



# ESG Disclosure for Human Capital

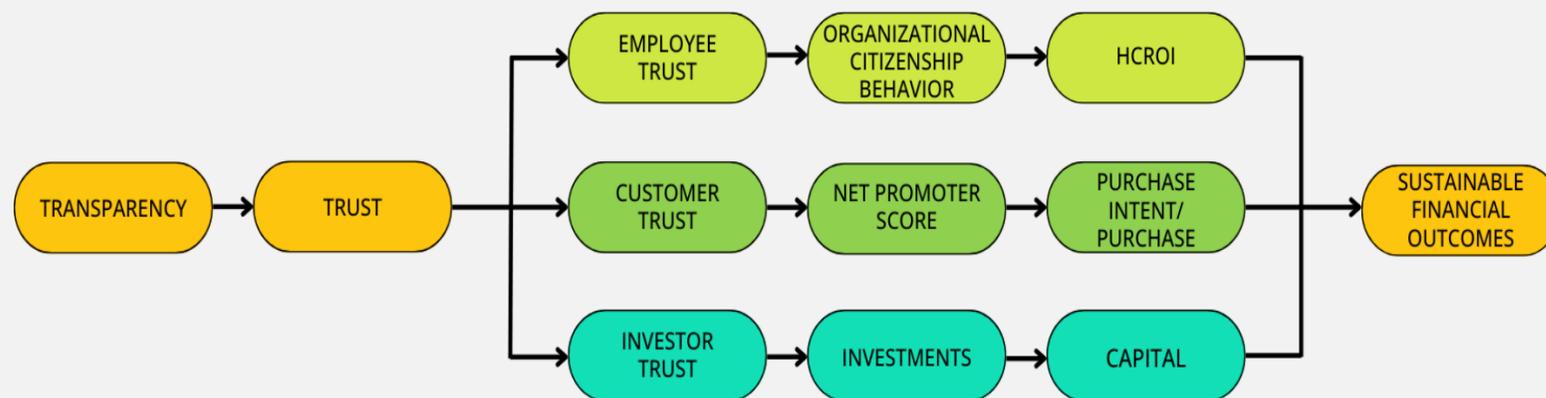
(For Board Chairs, Directors, CEOs, CHROs, COOs, CFOs, CMOs, CROs and Chief Sustainability Officers)



# Why ESG Disclosure?

## Human Capital Disclosures; Good for Business?

Greater human capital transparency is critical for efficient capital markets and informed investment decision-making in the modern economy.



- Sustainability has emerged as a key challenge and opportunity for every organization. With the emergence of Environmental, Social, and Governance (ESG) framework, human capital has become important for investment analysis, both from social and financial impact perspective. How “S” is framed within the ESG, which issues take priority and how they are integrated into the organization's strategy is a challenge for many companies.
- As the primary source of economy is shifting from physical to intellectual capital, stakeholders realize that company's true competitive advantage lies in human capital capability. Investors expect board HR Committee, a high-quality workforce data, that can help in better understanding the SOCIAL AND FINANCIAL IMPACT & ROI of human capital investment in MEASURABLE TERMS.
- Numbers are the universal language of business. Organizational leaders. Shareholders, board members, CEOs, CFOs all measure results, therefore, prefer to take decisions on evidence-based data. They are keen to see verifiable connections between human capital investments and leading indicators of organizational sustainability.
- International standards setter institutions and national regulatory bodies are demanding companies to become more transparent, objective and accountable in their investments and corresponding outcomes.
- Securities and Exchange Commission of Pakistan has published ESG Guidelines for listed companies Read: <https://www.secp.gov.pk/document/secp-esg-disclosure-guidelines-for-listed-companies/?wpdmdl=51940&refresh=666a958b23ea51718261131>



# ESG Drives Enterprise Sustainability

**Businesses** operate within a broader society and industry context. They are deeply intertwined with environmental, social, and governance concerns. Strong ESG proposition creates tangible value for the economy. To continue to thrive, companies need to build their resilience and enhance their capability to operate, through greater commitment to long-term, sustainable value creation that embraces the wider demands of people and planet.

