

Human Capital Disclosure & the Board

LIVE
WEBINAR



Preparing The Organization For Human Capital Reporting, Whether Mandated or Not



with Dr. Solange Charas
&
Mark A. Pfister

International Board Director Competency Designation (IBDC.D) certification holders will receive 1 CPE credit by attending

WEBINAR REMINDERS

answering frequently asked questions

- **Purpose**: Share knowledge and trending on the **meaning, importance, and disclosure of Human Capital elements and their importance to the Board.**
- **Questions**: Write your questions in the Q&A section. Our goal is to answer all questions at the close of the presentation. Otherwise, we will follow-up with you via email afterwards.
- **Materials**: Yes, the entire webinar is being recorded and you will receive a link via email a day or two after the webinar ends. This link will also include the ability to view & download this presentation deck in its own separate file.
- **Additional Topic References**: You will notice additional reference links on many pages should you want to delve deeper into certain related topics (you will be able to click on the links when you receive this presentation file).

— YOUR WEBINAR SPEAKERS —



Solange Charas, Ph.D.

Founder & CEO

HCMoneyball

scharas@hcmoneyball.com



Mark A. Pfister

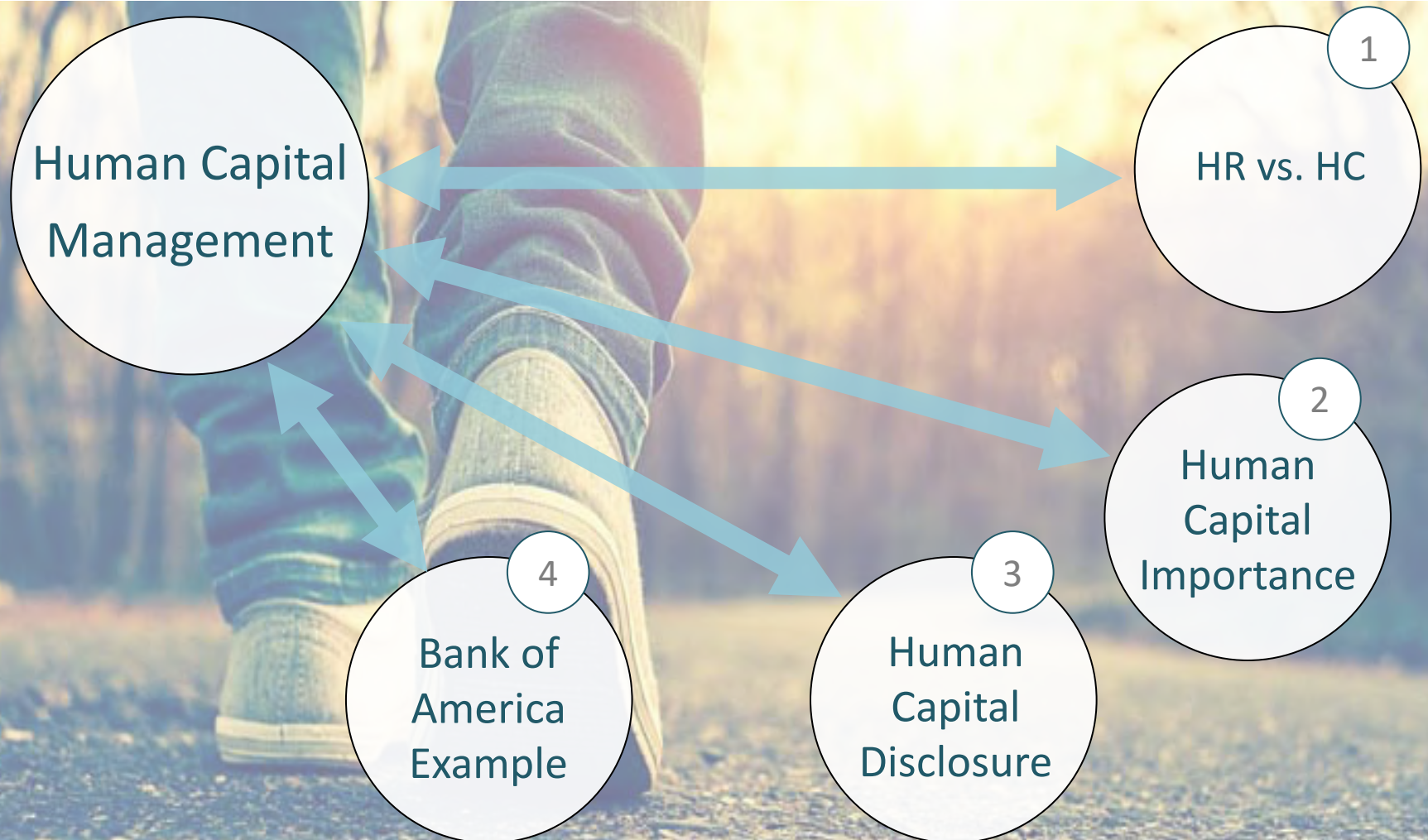
CEO & Chief Board Consultant

M. A. Pfister Strategy Group

mark@pfisterstrategy.com

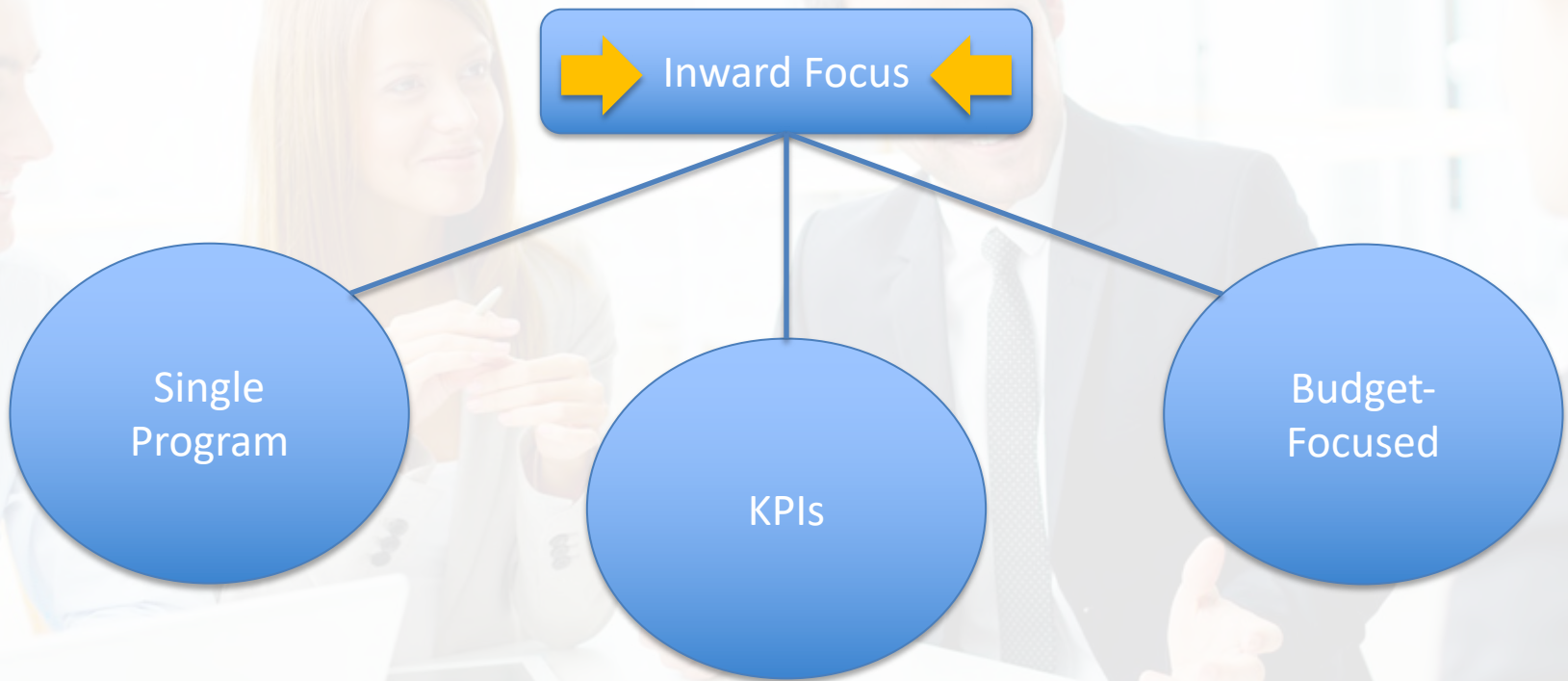
GOALS

what to walk away with from today's webinar...

