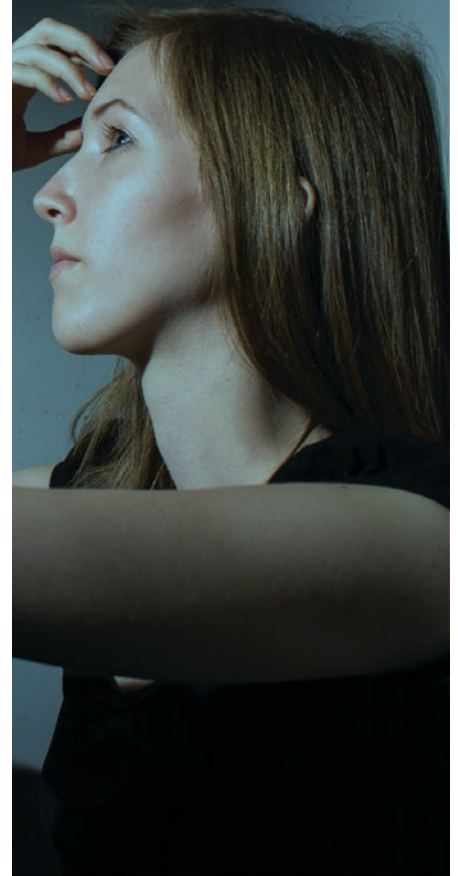


Psychological Health and Safety and the Canadian Financial Sector



SHARE Investor Briefing Note

Introduction

The business case for adopting policies and practices to address mental health in the workplace is clear: failure to effectively manage occupational health and safety (OHS) risks can damage company prospects over the long term through increased worker compensation premiums and/or benefits payments, decreased productivity, rising absenteeism, legal risks, and negative effects on recruitment and retention of valuable employees.¹ Conversely, strong management of health and safety in the workplace can have short-term and long-term positive impacts on operational and therefore financial performance. For investors, that means attention to corporate mental health policies and practices can help drive long term shareholder value.

Many corporate Boards of Directors have a standing health and safety committee, implement management and monitoring systems to prevent and control hazards in the workplace, and report on workplace fatalities and lost-time in accordance with legal and regulatory requirements. But the world of OHS is constantly evolving. Companies must keep pace not only with regulatory changes but with operational, technological, and cultural changes within their orbit, too.²

Awareness of mental health issues at work is one of those changes. Mental illness is now one of the leading drivers of short-term and long-term disability claims in the Canadian workplace³ and has been estimated to cost the Canadian economy more than \$50 billion per year.⁴

In 2013 the Canadian Standards Association and the Bureau de Normalisation du Quebec published the *National Standard on Psychological Health and Safety in the Workplace* (“the National Standard”), which included guidance on how companies can adopt and implement plans for preventing mental injury at work and responsibly deal with mental health problems amongst their employees. The standard was developed by business, labour and government, and has been championed by BCE Inc., the Canadian Labour Congress, the Mental Health Commission of Canada, and the federal Ministry of Labour, among others.

The National Standard is a comprehensive tool that can be used by investors to evaluate a company’s approach to managing mental health risks with their employees. Adopting the standard – even in a staged manner, appropriate to their size and capacity – shows a company’s strategic commitment to health and safety overall. Steps outlined in the National Standard, such as workplace surveys and training, demonstrate that the company has gone beyond broad policy statements and is developing better culture and practices in its workplace, and measuring the outcomes.

SHARE, on behalf of its institutional investor clients, is engaging with companies in their portfolios on the adoption and implementation of management policies and practices that address psychological health and safety in the workplace. SHARE’s engagement has identified both leaders and laggards, and continues to advance the case that attention to worker health and safety in all its forms is a necessary component of protecting shareholder value in a modern economy.

Investors have a strong role to play in making the business case for its adoption and articulating why it is relevant to their own ongoing valuation of the company. Together with other advocates like the Mental Health Commission of Canada and industry champions, we can improve the lives of millions of workers and shareholder value at the same time.

Are Canadian financial sector companies addressing mental health at work?

SHARE investigated relevant disclosures from 25 Canadian financial sector companies included in the S&P/TSX Capped Financial Index.⁵ We selected the financial sector as a focus for this initial review because of a high incidence of stress reported by white-collar workers in Canada.⁶ International research suggests that financial sector workers have been under increased pressure since the 2008 financial crisis.⁷ At the same time, the Canadian financial sector is also of interest because some financial sector firms are playing a leading role in promoting mental health at work (see Great West Life, left), which provides a positive example for others to emulate.

