

Human Capital Disclosures

Elevating People Success
as a Business Priority



joshbersin

According to Richard Branson: “Take care of your people and they will take care of your business. It’s as simple as that.” As one of the most famous self-made billionaires of all time, he should know. In the last year, the global pandemic and the massive call for social justice have brought health and wellbeing; diversity, equity and inclusion; employee productivity and performance; and developing people for the future to the priority list of CEOs around the world. In November 2020, a new SEC regulation requires U.S. publicly traded companies to report on human capital measures, and this has catapulted a strategic, principled view of people as appreciating assets to a board-level sense of urgency.

HR executives across all industries now face a tall order to show how essential investments in employees are to overall business success. High-performing companies see the new human capital disclosures as more than a compliance requirement. Instead, these organizations combine metrics with storytelling to paint the picture of people as the foundation of business performance. For HR leaders, it is also an enormous opportunity to elevate their role to a business-critical organizational value-driver.

The Evolution of Human Capital Reporting Requirements

The rules of reporting and disclosure requirements had remained unchanged in the last 30 years, yet business, the economy, and the workforce environment changed markedly in that time. In the 1990s, management approaches were primarily top-down and people stayed in their companies for life with a mindset that a “good job” meant moving up a slow, steady trajectory of promotions with a stable organization, then retiring at the age of 62.

In the meantime, the organization’s approach toward people and culture has shifted dramatically. High-performing companies no longer see people merely as “personnel” that needs to be managed like inventory, aiming to minimize cost. As study after study shows, investing in people—improving employee wellbeing, increasing employee wealth, supporting diversity and inclusion, and enabling

capability development—is one of the best investments an organization can make, resulting in significant ROI. Beyond “being the right thing to do,” investment in people can result in higher performance, better employee retention, and happier customers.

Investors have understood this connection for decades, and forward-thinking companies like Starbucks or Wells Fargo have long reported in about more than just headcount in their filings. With up to 85% of a company’s costs tied up in people, stakeholders looking to allocate investment dollars want to understand how management sees the company’s strategic and operational requirements.¹ Over the last few years, the SEC has prepared for this new ruling, first testing the waters and then getting input before formally introducing it, which reveals the SEC recognizes human capital is an important predictor of business success.

Former Chairman Jay Clayton of the SEC said, “I cannot remember engaging with a high-quality, lasting company that did not focus on attracting, developing, and enhancing its people. To the extent those efforts have a material impact on their performance, I believe investors benefit from understanding the drivers of that performance.”²

Human capital disclosures are not new. In Europe and parts of Asia, reporting human capital metrics has been a requirement for years. But these requirements are specific and targeted, whereas the U.S. requirement is “principle-based”: the measures to disclose are defined by the company based on “materiality” to the business, and they can and should evolve as the environment changes. As a result, every company will include a variation of metrics, and no two companies will tell the same people story.

Many companies will report basic metrics, such as headcount and a description of its human capital resources. More mature companies will look to tell a compelling story, and to seize the opportunity to bring people-related topics to the attention of shareholders, investors, the board, as well as to the employees.

¹ [New human capital disclosure rules: Getting your company ready, pwc, Viewpoint, 2020.](#)

² [Modernizing the Framework for Business, Legal Proceedings and Risk Factor Disclosures, sec.gov, 2020.](#)

Why Leaders Should Care About Human Capital Disclosures

It may be tempting to simply report on headcount and a couple of diversity statistics and be done with it. However, this is a great opportunity to position people investments as amplifiers of performance and as a chief strategic advantage.

“We wanted to talk about people as difference-makers versus a cost factor. We want to frame our communication with stakeholders around how our employees make us stronger as a company and how they help us to create a competitive advantage. To determine this, we asked questions like: Who has the skills we need to drive the business forward? How many employees have the knowledge that the business will need as we progress? Who is equipped to sell our product the right way?”asked James Webb, Vice President, Global People Development Engagement, and Communications, Fossil Group. Webb jumped on an opportunity to drive the human capital part of his company’s filings (see our Case in Action on Fossil on pages 13-14).