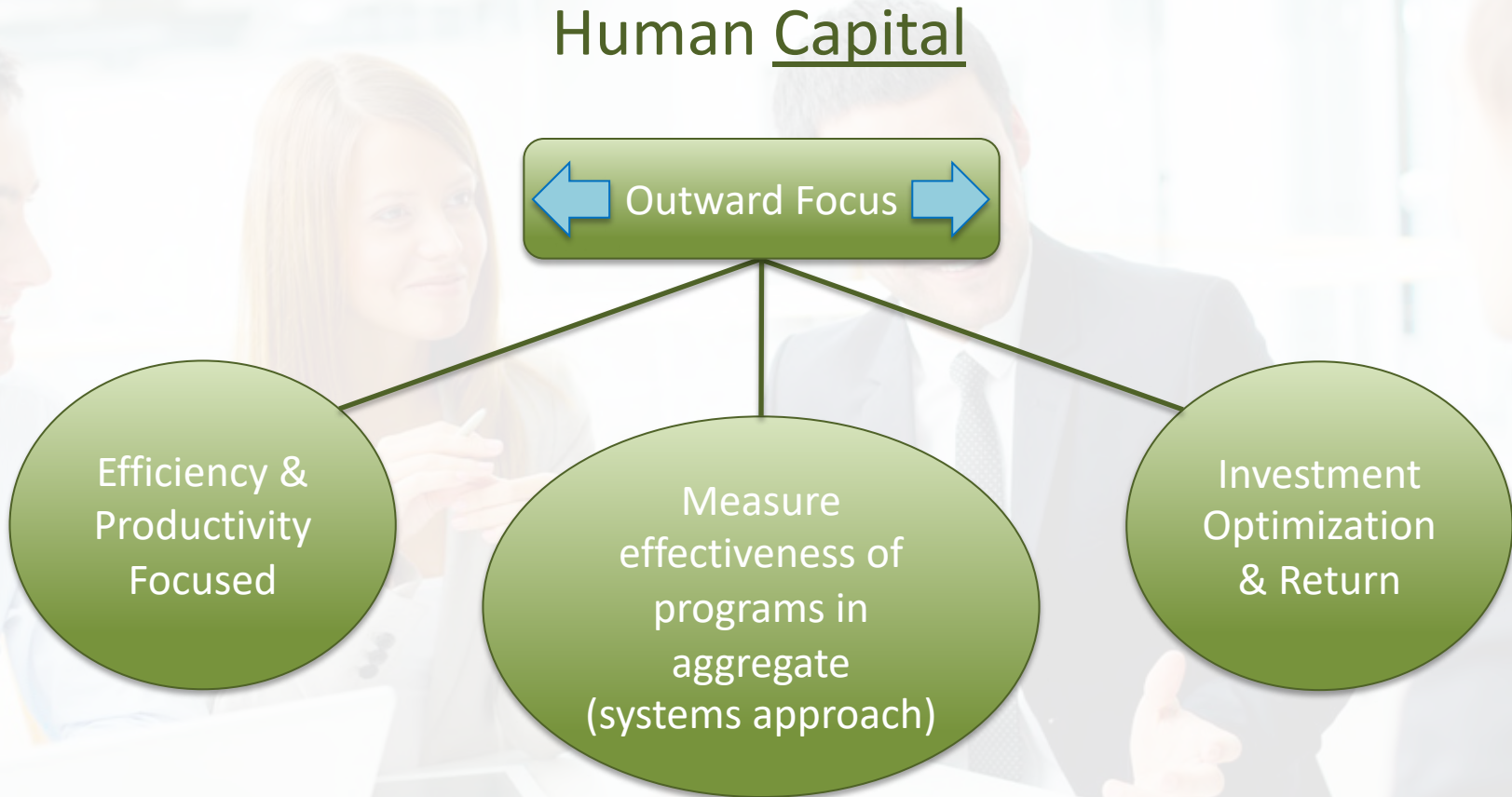


what's the difference?

Human Resources



what's the difference?



read more: [Should we quantify the impact of human capital? Returns can be 40% higher](#)

Summarized by the *Human Capital Management Coalition's* (HCMC) letter submitted to the SEC affirming support of the adoption of HC and HCM standards:

<http://uawtrust.org/AdminCenter/Library.Files/Media/501/About%20Us/HCMCoalition/hcmc-commentsubmission-oct2019.pdf>

1. Workforce **demographics** (number of full-time and part-time workers, number of contingent workers, policies on and use of subcontracting and outsourcing)
2. Workforce **stability** (voluntary and involuntary turnover, internal hire rate)
3. Workforce **composition** (diversity, pay equity policies/audits/ratios)
4. Workforce **skills and capabilities** (training, alignment with business strategy, skills gaps)
5. Workforce **culture and empowerment** (employee engagement, union representation, work-life initiatives)
6. Workforce **health and safety** (work-related injuries and fatalities, lost day rate)
7. Workforce **productivity** (return on cost of workforce, profit/revenue per full-time employee)
8. Commitment to **human rights** and their implementation (principles used to evaluate risk, constituency consultation processes, supplier due diligence)
9. Workforce **compensation and incentives** (bonus metrics used for employees below the named executive officer level, measures to counterbalance risks created by incentives)

Board Quick Poll Results

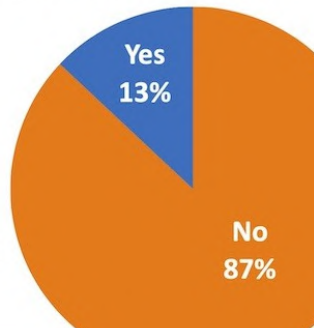


Human Capital Disclosure

A recent *'Board Quick Poll'* that I hosted across multiple platforms and personally reached out to numerous Board Directors and CEOs asked the question:

“Is your Board and organization prepared to supply meaningful and detailed Human Capital disclosures?”

