



Welcome to our Webinar:

September 8, 2021 - 12Noon to 1:00pm

Measuring the Most Valuable Asset – The sequel SEC New Human Capital Disclosure Rules

Featuring:

Sylvia Tsen – Senior Director, People Services and Systems,
Central Park Conservancy

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Sulaiman Afzal – Founder, Culture of Change

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John Truzzolino - Director of Business Development

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Sylvia Tsen – Moderator

Canadian CPA with over 20 years working in the international and not-for-profit environment



- At Central Park Conservancy, Sylvia leads people and culture programs, improves business processes, and leverages data to benefit all visitors to NYC's beloved urban oasis – Central Park.
- During her time at the International Federation of Accountants, she led teams on audit quality and technology thought leadership, capacity building programs, and oversaw the business's operations and IT services.
- Her early audit and financial reporting career with KPMG (New Zealand, The Netherlands) formed the basis of her interest in the value of financial and non-financial information.
- In her role as Chair of ARCHIVE Global, the non-profit continues to implement innovative built environment solutions that improve sanitation and housing for those with the greatest needs.



Sulaiman Afzal – Speaker
Founder – Culture of Compliance

- Sulaiman Afzal is a fellow of the Institute of Chartered Accountants in England & Wales (ICAEW).
- Mr. Afzal helps create a collaborative environment where employees are well-trained and empowered to work at full capacity, and people will notice. Because even in today's highly automated world, nothing can replace the value that knowledgeable, caring member service can bring to a business transaction experience.
- His services include workshops for Fortune 500 clients on Culture Change, Governance, Risk and Compliance (GRC) program for Enterprise Risk Management (ERM).



John Truzzolino – Speaker
Director of Business
Development at Donnelley
Financial Solutions, DFIN, Global
Capital Markets

- John has more than two decades of experience following global governance changes largely in support of creating efficiency and greater transparency, while improving the quality of disclosure, embracing the evolution of global reporting in standardized, machine-readable data formats.
- Driving innovation at DFIN, John researches the impact of the evolving global reporting frameworks on compliance and investor communications, as well as working to develop solutions to meet changing regulatory environment.
- As Director of Business Development, John is responsible for coordinating research, development and publications around evolving global compliance, with a focus on the evolving Environmental, Social and Governance issues.

**Culture of
Compliance**



DFIN

Learning Objectives

After attending this session, attendees will be able to better understand “[SEC New human capital disclosure rules: Getting your company ready](#)”.

- ① **Inventory** all human capital measures or objectives that you focus on in managing the business.
- ② **Focus** the inventory to include the measures that are material to an understanding of the business.
- ③ **Implement processes and controls** over the preparation and reporting of human capital measures.
- ④ **Consider subsequent measurement and reporting.** Human capital measures should be consistent from period to period. Changes to how the measures are used or calculated should be disclosed. [External audits of human capital reporting](#).
- ⑤ **Listen continuously to employees** input in order to optimize performance and risk among the workforce.
- ⑥ **Consider use of Disclosure Committee Charter** for the new “[SEC New human capital disclosure rules](#)”.

Topics

1. SEC new human capital disclosure rules
2. An effective way to leverage Disclosure Committee
3. Leadership in times of crises > post-COVID19
4. External Audit Reports – Use Case
5. Four Polls
6. ESG reporting and attestation: A roadmap for audit practitioners
7. Next Steps...

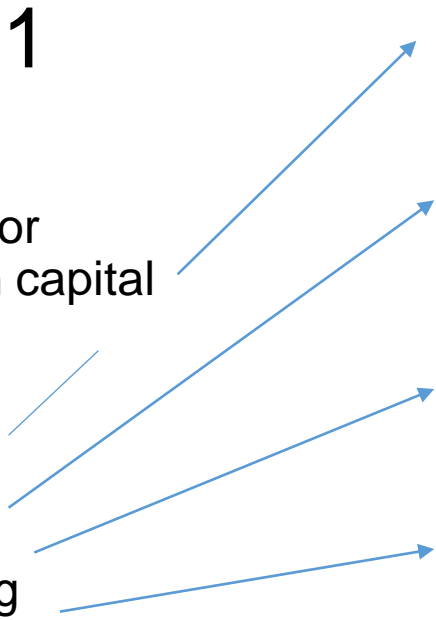




Poll Number 1

Does your department or company report human capital data today?

- 5. Predictive Analytics
- 4. Advanced Analytics
- 3. Advanced Reporting
- 2. Operational Reporting
- 1. No reporting



TALENT ANALYTICS MATURITY MODEL

Bersin by Deloitte Talent Analytics Maturity Model



The future of human capital Reporting

Attract | Retain | Optimize

- **SEC now requires companies to disclose **human capital data****
- **a principles-based approach is urged**
- **an opportunity to:**
 - across enterprise: talent management + learning excellence
 - leverage a standards-approach as a framework for thinking/planning
- **understanding what is relevant for an organization AND *can be measured* and improved provides an opportunity for what *can be reported***

Important considerations On SEC Human Capital Disclosure Rules

- Investors may be positioned to use this **data** to evaluate investments.
 - **Human capital reporting and evidence of continuous improvement may serve as a differentiator to companies**
- Public companies now are required to disclose human capital data as they see fit for their unique business.