The year 2020 elevated HR leaders’ role and put them at the forefront of their organizations. With talent becoming a competitive advantage, HR was being asked to resolve vital business issues such as the health and safety of their workforce as well as what workplace strategies would meet operational, customer, and people needs equally well. Additionally, HR was often in charge of elevating equity and better supporting social justice. Now, along with the new human capital disclosure rules, an HR leader must be able to demonstrate how people strategies will drive business success. This increased attention to people as a business differentiator is an opening for all HR leaders to firmly and permanently position HR at that boardroom table, equally important as finance, sales, marketing, or operations.

As the field of human capital disclosures is still evolving, it is important for all HR leaders to take charge and show their company is strategically managing the “most important asset” defining their organization’s story in this regard. For the disclosures to be meaningful, they need to be specific to the business and where it is on its business journey. Finally, the measures must relate to business success. Here are some examples:

- **High-growth company.** Recruitment and retention of employees will be important, especially now in the biggest talent war in two decades.
- **Regulated industry.** Safety is probably one of the business success measures, so it’s imperative to report on incidents and safety programs, like Dentsply Sirona, a dental equipment manufacturer.
- **Highly unionized industry.** A manufacturing industry, for example, might report on collective bargaining and labor relations because having a work stoppage is considerably disruptive and extremely costly to the business.
- **Technology company.** Tech companies have shared their diversity numbers for years, because a more diverse team is a prerequisite for great innovation, and many research studies show that connection.

A Guide to Developing Your Company's Human Capital Disclosures

Here are some steps to consider, especially if you are first setting out to plan for your filings.

Step 1: Define your team.

One important takeaway from talking with other companies that have been on this journey: Don't go it alone. Thinking about your people story requires collaboration from various groups, and if you want to do it well, there will be work involved. Clearly defining the team and each person's roles up front will help you get aligned faster and move through different iterations. See Figure 1.

Step 2: Benchmark other companies with winning talent brands.

Before you dive into your own story, take a step back and look at how other companies are approaching human capital reporting in their filings. It may be tempting to just benchmark other companies within your industry as they often have similar challenges.

It will benefit your company's interests to look outside your industry. Look at a company with a reputation as a great place to work, valuing their people's success. Look for the story, not just the metrics, and how it fits into the strategy of the company. Collect an inventory of metrics grouped by different areas (see Figure 2: A Checklist of Metrics and Measures) and talk with leaders at these companies to learn how they earned their reputations, and what's next for them.

Also, look beyond the disclosures. Do you see the metrics on the company's career site? How are they framed? Who talks about them? Is there a place for employees to react to these

Figure 1: Cross-Functional Disclosures Team

ROLE	RESPONSIBILITIES	CHARACTERISTICS/ROLES
Initiative leader	The person accountable for crafting the filing, bringing together metrics and stories, and working with others to review and finalize.	<ul style="list-style-type: none"> Senior-level (VP or above) person with strategic insights into all areas of HR Deeply understands the business and is well-regarded and connected to the work with senior executives as well as with frontline employees
Contributor	Any group or person who provides content input.	<ul style="list-style-type: none"> All HR functional groups (TA, L&D, total rewards, DEI, etc.), plus people analytics Working team or person who pulls the disclosures together
Advisor	Any group or person who provides advice.	<ul style="list-style-type: none"> PR Communications Employee/labor relations Employees
Approver	Any group or person who signs off on the filings.	<ul style="list-style-type: none"> CHRO President/COO CFO General counsel CEO

Source: The Josh Bersin Company, 2021.

metrics? Are they discussed on social media? Companies like Ford, for example, are transparent and communicate their progress, and their areas in need of improvement, highlighting where more actions are needed. This kind of candidness inspires employees to trust the company.

Step 3: Outline the strategy.

Human capital disclosures are designed to communicate how your people support your business strategy, so you need to start with how your people help you achieve the company's vision and mission. What major factors are impacting your industry and geography, and how are your people strategies helping your business navigate those challenges? For Fossil Group, customer focus is the key to business success, and having a diverse, empowered, engaged, and high-performing workforce is a critical necessity. Therefore, Fossil designed their story around their people as difference-makers versus a cost factor. Dentsply Sirona sees its employees as an important component of fulfilling its mission. The company, therefore, focuses on engagement and development; diversity and inclusion; and environmental health and safety.

Make sure to bring in all contributors (human resources, operations, finance, legal, strategy, and leadership) as you build the story. Work with the owners of the disclosures, which in some cases may be general counsel, finance, or strategy, to incorporate the human capital side in the rest of the disclosures. Dentsply Sirona used broad goals provided by the United Nations to structure their filings, and then for the human capital disclosures, they identified three that were more relevant to their own people. They wanted to tell a more appropriate story, including data, about their employees. It is important that the human capital component fits in seamlessly with the other areas of the filing, rather than being perceived as a stand-alone.

