alphinity
INVESTMENT MANAGEMENT

Assessing workplace culture from the outside in

September 2022

Contents

About Alphinity

Alphinity is an active equities investment manager based in Sydney. Our purpose is to always put clients' interests first by striving to deliver consistent outperformance. We do this through our philosophy of investing in quality, undervalued companies which our research concludes are in, or about to enter, a period of earnings upgrades.

Alphinity was established in 2010 by its four founders who had all worked together in Australian equities at a large global firm since the early 2000s. In 2015, Alphinity expanded to include a highly experienced global investment team applying the same philosophy and process to the much larger set of investment opportunities outside of Australia. We now have dedicated teams managing both Australian and global equity funds, supported by a range of specialist resources.

Assessing workplace culture from the outside in

Culture can catalyse or undermine business success. It cannot be bought; it can only be created. Yet, this critical element is complicated to measure and assess from the outside. This presents a challenge for us as investors.

Overview

Following the extent of sexual harassment, bullying and racism highlighted in Rio Tinto's recent workplace culture report, we undertook a research and engagement project to explore the related risks across the industry and deepen our understanding of the factors that can drive, or mitigate, harmful behaviour within a company. Industry reports and one-on-one interviews with ten ASX200 companies in the mining and industrial sectors formed the basis of the investigation.

Despite its multifaceted and obscure nature, we believe a perspective on company culture can be obtained from the outside. We have subsequently developed a framework for investors to assess workplace culture that is characterised by three overarching pillars:

- **Strong governance:** A holistic safety culture driven from the top-down, with Board oversight and remuneration tied to People and Culture.
- **Safe and inclusive operating environment:** A speak up culture and strong diversity, equity and inclusion strategy integrated through the operating environment, together with effective training and awareness programs. Disclosures around complaints, incidents and disciplinary action remain uncommon in company reporting today, but demonstrate the cultural health of a business and leadership in transparency.
- **Engaged employees:** An engaged workforce that includes contractors under the same policies, supported by a strong engagement survey approach and transparent reporting of turnover and absenteeism data.

Project outcomes

- **Workplace culture assessment framework:** Eight criteria and specific underlying metrics form a unique assessment framework that can be used to evaluate a company's workplace culture.
- **Workplace culture evaluation:** A preliminary assessment against the framework has been completed for a suite of mining and industrial companies. This analysis is provided in an anonymous format in this report, alongside good practice examples, the key metrics that we ask companies to disclose and suggested questions for other stakeholders to complete similar assessments.
- **Disclosure requirements:** We encourage companies to engage with investors on this important issue and improve transparency on the metrics identified in this report.
- **ESG integration:** The outcomes of the workplace culture analysis will be embedded within our ESG assessment processes and used to inform future engagements and track progress, especially for identified higher risk companies.
- **Offering company feedback:** We intend to provide detailed feedback to the companies we engaged with, particularly where gaps in disclosure against the framework criteria have been identified.

1. Introduction

In February 2022, Rio Tinto shared concerning findings of an eight-month study into its workplace culture, executed by Elizabeth Broderick & Co. The investigation found bullying, racism, sexual harassment and everyday sexism to be systemic problems across the company. Although we commend Rio Tinto for proactively commissioning the study, the conclusions were extremely serious and raised broader questions of the risks pertaining to People and Culture in other companies.

Evidence suggests that the issues identified by the study are not confined to Rio Tinto. Similar concerns in the mining sector have been cited by the media, the Western Australia (WA) government and peers such as BHP. The push for cultural reform in orkplaces more broadly has called for an end to harassment, violence and inequality, driven by campaigns like the #MeToo movement.

There is currently no standard approach for investors to assess workplace culture. Neither is there a standard approach for companies to disclose workplace culture metrics. Unlike physical safety, there is limited guidance on the measures that can reflect workplace culture performance and employee wellbeing. We therefore initiated an engagement program with eight mining and two industrial companies, firstly to assess their exposure to workplace culture risks and secondly to build our understanding of how culture can be measured and effectively communicated externally to stakeholders.

While we acknowledge that many companies face workplace culture challenges, our primary research focus was on mining companies given the growing attention on the topic, the recent Rio Tinto report and the prevalence of listed mining companies within the Australian market.

2. The case for strong culture

Beyond the mining industry, workplace culture problems are seemingly widespread in Australia. In November 2021, sex discrimination commissioner, Kate Jenkins, endorsed a significant overhaul of the culture in Commonwealth parliamentary workplaces. The report found that more than half of parliamentary staffers had experienced bullying, sexual harassment, and sexual assault.