ESG disclosure is an emerging requirement of standards setter bodies, investors, shareholders, donors and regulators. It is essentially required to align the industrial economy with stakeholders' capitalism concept for sustainable and inclusive growth. To continue to thrive, companies need to build their resilience and enhance their capability to operate, through greater commitment to long-term, sustainable value creation that embraces the wider demands of people and planet.

# What are the Benefits of using S–Social Metrics?

ESG reporting can assist in improving the transparency of a company's operations and performance to build trust with stakeholders and make it easier for investors to make informed decisions about whether or not to invest in the company. Following are some of key benefits:

- a Investor Confidence and Attraction:** By adhering to the ESG reporting, companies can build investor trust by demonstrating transparency and accountability in their operations. This enhances their ability to attract both local and foreign investments, particularly from ESG-focused investors who are increasingly prioritizing sustainability
- b Risk Mitigation:** By focusing on key social metrics, such as employee health, safety, and diversity, companies can proactively manage risks, reducing the likelihood of legal challenges and reputational damage.
- c Enhanced Social Responsibility:** The focus on 14 social metrics, such as gender diversity, fair wages, and community engagement, allows companies to contribute positively to societal development. This can lead to better stakeholder relationships and a stronger corporate reputation.
- d Competitive Advantage:** Companies that embrace ESG principles often outperform their peers in terms of financial performance, brand reputation, and market access, both locally and internationally.
- e Sustainable Growth:** The roadmap encourages businesses to adopt sustainable practices, which not only contribute to societal well-being but also ensure long-term profitability and resilience.
- f Increased Operational Efficiency:** Encourages the implementation of best practices and process improvements that can lead to more efficient operations and reduced costs.
- g Attracting Talent:** Appeals to top talent who value sustainability and ethical practices, helping to attract and retain skilled employees.
- h Access to New Markets:** Opens up opportunities for entering markets that prioritize ESG criteria, including public sector contracts and partnerships with other organizations committed to sustainability.
- i Better Decision Making:** Rigorous data collection and reporting processes, leading to higher quality and more reliable ESG data for decision-making.
- j Sustainable Growth and Workforce Engagement:** Implementing ESG metrics fosters a culture of continuous improvement in employee engagement and diversity. This can lead to lower turnover rates, higher productivity, and stronger alignment with sustainability goals
- k Enhanced Customer Loyalty:** Builds trust and loyalty among customers who prioritize sustainability and ethical behaviour, potentially leading to increased customer retention and advocacy.



## What are the Benefits of using S-Social Metrics?

- i Connecting Brand, Culture, and Stakeholders:** Connects the dots between the organization's brand, culture, and objectives, with the practices used to engage all stakeholders, hence leaders can not only improve performance through efficiencies but create better experiences for all stakeholders.
- m Standardized HR Data and Employment Relations:** Use of standardized and agreed data, describes organizational value in a broadly comparable sense, improves HR processes that support good practice in establishing and maintaining positive employment relations.
- n Quantifying Human Capital's Contribution:** Quantifies human capital contribution to the overall bottom line, through solid, factual, and verifiable data for tough board decisions with easy-to-use mathematical formulas.
- o Strategic Diagnosis of Human Capital:** Diagnoses strategic human capital measures, helps understand the messages in data, with a view to become competitive, cost-effective, and yet responsive to business needs.
- p Human Capital as an Investment:** With the new focus on human capital as an asset, the funds organizations budget to engage people are increasingly becoming considered an investment with a desired ROI, creating a new demand for voluntary, sensible, and auditable practices.

# International Standards and National Regulation on ESG



## **ISO 30414: Guidelines for Internal and External Human Capital Reporting**

(Applicable worldwide to all organizations across all industries)

This universal international standard is applicable to organizations of all types across all sectors. It provides a comprehensive set of guidelines for organizations to report 58 metrics related to 11 key areas of human capital management. Number of metrics applicable vary depending upon large/medium/small organization. The Standard provides the first and most widely accepted roadmaps for voluntary, strategic and systematic processes that improve outcomes and experiences. external reporting. It aims to help organizations measure, manage, and report on their workforce effectively, enhancing human governance, transparency and accountability.