The more you involve employees and all of their voices (including managers and leaders) in the disclosures, the more realistic and credible the story will be. Whether you are designing a diversity, equity, and inclusion program or creating an engaging employee experience, our various studies show listening to employees' input is one of the most important things you can do.

It is also imperative to use advisors (e.g., PR and communication) to validate the thinking around your story. Even more critical is running the high-level storyline by the approvers. If you do not get senior executive buy-in on the outline early on, you might waste time and energy pulling metrics and writing sections that end up having to be removed from your filings.

Step 4: Define the metrics.

This is where the rubber meets the road. You may have an exceptional story sketched out, but do you have the data to support it? "We wanted to tell an even better story of our employees and include more data. What got in the way was the ability to get to the data. For example, the diversity numbers. These should be easy to get, but it's challenging because of different data rules in different geographies," said Sarah Waltman, VP of Talent Management and Organizational Development at Dentsply Sirona.

Pulling diversity dimensions beyond gender will be challenging for many global companies, because in geographies outside of the U.S., demographic criteria like ethnicity or sexual orientation are not usually collected.

Many companies also struggle to get accurate data on topics such as learning program participation, learning outcomes, retention numbers, or inclusion indices.

While data may be difficult to collect, don't settle for the path of least resistance. Rather than just pulling simple statistics because they are simple, work with your data and analytics teams, and then define a path toward more advanced quantitative insights.

Even if you don't have statistics to back you up, you can still, for example, tell the story of your diversity programs by articulating a few great examples of employees advancing workplace diversity. Make sure you use the employees' voices in describing these cases. Another example: If you can't show specific learning outcomes of a notable program, describe how it builds capabilities for the future. Speak to the HR, DEI, and analytics teams to help you with the metrics.

You can also consider using external resources for data collection. For example, Ford showed the Bloomberg Gender-Equality Index for its gender equality goals and progress.

Fossil found 60 to 70 measures it could report on, and then prioritized those that were most important to its business goals. Just because you can measure something doesn't mean it is meaningful or impactful to your business. Rather than overloading shareholders with lots of data points, select the vital few that will really paint an accurate picture of your people and how they are crucial to your current and future business success.

Data quality and integrity matter, too. "Once you share metrics, they become auditable, so really focus on great data that you can stand behind," said Waltman from Dentsply Sirona. Without robust systems, HCM, engagement data, learning systems, etc., you will struggle with confidently reporting on what matters to your business.

A study from PwC on over 2,000 10-K forms filed between November 2020 and March 2021 showed that nine out of ten companies include qualitative and quantitative metrics; three in four disclosed (mostly qualitative) measures around COVID-19; and two in three disclosed diversity, equity, and inclusion information; much of which was qualitative. Only one in three reported on engagement measures. How the story is told is just as important as the measures.

Step 5: Formulate the disclosures.

You should have the high-level outline of your story, buy-in from key stakeholders that the story hits the mark, and data to back up your examples. Now it's time to write. Consider the target audience of this report: shareholders, investors, and the general public. What is it they need to know?

At this point, you will need to figure out the level of detail to include. It will be a bit of a balancing act on two dimensions: transparency vs. cherry-picking. Be sure to align with your leadership team beforehand.

Transparency vs. Cherry-Picking

How much do you share? Do you openly admit to areas of improvement? Or, do you cherry-pick the areas that make you look great? How do you compare to other companies? What expectations do you set when communicating the current year? For DEI measures, many companies started highlighting where they "look good." For example, a company may have strong data in overall workforce diversity but omit a breakdown for different leadership levels where the story might be less positive. Or, a company may only highlight successful initiatives like a specific Women in Leadership Program that yielded great reception. However, companies that do this should be prepared for follow-up questions and answers on why specific details were omitted.

On the other side of the spectrum, transparency means covering what really matters to your business, even if the numbers do not look great or progress is lagging.