A study by the University of South Australia ranked Australia[1] as one of the worst for workplace bullying in the developed world. Cleanaway and James Hardie have both undergone management changes due to bullying allegations against senior leaders. This year, Virgin's former chief pilot accused its CEO of bullying and harassment and launched a Fair Work court case against the company.

While there is a clear moral duty to ensure all employees are decently treated, such allegations also come with significant economic benefits and costs. It has been estimated, for instance, that actively disengaged employees are costing the Australian economy more than $2 billion a year.[2] On the other hand, employees who feel their voice is heard are five times more likely to perform their best work.[3] Studies also suggest that engaged business units can realise a 41% reduction in absenteeism and 17% increase in productivity.[4] Successful Australian companies such as Oz Minerals directly attribute success to a strong culture of respect, for its employees as well as all stakeholders.

Where employees and workplace culture have not been prioritised, there may be damage well beyond business disturbance and cost; significantly tarnishing a company's reputation, its ability to attract talent, and even remove its social license to operate. Rio Tinto's Juukan Cave incident, the royal commission into Australian financial institutions and the Star Casino investigations are examples of such cases.

3. The safety problem in the Australian mining industry

Mining is a significant primary sector in Australia and continues to grow. Mining generated more than 10% of national GDP, according to the Australian Bureau of Statistics[5], and makes up around 20% of the ASX300 market capitalisation.[6]

Among the many relevant environmental, social and governance (ESG) issues that mining companies face, there is clearly mounting regulatory and stakeholder attention over workplace culture and employee wellbeing beyond physical safety in operations. Problems highlighted by the two biggest Australian mining operators and the WA government inquiry suggests that a broader cultural failing is occurring.

1 Ending Australia's culture of workplace bullying | University of South Australia
2 How smarter hiring can help Australia's disengaged employee epidemic | Procurement and Supply
3 10 timely statistics about the connection between employee engagement and wellness | Forbes
4 The right culture: Not just about employee satisfaction | Gallup
5 Australia – Mining by the numbers 2021 | S&P Global
6 Alphinity, Bloomberg (as at 30 August 2022)

BHP's WA inquiry submission

In August 2021, BHP revealed that 48 dismissals were a result of sexual harassment since 2019. BHP also reported that there were six confirmed cases of sexual assault and 73 sexual harassment incidents communicated to its ethics line in the preceding two years. This was disclosed in BHP's submission[7] to the WA inquiry into sexual harassment on FIFO mine sites.

Defining key terms

The Rio Tinto report highlights that a workplace culture that does not value psychological safety will punish, humiliate or ignore employees for speaking up with ideas, questions, concerns, or mistakes. While workplace culture and psychological safety are related, the terms are not interchangeable. A description of key terms is provided below.

Workplace culture combines the principles and ideologies of a company. It shapes attitudes, the standards of behaviour and the performance expected of staff. Generally, culture is influenced by individual and social context. But in a company, the leadership and business values shapes culture to a great extent.

A speak up culture refers to a healthy, supportive environment that values and encourages employees to express ideas, opinions and concerns, without fear of retaliation or penalty.

Psychological safety is an absence of interpersonal fear and a belief that a team or environment is safe for interpersonal risk taking. This construct was first termed by Harvard's Amy Edmondson8 who explored the relationship between teams and performance.

A psychologically safe culture can mitigate the risk of harmful behaviours, such as those highlighted in the mining industry, as employees feel safe to speak up about the issues they face. Equally, a culture that respects the voice of employees can support high quality decision making, healthy group dynamics and spark innovation because employees feel more confident to express different views.

Rio Tinto's workplace culture report

In February 2022, Rio Tinto published an independent report[8] commissioned to assess its workplace culture and explore harmful behaviour occurring across its operations. The findings are confronting and demonstrate the extent of the workplace issues occurring in the last five years:

- Close to half of the ~10 000 respondents had been bullied, while 28% of women and 7% of men had experienced sexual harassment at work.
- 21 women reported actual or attempted rape and sexual assault.
- 40% of men and 32% of women identifying as Aboriginal or Torres Strait Islander had experienced racism, and discrimination was also reported against other ethnicities.

Rio Tinto's Framework for Action

The report provides insights from a wellregarded former Sex Discrimination Commissioner and contains a Framework for Action for Rio Tinto to advocate for, and sustain, cultural change into the future. Of the 26 recommendations within the framework, the key suggestions include:

- Oversight should lie with the Board, CEO and Executives and cultural change should be embedded into remuneration.
- Specialist education is needed to raise awareness of active bystander roles and a speak up culture that calls out inappropriate behaviour and misconduct.
- Contractors should be included in the safety approach.
- Appropriate facilities are a precursor for dignity and safety at work (for example, lighting, security, hygiene) particularly for FIFO and remote sites.
- An independent review of similar scale be conducted within two years to assess progress.