- Diversity, equity and inclusion
- Compensation philosophy
- Employee safety
- Employee benefits (including health and wellness)
- COVID-19 impact/response
- Employee engagement/surveys
- Employee learning and development
- Productivity and continuous process improvement
- Oversight/management of human capital

NEW SEC RULES ON HUMAN CAPITAL REPORTING

- Proposed rule (2019) as part of the Modernization of Regulation S-K Items 101, 103, and 105.
- On August 25, 2020, Regulations S-K, the rule was finalized
- Rule officially went into effect on November 9, 2020
 - Focuses on non-financial reporting requirements
 - Replaces the requirement to disclose the number of persons employed by the registrant, with this:
*“...to provide a description of the registrant’s human capital resources, including in such description any human capital measures or objectives that management focuses on in managing the business, to the extent such disclosures would be **material to an understanding of the registrant’s business taken as a whole.**”*

Principles-based Approach

SEC is urging a principles-based approach:

- ...disclosure must be tailored to its unique business, workforce, and facts and circumstances.
- ...affords registrants the flexibility to tailor their disclosures to their unique circumstances, *by providing disclosure in accordance with some or all of the components of any current or future standard or framework that facilitates human capital resource disclosure that is **material** to an understanding of the registrant's business taken as a whole.*

WHAT DOES THE SEC HUMAN CAPITAL DISCLOSURE CHANGE MEAN?

- The bright age of data about human capital, the most important “machine” in an organization, is moving closer.
- This rule forms a basis for companies to share their human capital data as another point of overall evaluation.
- **Disclosures of human capital data will be a mark of organizational efficiency and the effective use of human resources.**
- These data points can provide an improved human management landscape for organizations and can guide continual improvement and evolution.
- Equally important to outside parties, analysts, and the markets, these disclosures can provide an additional means for investor evaluation.
- While there is variability in the types of data that may be disclosed, organizations should make their best efforts to **produce metrics that can be monitored and improved internally** with more frequency while simultaneously sharing these metrics with the investment community.

SEC Human Capital Reporting Focus Areas

INPUTS

Fundamental building blocks for achieving value through people. This includes all investment in human capital, such as workforce costs.

ACTIVITIES

Key human resource management tasks (value chain or life cycle) to ensure that people can work **productively** and **healthily**, such as information about organizational culture.

OUTPUTS

Results of investments and activities, such as the human capital return on investment (ROI).

OTHER CONSIDERATIONS TO SEC REQUIREMENTS

Annual Reports

Sources of Truth (HRIS/Learning Systems)

Reporting Responsibility

System Responsibility

Resource and Content Responsibility

Interpretation, Insight and Communication Responsibility

Potential Organizational Responses to SEC Disclosure Rules

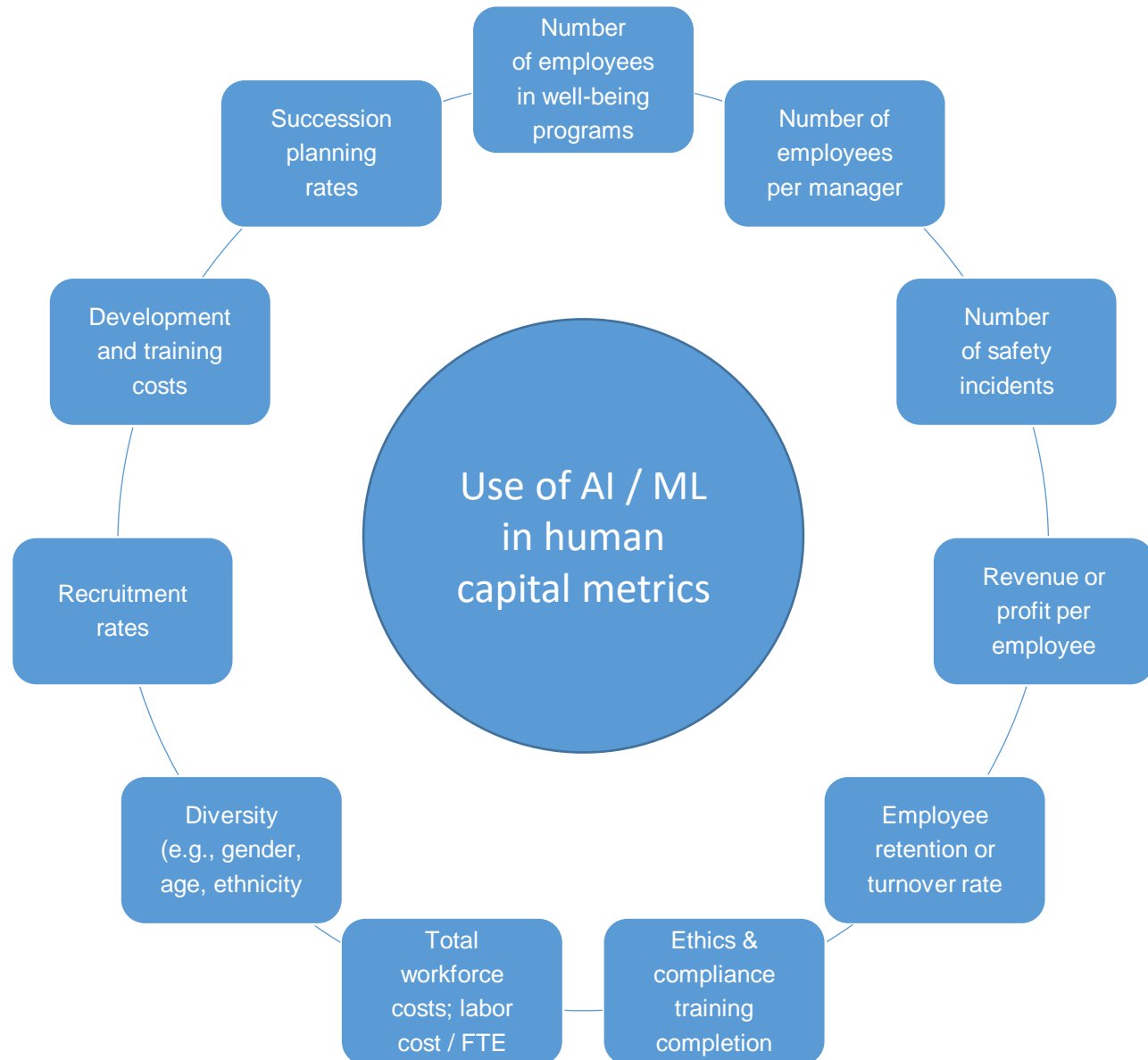
Laggards: Companies seek minimum compliance to meet requirements