Compelling Story vs. Bare Minimum

Do you want to tell your people story as an integral part of your business success in a captivating way? Or, do you merely want to satisfy the requirement set by the SEC? Consider the pros and cons of each approach. Ford opted to tell a more enthralling story because it aims to be perceived as a people-first company, and it admits that it is on a journey in areas of DEI. People appreciate that strategic orientation toward the workforce, but there may be some risk involved in showcasing areas that are not where the company aims to be. In contrast, Tesla reported the bare minimum of headcount numbers and may be able to win the talent war on the strength of its compensation offerings and cool factor without being perceived as particularly people-focused. Consider the short-term and long-term implications not just for getting investments or shareholder confidence but also for your employee value proposition in a highly competitive labor market.

If you have too much content, do not necessarily delete it, because you may be able to reuse it for other formats. It is always easier to narrow down than expand. Rely on your PR and communications team to help you fill in the narrative and make it fit for your audience. You also need to navigate reputational risks. Your general counsel and CFO will also provide guidance, making sure the human capital section “fits” with the overall disclosures.

Again, ensure your approvers get a chance to weigh in and tailor the content. If you kept them involved along the way, there should not be any big surprises or massive changes. Leaders at Fossil and Dentsply Sirona told us the adjustments at this point were minor because they shared their outline and story and “got it right” along the way.

Step 6: Communicate, iterate, and improve.

While creating content for the disclosures, you were communicating with investors, shareholders, the board, and the public. You should also share the disclosures with candidates and employees as it will establish and further enhance the employment brand, demonstrate that your company cares for its people, and drive more trust in the company. For example, Fossil uses its disclosures content in team huddles or in townhalls, and for increasing awareness of all the progress the company made in strategic employee priorities. The company also resuses content created for the disclosures on its website, as well as on its career site to attract talent. Feedback from employees has been positive; they feel proud to work for a company that does so much great work not only for customers but also for the employees and society.

To iterate on the insights, look for ways to open a two-way dialogue. How can you open up channels for employees to share their story on how these initiatives have made a positive impact for them? IBM uses “jams,” which are discussion threads with hundreds of thousands of comments on topics such as the company values, diversity and inclusion initiatives, or the evolving mission of the company. AstraZeneca uses a similar approach to crowdsource ideas on innovation and learning. Leadership “Ask me anything” forums have become popular in many companies, and they do not just help increase

trust in the company, they also help collect real-life examples and stories for the next disclosures.

You may also open idea submission to employees as they read the disclosures. What additional information would they like to see highlighted in the next disclosure? What resonates with them and where do the stories fall short? Keeping the story alive helps you get additional value out of the disclosures.

If some metrics were too hard to get or just not feasible this time around, create a plan on how to get them in the future. Different diversity cuts, training participation, learning outcomes, promotion rates, or safety incidents might have been a stretch this time around, but if this data is important to your story, hold on to what you have and build a road to future inclusion in your disclosures.

And, finally, use the disclosures to drive improvements in your strategies and programs. Once you release the information, you should have plans in place to work toward improvements in the things that matter to your business. Start planning now to ensure there are teams and investments behind these initiatives.

A Checklist of Metrics and Measures

Metrics and measures are at the heart of the new disclosures as they give credibility to the story and demonstrate that you are managing the people aspect like other areas, e.g., financial performance, customer success, marketing, or sales.

As you think about the story you are trying to tell, different measures will be pop up as important. Try to balance quantitative and qualitative measures. Context and analysis are just as critical as the numbers themselves.

EY has created a comprehensive list of measures to include.³ We added a few others and categorized them into the kind of story you may want to tell. For each of the measures, consider including changes over time to tell the story of improvements and trends. If available, bring in industry and internal benchmarks. See Figure 2.

