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Workplace Wellness and Employee Mental Health – An Emerging Investor Engagement Priority

With the prospect of global vaccines on the horizon, companies worldwide continue to address the challenges of pandemic management and recovery on their businesses, the communities and constituencies they serve and especially on their employees. As companies seek to prioritize workplace and customer health and safety alongside productivity and the achievement of strategic plans, the psychological, as well as physical, well-being of employees has been brought into sharper focus this year. The urgent need to address issues of diversity, inclusion, racism and racial injustice, gender equality, and attendant financial and socioeconomic inequities has heightened attention to workplace wellness, as have pandemic-related illness and loss of life, economic and job insecurity, social isolation, lockdowns, travel restrictions and remote working and schooling.

For a long time, matters of employee wellness, mental health and emotional well-being generally had been largely only areas of internal focus for companies—and in some instances were overlooked due to unwarranted stigma attached to mental health issues within certain professions and industries and uncertainty about how to navigate stress, depression, anxiety, burnout and other conditions and illnesses and how to normalize discussion of these issues.

Employee mental health and well-being are now shifting up the priority chain and becoming matters of external interest. Effective corporate initiatives on emotional wellness are now valued by shareholders, as well as other stakeholders, who are recognizing how these issues affect personal and professional lives, productivity, morale, recruitment, retention, and ultimately influence a business's ability to generate long-term sustainable value as it prioritizes employees. Companies are beginning to highlight these matters in external disclosures. For example, in its inaugural fall 2020 ESG report, Uber emphasizes how it has “amplified our focus on mental health and well-being and identified systemic ways to normalize the conversation, such as adding a well-being day off as an option in our time-off request system”; Eaton's latest sustainability report spotlights “Supporting mental health”; and AstraZeneca now discloses in its sustainability reporting a formal “Workforce Wellbeing Model,” how its employees are driving action on mental health generally, global strategies for integrating mental and physical health in the workplace and 2025 performance targets relating to a “healthy workforce,” including as to workplace pressure management.

From the investor perspective, what is new—and accelerating—is how institutional investors and asset owners globally are asking to understand corporate approaches to supporting the mental health of employees. Shareholder engagement and dialogue is occurring in the context of investor assessments of public companies, corporate leadership and board oversight as to human capital management (“HCM”), corporate culture and resiliency, compensation and employee benefits, and broader community impacts.

In the U.S., especially in the COVID-19 context, shareholders have begun reviewing corporate disclosures and engaging on measures taken to support the physical *and* mental health of the workforce. In the U.K., an investor-led mental health engagement program begun by CCLA Investment Management has been seeking to “build a substantial coalition of investors” to push for progress, “drive workplace mental health to the top of the corporate agenda” and “boost the mental

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resilience and wellbeing of workers across all sectors and industries.” Other novel investor-related activities include:

- In mid-October 2020, Janus Henderson Investors presented how their governance and responsible investment team analyzes approaches to mental health and engages with public companies in the COVID-19 environment and from a post-pandemic perspective. They concluded that businesses with effective well-being and mental health policies achieve better employee retention, work cultures and a more resilient workforce. Engagements address protecting the mental health of clients and customers, as well as employees.
- Announced in October 2020, a formal “Mental Health Benchmark” assessing FTSE-listed issuers will be launched in 2021 by CCLA with Chronos Sustainability. This benchmark would be a “first-of-its-kind assessment tool to enable investors to measure and compare how the largest corporations are managing employee mental wellbeing” and “present a clear roadmap for companies to manage and report on employee mental health.”
- Beginning pre-pandemic in 2019, CCLA reached out to major financial services and pharmaceutical firms as part of a mental health-focused shareholder engagement initiative, and in 2020 expanded this program to the FTSE 100. The six focus areas probe whether the company: (1) has a mental health at work plan; (2) promotes mental health awareness across employers and regular contractors; (3) integrates mental health safeguarding in job design; (4) integrates mental health safeguarding in workplace conditions; (5) trains managers on mental health; and (6) takes steps to monitor and report on employee mental health and wellbeing. These areas will be leveraged in the CCLA Mental Health Benchmark referred to above.
- ESG reporting frameworks, such as those under the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI), have affirmed that mental health, in addition to physical health, is encompassed within their measurements and reporting expectations concerning workplace health and safety. SASB’s recently launched Human Capital Research Project is assessing whether to recommend changes to the human capital sustainability dimension to better capture employee well-being.
- Investors and companies that are allocating capital or assessing activities against the U.N. Sustainable Development Goals (“SDGs”) now treat mental health as a component of SDG 3 (Ensure healthy lives and promote well-being for all at all ages). Mental health is also itself a potential investment theme, with investors focusing on companies that develop and provide services and solutions aimed at enhancing people’s emotional wellness and mental well-being.

As workforce mental health and well-being become employee priorities and part of a company’s investor-facing ESG and sustainability profile, more companies will report on and discuss such matters with shareholders. As investor and business priorities align as to workplace mental health, companies may wish to consider whether their initiatives are updated and appropriate for their workforce, including as to relevant privacy and legal considerations, and prepare to disclose such initiatives and address shareholder queries.

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