

Human Capital and the Future of Work

2021 ANNUAL SUMMARY

– APPROVED FOR PUBLIC DISCLOSURE

Human Capital and the Future of Work Thematic Engagement

Since our last annual report in 2020, the most remarkable development has been the trend of people resigning from their jobs at a significant scale. Now as we enter the post-COVID era, companies and employers are now facing the “War for Talent.” Around four million Americans quit their jobs in April 2021 alone, posing a great challenge for companies to fill these positions with the right talent. We all are experiencing this trend, in one way or another, with people around us in pursuit of more meaningful work that are aligned with their life goals. Many are moving to companies with better opportunities like a more diverse and inclusive work environment. Companies not only face the risk of losing talent but also face the risk of not finding the right people to do the job. This trend has changed the playing field for companies when it comes to human capital management. It also highlights the fact that discussions around the treatment of employees are crucial to company success.

Our thematic engagement on Human Capital and the Future of Work aims to establish dialogue with companies in the Industrial, Financial, and Media sectors. We are encouraging a proactive human capital management approach to hiring, developing, and retaining talent to address the transformations posed by emerging trends in the post-pandemic era. We are also promoting the development of diversity, equity, and inclusion strategies, and programmes for inclusive corporate cultures.

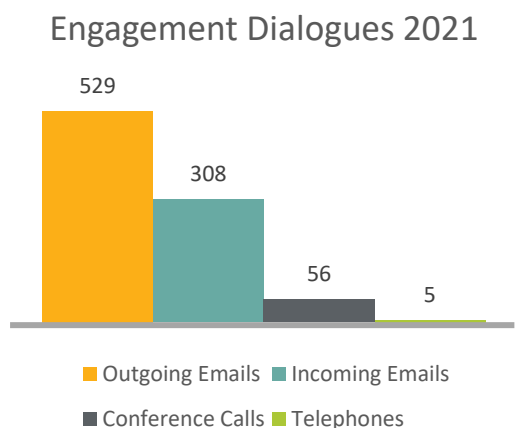
Developments in 2021

It has been almost two years since the COVID-19 pandemic broke out. This is serving as a catalyst of change for human capital management. Physical proximity and the level of human interactions have been impacted across industries and sectors, and it will most certainly continue evolving in the post-pandemic reality. For example, the emergence of hybrid working models and the acceleration of the implementation of automation, digitalization strategies, and artificial intelligence are examples of changes that are here to stay. This, however, presents an interesting opportunity for companies to reimagine the way of working, think about the roles and skills needed for the business to perform in the long term, and ensure employees benefit from a variety of health and wellbeing programmes.

Furthermore, as part of taking advantage of opportunities and attracting and retaining talent, it has become quite evident that diversity and inclusion are a top priority, and expected to remain the same moving forward. Creating a more inclusive workplace is a journey, but the challenges posed by the pandemic, events related to racial injustice, and the lack of disclosure on how companies are managing the workforce, have propelled investor activity to encourage better human capital management and disclosures from companies.

Engagement Update

The pandemic had a significant impact on our dialogues with companies, especially at the beginning of the engagement. Maintaining consistent communication with 17 companies employing approximately 2 million employees worldwide, we are positive about the impact and the number of people affected through our ongoing engagement dialogues and the engagement programme moving forward. Based on this, this engagement is



timely and relevant for many reasons, one of which to encourage companies to discuss their approach on human capital management and diversity, equity, and inclusion. During 2021, we organized 56 one-to-one calls with engagement companies in our three focus sectors.

Company Performance

There are clear leaders in each sector and there are companies that are still on their learning journey. The adjoining chart shows the 2021 progress of all engagement companies' average overall scores based on key performance indicators (KPIs). These are developed for guiding the discussions and evaluating progress throughout the engagement. Two companies were added to the engagement towards the end of 2021, showcasing progress only for Oct 2021.

Considering that it is challenging to compare scores due to differences in industries, geographies and need for talent, certain patterns have emerged from the dialogues and assessments of disclosures. In terms of human capital management, we learned that companies are looking into reskilling and upskilling programs, hybrid working models, mental health and wellbeing programs. In terms of diversity and inclusion programmes, companies are prioritising diversity targets towards 2025 and 2030, equal pay, and inclusion initiatives as part of retention strategies.



Case study

Since the beginning of the engagement, we have had a rewarding dialogue with a large German technology company employing more than 300,000 people around the world. In 2021, we had two conference calls and various email exchanges with leaders responsible for human capital management. Even though the team

was not used to speaking to investors, they have appreciated the interest from investors on human capital and have valued the input and feedback on their work and plans moving forward. As a result, we have seen a significant improvement in initiatives and disclosures when it comes to making the business and the workforce future-ready as we enter the post-pandemic era. The company has deployed new working models to make the organization more flexible and developed individual and organizational adaptability. This is challenging but the company is open to experimenting and learning from its approach moving forward. Lifelong learning has become a top priority for the company. It implemented initiatives to enhance the learning experience of employees and provided upskilling and reskilling programmes to reduce reactive restructuring and recruiting. It also included learning hours per employee as a criterion of the executive compensation to hold leaders accountable in promoting learning across business units and empowering employees.

As part of its D&I efforts, the company has established a new target to increase their female share in top management by 2025. Furthermore, it is customizing its D&I global strategy to local needs due to the large global footprint of its operations. And, in order to understand how people feel and the level of satisfaction of employees around its D&I efforts and future of work initiatives, the company is considering innovative ways to engage with employees more frequently than annual surveys. This highlights the importance of employee engagement as a key factor moving forward into the post-pandemic era.



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