³ www.ey.com/en_gl/long-term-value/metrics

Figure 2: Checklist of Metrics and Measures

DIMENSION	EXAMPLE OF METRICS	POTENTIAL STORYLINE
Workforce Composition		
Workforce size	<ul style="list-style-type: none"> • Headcount: overall, by location, business line 	Priorities of various locations/ business lines; tie to business focus areas
Workforce composition	<ul style="list-style-type: none"> • Percentage of workforce who are full time/ part time/ contingent 	Business model agility; ability to scale up and down quickly depending on business cycle
Attraction and Retention		
Workforce attraction	<ul style="list-style-type: none"> • Numbers and percentage of new hires overall, by experience level, business line, diversity dimension • Recruiting and onboarding programs 	Building the workforce for the future; attracting the right people
Workforce retention	<ul style="list-style-type: none"> • Retention overall: by location, business line, leadership level, diversity dimensions • Voluntary turnover; voluntary turnover of high performers • Tenure of the workforce overall: by location, business line, leadership level, diversity dimension • Cost of turnover/Investments in retention initiatives 	Relate tenure to business performance; demonstrate how investments in people drives business outcomes
Diversity, Inclusion, and Engagement		
Diversity and Inclusion	<ul style="list-style-type: none"> • Percentage of women/minorities/age groups/ caregivers, etc., overall by leadership level, by geography, by business line • Diversity and inclusion programs • Employee resource groups and participation • Pay equity numbers and programs • Awards (e.g., Best Place to Work for Working Mothers) 	Diversity improvements; relate to innovation and customer success; new ideas, societal impact
Engagement	<ul style="list-style-type: none"> • Participation in engagement surveys • Engagement index • NPS score for company • Highlights of engagement insights; investments in engagement and experience • Glassdoor ratings • Awards (e.g., Best Place to Work) 	Engagement and workforce enablement as a foundation for business growth and performance Relate to customer satisfaction and sales numbers

DIMENSION	EXAMPLE OF METRICS	POTENTIAL STORYLINE
Learning and Development		
Training and development	<ul style="list-style-type: none"> • Training programs • Number of training hours/employee • Success stories of reskilling for the future 	Building capabilities for the future critical to organizational success, growth, innovation
Talent mobility	<ul style="list-style-type: none"> • Internal mobility rate/internal fill rate • Talent mobility programs and support • Career development support (e.g., IDPs, career plans) • Educational assistance spend • Success stories for mobility across functions 	Career mobility and growth as a key retention, engagement, and performance driver
Leadership development	<ul style="list-style-type: none"> • Leadership development programs • Key leadership appointments in the last year • Leadership pipeline • Mobility (% of leadership roles filled from within) • Leadership diversity 	Capable leaders as foundational for future business success Mitigating risks of vacancies
Health and Wellbeing		
Workforce safety	<ul style="list-style-type: none"> • Number of safety incidents • Safety initiatives and investments • Spend on incidents 	Workplace safety for cost containment and as a key organizational accountability
Workforce wellbeing	<ul style="list-style-type: none"> • Workforce wellbeing index • Physical, mental, financial, and family wellbeing programs and support 	Focus on wellbeing related to business success

Source: The Josh Bersin Company, 2021.

There are so many measures of which one can select; it is therefore important to prioritize what you want to talk about. "Reporting a measure sends the message that you care. Our employees should see that we care about them, and not just about statistics but about developing and engaging them so they can do their best work," said Sarah Waltman, VP of Global Talent Management and Organizational Development at Dentsply Sirona.

Lessons from the Frontline

We talked with two companies, Dentsply Sirona and Fossil Group, about their experience writing the human capital disclosures. See the following pages for their stories.

Dentsply Sirona Helps People Smile

Dentsply Sirona is a global dental equipment manufacturer and dental consumables producer that markets its products in over 120 countries, with factories in 21 countries and 14,000 people.

In 2019, a Netherlands-based certification company awarded Dentsply Sirona the “Top Employer” certification, and the company ranked #56 by Forbes as America’s Best Midsize Employer.

“At Dentsply Sirona, our mission is to help people smile, and we are working hard to make this resonate throughout all we do, including our annual disclosures,” said Sarah Waltman, VP of Global Talent Management and Organizational Development. Waltman and her team took a strategic and planful approach to defining the what, where, and how of human capital disclosures.

First, they thought about the context they needed to talk about their workforce. For Dentsply Sirona, the right place

was important to send the right message about the value employees bring to the company.

“We’ve started to embark in the disclosure of human capital as part of our ESG report, our environmental, social, and governance metrics.”

The ESG report is structured around the UN Sustainable Development Goals and the company describes how different areas of the business play a role in each of these.⁴

“We see our employees as an important component of fulfilling our mission,” explains Waltman. Therefore, sustainability depends on supporting employees to fulfill their own personal mission and create value for others. In fact, employees are listed first on Dentsply Sirona’s Sustainability Fact Sheet (see Figure 3).