Leaders: Companies embrace the idea of their human capital metrics as a strategic differentiator and seek capabilities beyond compliance

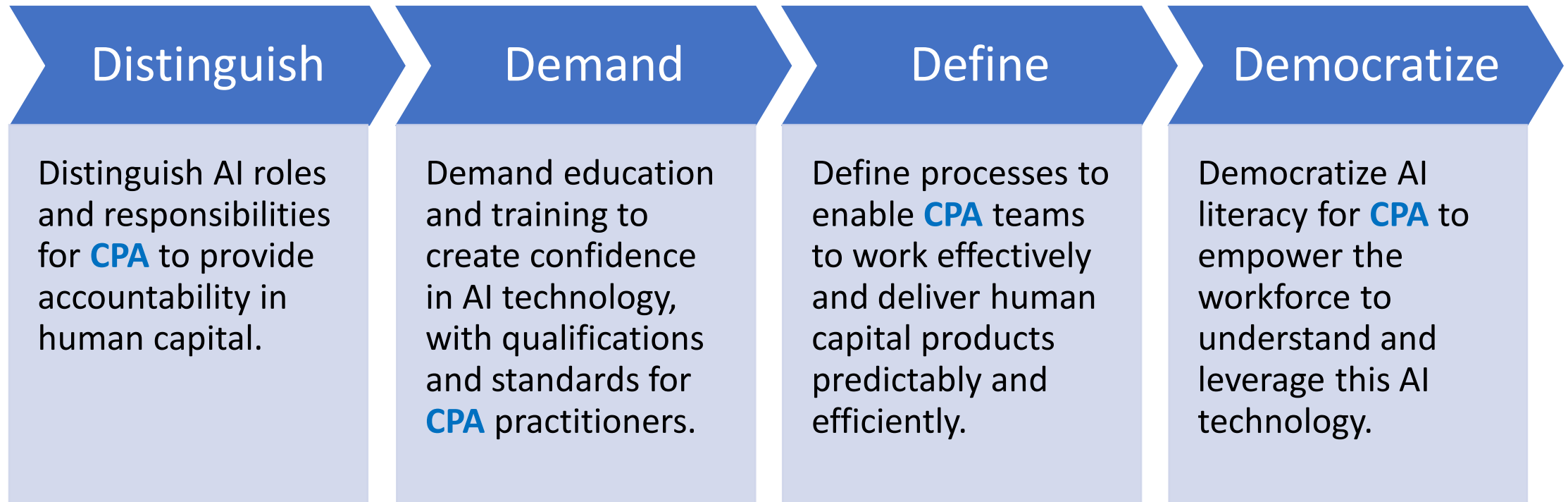
Middle of the Road: Companies make a meaningful starting point evolve over time

SEC Human Capital Objectives or Measures

- **MATERIALITY**
The rules require disclosure of human capital objectives or measures used to manage the business if **material** to an understanding of the business.
- **QUALITATIVE/QUANTITATIVE**
Companies need to consider whether to include a **qualitative** objective and/or a **quantitative** measure in each area of human capital.