Our review of the public disclosures of these 25 publicly-traded firms correspond to five areas of concern included in the National Standard:

1. Oversight: Does the company report a management or board-level committee with responsibility for occupational health and safety and/or wellness?
2. Company Policy: Does the company report the existence of a policy that explicitly addresses psychological health and safety in the workplace?
3. Training: Does the company report any employee or manager training programs related to psychological health and safety?
4. Employee programs: Does the company report any employee assistance programs aimed at helping employees with psychological health and safety?
5. Transparency: Does the company report any data publicly related to psychological health and safety, including:
 - a. employee absenteeism rates;
 - b. quantitative training data;
 - c. workforce surveys (e.g. “employee engagement” surveys or “employee satisfaction” surveys);
 - d. workforce turnover.

This report relies solely on public disclosure related to the above five questions to assess whether the financial companies in this index are reporting any information to investors about their management of what is becoming a salient issue for Canadian business. It does not assess a) whether the company has un-reported policies or programs related to psychological health and safety; or b) the quality or success of reported policies and programs in addressing psychological health and safety in the workplace.

Great West Life

Great West Life’s public accountability report has a section on health and wellness and also a section on mental health, which reports on company initiatives on mental health and details of its participation in the “Not Myself Today” campaign, “focused on reducing stigma and supporting mental health at work”. GWL was a participant in the development of the National Standard. GWL also supports the Great-West Life Centre for Mental Health in the Workplace which includes the Guarding Minds @ Work website (a resource for promoting psychological health and safety in the workplace) and a number of other tools and resources designed to help Canadian employers with prevention and management of workplace mental health issues.⁸

Findings

[24%]

Oversight

Twenty-four percent of financial sector firms studied reported that a board or senior management committee has responsibility for oversight of health and safety of employees. The extent to which these committees are seized with the issue of psychological health and safety depends largely on committee charters or policies that define oversight and management roles.

[4%]

Policy

More than half (56%) of firms have a policy that addresses some aspect of psychological health and safety. However of these, only one company has published a policy that demonstrates a comprehensive approach to psychological health and safety matters. Most policies include only a prohibition on bullying and harassment.

[4%]

Training

Only one company reports publicly that it has instituted training for managers which includes psychological health and safety matters. Training for managers should help them develop an understanding of the issue and why it is important, share senior management's support for a psychological health strategy, help them identify and act on behaviours that threaten psychological health and safety in the workplace, etc.

[60%]

Employee programs

A majority of firms report offering employee programs that assist with mental health issues. Employee programs are an important element of comprehensive management of psychological health and safety, providing workers with confidential and accessible counseling for matters including psychological, family, financial, work-related and substance abuse problems.

Disclosure of data

Investors look to firms for disclosure of the company's policy and approach to managing occupational health and safety issues, in order to gauge how well the board and management have understood the risks involved and the link between better OHS practices and shareholder value. Increasingly, investors also look for relevant data on outcomes, in order to monitor the effectiveness of management in reducing risks and increasing value. For the purposes of this study, we looked at three metrics that are relevant to psychological health and safety in the workplace and whether any of the financial sector companies in the index currently report these publicly.

[0%]

Employee absenteeism rates

None of the companies surveyed currently report absenteeism rates, even though absenteeism is a drain on productivity and directly relevant to company performance.

[4%]

Quantitative training data

Not surprisingly, given the minimal reporting on the existence of manager training on psychological health and safety, only one of the companies surveyed currently report data on the quantity or outcomes of this training, such as the percentage of the workforce receiving training or number of annual training hours relevant to the issue.

[40%]

Workforce surveys

Forty percent of the companies reviewed report that they conduct some form of employee engagement surveys, which (depending on the survey) may be a good means of identifying gaps or needs amongst the workforce and establishing a baseline for improvement. This may also help identify priorities for management attention in improving the workplace experience, building better worker recruitment, retention and advancement outcomes.

[32%]

Workforce turnover

A third of companies report publicly on their voluntary workforce turnover. This is a critical baseline measurement of the success of a company's employee retention and advancement outcomes, which is dependent upon a strong and healthy workplace culture and good working conditions.

Conclusions

The conclusions from our review of disclosure by Canadian financial sector firms on management of psychological health and safety are mixed.

On the one hand, some companies' performance and leadership in addressing mental health issues in the workplace and the community is exemplary. In some cases this is well documented and shared publicly.

For most firms, however, this review demonstrates that even if there are policies and practices in place to manage psychological health and safety in the workplace, little of this is being reported publicly. Without such disclosure, investors cannot assume that management is aware of and effectively managing the issue.