⁴ www.assets.dentsplysirona.com/master/corporate

Figure 3: Dentsply Sirona’s Sustainability Program Objectives

At Dentsply Sirona, we are always working to improve the lives of people around the world and the communities in which we serve and operate, while also creating value for all of our stakeholders. Understanding our Company’s impact across environmental, social and governance criteria is crucial for delivering on our commitments as a responsible business. To underpin this, we are continually evolving our ESG strategy and improving our disclosures on a range of key ESG metrics, many of which are laid out in this document.

Dentsply Sirona’s Sustainability Program Objectives

We are passionate about ensuring that our work makes a difference. Every day, we empower dental professionals all over the world to provide millions of patients with better dental care and make people smile. We are committed to using our global reach and scale to enhance the quality of, and access to, oral healthcare globally.

Employees

Enabling all our employees to achieve their full potential to better themselves, our Company and society.

Customers

Empowering our customers to improve the oral health of patients and communities through accessible products, innovation and education.

Investors

Establishing a credible and effective ESG profile to mitigate risk and ensure long term value is delivered to investors.

Partners

Leveraging our scale and global reach, working with the sector, governments and non-governmental organizations (NGOs) to improve oral health globally.

Communities

Being a responsible, active corporate citizen, and doing our part to safeguard our planet for future generations. Caring for the communities in which we live, work and engage.

Source: Dentsply Sirona Sustainability Factsheet, 2020.

“The big story we wanted to tell was around how we engage employees around the world. How do we value and support diversity? How do we develop and grow people? How do we create a great work environment for everybody?”

As the new regulation on disclosing human capital information is very broad, Waltman and her team went through a design exercise to identify metrics and information to include in the employee section of the ESG report, underscoring three UN goals: Gender Equality; Decent Work and Economic Growth; and Reduce Inequalities.

The team also benchmarked other companies' disclosure practices. Learning from other companies helped inform the categories and the level of detail of data and stories the team proposed to include.

Based on the insights gained from other companies, combined with the story they wanted to tell, the team decided on different categories:

Employee Engagement and Talent Development

Employee engagement. “We recognize that attracting, engaging, developing, and retaining talent is a principal factor in achieving and maintaining sustainable performance. As part of this, we must listen, understand, and act on employee feedback,” reads the report, describing the evolution of the annual employee survey to an ongoing listening process, facilitated by [Quantum Workplace](#).

Talent development. This section describes employee-driven and company-supported development of technical, professional and leadership skills, the performance management approach, and several development programs.

Measuring progress. The 2021 engagement survey participation was the highest in company history, at 82%. Additionally, the overall percent of actively engaged employees increased by 17% since the last survey was performed in 2019.

Diversity and inclusion.

- **Diversity and inclusion program:** Describes the overall philosophy, framework, and approach to D&I.
- **Diversity and inclusion awareness and development:** Outlines the programs and approaches to raise awareness for D&I.
- **Employee resource groups and participation:** Describes the different ERGs and participation numbers.
- **Employee demographics:** A table showing ethnic diversity at different employee levels for the U.S., and representation of women for the company overall.

Figure 4: Employee Demographics

	United States					Global
	White	Asian	Black or African American	Hispanic or Latino	Others	Female
Entry Level	67%	6%	11%	12%	5%	44%
Manager	80%	9%	3%	4%	4%	37%
Sr. Mgr. and Director	83%	7%	3%	4%	3%	26%
VP	80%	12%	2%	2%	5%	28%
Senior Management*	75%	13%	0%	13%	0%	9%

*Senior Management consists of SVP, EVP and CEO level roles.
⁹ As of March 31, 2021. Percentages may not sum to 100 percent due to rounding.

Source: Dentsply Sirona Sustainability Factsheet, 2020.

Employee Health and Safety

Health and safety program. Describes the programs and approaches to keep employees healthy and safe, including the appointment of an EHS Leader and front-line manager training.

Health and safety metrics. Outlines metrics on injury rates and lost workdays. Notably, the company improved both significantly, by 37% and 32%, respectively.

Certification. Describes a program for health and safety certification.

“We wanted to tell a better story of our employees with more data. What got in the way was the ability to get to the data. For example, the diversity numbers. These should be easy to get, but it’s challenging,” said Waltman.

Waltman continued to explain: “The work on human capital disclosures highlights the need for investment if your company wants to make progress. If we are trying to move the needle on diversity, for example, that doesn’t happen by itself. There is a lot of work that goes into recruiting, development, engagement, promotion, and retention of diverse teams for even a one percent improvement.”