## **ESRS-S1: European Sustainability Reporting Standards for Internal Workforce**

(Applicable to companies operating within EU or external companies having operations in EU)

European Sustainability Reporting Standards (ESRS) have been established by the European Financial Reporting Advisory Group (EFRAG) to guide companies in reporting sustainability-related information. Standards are mandatory for companies within EU or operating in EU on Jan first 2024. These standards aim to provide consistent, comparable, and transparent disclosure on environmental, social, and governance (ESG) factors. ESRS has a special cluster of 17 metrics (S1) for reporting on internal workforce to enhance corporate accountability and objectivity for relevant stakeholders.



## **SECP: Securities and Exchange Commission of Pakistan Guidelines on ESG Disclosure for Listed Companies**

(Applicable to listed companies in Pakistan on voluntary basis. Non listed companies can also use it)

The Securities and Exchange Commission of Pakistan (SECP) has issued voluntary Environmental, Social, and Governance (ESG) Disclosure Guidelines for listed companies. These guidelines aim to promote responsible business practices and transparency amongst listed companies, specifically in light of freshly launched International Financial Reporting Standards (IFRS) S1 and S2 Standards issued by the International Accounting Standards Board (IASB). These standards are supported by a dedicated cluster of 14 Social metrics. The objective of the SECP ESG Disclosure Guidelines is to encourage companies to report on environmental impact, social responsibility, and governance structures. Companies can integrate ESG information into their Annual Reports or publish it separately.

# ISO 30414 Human Capital Disclosure Standards

The 69 Human Capital-related metrics which are structured into eleven different areas:



# European Sustainability Reporting Standards

ESRS S1 (European Sustainability Reporting Standards - Social 1) focuses on the disclosure requirements related to an organization's impact on its workforce. It is a key standard under the Corporate Sustainability Reporting Directive (CSRD) and requires companies to report on **17 specific metrics** across four categories:

## ESRS-S1 Metrics

- S1-1** Policies related to own workforce
- S1-2** Processes for engaging with own workers and workers' representatives about impacts
- S1-3** Processes to remediate negative impacts and channels for own workers to raise concerns
- S1-4** Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions
- S1-5** Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities
- S1-6** Characteristics of the undertaking's employees
- S1-7** Characteristics of non-employee workers in the undertaking's own workforce
- S1-8** Collective bargaining coverage and social dialogue
- S1-9** Diversity indicators
- S1-10** Adequate wages
- S1-11** Social protection
- S1-12** Persons with disabilities
- S1-13** Training and skills development indicators
- S1-14** Health and safety indicators
- S1-15** Work-life balance indicators
- S1-16** Compensation indicators (pay gap and total compensation)
- S1-17** Incidents, complaints and severe human rights impacts and incidents



# SECP ESG GUIDELINES

Adhering to SECP's ESG reporting Guidelines published in 2024 is vital for organizations to remain competitive in today's global market. It helps companies align with international sustainability standards, thereby enhancing their appeal to both local and foreign investors. Compliance with these guidelines ensures that businesses can attract sustainable investments, reduce risks, and foster long-term growth.

## Social: 14 Metrics

### CEO Pay Ratio

1. CEO total compensation to median Full-time Equivalent (FTE) total compensation
2. Does your company report this metric in regulatory filings? Yes/No

### Gender Pay Ratio

3. Ratio: Median male compensation to median female compensation

### Employee Turnover

4. Percentage: Year-over-year change for full-time employees
5. Percentage: Year-over-year change for part-time employees
6. Percentage: Year-over-year change for contractors and/or consultants

### Gender Diversity

7. Percentage: Total enterprise headcount held by men and women
8. Percentage: Entry- and mid-level positions held by men and women
9. Percentage: Senior- and executive-level positions held by men and women

### Temporary Worker Ratio

10. Percentage: Total enterprise headcount held by part-time employees
11. Percentage: Total enterprise headcount held by contractors and/or consultants

### Non-Discrimination

12. Does your company have a sexual harassment and/or non-discrimination policy? Yes/No
13. Is there a confidential grievance, resolution, reporting and non-retaliation mechanism and procedure to address and respond to incidence of harassment and violence? Yes/ No
14. Percentage: Women and men promoted during the year