The low level of disclosure could stem from two concerns.

First, investors and the investment analysts that serve them have yet to pay sufficient attention to the necessary policies and metrics related to psychological health and safety and incorporate these into their assessment of company value. In short, without demonstrated interest from investors, companies do not feel compelled to report information related to human capital management and specifically psychological health and safety in the workplace. This points to a need for improved investor education and understanding of how decent work practices contribute to company value over the long term.

Second, companies may be reluctant to share data on the management of psychological health and safety matters because of the continuing stigma related to the issue and because, despite the efforts of corporate leaders, reporting on human capital management issues is still nascent in the Canadian market. The good news is that efforts to remove the stigma related to mental health issues are growing each year, thanks to the combined efforts of business, labour, community organizations and government. In fact, more than half of the financial sector companies reviewed here have supported external mental health at work programs aimed at reducing that stigma, including the Partners for Mental Health and its "Not Myself Today" campaign.⁹

However increased reporting on human capital management will only occur when a growing number of investors ask companies for it. SHARE's investor clients have identified this issue as a priority and we will be continuing to engage with financial sector companies with the goal of improving disclosure both at individual companies and across the sector as a whole.

Appendix A

Companies reviewed (S&P/TSX Capped Financial Index)

Alaris Royalty Corp.

Bank of Montreal

Bank of Nova Scotia (The)

CI Financial Corp.

Canaccord Genuity Group Inc.

Canadian Imperial Bank Of Commerce

Canadian Western Bank

Element Financial Corporation

Fairfax Financial Holdings Limited

Genworth MI Canada Inc.

Great-West Lifeco Inc.

Home Capital Group Inc.

IGM Financial Inc.

Industrial Alliance Insurance and Financial Services Inc.

Intact Financial Corporation

Laurentian Bank of Canada

Manulife Financial Corporation

National Bank of Canada

ONEX Corporation

Power Corporation of Canada

Power Financial Corporation

Royal Bank of Canada

Sun Life Financial Inc.

TMX Group Limited

Toronto-Dominion Bank (The)

Endnotes

- ¹ For a clear outline of the business case for addressing psychological health and safety at work, see www.guardingmindsatwork.ca/info/safety_why/business_case
- ² For more information on investor concerns related to occupational health and safety, see SHARE's Investor Guidance on Occupational Health and Safety in Canada available at www.share.ca/files/12-4-27_Investor_Guidance_on_OHS_-_Final.pdf
- ³ <http://strategy.mentalhealthcommission.ca/the-facts>
- ⁴ Morneau Shepell. *What is Canada's National Standard for Psychological Health and Safety in the Workplace — and what does this mean for your business?* 2013. Available at: www.morneaushepell.com/sites/default/files/assets/pages/575-resources-workplace-mental-health/canadianpsychologicalhealthsafetystandardfaqs.pdf
- ⁵ Accessed August 27th, 2015
- ⁶ See Crompton, Susan. What's stressing the stressed? Main sources of stress among workers. Statistics Canada, October 2011. Available at: www.statcan.gc.ca/pub/11-008-x/2011002/article/11562-eng.htm
- ⁷ See, for example: Tedesco, Theresa. "Banker suicides shine light on employee well-being, not just the numbers they produce" *Financial Times*, 24 March 2014. Available at: <http://business.financialpost.com/news/fp-street/banker-suicides-shine-light-on-employee-well-being-not-just-the-numbers-they-produce>; UNI Global Union. *Banking: the Human Crisis*. 2013. Available at: www.uniglobalunion.org/sites/default/files/attachments/pdf/final%20job%20loss%20survey-e.pdf ; Bank Workers Charity. *Bank on your people*. March 2013. Available at: www.bwcharity.org.uk/sites/default/files/BWC_Research_Report.PDF
- ⁸ See www.guardingmindsatwork.ca/info/index
- ⁹ See www.notmyselftoday.ca/about/who-is-pfmh

About SHARE

SHARE (Shareholder Association for Research and Education) is a leader in responsible investment services for Canadian institutional investors. SHARE advises institutional investors on the development and implementation of responsible investment practices. Created in 2000, SHARE provides proxy voting advice, facilitates shareholder engagement, and delivers education and practical research on emerging responsible investment issues.

SHARE has been engaging Canadian companies in a wide range of sectors on their management of health and safety risks for workers. We engage companies on behalf of Canadian institutional investors with more than \$14 billion in assets under management.

Disclaimer

This publication is for information purposes only. It does not constitute investment advice or an offer to invest and is subject to correction, completion and amendment without notice.

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