As the company starts using Quantum Workplace for more frequent engagement measurement and action, that area will be easier to capture.

“Reporting a measure sends the message that you care. Our employees should see that we care about them, and not just about statistics but about developing and engaging them so they can do their best work.”

Fossil Group Keeps the Business Ticking with Its Focus on People Through Human Capital Disclosures

Fossil Group, Inc. (where “Fashion Meets Technology. Purpose Meets Impact.”), is a global design, marketing, distribution, and innovation company specializing in lifestyle accessories. It is based in Richardson, Texas, and home to a collection of global brands that connects people to what matters most . . . time: time to think differently; time to see the good in every detail; time to express individuality; and time to make the world greater, together. Its brands include Fossil, Michele, Relic, Skagen, Watch Station, and Zodiac. Fossil also makes licensed lifestyle accessories for brands such as Armani Exchange, Diesel, DKNY, Emporio Armani, Kate Spade New York, Michael Kors, PUMA, and Tory Burch. Fossil Group, Inc., employs 10,000 people.

When the SEC ruling on human capital disclosures came into effect in November 2020, Fossil Group’s CHRO, Darren Hart, PhD, decided that James Webb, Vice President, Global People Development, Engagement, and Communications, was the right person to lead this work.

“My role is to equip and engage employees, which allows me to have a front row seat to almost everything that impacts our people: How does compensation and benefits impact our people? How does diversity, equity, and inclusion make our communities strong, support our people, and drive our business forward? And how do we communicate with and about our people?” said Webb. “I am fortunate enough to sit at the epicenter of all we do with and for employees. That’s why I was delighted to lead this work.”

As Webb started working on this topic, he quickly realized that it was like everything else in 2020. “We saw that there wasn’t a playbook for this. Nobody learned this in college or can port over their experience from a previous employer, because it was all new,” explained Webb.

The first thing Webb did was define how they wanted people to be perceived. “We wanted to talk about people as difference-makers versus a cost factor. We want to frame our communication with stakeholders around how our employees make us stronger as a company and how they help us to create a competitive advantage. To determine this, we

asked questions like: Who has the skills we need to drive the business forward? How many employees have the knowledge that the business will need as we progress? Who is equipped to sell our product the right way?”

Webb and his team moved forward and researched other companies that talked about people in the same way, to capture lessons learned and specific benchmarks. “We got recommendations from them as to what they were seeing in the marketplace, and we found some really good studies and information that had been done by Harvard.”⁵ Harvard’s review of Fortune 500 company disclosures was useful because it helped Webb and his team calibrate what they planned to report.⁶

“Between guidance found from academic research by Harvard, talking with partners like Quantum Workplace and the General Counsel, combined with industry benchmarking, we were able to narrow down a best practice approach, which was to define what investors, shareholders, and employees wanted to know,” explained Webb. They also leveraged the work that ISO (International Organization for Standardization) had done and reviewed several companies that were highlighted as part of their work.

The team identified 60 to 70 dimensions on which they could report. And then it was time to prioritize what really mattered for the company at this point in time. Webb aimed to paint a picture of the workforce: where people are based, how many are there, what is their ethnicity and gender. “From there, we want to tell the story of what’s important to us. Investors look to DEI numbers because they know diverse teams perform better. And the more the diversity of the workforce matches the community, the better products you are going to make, and the more likely you are going to meet the needs of your customers. So, we really want to tie all of this to the business itself.”

⁵ www.corpgov.law.harvard.edu/2019/11/15/how-and-why-human-capital

⁶ www.s3.us-east-2.amazonaws.com/capartners.production

The team also wanted to highlight specific topics that are unique to Fossil, including outlining human capital-related risks like increase in minimum wage or better leveraging global talent in locals such as India.

As Webb also owns external communication, he was well equipped to draft the disclosures and then work with the company's PR firm to fine-tune. Webb also worked with his manager, the company's CHRO, and got input from his peers in compensation, benefits, and other HR areas. The CFO, general counsel, and the CEO were also a critical part of the process. The general counsel gave specific advice on how to approach the disclosures as they oversee all disclosures for the company.