WA parliamentary inquiry into sexual harassment of women on FIFO camps

In June 2022, the Western Australian government released conclusions[9] from a yearlong investigation that received more than 80 submissions urging action to stop men harassing and assaulting female colleagues at FIFO mining camps. The report emphasised that sexual harassment is generally accepted or overlooked at FIFO camps and that the industry has a poor understanding of how to manage these issues. It found that underreporting is widespread due to a systemic culture of coverups and a fear of speaking up.

Among the 79 findings, the report contains 24 key recommendations for government, companies and industry bodies to address sexual harassment on FIFO camps. Some appear relatively straightforward, suggesting short-term, tangible action that companies can take to improve site security and oversight on the ground, such as improved CCTV, lock systems and lighting.

However, the uptake of other recommendations is more complex. These include enforcing minimum alcohol standards at site accommodation, removing non-disclosure agreements for people impacted by sexual harassment and implementing an industry register to prevent offenders from being employed at other sites.

One contentious recommendation involves reversing the onus of proof in sexual harassment complaints which currently, under the Equal Opportunity Act 1984, requires victims to prove the perpetrator's behaviour. This evidently has implications from a rule of law, human rights and due process perspective.

Nonetheless, the report confirms that sexual harassment and discrimination are occurring in the mining industry, and the recommendations are generally very logical.

7 WA Inquiry into sexual harassment against women in the FIFO mining industry | BHP
8 Report into workplace culture at Rio Tinto | Elizabeth Broderick and Co
9 'Enough is Enough' – Sexual harassment against women in the FIFO mining industry | Western Australia Government

4. Engagement project overview

Project aim

Measuring and transforming workplace culture is complex for companies to address, let alone for investors to assess from the outside. Through this project, we engaged with a select group of mining and industrial companies to develop a stronger understanding of workplace culture risk factors and management practices.

Ultimately, the intent was to inform our fundamental assessment of a company's ESG risk profile and develop a framework to evaluate workplace culture as investors. We will use this assessment framework in our future engagement with companies to encourage positive change.

Engagement structure

Given the problems identified in the mining sector and the exposure to these risks in the Australian share market, we held interviews with ten ASX200 mining and industrial companies between February and May 2022. These were:

- Eight mining companies
- One waste management company
- One industrial steel production company

While the mining companies operate in similar environments to Rio Tinto, we expanded the interviews to include a waste company subject to recent cultural problem allegations and an industrial company in a sector with low gender diversity.

Interview participants

Thirty-two company representatives attended the interviews in total, ranging from CEOs to senior management and leaders of People and Culture.

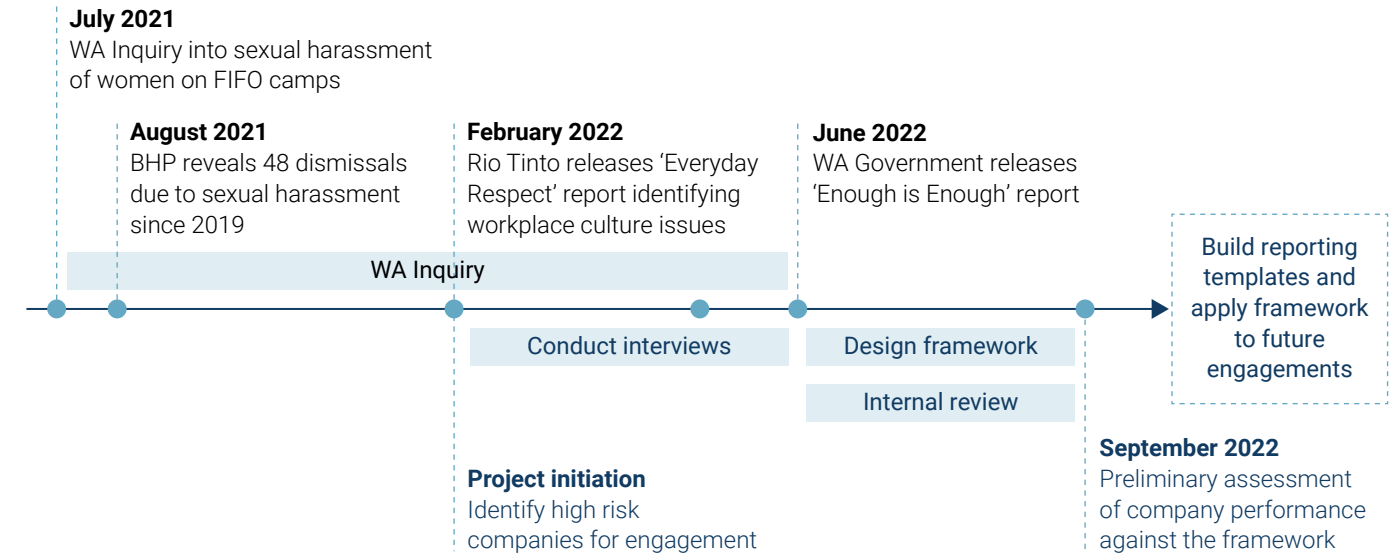
Participants	Number
CEO	3
Senior managers reporting directly to CEO	14
People, culture, DEI and/or human resource managers	5
Other	10

