

Human Capital Management Coalition – Questions

November 2014

***PLEASE NOTE:** For the purposes of these questions and our overall engagement, we view Human Capital Management as encompassing a broad range of corporate practices related to the management of employees, including, but not limited to, hiring and retention, employee engagement, training, compensation, fair labor practices, health and safety, responsible contracting, ethics, desired company culture, and diversity, both with respect to a company's direct employees and to the employees of vendors throughout the company's global supply chain.*

Board Oversight: Human Capital Management Philosophy/Culture/Approach

Does the Company have a philosophy/culture/approach that governs its management of human capital?

- What are the main components of this philosophy/culture/approach?
- How was this philosophy/culture/approach developed and how is it maintained?

How does the Board ensure that its expectations on corporate values and culture are met?

- Who is ultimately responsible for developing and communicating the Company's desired corporate culture?

How does the Board ensure that its expectations on human capital management are reflected throughout the management chain?

- How is the Company's desired corporate culture integrated into this process?
- How often and to what extent do the relevant Board Committees update the full Board on:
 - Progress reports on meeting compliance objectives?
 - Employee engagement and feedback and any action plans resulting from that feedback?
 - Health, safety and other issues?
- If culture change has been identified as an objective, how does the board seek to do this and how is progress measured?

What have been the Board's priorities on human capital management in the past year, and what are its priorities going forward?

- What specific compliance objectives has the Board set for the next fiscal year, within the categories the company identifies as its priorities?
 - Which of these objectives does the Company view as related to human capital management?
 - Which objectives are quantitative and which are qualitative?
 - How is the Board measuring the Company's progress on meeting these objectives, both on an individual level (especially for executives/senior management) and company-wide.
- How does the Board address any gap between its expectations and actual results?
 - Lessons learned?

Performance/Long-Term Value Creation & Operational Integration

What metrics does the Company view as the main material drivers of long-term shareholder value-creation? Which of these metrics does the Company view as directly related to human capital management practices as long-term value drivers?

- How does the Company assess performance on these metrics, and what progress has the Company made to improve its performance on these metrics?
- In the Company's view, what are the challenges the Company faces for each of these metrics?

- What information does the Board receive on these metrics?
- Are these metrics communicated employees?

Data Collection, Risk Management, and Accountability through Employee Engagement

How does the Company ensure that its philosophical/cultural/value expectations are communicated to employees of all levels, both in the U.S. and abroad?

- How does the company seek to improve employee accountability (e.g. autonomy, pay, engagement)?

What methods does the Company use to collect information from, and otherwise communicate with, its employees?

- What specific information is collected?
 - How does the Company interpret the information it receives?
- How is this information integrated into the Company's operations?
 - Are there examples where integrating feedback, such as "action plans," has led to improved operational performance?
- Is the Board provided with any information (report, stats, etc.) on this feedback? By whom? How is it integrated in the Board's decision-making process?
 - Is this information provided to management? Front-line employees?
- Who does the Company benchmark against in assessing progress?

How frequently are the Company employees updated and trained on procedures for providing feedback?

Does the Company collect information on human capital management and HCM risks in its supply chain?

- How is this information collected?
- How is this information integrated into both the Company's operations and the operations of the supply chain?
 - Any specific examples of how the information was useful or any lessons learned on what is useful/not useful?
- How and to what extent does the Company focus on worker safety in its supply chain?
- What are the most important human capital management risks and opportunities in the Company's supply chain?

What avenues are available to employees wishing to file a complaint related to human capital management misconduct, and what is the process by which the Company handles these complaints?

- Does the Company triage these complaints, and if so, how does it determine which situations pose the highest risk to the Company (financial, operations, legal/regulatory, reputational, etc.)?
- How is a complaint elevated within the Company's corporate structure? Is there a set process, or does the Company tend to rely more on situational-based processes?
- How is your whistleblower system working? What information do you receive from it? How would you improve it?

Investor Engagement and Disclosure

Are operational changes to address human capital management risk mitigation disclosed internally and/or externally?

- How is this information disclosed?

- How does the company determine which human capital management-related data to disclose to investors? (i.e. Direct investor outreach, discussions with influential investor groups, proxy advisory firm recommendations, etc.)
- How would you rate your human capital management performance?
- What are your human capital management key performance indicators?
- What are your human capital management objectives?

Incentives and Compensation Structure

What specific compensation metrics does the Company consider are the main material drivers for long-term value creation, and which of these metrics does the Company view as directly related to human capital management practices?

- How are these pay metrics integrated into the compensation of executives/management employees, especially in ways that reward human capital management “best practices” and mitigate the risks of poor human capital management?
- If human capital management incentives are included in the Company’s incentive pay structure, what variables are measured?
- What proportion of the Company’s global workforce is eligible for incentive-based compensation?

What specific incentive metrics are in place to encourage proper human capital management and risk oversight?

- How does the Company handle situations where senior leadership/management employees are found to have committed misconduct (violations of code of ethics; illegal activities; causing reputational damage; etc.)?
- How is the outcome of any misconduct investigations/findings communicated to investors and other stakeholders—especially in situations involving executives/management employees (other than the NEOs)—communicated to investors and other stakeholders, particularly other employees and, if applicable, regulators?

How does the company view the connection between non-management employee incentives and value creation?

- What types of incentives, if any, does the company have for non-management employees?
- Has the company recently considered revising its pay structure for non-management employees? Why or why not? If so, how have the revisions been implemented?
- Has the Company conducted any modeling/financial analyses on the impact a pay increase for non-management employees may have on the Company’s long-term performance? The impact of a pay increase for NEOs?
 - If so, what were the findings?