### Global Health & Safety

15. Does your company follow an occupational health and/or global health & safety policy? Yes/No

### Child & Forced Labor

16. Does your company follow a child and/or forced labor policy? Yes/No
17. Is there any child labor or forced labor policy across your supplies/vendors? Yes/No

### CSR

18. Please share a list of CSR activities undertaken along with total time spent on these and amounts (PKR) allocated

### Training & Succession

19. Number of training sessions held on the following. Please also mention the number of employees and workers trained on these:
  - Skill Upgradation
  - Soft Skills
  - Health & Safety Measures

### Human Rights

20. Percentage: Women and men promoted during the year
21. Does your company follow a human rights policy? Yes/No
22. Does your human rights policy extend to your suppliers and vendors? Yes/No

### Working Conditions

23. Number of complaints made by employees regarding working conditions during the reporting period
24. Number of complaints regarding working conditions resolved

### Injury Rate

25. Percentage: Frequency of injury events relative to workforce time.
26. Number of safety incidents either during the reporting year and/or number of lost production hours as a result.
27. Discuss the percentage of employees/workers covered with Health and Safety insurance

### Marketing

28. Do you have a responsible gender-sensitive marketing communication policy or a commitment embedded in a larger corporate policy? Yes/No

# Goal



HR Metrics is pioneer in Asia for introducing evidence-based human capital measurement Metrics. Our goal is to assist companies in developing their data driven decisions and disclosure capability on human capital with a focus on "S" part of ESG.

# FOCUS AREAS

## 1) ESG Awareness

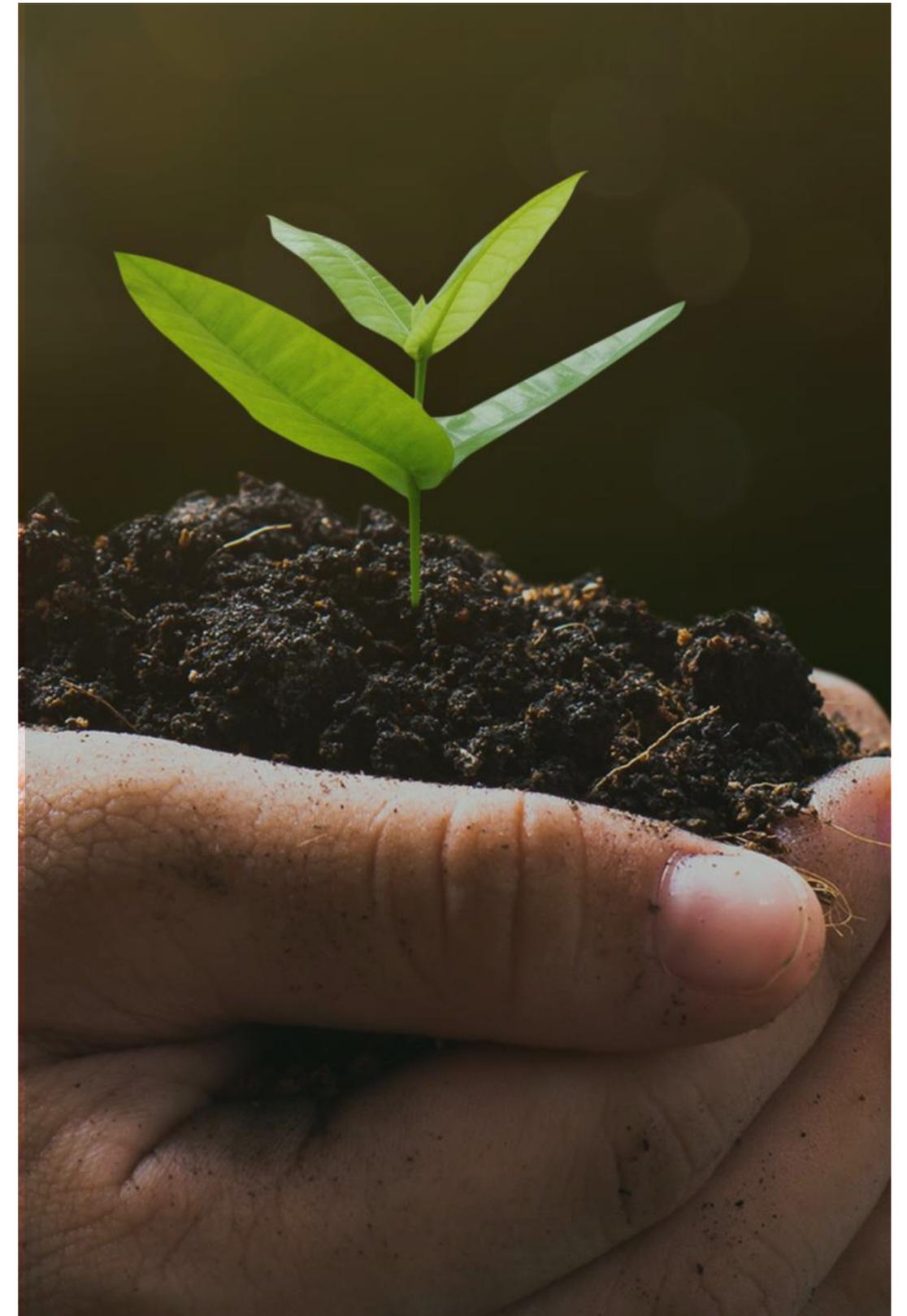
- What is ESG and what is in it for short-term and long-term investors?
- What is the business case for ESG from social and financial outcomes perspectives?
- What are existing global frameworks supporting ESG disclosure and reporting?
- Who are key stakeholders and what is their interest in ESG?
- What is materiality consideration and double materiality for ESG information?