Project scope

While the report insights and the framework to assess workplace culture are relevant for the mining and industrial sectors, we believe parts of the framework are relevant to sectors beyond those targeted in this report.

However, this application is yet to be tested and would benefit from a similar engagement strategy to confirm.

Project timeline



5. Workplace culture assessment

5.1 Key observations from interviews

Through the interviews we heard first-hand how workplace culture and safety is managed by companies. We discussed the Rio Tinto report, the various approaches to measuring employee engagement, changes in complaints and dismissals and the link between remuneration and culture.

There are key risk factors within the work environment and employee management practices

High-risk work environments

While there is not a conclusive list of workplace culture risk indicators for mining and industrial companies, we drew inferences from industry reports and the interviews. We believe an environment that exacerbates the risks of discrimination, abuse and harassment is more likely:

- Where employees are staying away from their families, are separate from communities, and in remote locations (for example, FIFO camps)
- Where there is a high proportion of contractors and/or transient workforce amongst employees
- In companies with historical workplace culture issues
- In workforces with low levels of diversity and disproportionately more male staff

Alcohol restrictions

Although alcohol consumption in itself is not a key risk indicator, it can intensify inappropriate behaviours, misconduct and contribute to an unhealthy work environment. Broderick & Co makes this observation and the WA inquiry explicitly recommends restricting alcohol on FIFO sites.

In May 2022, the Chamber of Minerals and Energy imposed an industry alcohol guideline for member companies. This contains a four-drink limit per day for all accommodation residents and prohibits the service of rapid-consumption alcohol options, such as shots or doubles. Some companies we spoke to, including Fortescue Metals Group, have already introduced similar guidelines for its sites.

A speak up culture fosters a safe environment and sustains cultural change

Advocating for a speak up culture

A speak up culture can deter perpetrators, create an open and safe workplace and improve oversight of issues in a business. During the interviews, one company strongly emphasised a zero-tolerance approach to seemingly harmless language and jokes as these can seed more serious acts of misconduct and a general culture of leniency around behaviours deemed acceptable in the workplace.

We acknowledge that "speaking up" is easier said than done, especially with the sensitivities aroundsexual harassment, bullying and discrimination. Calling out inappropriate behaviour is inherently difficult, particularly for junior staff and underrepresented groups who are often the target of perpetrators. Advocating for the role of active bystanders, improving awareness programs and a clear message from senior management that staff should report all incidents should help to transform behaviours and avoid a culture of cover-ups. The benefits of stronger oversight and speaking up certainly extend to managing other ESG risks such physical safety and corruption. Nonetheless, this change will take time and a concerted effort to transform.

Available reporting channels do not mean staff confidence in the system

The interviews highlighted that, even with various reporting channels in place, employees may still be reluctant to report issues. For instance, South 32 found that only 30% of the respondents who reported inappropriate conduct to its recent *Your Voice* survey had formally reported it within the company.

Bearing this example in mind, investors should question company directors and Executives on how the company measures the actual effectiveness and use of reporting channels. Investors should also ensure that Boards are receiving regular reporting on the effectiveness of the speak up culture, based on the identified measures.

Companies too should consider whether sufficient reporting optionality, awareness programs and support are made available to reinforce speak upcapability. These could include external third-party hotlines, human resource services, mental health officers and dedicated support on FIFO sites.

Several companies emphasised that their engagement surveys now include free text answers and specific questions around bullying, sexual harassment and discrimination. A stimulating point made in one of the interviews was the importance of providing an option to disclose identity in the survey, so that where consent is given, support can be directed to the respondent.

More complaints does not necessarily reflect more incidents occurring

As a speak-up culture is embedded into an organisation, reported complaints and grievances will likely rise until the change programs are successful and the number of incidents decreases.

Investors and companies alike should acknowledge that an increase in complaints does not necessarily reflect more issues on the ground or a deteriorating culture. Instead, more reporting activity could suggest a positive change with employees speaking up about the issues they are facing.