Of the 62 received candid responses, 87% responded “no,” they are not currently prepared...




Response	Percentage
Yes	13%
No	87%

is your Board ready?

Survey published in June 2020
[‘Across The Board’](#)
digital publication.

What’s happened since then?


HC is material

An overhead view of a large, white, U-shaped conference table in a meeting room. Several people are seated around the table, some looking at documents or laptops. The room has a light-colored wooden floor. The text is overlaid on this image.

Human Capital along with culture is estimated to comprise on average **greater than 52%** of a company's market value.

read more: [Human Capital Disclosure & The Board](#)

HC is material



Human Capital and culture are therefore inextricably linked to creating long-term value.

In the U.S., the Securities and Exchange Commission (SEC) agrees with these assessments...

read more: [The Story of Company Values](#)

how it came to be



June 2009

SEC **Investor Advisory Committee** was formed to "*...advise the Commission on regulatory priorities, the regulation of securities products, trading strategies, fee structures, the effectiveness of disclosure, and on initiatives to protect investor interests in an effort to promote investor confidence and the integrity of the securities marketplace.*"

how it came to be



March 2019

Investor Advisory Committee submitted its *'Recommendation of the Investor Advisor Committee Human Capital Management Disclosure,'* proposing a modernizing of the Commission's framework for corporate reporting, specifically **including numerous Human Capital reporting and Human Capital Management (HCM) disclosure metrics.**

read more: [Accelerating Value by Using Human Capital Analytics to Understand the Workforce Experience](#)

how it came to be



August 2020

SEC voted 3 to 2 to adopt the new HC disclosure rule on how public companies manage their workforce. The SEC, however, decided against a prescriptive requirement under Item 101 of Regulation S-K, and instead allows companies to decide whether a specific event/change is important enough to warrant disclosure based on the concept of *materiality*.

This set in motion the requirement of disclosure of information that a *reasonable person* would find important in making a decision to buy or sell a particular company's stock.

read more: [Brave New World - Creating Long-Term Value through Human Capital Management and Disclosure](#)

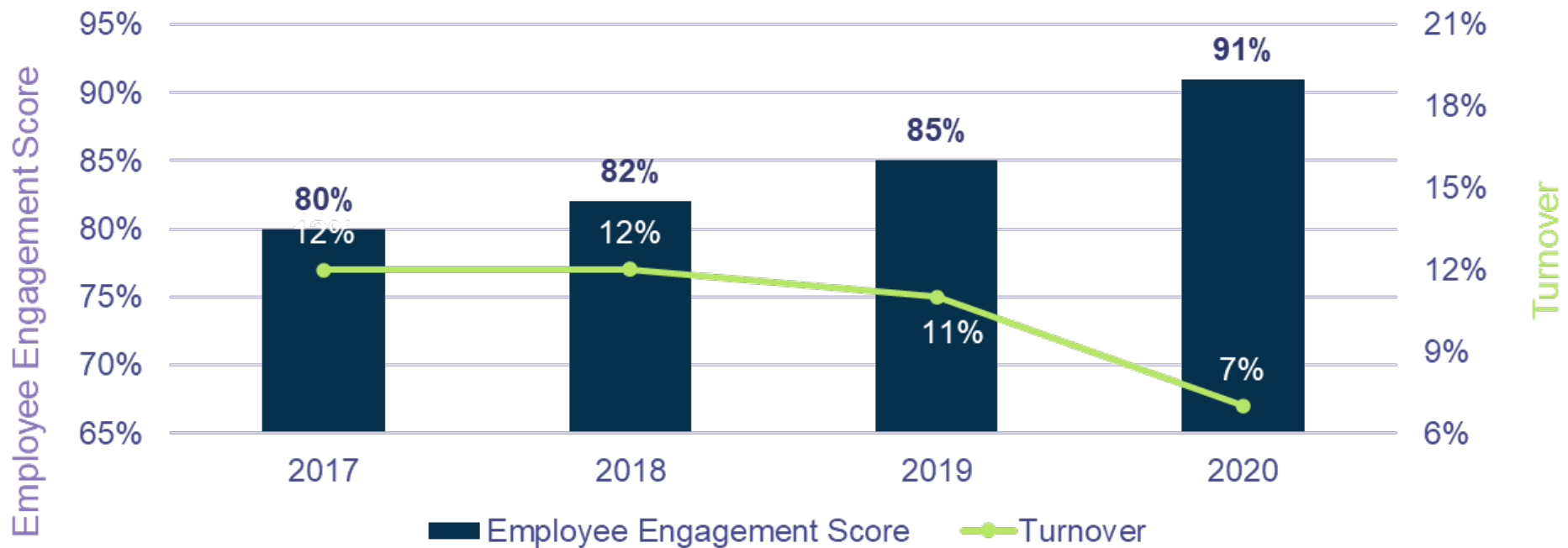
macro-level performance indicators

- Quantify, track and benchmark human capital return (HCROI, HCVA, HEVA, HCMV, HCCF, and productivity) correlated to overall company financial performance (EBITDA, Revenue, Expense)
- These metrics can provide of insight into 1) the efficiency and return on human capital investments in general and 2) returns and economic value creation through labor’s input into the business model