## 2) ESG Risk Assessment

- What should be role, responsibilities, and structure of board ESG committee?
- How to determine which ESG metrics are material to your business?
- What should be the role of regulators and rating agencies in ESG disclosure?
- What are critical competencies for ESG competent board director?
- Who are ESG competent business leaders globally/regionally?
- How to identify ESG risk for your enterprise?
- How to measure maturing scale of your organization on ESG disclosure?
- How to measure Social (S) in ESG for social and financial impact?
- What are key ESG Metrics for sustainability reporting?
- How to assess enterprise sustainability report for data quality assurance?

## 3) ESG Enterprise Capabilities

- How to develop ESG strategy for enterprise.
- What resources be consulted to develop ESG strategy?
- ESG seminars on how to write effective ESG annual report?
- ESG certification for consultants and board of directors.
- ESG certification for enterprises.





## About HR Metrics

Created in 2012, HR Metrics is a consulting and advisory firm specializing in sustainable people analytics, global HR standards, professional competencies, and inclusion strategies. We support organizations in making data-driven decisions to enhance workforce performance and long-term value. Our purpose is to build inclusive cultures, strengthen HR capabilities, and drive social impact through human capital disclosures, DEI standards, and HR competency frameworks

## Our Services

### a. CONSULTING

- Diagnostic assessment to determine current state.
- Developing strategy to benchmark desired state.
- Developing a dashboard to gather data for report generation.
- Training on metrics definitions, formulas and data points.
- Guidance and support on data collection and analysis mechanism.
- Writing report for publishing in ESG or annual report.