Fossil talks about the workforce in context of their sustainability purpose, which they call "Make Time for Good." The 2021 10-K filing states, "While commercial success is essential for our future, it is critical that we continue to do the right thing for our planet, communities, and people. We call our platform for sustainability or ESG (Environmental, Social, and Corporate Governance) 'Make Time for Good.' We believe a sense of purpose is also critically important to our employees, shareholders, and customers and will continue to be so. Our environmental goals include significantly reducing our carbon footprint, eliminating the use of virgin plastics in our supply chain, and increasing the use of recyclable materials such as stainless steel. Our main community goal is to continue to increase our impact on underserved young lives. We will also plan to advance our diversity and inclusion agenda in a number of ways."⁷

⁷ www.fossilgroup.com/wp-content/uploads/2021/04/FOSL-2021.01.02

Webb seized the opportunity to make employees aware of all the positive impact the company was making. "As a company, we tend to be more private, and we do things because they are the right thing to do, not to get credit for the action," said Webb. However, the new mandate gave the company a reason to share more broadly all the good things the company is doing. Rather than just sending out a mass communication, Webb opted to bring insights on programs or benefits into employee huddles, townhalls, and on the company website.

"Employees weren't surprised. It's part of our culture. But you forget how much we do, and so this is a great opportunity to see all the progress we are making, and the impact we have on people's lives," said Webb.

Feedback from employees has been incredibly positive. People are proud to work for Fossil, and in turn are more engaged. The company has had the highest participation rate in their last check-in survey in January 2021, in which it accomplished one of its highest engagement scores.

"I'm so glad that it is now a requirement to highlight what's important for us in regard to people. We're going to only continue to grow that section of the 10-K as we move forward."

Conclusion and Next Steps

Adding human capital metrics to the company filing can seem like a cumbersome compliance requirement, and it is tempting to merely satisfy the minimum needs. It is important to use this as an opportunity to work on improvements for your workforce. Otherwise, it will be difficult to connect with the right people, define the right story, collect the right measures, and communicate those measures in a compelling way.

But at the end of the day, doing this well and following “good practice” will really pay off. Importantly, measuring your company’s human capital does the following:

- Clarifies the connection between people success and business success
- Positions HR as a strategic consultant to the business
- Increases shareholder and market awareness of all the important things the company does every day to support employees to do their best and be their best

Additionally, it is possible to increase organizational investment in people because business leaders will see the direct connection to the outcomes that matter to them: financial performance, customer success, change agility, and innovation. James Webb from Fossil puts it like this:

“For HR, this is a massive opportunity, because now you're reporting externally and publicly. And, so it positions us to have the C-suite start to talk more about the investments we are making, and the way we're approaching human capital as a business.”

About Josh Bersin



Josh Bersin is an internationally recognized analyst, educator, and thought leader focusing on the global talent market and the challenges impacting business workforces around the world. He studies the world of work, HR and leadership practices, and the broad talent technology market.

He founded Bersin & Associates in 2001 to provide research and advisory services focused on corporate learning. Over the next ten years, he expanded the company's coverage to encompass HR, talent management, talent acquisition, and leadership. He sold the company to Deloitte in 2012, when it became known as Bersin™ by Deloitte. Bersin left Deloitte in June 2018.

In 2019, Bersin founded the Josh Bersin Academy, the world's first global development academy for HR and talent professionals and a transformation agent for HR organizations. The Academy offers content-rich online programs, a carefully curated library of tools and resources, and a global community that helps HR and talent professionals stay current on the trends and practices needed to drive organizational success in the modern world of work.

Bersin is frequently featured in talent and business publications such as Forbes, Harvard Business Review, HR Executive, FastCompany, The Wall Street Journal, and CLO Magazine. He is a regular keynote speaker at industry events around the world and a popular blogger with more than 800,000 followers on LinkedIn.

His education includes a BS in engineering from Cornell University, an MS in engineering from Stanford University, and an MBA from the Haas School of Business at the University of California, Berkeley.

About Kathi Enderes



Kathi is the vice president of research at the Josh Bersin Academy; she leads research for all areas of HR, learning, talent, and HR technology. Kathi has more than 20 years of experience in management consulting with IBM, PwC, and EY and as a talent leader at McKesson and Kaiser Permanente. Most recently, Kathi led talent and workforce research at Deloitte, where she led many research studies on various topics of HR and talent and frequently spoke at industry conferences. Originally from Austria, Kathi has worked in Vienna, London, and Spain and now lives in San Francisco. Kathi holds a doctoral degree and a masters degree in mathematics from the University of Vienna.