Macro-performance indicators	
1 Human Capital Return On Investment (HCROI)	$\frac{[\text{Total Revenue} - (\text{Operating Expense} - \text{Total Human Capital Costs})]}{\text{Total Human Capital Costs}}$
2 Human Capital Value Added (HCVA)	$\frac{[\text{Total Revenue} - (\text{operating expense} - \text{total human capital costs})]}{\text{Full-time Equivalent Employees}}$
3 Human Economic Value Added (HEVA)	$\frac{[\text{Net Operating Profit After Tax} - (\text{Invested Capital} \times \text{WACC})]}{\text{Full-time Equivalent Employees}}$
4 Human Capital Market Value (HCMV)	$\frac{(\text{Market Value} - \text{Book Value})}{\text{Number of Full-time Equivalent Employees}}$
5 Revenue, Expense, Income Factors	$\text{Revenues} \div \text{Number of Full-time Equivalent Employees}$ $\text{Expense} \div \text{Number of Full-time Equivalent Employees}$ $\text{Income} \div \text{Number of Full-time Equivalent Employees}$

showing interrelatedness of programs

Employee Engagement Survey and Turnover Result

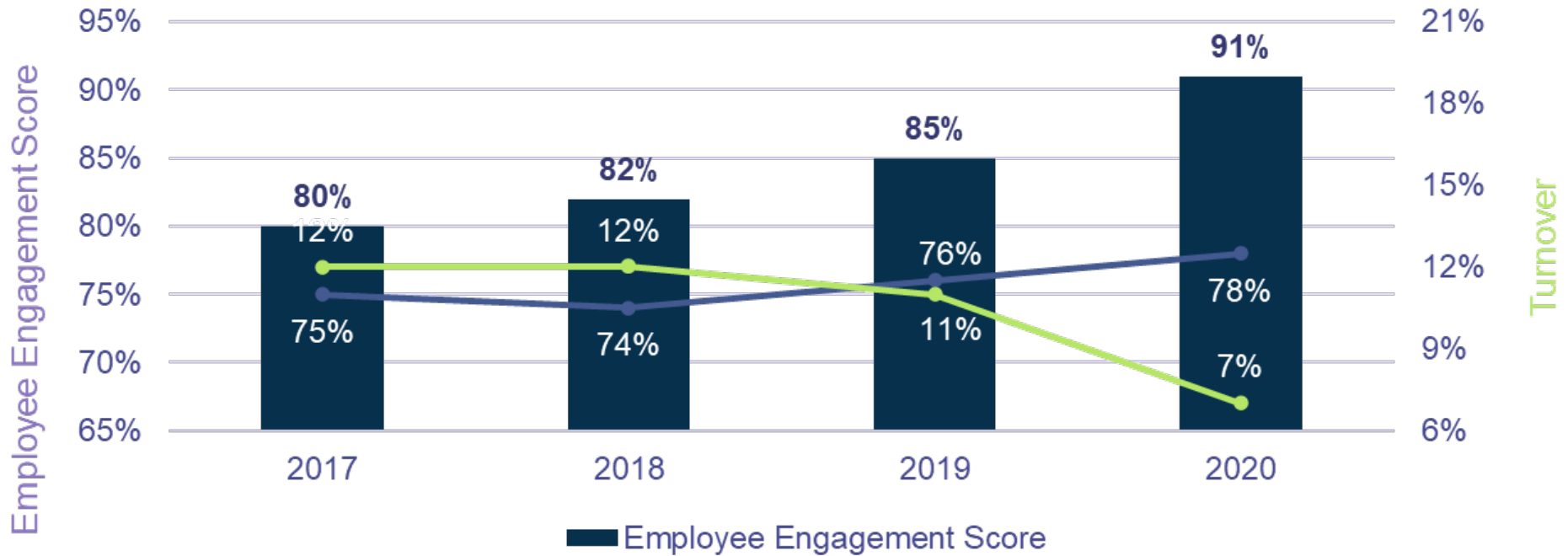


read more: [Decision Time for Rewards Professionals: Lead, Follow or Get Out of the Way](#)