The importance of Board oversight and governance to improve culture

Cultural change should be embedded into Executive performance metrics

We believe that cultural metrics should be tied to remuneration and, where these metrics underperform, Executive bonuses should be meaningfully impacted. This incentivises positive change and positions people as an important driver for business success and shareholder value creation.

We are of the view, for instance, that Rio Tinto's 5% bonus clawback in response to the Broderick & Co report conclusions was insufficient given the severity of the issues identified. Although we credit Rio Tinto for being proactive in investigating and reporting publicly on the issue, applying such a small

clawback does not demonstrate clear accountability for the issue with the Executive team and suggests the issue is of little importance. The clawback should either have been more meaningful, or Directors should have set significant culture transformation targets that, if not reached, would have meaningful remuneration impacts over the coming years.

IGO and Fortescue Metals Group are strong examples where meaningful portions of the shortterm incentive plan are tied to clear workplace culture metrics. Specifically, IGO has included People and Culture as a 10% weight in the longterm incentive plan in FY22 in addition to a 15% weight in the short-term incentive plan. IGO explicitly provides detail on the conditional targets required to receive the bonus, an impressive case that we encourage other companies to consider.

Our assessment found some weaker examples, such as companies including People and Culture too broadly within the ESG component of remuneration without specific metrics or hurdles. Although others tied remuneration to engagement survey scores and participation rates, we noticed these metrics were not publicly available and, in our view, should be disclosed.

Time on the ground and structured communication from the bottom-up

Our view is that workplace culture responsibility and oversight should lie with Directors, the CEO and Executives but day-to-day responsibility should cascade through the whole organisation.

Together with engagement surveys, frequent ad hoc conversations play an important role to pulse check a business. The interviews stressed the importance of Executives and managers having a strong presence on the ground to build their own understanding of workplace culture and accordingly, decide whether this aligns with the information feeding up to the corporate body. Expectations around standards of behaviour can be directly communicated to employees and, importantly, senior leaders can better judge which processes are working or where more action is needed.

Recognising that each company has its own method to report workplace culture issues through the business, frequent and robust communication of incidents and progress of the culture strategy from the bottom-up ensures accountability at the Board level. We found that some companies had direct reporting of all incidents to Executives, while others only provided a structured report of incidents to the Board on a quarterly basis. We will continue to monitor how this evolves and encourage clarity of how incidents are communicated to senior management in future company engagements.

A holistic view of health and wellbeing should be included in the safety approach

Broadening the definition of safety

We believe there is opportunity for companies to develop a holistic safety approach by drawing on experiences building a physical safety culture. This includes having effective whistle-blower and complaints systems, and having any sexual harassment, bullying and racism addressed explicitly within safety policy frameworks and risk registers.

An effective physical safety culture encourages staff to report every incident and call out all levels of risky behaviour, however trivial. The reach of this speak up culture should extend to calling out other safety risks, such as sexual harassment and inappropriate behaviours at work, but also support better mental health and wellbeing outcomes.

We expect that reporting on mental health and wellbeing will progress in a similar way to that of physical safety; evolving from very limited disclosure, to lagging metrics such as incidents and lost workdays, to leading metrics such as near misses, training and audits. The latter are predictive measures of an operation's safety profile and can mitigate the risk of serious incidents taking place.

Example metrics of mental health and wellbeing

While leading metrics remain inconsistent in company disclosures, improvements are being made year-on-year with growing attention on such metrics for physical safety. The leading metrics for workplace culture is an important and interesting topic we intend to engage with companies on in future. We suspect that training programs, engagement survey insights and the use of mental health officers or support services could be valuable proxies.

Safety metrics that can represent mental health and wellbeing include:

- The number of mental health support units and support staff per site, especially for FIFO camps
- Culture or mental health and wellbeing training and programs
- Reported mental health incidents/complaints

Further transparency around workplace culture metrics is essential

Significant variation in workplace culture disclosures

Companies should strive to improve transparency against the framework metrics because what is measured can be managed.

Our assessment confirmed that, unlike physical safety, there is not yet a standard approach to reporting cultural metrics. Of the companies assessed:

- Six companies do not report engagement survey scores or the participation rates
- Only two companies provide detail on the types of grievances and substantiated complaints made through the reporting period
- Only two companies report absentee rates
- Nine companies reported turnover by gender, one company provided a single aggregate turnover rate, and one company did not disclose any turnover data
- Five companies do not report near-miss safety metrics

Improving transparency on actual issues

One prominent gap is the absence of reporting around the nature and types of complaints, and disciplinary action, related to People and Culture. The sensitivities around disclosing these incidents. with consent from victims, recognisably adds a layer of complexity. Nonetheless, providing high level information about the proportion of complaints related to bullying, versus sexual harassment or discrimination for example, improves visibility of the types of incidents occurring within a business.