Professionalizing AI in Human Capital for the CPA

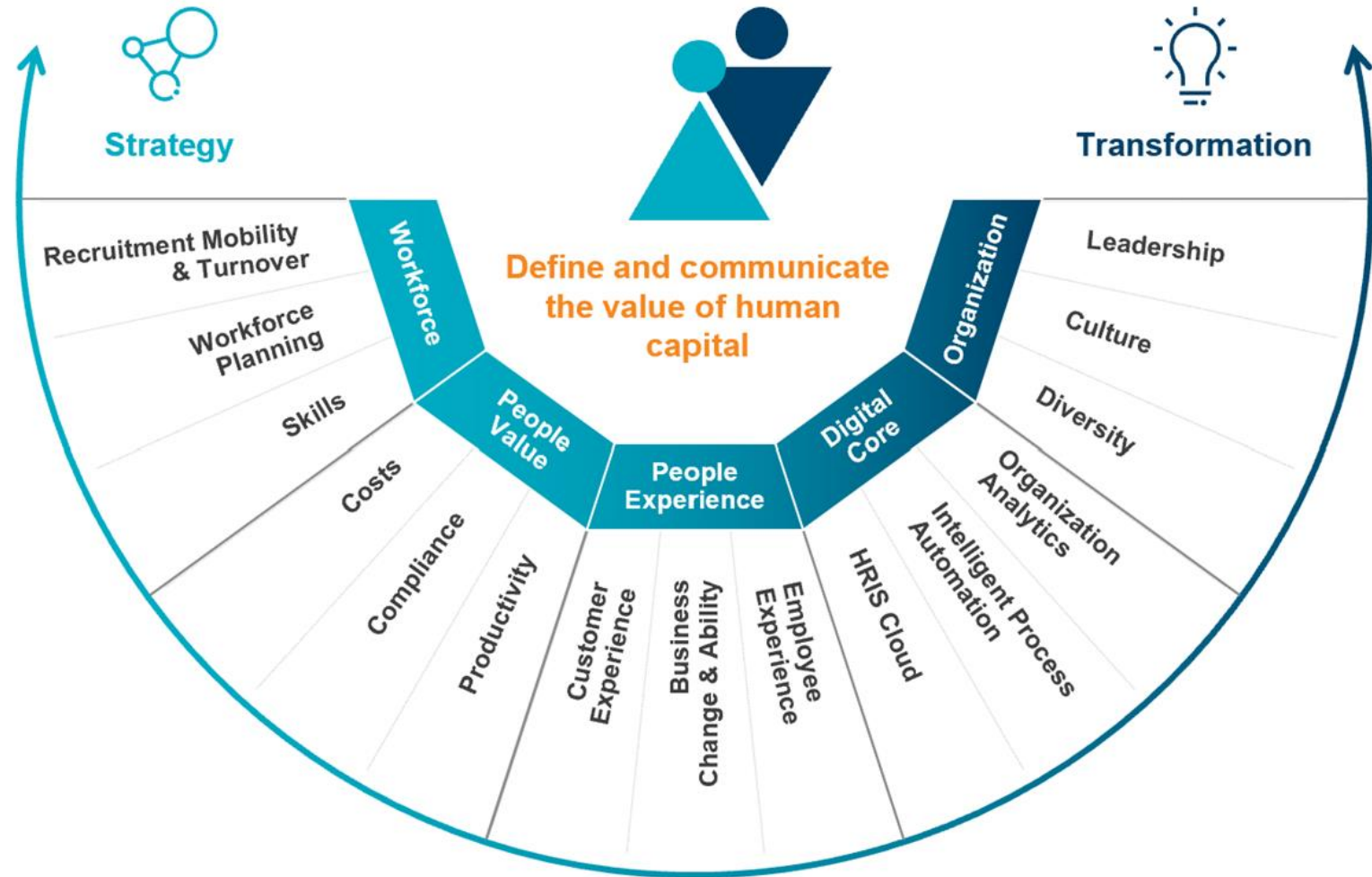


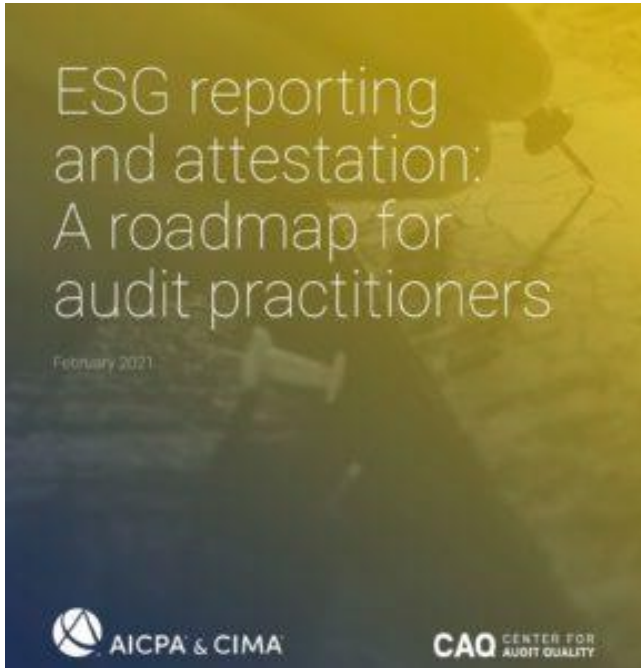


Poll Number 2

How many of 5 focus areas and 15 human capital related key metrics can your department or company disclose?

- None
- A few
- Most
- All of them





[LINK](https://www.aicpa.org/content/dam/aicpa/interestareas/businessindustryandgovernment/resources/sustainability/downloadabledocuments/caq-esg-reporting-and-attestation-roadmap-2021-Feb-v2.pdf)

<https://www.aicpa.org/content/dam/aicpa/interestareas/businessindustryandgovernment/resources/sustainability/downloadabledocuments/caq-esg-reporting-and-attestation-roadmap-2021-Feb-v2.pdf>

The purpose of this roadmap is to assist practitioners in supporting companies with their **ESG reporting goals**.

This roadmap can aid practitioners when they discuss with companies, questions surrounding:

1. where and how to report ESG information (e.g., in an SEC submission),
2. whether to engage an **independent accounting firm** to perform an attestation engagement on the ESG information, and
3. where to include the attestation report or reference such report.

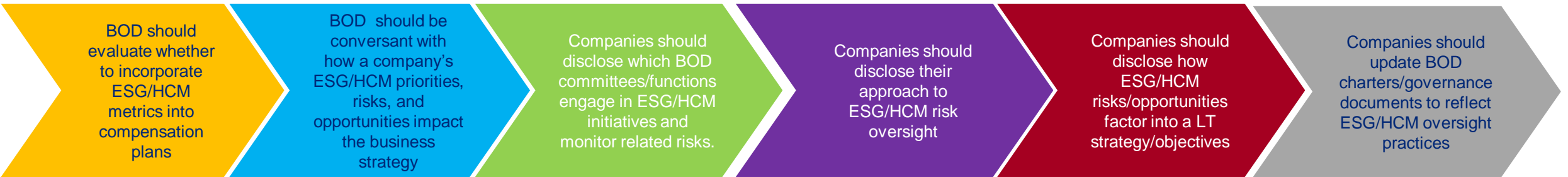
This resource is general in nature. It is not intended to be a definitive or all-inclusive list of risk, accounting, and legal considerations; it is not intended to serve as legal advice. It should be read in conjunction with other applicable rules, laws, and regulations; **practitioners should seek legal counsel to advise as appropriate**.