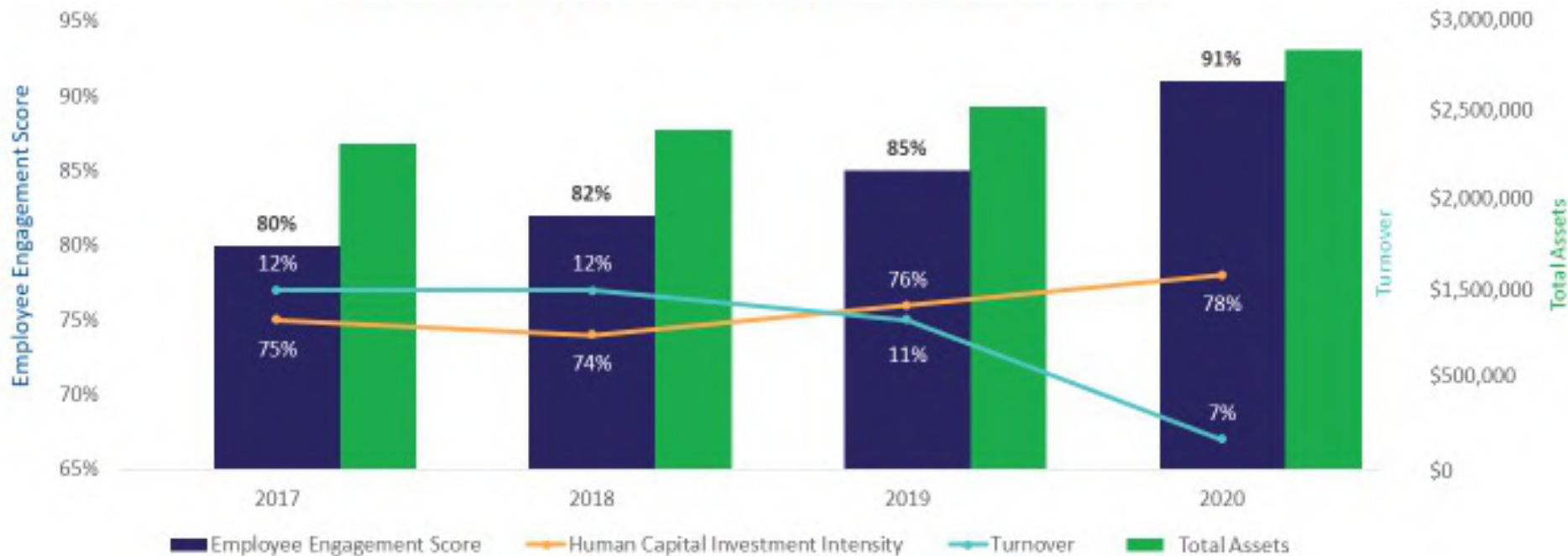
adding a data point to enhance insights

Employee Engagement Survey and Turnover Result



adding one more data point to further enhance insights

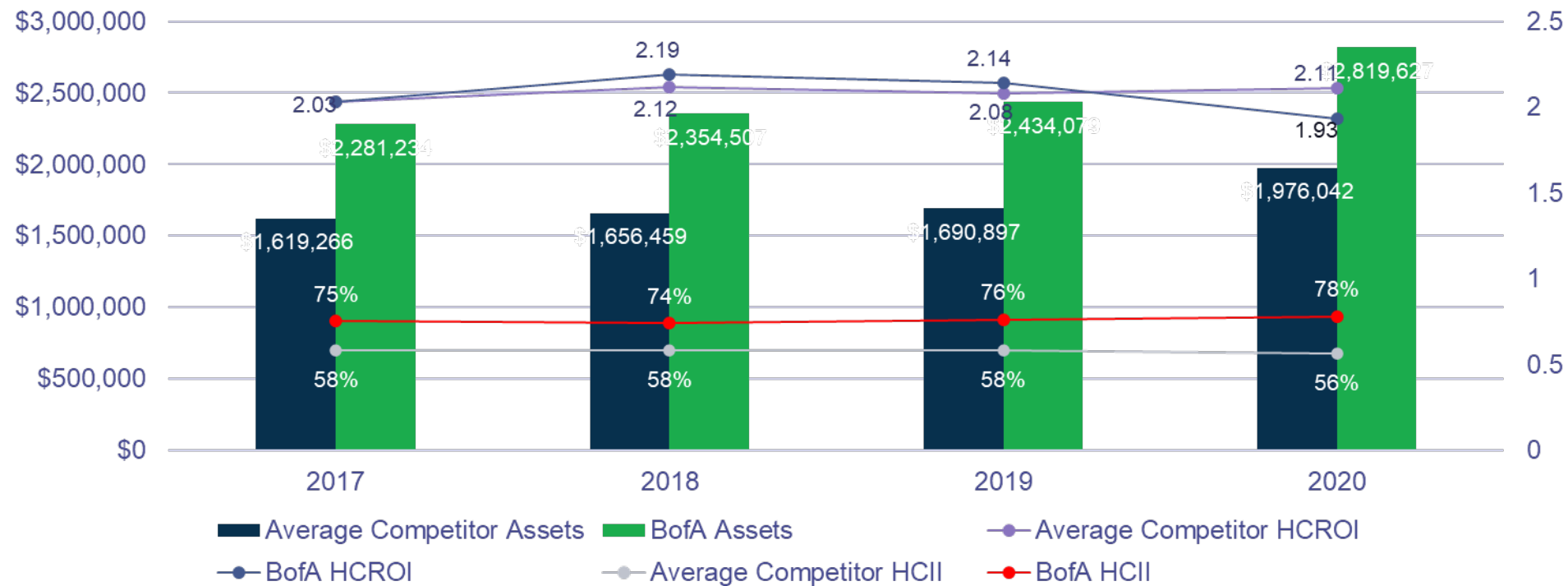
Employee Engagement Survey and Turnover Result