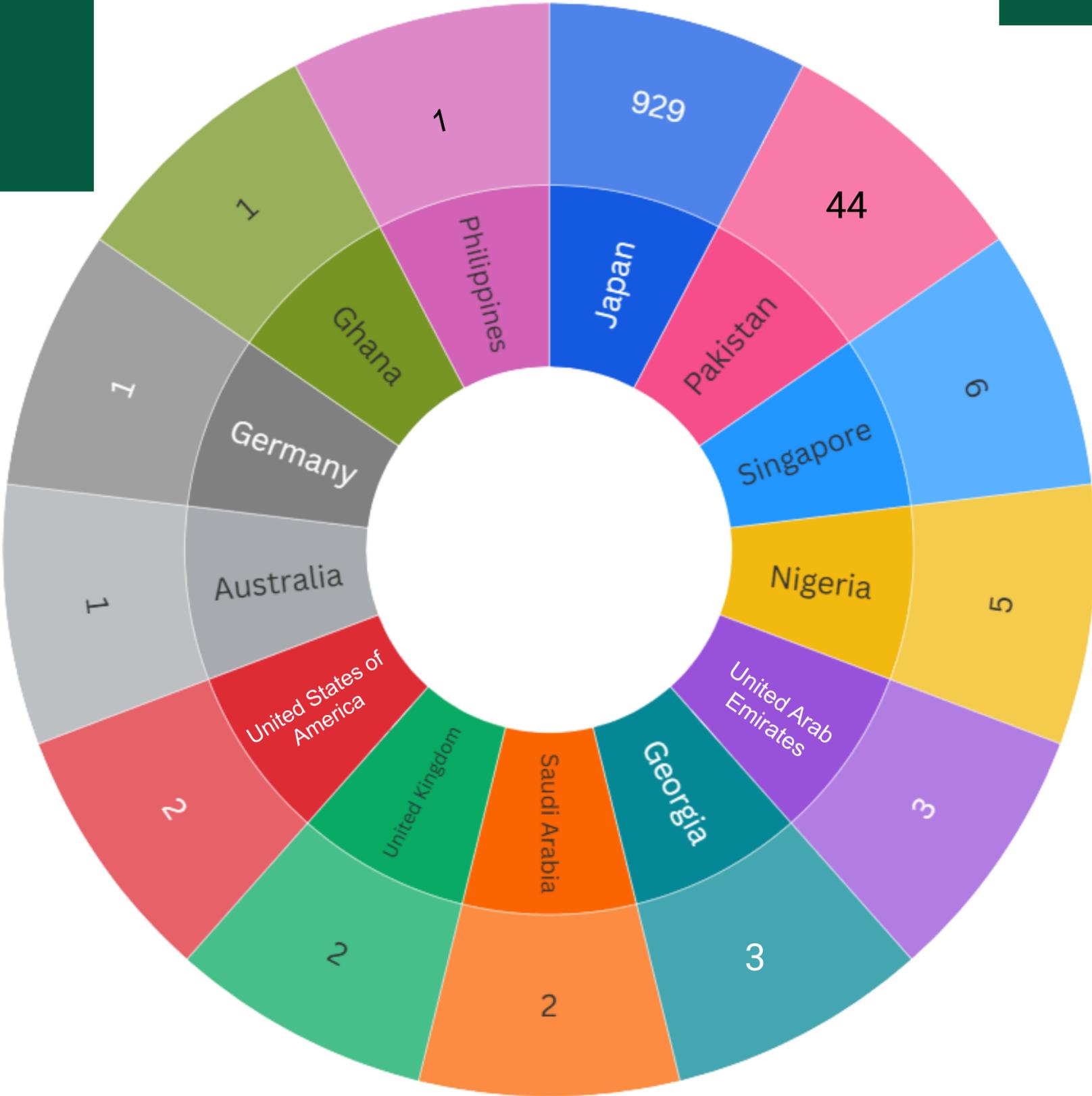
### b. ISO 30414 Certification

- ISO 30414 audit leading to organisational certification.

**Note:** Organization has to choose between certification and consulting services. Both cannot be provided to the same company.