Environmental, Social, and Governance (ESG) & Human Capital Management (HCM) — Integrating with Strategy & Performance

Prepare for the changes

Environmental, Social, and Governance (ESG) & Human Capital Management (HCM) — Integrating with Strategy and Performance, highlights the importance of considering risk in both the strategy-setting process and in driving performance.

The six components of ESG & HCM — Integrating with risk in both the strategy-setting process and in driving performance



Alliant Energy Corp. (LNT) Proxy Statement page # 12	Prudential Financial (PRU) Proxy Statement page # 11	Verizon Communication Inc (VZ) Proxy Statement page # 17	PayPal Holdings Inc (PYPL) Proxy Statement page # 32	Baxter International (BAX) Proxy Statement page # 29	Essential Utilities (WTRG) Proxy Statement page # 22
Williams Companies (WMB) Proxy Statement page # 8/49	Dominion Energy Inc. (D) Proxy Statement page # 9	Fifth Third Bank Corp (FITB) Proxy Statement page # ix/25	Darling Ingredients Inc (DAR) Proxy Statement page # 12	AT&T Inc. (T) Proxy Statement page # 27	Nasdaq Inc. (NDAQ) Proxy Statement page # 52
Verizon Communication Inc (VZ) Proxy Statement page # 31/32		Lowes Companies Inc (LOW) Proxy Statement page # ix		Honey International (HON) Proxy Statement page # 5	Baxter International (BAX) Proxy Statement page # 28
		Dominion Energy Inc (D) Proxy Statement page # 29			AT&T Inc. (T) Proxy Statement page # 28



Environmental, Social, and Governance (ESG) & Human Capital Management (HCM) — Integrating with Strategy & Performance

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Environmental, Social, and Governance (ESG) & Human Capital Management (HCM) — Integrating with Strategy and Performance, highlights the importance of considering risk in both the strategy-setting process and in driving performance.

The following represents various tracking concepts of ESG & HCM — Integrating with risk in both the strategy-setting process and in driving performance

1. Responsible growth

2. Risk Oversight

3. ESG: Diversity and inclusion

4. ESG: Employee Engagement Survey and turnover

Bank of America (BAC)
Proxy Statement Summary page # vi

Responsible Growth
We have been focused on Responsible Growth for more than a decade. That means we must grow, no excuses. **We have to do it by focusing on delivering for clients within our risk parameters.** And it must be sustainable. To be sustainable, we want to be the best place to work for our team, we share our success with our communities, and we drive operational excellence. By focusing on Responsible Growth we deliver for our teammates, clients, and shareholders AND help address society's biggest challenges. Our long-term, steadfast focus on Responsible Growth prepared us to be a source of strength in 2020 when others needed us most. It allowed us to vigorously respond to the global health and humanitarian crisis arising from the coronavirus pandemic, and continue to promote stakeholder capitalism and drive social progress for racial equality and economic opportunity. To learn more, visit <http://bankofamerica.com/responsiblegrowth>.

Bank of America (BAC)
Proxy Statement page # 26

Enterprise Risk Committee
Our **Enterprise Risk Committee** has primary responsibility for overseeing the Risk Framework, our overall risk appetite, and material risks facing the company. **The committee regularly receives updates from management, including a report that addresses and provides updates on key management's development of our Risk Framework and Risk Appetite Statement, and management's development of our risk profile to our capital, strategic and operating plans.** In addition, our Enterprise Risk Committee approves our Risk Framework and Risk Appetite Statement on an annual basis and recommends to the Board for approval.

Audit Committee
Our **Audit Committee** provides additional risk management oversight for compliance risk, and regularly receives updates from management on compliance risk-related matters.

Bank of America (BAC)
Proxy Statement page #35

Being a great place to work - Being a diverse and inclusive work place. Creating an inclusive environment at the top extends to all teammates. Our Board, its committees and our CEO play a key role in the oversight of our culture, holding management accountable for ethical and professional conduct and a commitment to being a great place to work. Our Board and it's committees among other things;

- **Oversee our human capital management strategies, programs and practices, including the progress on our diversity and inclusion goals.**
- **Oversee our establishment, maintenance and administration of appropriately designed compensation programs and plans.**
- **Review our annual Employee Engagement Survey results, including our Engagement and D&I indices.**