BANK OF AMERICA EXAMPLE

understanding competitive performance


BofA Benchmark to Average of 5 Identified Competitors




Human Capital Materiality Calculator

Measuring Your Human Capital ROI


First Name

 Solange


Last Name

 Charas


e-mail

 scharas@hcmoneyball.com

Title

 Founder

Company

 HCMoneyball

[Open Calculator →](#)

<https://hcmoneyball.outgrow.us/hcmoneyball-2>

Estimate Your Human Capital Return on Investment

Fill in the spaces below to calculate the HCROI impact on your bottom line (Calculator Input Data is Not Captured or Stored)

1. Estimated Revenues*

\$ 10,000,000

2. Estimated Total Expense*

\$ 6,000,000

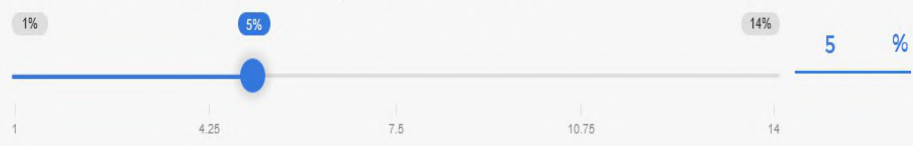
3. Estimated EBITDA*

\$ 1,500,000

4. Estimated Total Employee Costs as Percent of Total Expense (include all related expenses)



5. Based on the values input your estimated Current HCROI is \$2.11. Use the slider bar to see how a small increase in efficiency impacts financial results.



RESULTS

VIEW CHARTS

Human Capital Materiality Calculator

Current HCROI

The return on each dollar you invest in your employees

\$2.11

Estimated HCROI

Estimated return on each dollar invested in people

\$2.22

Estimated EBITDA Growth

The material impact of HCROI on performance

\$379,800

Estimated EBITDA % Increase

Based on your target 5% increase in HCROI efficiency

25%

(View chart tab above to see results graph)

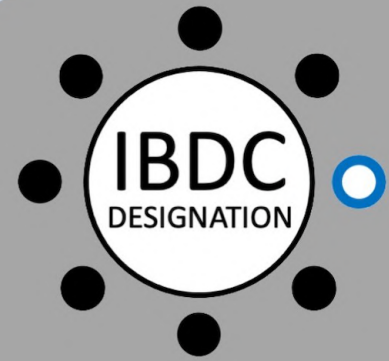
Learn how HCMoneyball can help improve return on your human capital investment

Contact Us

<https://hcmoneyball.outgrow.us/hcmoneyball-2>

Info

BUILT WITH OUTGROW



Becoming an Exceptional Board Director Candidate

— Education & Certification Course —

International Board Director Competency Designation (IBDC.D)



www.pfisterstrategy.com/exceptionalboarddirector

is your Board prepared?

Understand
the importance of
Human Capital
evaluation
elements

Use this
presentation
as your
roadmap

Know what
to disclose!

Write me at Mark@PfisterStrategy.com

Pick up my book at <https://www.pfisterstrategy.com/books>

Connect with me on LinkedIn at <https://www.linkedin.com/in/markapfister/>



Let's answer your questions...



"Our employees are our greatest asset. I say we sell them."

Founder & CEO - HCMoneyball



Human Capital expert with 25+ years experience as Consultant, Practice Leader, Top Corporate Executive, and Board Director across all industry sectors. Adept at the strategic C-Suite/Board level, as well as “roll-up-your-sleeves” tactical level. M&A Due Diligence expert with 70+ completed transactions.

PhD research proves a direct and statistically significant relationship between Boards (4% impact) and C-Suite teams (20% impact) and corporate profitability. Developed proprietary products to effectively create and manage high-performing work teams (PhD focus); and identify organizational effectiveness and ROI of human capital investment.