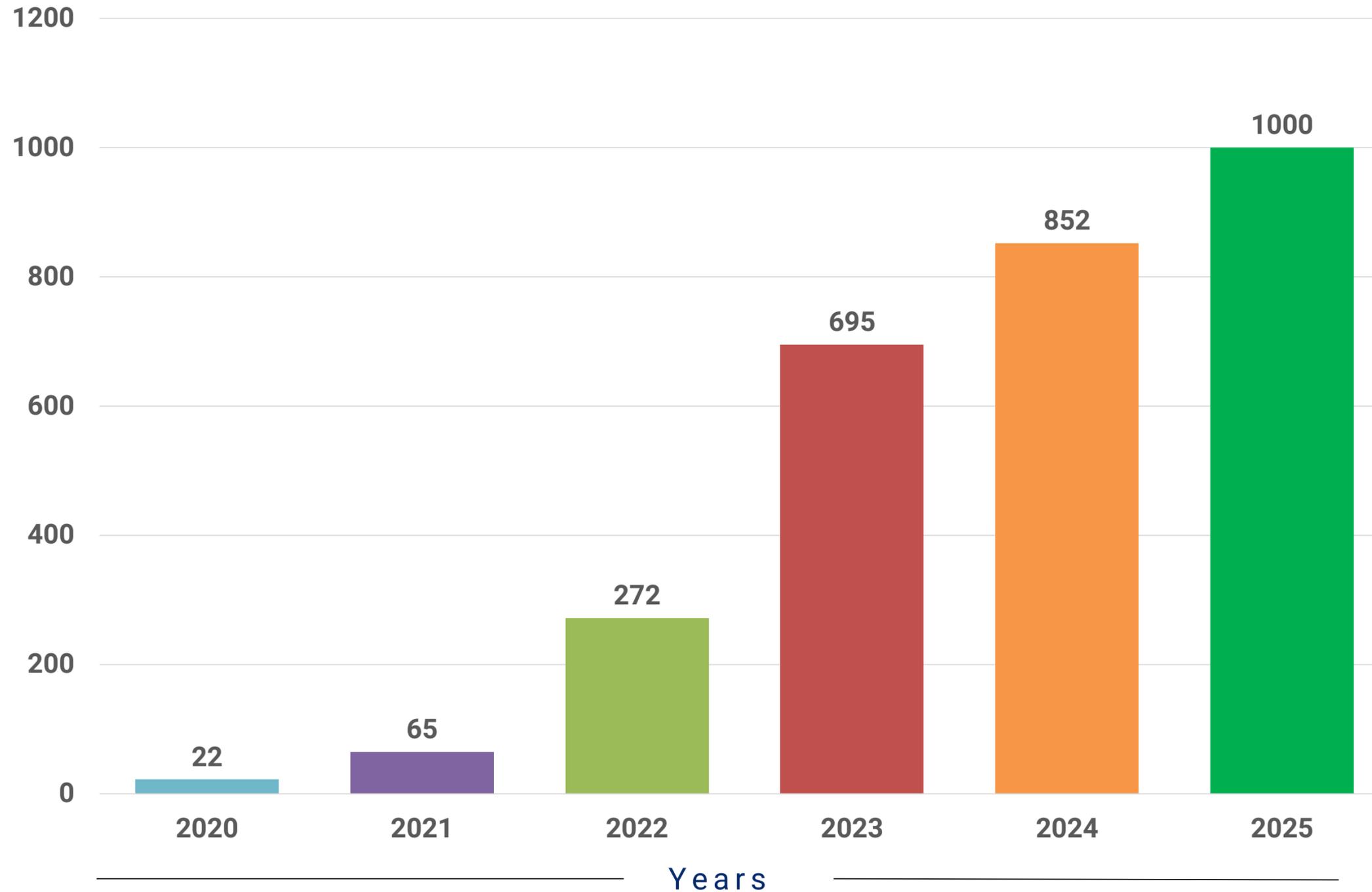
# ISO 30414:2018 Certified Alumni of HR Metrics