Bank of America
Proxy Statement page #38

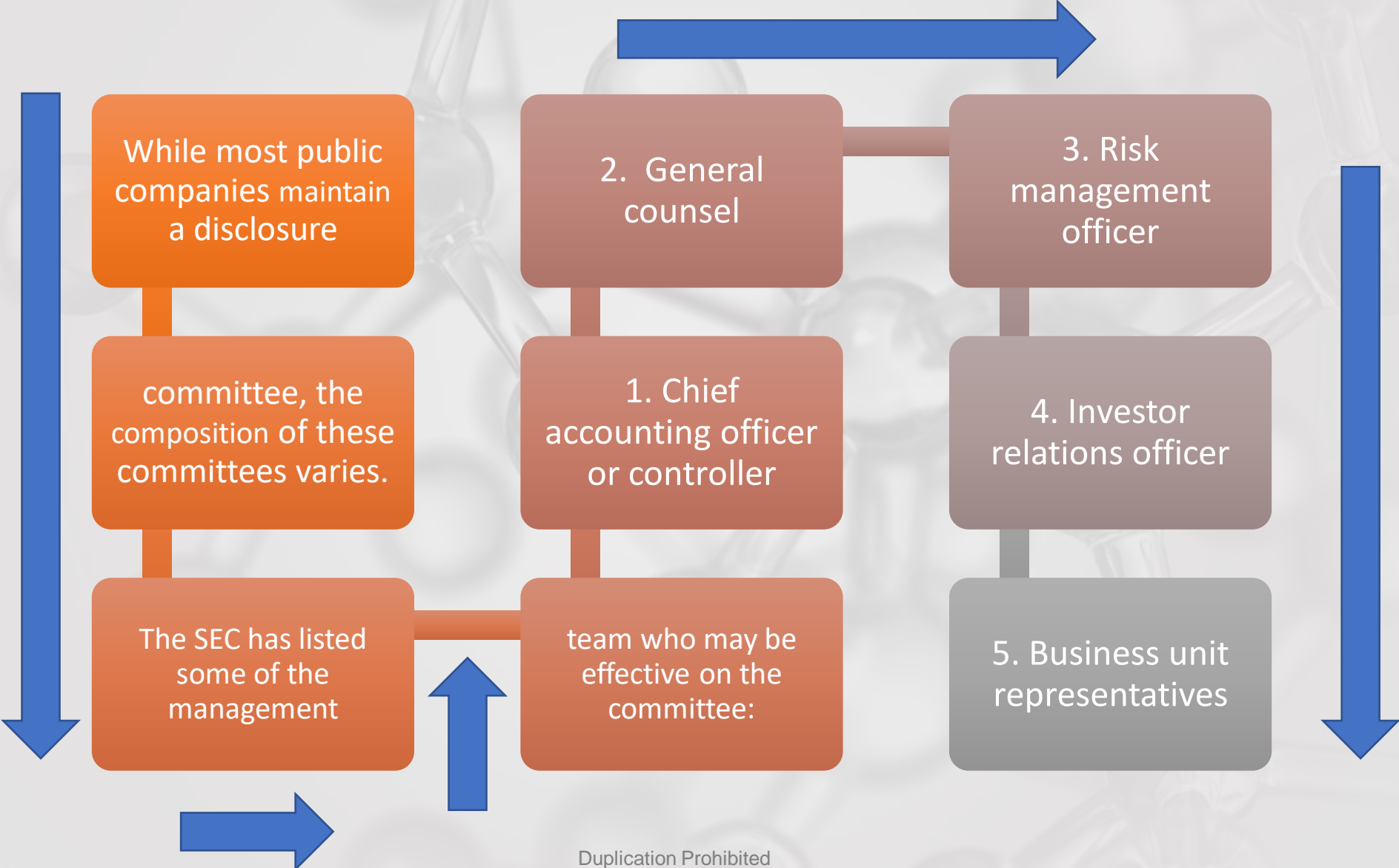
Employee Engagement Survey and turnover results

In 2020, our commitment to **Responsible Growth** and our efforts to make our company a great place to work resulted in a record high employee engagement score and historically low turnover across the company.

Disclosure committee essentials

A disclosure committee is a great opportunity for senior management to set the right tone for the broader management team that **disclosure controls and procedures are important**. In addition, a disclosure committee with the right composition helps ensure that information from across the organization is considered for disclosure and provides its members with an opportunity to learn from each other.

Disclosure committee members



Disclosure committee responsibilities

Public companies are responsible for producing large volumes of disclosure about their financial performance, including their 10-K and 10-Q filings. A company's annual and quarterly filings must include a certification from the company's **CEO and CFO** stating that the information is fairly presented, in all **material aspects**.

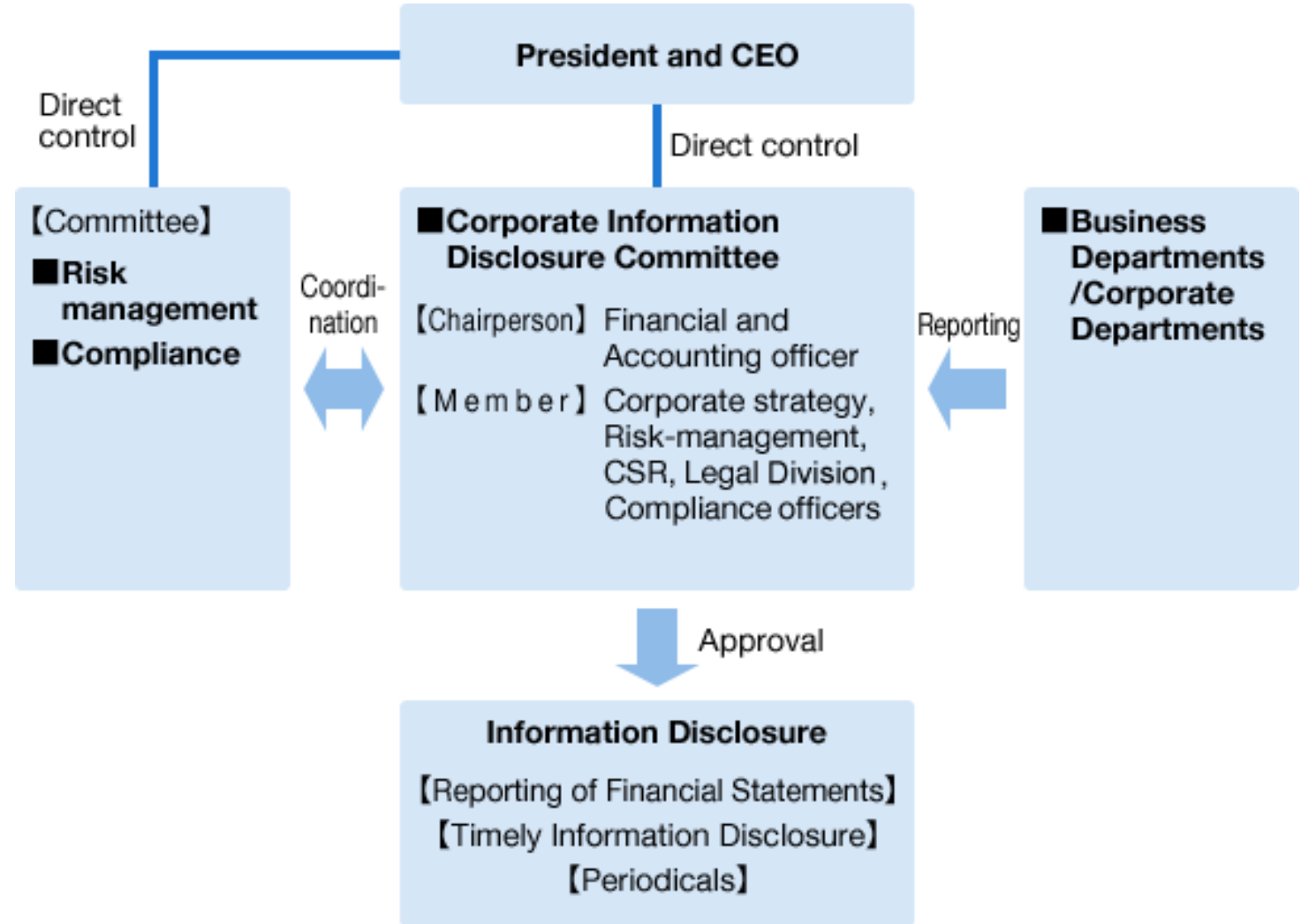
Disclosure committees can help the CEO and CFO get comfortable that **all required disclosures are in the company's filings**, and that the company's disclosure controls and procedures are being followed. They can also help management and audit committees identify and address any significant accounting and other matters that require disclosure. **And a disclosure committee with the right composition allows its members to bring diverse perspectives and insights on disclosure-related matters.**