Creative and innovative HR leadership, program design and culture/climate change agent. Experience in leading large and diverse programs and staffs. Extensive international experience including competency in five languages. Certified Team Coach.

Areas of Expertise:

HR-driven Margin Optimization: Experienced in the analysis and re-engineering of HR process flows, benchmarking and organizational structure to improve operating margins affected by “people” costs as measured by Key Economic Performance Indicators (KEPI). Expert in facilitating collaboration and cooperation amongst various business stakeholders.

Project Management: Experienced in planning, organizing, securing, and managing resources to achieve specific goals related to time-bound strategic projects. Competencies in technical skills and management strategies to deliver project goals and objective, honoring scope, time, and budget constraints.

Mergers & Acquisitions, Divestitures and Post-transaction Integration: Subject matter expert in the HR M&A/Divestiture function with more than 50 transactions completed. Experienced in transaction post-close activities including identification of key business drivers, talent retention, organization redesign/combination and financial impact on margin optimization going forward.

MARK A. PFISTER

Non-Executive Director, CEO, and Chief Board Consultant

Biography

mark@pfisterstrategy.com



With a strong focus in Strategy, Governance, and Technology / Cybersecurity, Mark A. Pfister is CEO & Chief Board Consultant of M. A. Pfister Strategy Group, an executive advisory firm that serves as a strategic advisory council for executives and Boards in the public, private, and nonprofit sectors. He is also Chairman & CEO of Integral Board Group, a specialized Board services and consulting company. Mr. Pfister is a *'Board Macro-Influencer'* and his success has been repeated across a wide range of business situations and environments. He prides himself on being a coach and mentor to senior executives and directors. In Board Director circles, Mr. Pfister has earned the nickname *'The Board Architect.'*

The overarching theme throughout his career has been his aptitude in leadership positions, passionate focus on people, unique governance models, and ability to create value for stakeholders through innovative business strategies and operational excellence. Michael Lorelli, Executive Chairman of Rita's Franchise Company, has said, *"Mark's unusual combination of excelling at a macro and micro grasp of business, genuine interest in Governance, and ability to coach and mentor a Management Team make him a terrific Independent Director."*

Mr. Pfister is a certified project management professional and frequently serves as an expert Project Executive, consulting on global programs/projects in their initiation and operational phases, as well as programs requiring remedial focus to bring them back on track. He has deep knowledge and experience in Board design & operations, strategic planning, business transformation, technology implementations, decisioning processes, certification & continuing education programs, executive coaching, and governance models.

Mr. Pfister was CEO of Pro4ia, Inc., an international consulting and professional services company specializing in a wide range of technology solutions utilizing formal Project Management as a proven and repeatable delivery method. With a Fortune 50 client list, Pro4ia was Citibank's Nominee for Crain's Magazine *'Entrepreneurship of the Year'* Award in 2005. He simultaneously served as CEO of Onit, Inc., a national sourcing company specializing in placements for all levels of technology skill sets. Mr. Pfister was also the National Program Office Leader for American Express leading some of the largest technology transformation initiatives in the company's history. He served as a Licensed Engineering Officer in the U.S. Merchant Marine, holds a B.S. from the State University of New York Maritime College in Facilities Engineering, and completed Harvard Business School's Executive Education Program for Board Directors.

Mr. Pfister is the creator of the *'Board as a Service'* (BaaS) engagement model, an industry he is credited with inventing. He is a Master Speaker and conducts international speaking tours, lectures, and seminars focused on effective leadership, strategy, Board architecture, becoming an exceptional Board Director candidate, professional project/program management, and entrepreneurship.

His popular book, [*'Across The Board: The Modern Architecture Behind an Effective Board of Directors,'*](#) an Amazon best-seller with circulation in over 70 countries, has influenced an entire new generation of Board Directors.

Mr. Pfister is a proficient Board Director and CEO with experience across multiple industry verticals. He is typically the Chair or a member of the Strategic Planning Committee, Governance Committee, Technology & Cybersecurity Committee, and has deep Nominating Committee experience. Mr. Pfister's experience as an internationally renowned Board Consultant, having guided and coached hundreds of Boards, Board Committees, and Board Members across public, private, and nonprofit verticals, additionally offers up unique and informed viewpoints to the companies he serves.

He holds an *Executive Masters Professional Board Certification* through the American College of Corporate Directors (ACCD), an *International Board Director Competency Designation* (IBDC.D) through M. A. Pfister Strategy Group, is a member of the National Association of Corporate Directors (NACD), is a certified *Project Management Professional* (PMP) through the Project Management Institute (PMI), earned a *Global ESG Certification* (GCB.D) through Competent Boards, and holds a *Certified Cyber Intelligence Professional Board Certification* (CCIP) through the McAfee Institute.