We observe that these disclosures are rarely provided by companies. However, South 32 and BlueScope Steel are both leading examples that offer detail around grievances, complaints and the formal use of reporting channels publicly.

5.2 The assessment framework

This framework has been developed based on company engagement and industry research.

We believe that three foundational pillars underpin a healthy workplace culture: strong governance, a safe and inclusive operating environment, and engaged employees. Beneath these pillars we have identified eight criteria and underlying metrics to guide the assessment of company-specific workplace culture performance and risks.

We will implement this framework using a weighted scoring model so that different companies can be ranked and compared. Because disclosure remains limited in a number of areas, we expect that the list of metrics and our understanding of performance thresholds will continue to expand with enhanced company reporting practices.

Similarities between this framework and the recommendations from the WA Inquiry and the Rio Tinto include:

- Remuneration tied to cultural change
- A speak up culture and strong diversity strategy
- Effective training programs and an approach that extends to cover contractors
- A safe operating environment with appropriate facilities and enhanced security

We believe that this framework will be suitable to assess companies in other sectors such as construction, technology and financials. While the pillars are likely to be important irrespective of the sector, the criteria and metrics may vary based on the nature of the business. This requires further research to confirm.

From the outside in: A framework to assess workplace culture in mining and industrial companies

Pillars	**Strong governance** Holistic safety culture driven from the top down		**Safe and inclusive operating environment** Safe facilities, effective reporting channels, active bystanders, staff capability, alcohol restrictions, diverse representation and a victim-centric approach				**Engaged employees** Engaged workforce, including contractors under the same policies	
Assessment criteria	Board oversight and policies	Incentive structure	Safe operating enviroment	Speak up culture	Diversity, equity and inclusion	Training and awareness	Employee engagement	Employee retention
Metrics	N/A	Remuneration* linked to culture(%)	Safety metrics (physical and mental health)	Number/ types of complaints and disciplinary action	Diversity metrics	Staff trained (%) and frequency of training	Engagement survey score and participation rates(%)	Turnover metrics and absentee rates(%)

*Short-term and long-term incentives related to Executive compensation.

5.3 Company performance against the framework

The following table summarises the results of a preliminary assessment of eleven companies against the workplace culture framework. A score was assigned at the metric level and then rolled up to the criteria level. For each criteria score, we have taken into account the level and quality of disclosure, performance against the metrics and information gained through the company interviews.

Although this assessment is provided in an anonymous format for this report, example of companies that perform reasonably well overall and disclose metrics in particular detail are provided in Appendix 2.

Our findings will be used internally to inform the assessment of each company's ESG risk profile, future engagement and monitoring going forward. Specific feedback will be provided to each company engaged with a part of this project.

In completing this assessment, it was evident that overall disclosure against the framework metrics remains varied and limited. Future dialogue with the companies will involve gaining greater clarity on performance against the framework and encouraging detailed workplace culture reporting practices.

Criteria summary

Pillars	Strong governance		Safe and inclusive operating environment				Engaged employees	
Criteria	Board oversight and policies	Incentive structure	Safe operating enviroment	Speak up culture	Diversity, equity and inclusion	Training and awareness	Employee engagement	Employee retention
Example metrics	N/A	Remuneration linked to culture (STI/LTI)	TRIFR/LTRIF, severity rate, near misses Mental health incidents, sites with mental health support	Number/types of complaints/ grievances Number/types of disciplinary action	Female workforce, senior managers and executives Indigenous workforce	Staff trained (%) on culture, inclusion and respect	Engagement survey score, participation rate	Annual turnover rate and turnover gap between gender Annual absentee rate
Company A	5	2	3	0	3	1	5	3
Company B	4	5	3	0	4	0	3	1
Company C	3	3	3	0	2	1	3	1
Company D	2	0	4	0	1	0	0	1
Company E	4	2	4	4	3	3	2	1
Company F	5	5	4	0	4	1	4	5
Company G	3	0	3	0	3	0	3	1
Company H	4	0	2	4	4	0	0	0
Company I	4	1	4	0	4	3	5	1
Company J	3	1	3	1	3	1	3	5
Company K	3	1	4	0	3	1	2	1

6. Important company disclosures

What is measured and disclosed is better managed

Through the assessment process we observed significant variance in the type of workplace information a company discloses. While we appreciate that companies are often doing more than they disclose, any assessment by investors will be based primarily on public disclosures.

We acknowledge that disclosure in itself is not a measure of performance. However, by integrating the framework metrics into ESG and sustainability reports we believe that greater accountability is created that, in turn, drives improvements.