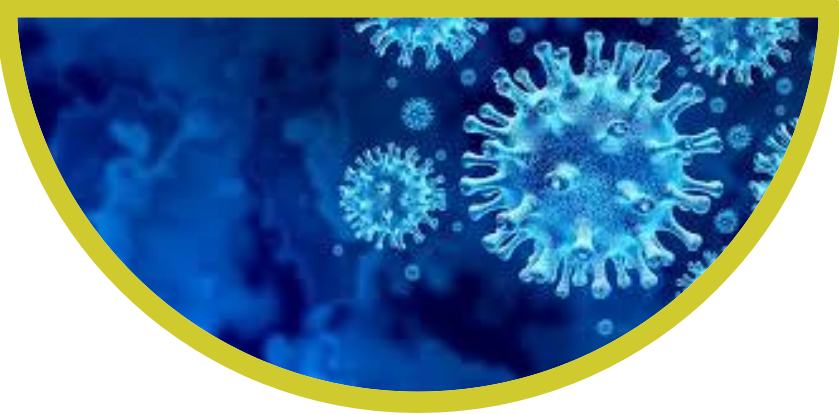


Poll Number 3

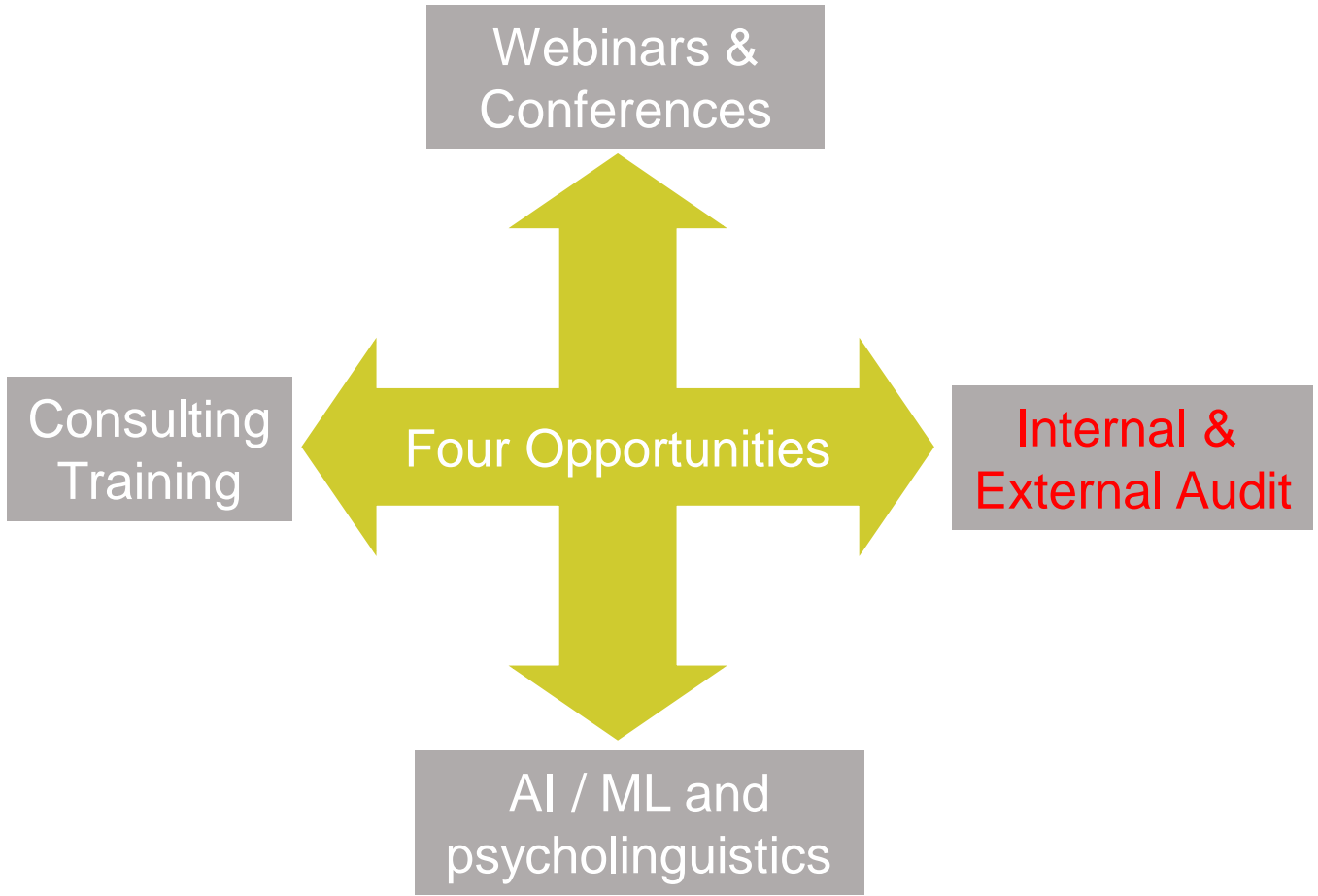
Does your company have an effective Disclosure Committee to manage Human Capital Disclosures?