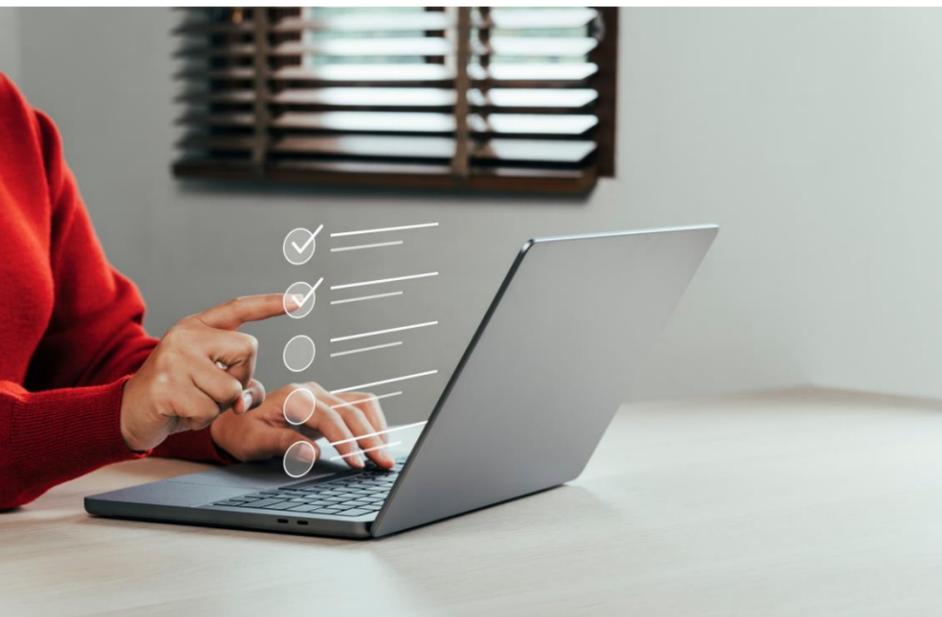
Illustrating HR Metrics' expertise in fostering global collaboration, this graph highlights the growth of a skilled, ISO 30414-certified workforce across multiple markets.



# ISO 30414: 2018 Certified Alumni Growth Rate

Highlighting the growth rate of ISO 30414 certified alumni, this graph reflects the expanding reach of human capital standards, demonstrating increasing global adoption and expertise in the field.





## Eligibility Criteria for Participation

- a. Participation is voluntary and without any fee.
- b. Board director/CEO/CHRO/Chief Sustainability Officer or Chief Risk Officer can join.

## How to Get Involved?

- a. For more information, contact [info@thehrmetrics.com](mailto:info@thehrmetrics.com).

# CEO HR Metrics

Zahid Mubarik is an internationally acclaimed visionary thinker, writer, speaker, thought leader and influencer of ISO Geneva Technical Committee 260 on human capital development, analytics, diversity and inclusion. He is the founding member for developing HR global Standards. He actively took part in ISO face to face meetings for global HR Standards development at American National Standards Institute (Washington DC), British Standards Institute (London), Standards Australia (Melbourne), The Royal Netherlands Standardization Institute (Rotterdam), Association Française de Normalisation (Paris), Singapore Standards Council, The National Standardization Agency of Indonesia (Bali) and UNI-Ente Nazionale Italiano di Unificazione (Milan). Zahid has the honor of being distinguished speaker in in-person international conferences and seminars on human capital analytics at Las Vegas, Beijing, Moscow, Baku, Hanoi, Dubai and Abu Dhabi. His analytical papers and expert talks have been featured by national/international media including Microfinance Gateway World Bank Washington, CNBC, Dawn, Business Recorder, Business Plus TV and Gulf Economist. Zahid served as Global Chair of ISO Working Group on HR Metrics Standards. During his leadership, ISO published two global HR standards including ISO 30410: Impact of Hire and ISO 30411: Quality of Hire. He also served as member of Working Group developing ISO 30414: Guidelines for Internal and External Human Capital Reporting. He groomed and facilitated certification of 700+ consultants/practitioners worldwide with a heavy concentration in Tokyo Japan. Zahid is SHRM USA Partner in Pakistan. SHRM is world largest HR association having 340,000+ members in 165 countries. He introduced SHRM competency based global HR certifications in Pakistan and developed more than 200 people. He served as Board Director, The Centre for Global Inclusion USA. He introduced Global Diversity, Equity & Inclusion Benchmarks Standards in Pakistan and facilitated 65 large multinational and national corporations in implementing Global DEI Benchmarks Standards. Zahid is a former member of Pakistan Stock Exchange and Pakistan Institute of Corporate Governance Task Force on ESG Disclosure. He has a knack in linking human capital metrics with business outcomes to transform organization on (S-Social) part of ESG. He is the Chief Editor of HR Magazine Workforce Tomorrow.

For any questions/comments, please contact [Zahid@thehrmetrics.com](mailto:Zahid@thehrmetrics.com)



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# Thank You

For more information, please visit our website or contact:



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