Information we will be asking companies to disclose

As a material ESG issue for mining companies, we believe that reporting the following aspects is tremendously important to investors. We will ask companies to include these disclosures on websites, in investor presentations and as part of annual reporting.

A full list of requested information is included in Appendix 1.

Strong governance

- Information on Board and Executive oversight of workplace culture including frequency of reporting of incidents and substantiated complaints
- Minimum standard for senior management presence at operating assets and project sites (this might include the number of visits per year, engagement with employees or reporting)
- Clear performance hurdles in Executive incentive structures related to ESG more broadly, that includes People and Culture metrics
- A suite of policies related to diversity, workplace conduct and a speak up culture
- Bullying, sexual harassment and discrimination explicitly identified in Code of Conduct

Improving the operating environment

- Lag and lead indicators for physical safety
- Proportion of staff trained in workplace culture or health and wellbeing initiatives
- Clarity on leading indicators used as a proxy for mental health, employee wellbeing and workplace culture issues
- A policy position that restricts alcohol across all sites
- Detail around complaints and grievances raised by employees through the reporting period
- The number and types of substantiated complaints resulting in disciplinary action
- The proportion of anonymous complaints versus those where victims disclose their identity
- Diversity metrics covering all aspects of diversity, not just gender; at Board, management, and operational levels, and between divisions or business units

Engaged employees

- Engagement survey score and insights on issues identified through the survey
- Engagement survey includes specific questions around bullying, sexual harassment and racism and offers free text answers
- Engagement survey participation rates
- Contractors are included in engagement survey approach
- Annual turnover rate and absentee rates, split by gender
- Voluntary and involuntary turnover rates
- Actions in place to close the gap if variance is high between groups for the above metrics (for example, by gender)

7. Next steps

ESG integration

The framework is being embedded into our internal ESG processes to assess the workplace culture risks of mining and industrial companies within our investment universe. Using the assessment outcomes, we intend to prioritise engagement and monitor company progress to address the risk over time. As our knowledge improves going forward, we anticipate the framework, scoring model and performance threshold will continue to evolve.

We will provide feedback to the companies we engaged with through this project and offer the opportunity to discuss our findings if they wish. Having identified gaps in disclosure for each company through the assessment, we will encourage disclosing the specific framework metrics that are absent in public reporting today.

Application beyond mining and industrials

While the framework is suitable for assessing workplace culture in globally listed mining and industrial companies, we believe it has strong potential to be used across sectors.

Within the scope of our investment universe, we will consider its application to other industries such as professional services and technology.

Companies in these sectors can inherently present higher workplace culture risks as they often rely heavily on human capital, have strong performance expectations, are characterised by historical issues or display low diversity levels. As such, we may conduct a similar engagement project to refine the framework for other sectors.

Looking beyond the listed equity space, there is an opportunity for other stakeholders to also consider the report insights and apply the framework in high-risk work environments, such as government bodies.

8. Conclusion

The companies involved in the project were receptive to taking part in the interviews and generous with their insights. We thank them for their openness and interest in the project. We hope that by publishing our insights and the framework companies will improve their reporting practices and other stakeholders can make similar assessments and take part in more informed discussions on workplace culture.

We found the interview process to be a successful approach to thematic ESG research. We interpreted the company insights and industry reports to shape our own perspective on how companies manage workplace culture. A unique assessment framework was developed and used to evaluate the workplace culture performance of companies involved in the project. We believe this to be an effective way to methodically assess a complex and multifaceted ESG issue.

We believe and expect that the specified metrics in the framework are a step towards driving improvements across the mining industry. We acknowledge that disclosure does not equal performance and that progress is rarely linear, especially when it comes to ESG. But with increased transparency and data comes pressure to progress and an impetus to explain underperformance to stakeholders.

The implications going forward are for companies to manage human capital and their own culture so that employees are safe, reputational and regulatory risks are managed and talent is attracted and retained. Investors too have a responsibility to encourage stronger disclosures, keep companies accountable for staff wellbeing and safety and manage this ESG issue within portfolios. We hope that investors consider applying this framework and continue to advocate for a transformed mining industry that is safe for all and more inclusive in future.

