SHARE
SHAREHOLDER ASSOCIATION
for RESEARCH & EDUCATION

12 October 2016

Changing Workplaces Review, ELCPB
400 University Ave., 12th Floor
Toronto, Ontario M7A1T7

E-mail: CWR.SpecialAdvisors@ontario.ca

Thank you for the opportunity to comment on the Interim Report, *Changing Workplaces Review: Special Advisors' Interim Report*. We applaud the efforts of the Ontario Government to consult with organizations and individuals on changes in the workplace, the impacts of those changes for vulnerable workers and options for legislative amendments.

We would like to provide constructive input from the perspective of institutional investors. Specifically, we will provide comments on the importance of greater transparency from companies on their approaches to workplace policies and practices.

The Shareholder Association for Research and Education (SHARE) is a Canadian leader in responsible investment services, research and education. We work with a network of institutional investors with $14 billion in assets under management helping them to implement responsible investment policies and practices. SHARE is dedicated to improving institutional investment practices that protect the long-term interest of investors, communities and society in general.

General Comments

Many institutional investors are concerned about rising levels of inequality and precarious forms of work. Increased poverty, the weakening of the middle class and the growing disparity between the very rich and middle- and lower-income earners weakens economies and can have a harmful effect on economic growth. For large institutional investors, stagnant growth and weak economies can negatively impact investment performance across a portfolio and over the long-term.

At the same time, there is growing evidence showing a positive correlation between strong workforce management practices and firm-level performance. For example, one research report published by the IRRC Institute and Harvard University, which assessed 92 studies on human capital management as it relates to corporate performance, found that the majority of studies identified a positive correlation between companies' training and human resource policies and investment outcomes.[1]

For many sectors, such as retail and services, employees play an important role in operational performance, sales and customer service. Consequently, company approaches to wages, scheduling,

[1] The Materiality of Human Capital to Corporate Financial Performance, http://www.law.harvard.edu/programs/lwp/pensions/publications/FINAL%20Human%20Capital%20Materiality%20April%2023%202015.pdf.

training and occupational health and safety are directly relevant to a company's financial performance, operational stability, and reputation and risk management and therefore are critical for informed investment decision-making.

Improved Disclosure from Companies

For institutional investors assessing companies' labour and workforce management practices is difficult because corporate reporting in these areas is weak and underdeveloped. Corporate reporting is an important communication tool, which can ensure greater corporate transparency and enable constructive engagement with stakeholders. While there are voluntary standards for social reporting, our assessment of reporting on labour practices and human capital management in Canada shows that too little information is being provided to enable investors to evaluate and compare performance.

In light of inadequate reporting by companies, some jurisdictions have moved to mandate disclosure. In 2013, the European Parliament adopted a directive requiring companies to disclose certain non-financial and diversity information as part of their regular annual reporting.[2] Companies with 500 employees or more are required to disclose relevant and useful information on their policies, risks and outcomes relating to: environmental matters; social and employee aspects; respect for human rights; anticorruption and bribery issues; and diversity in their board of directors.

In 2012, France passed regulation, requiring reporting on a range of indicators spanning environmental, social and governance categories.[3] In relation to labour practices, French companies must, as part of their annual reports, provide information on indicators including wage information, working hours, absenteeism and training. The French law also requires corporations to seek third party verification of the information disclosed.

In the UK, large corporations are required to disclose employee matters as part of their annual business review.[4] Listed corporations are also required to disclose information about the impact of the corporation's business on the environment, employees and social and community issues.

In a recent analysis by SHARE comparing the disclosure of five Canadian retail companies with seven global retail companies, we found that Canadian companies lag in the quantity and quality of information that they are providing on their labour and workplace practices.[5] European companies, including Carrefour from France, Mercadona from Spain and Tesco from the UK, provided much more complete disclosure on key workplace indicators than their Canadian counterparts. Mandatory disclosure in Europe is likely one of the key reasons for this difference in reporting.

---

[2] European Commission, Non-Financial Reporting, http://ec.europa.eu/finance/company-reporting/non-financial_reporting/index_en.htm#legal-framework.

[3] The Five 'Ws' of France's CSR Reporting Law, https://www.bsr.org/reports/The_5_Ws_of_Frances_CSR_Reporting_Law_FINAL.pdf.

[4] The Companies Act, 2006, http://www.legislation.gov.uk/ukpga/2006/46/pdfs/ukpga_20060046_en.pdf.

[5] SHARE, 2016, Valuing Decent Work: How do Canadian retail companies measure up? http://share.ca/documents/investor_briefs/Social/2016/Retail_company_Disclosure.pdf.

Box 11170, Royal Centre, 26th Floor, 1055 West Georgia Street, Vancouver, BC V6E 3R5 T 604 408.2456 F 604 408.2525

In SHARE's view, the *Changing Workplace Review* offers a unique opportunity to consider how strengthening disclosure rules in Ontario corporate and securities law can help increase transparency of company approaches to labour and workplace practices and support broader efforts to address the challenges facing vulnerable workers in precarious jobs. The transparency facilitated through social disclosure requirements can provide meaningful and comprehensive information to shareholders and other stakeholders on the position and performance of companies with regards to their labour and workplace practices.

We believe that improving corporate disclosure through mandatory disclosure rules can offer a valuable supplementary tool to the work of the *Changing Workplace Review* and its important focus on updating Ontario's Employment Standards Act and Labour Relations Act to address the changing nature of work and the challenges facing vulnerable workers in precarious jobs.

Recommendation:
That the Changing Workplace Review recommends mandatory disclosure for labour and workplace practices by large companies through Ontario's Business Corporations Act and/or Securities Act.

Sincerely,

Shannon Rohan
Director of Responsible Investment, SHARE

www.share.ca

Box 11170, Royal Centre, 26th Floor, 1055 West Georgia Street, Vancouver, BC V6E 3R5 **T** 604 408.2456 **F** 604 408.2525