- Yes
- Not Sure
- No

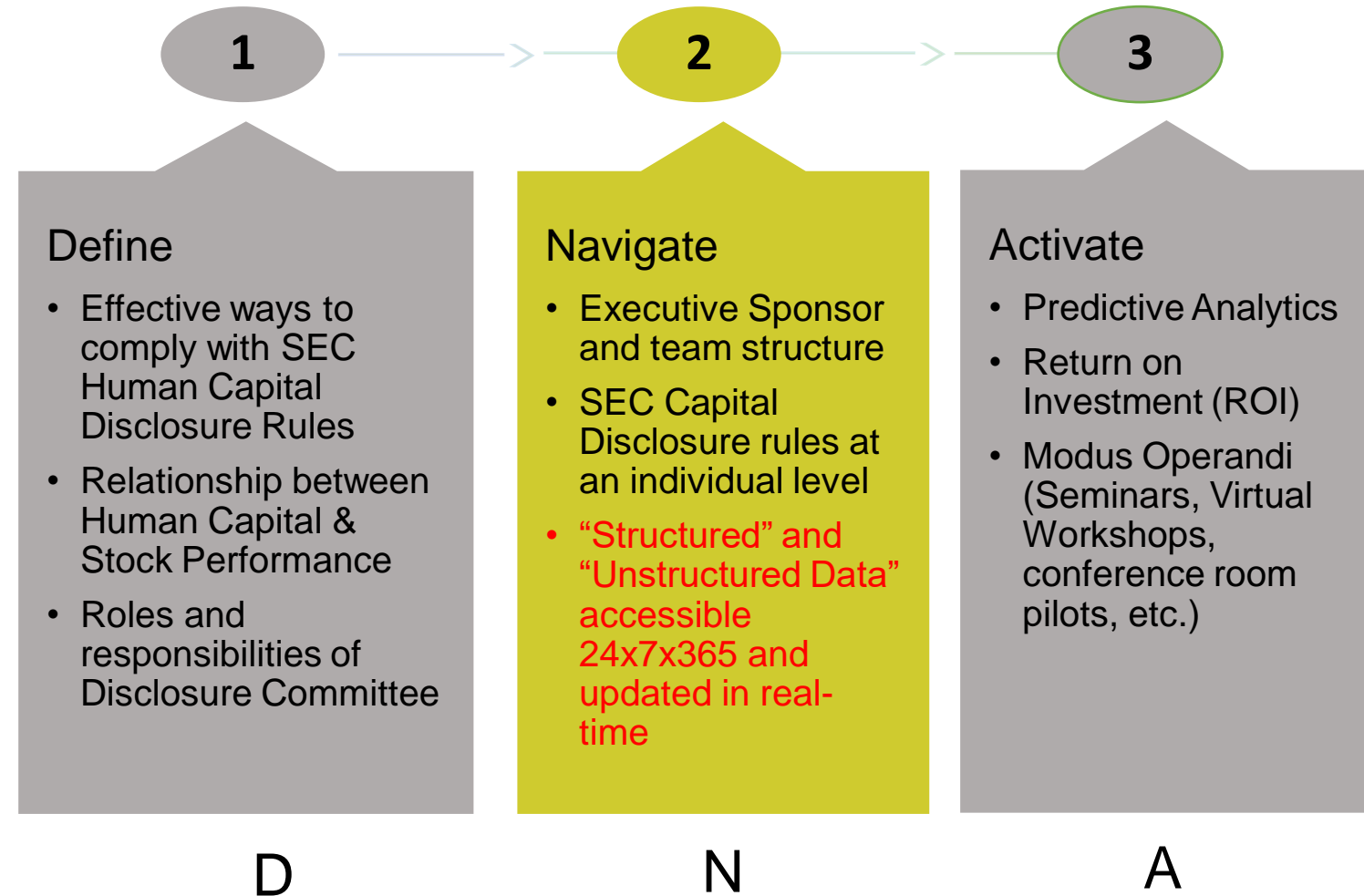




SEC new human capital disclosure rules:



SEC new human capital disclosure rules: Next Steps.....





Poll Number 4

Our aim was to get you ready for SEC Human Capital Disclosures.

Have we accomplished our goal?

- a. Not sure
- b. Partially
- c. Fully



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Audience Q&A