form of workforce training and skills development may vary across sectors and industries it remains consistently financially material. In certain contexts, training is needed to ensure compliance – in such circumstances a company with limited training could be faced with fines or managing settlement or court awards where standards were not met. Additionally, training and skills development could allow a company to become more competitive as it performs processes faster, or the expertise of employees is developed allowing the company to better its product or service offerings.

Financial Investment in Workers

Sector Focus – All or nearly all

Though the form of financial investment may vary, financial investment in workers is a material consideration and a consistent issue for business across sectors and geographies. This investment could impact the liabilities and expenses of the company, but could also drive employee engagement and contribute to increasing revenue.

Mental Health of Workers

Sector Focus – All or nearly all

Mental health is financially material across sectors and geographies, though the risks related to workers coping with mental health issues could look different. There may be certain risks to mental health that cut across sectors, and other risks that are heightened due to the nature of work being performed. For example, there could be heightened risks of error on the job, and decreased worker engagement. If materialized, these risks could affect the expenses and liabilities of the company, and limit the opportunities for growth. Notably, mental health and physical wellbeing are interconnected themes. We also feel compelled to note that the importance of worker health extends well past its financial materiality for business. Health, and access to healthcare, are important societal considerations.

Physical Wellbeing of Workers

Sector Focus – All or nearly all

Similarly to mental health, physical wellbeing of workers is financially material across sectors and geographies. There may be certain risks to physical wellbeing that cut across sectors, and other risks that are heightened due to the nature of work being performed. For example, there could be risk of injury or exposure to toxic materials, or in other sectors risks arising from sedentary work. If materialized, these risks could affect the expenses and liabilities of the company, and limit the opportunities for growth. Notably, we believe that worker health matters not just because it is financially material. Health, and access to healthcare, are important societal considerations.

Health-related benefits

Sector Focus – All or nearly all

If there is agreement on the financial materiality of the mental health and physical wellbeing of workers, then it seems that health related benefits would be a natural corollary. Though benefit offerings would in some ways present as a cost for companies, it should also be considered an investment into supporting the overall wellbeing of workers.

Alternative Labour

Sector Focus – All or nearly all

Alternative labour will differ across sectors and geographic landscapes. Alternative labour would be financially material to the extent that this is tied with other human capital themes, such as the financial investment in workers. Depending on the nature of alternative work, salary, benefits, bonuses etc. could conceivably differ and affect the expenses and liabilities of the business. If companies are not able to ensure the necessary levels of worker engagement and commitment, there could be limitations in growth opportunities depending on the nature of work performed by the alternative workforce.

Labour in Supply Chain

Sector Focus – Many Industries: Consumer Goods, Food & Beverage, Healthcare, Infrastructure, Renewable resources & alternative energy, Resource Transformation, Technology and Communications, Transportation

Labour in the supply chain is financially material across sectors that have expansive supply chains. Companies could face reputational risks, fines and other like expenses if they or their suppliers are found to have contravened labour or human rights laws or regulations. This could increase their expenses and limit their revenue. Consumers are increasingly conscious about these issues and could move their dollars towards companies that are more transparent about their process for upholding labour rights in their supply chain.