Appendix

Appendix 1. Information we will seek in company reporting

Criteria	Workplace culture management practices and disclosure metrics
Board oversight and policies	**Board and management oversight** • Clear statement of workplace culture and expectations of employees. Disclosures should highlight what it is like to work at the company and the way in which it maintains a strong workplace culture. • Clarity on structured communication to the Board for workplace culture issues and complaints around workplace culture (for example, quarterly reports) • Program and minimum expectation for senior leaders to spend time at operating assets and project sites • Ownership and accountability for workplace culture and psychological safety from the Board down through the organisation **Policies** • Bullying, sexual harassment and discrimination explicitly identified in Code of Conduct and Safety Policy, which includes guidance on the incident management approach • Alcohol policy or guideline • Statement on diversity, equity and inclusion
Incentive structure	**Remuneration linked to culture** • Clear statement of how Executive remuneration is linked to the most material aspects of People and Culture (short-term and/or long-term incentives) • Remuneration reports should outline the relevant hurdles and outcomes for the People and Culture component (for example, engagement survey result, participation rate) including clarity on the performance threshold required for the incentive to be received
Safe operating environment	**Operational safety** • Approach to creating a safe operating environment • Percentage of workers who are contractors versus direct employees • Integration process for contractors under company's programs for safety, workplace culture, and inclusion **Physical safety metrics** • Safety metrics for both employees and contractors, and YOY safety performance disclosures • Lagging physical safety indicators (for example, TRIFR, LTIFR, fatalities) • Leading physical safety indicators (for example, near miss data, training, audits, safety training) **Mental health and wellbeing** • Reported mental health incidents/complaints • Leading indicators that can potentially be used as a proxy for workplace culture issues, such as the use of mental health services through the year, and the number of mental health support units and support staff per site
Speak up culture	**Complaints and issues** • Indication of issues identified through the engagement survey process • Types of complaints and grievances raised by employees through available reporting channels in the year (for example, through the ethics line, HR, and/or line managers) • The proportion of anonymous complaints versus those where victims disclose their identity **Disciplinary action** • Number and types of dismissals as a result of workplace culture issues (for example, those from bullying, racism or sexual harassment) • Number of substantiated complaints resulting in disciplinary action • Corrective action to identify cause and reduce the risk of repeat incidents (for example, additional training, investigations)
Diversity, equity and inclusion	**Diversity approach and metrics** • Diversity, equity and inclusion strategy and initiatives • Diversity statistics across all levels of the business (gender, racial, disability etc), including specific diversity data for different ranks and roles (business levels, operating and site-based roles, different sites) • YOY diversity performance and targets

Criteria	Workplace culture management practices and disclosure metrics
Training and awareness	**Staff trained and frequency of training** • Percentage staff trained in culture issues (for example, workplace conduct, respect and inclusion, mental health training, speak up and accountability) • Clarity on program to improve awareness of sexual harassment, bullying and discrimination
Employee engagement	**Engagement survey approach and metrics** • Approach to employee engagement including frequency of surveys, option for open ended responses, and use of survey outcomes to inform programs and employee engagement strategies • Contractors explicitly included in engagement survey • Engagement survey score and YOY performance • Participation rate and YOY performance
Employee retention	**Turnover rates** • Annual turnover rate and granular turnover data (for example, between gender, age, country) • Contractor turnover rates • Voluntary and involuntary turnover rate **Absentee rates** • Annual absentee rate • Granular absentee data (for example, between gender)

Appendix 2. Good practice examples

Criteria	Examples of good practice management and reporting	
Incentive structure	**IGO**	People and Culture performance comprises 10% of the long-term incentive program, alongside a 15% weighting in the short-term incentive program. The thresholds and targets are clearly stated in reporting with performance based on: • Engagement survey and diversity and inclusion score • Diversity metrics for female and Aboriginal employment • Learning and development plan completion
	FMG	People and Culture measures set at stretch levels of performance, measured through the Safety and Culture Survey as well as Board assessment on: • Participation Rate and Net Promotor Score, although targets and thresholds are unclear
Safe operating environment	**FMG**	Implemented controls around alcohol in 2021, restricting FIFO workers to four alcoholic drinks a day. FMG also discloses positive drug test results.
	BHP	For accommodation villages, an alcohol standard was implemented across owned and operated village facilities in 2021, including a range of limits on alcohol consumption.
Speak up culture	**S32**	• 10% of respondents to the Your Voice survey reported they had experienced some form of bullying, harassment or sexual harassment in FY22. • Separately, 8% of respondents reported some form of discrimination. • Of the respondents who reported inappropriate conduct however, only 30% had formally reported this.
	BSL	94 employee grievances related to bullying, discrimination, harassment, sexual harassment, and inappropriate workplace behaviour, and 37 business conduct matters received via the Speak Up channel.
	RIO	Reports detail around claims made to the confidential reporting program: • Number of reports and substantiated claims, and claims by case class (%)
Diversity, equity and inclusion	**IGO S32 BSL BHP**	Signatory to the HESTA 40:40 initiative that aims to see women fill at least 40% of Executive roles in the ASX300 by 2030.
Training and awareness	**S32**	Developed a new Living our Code training and discussion series in FY22, focusing on the critical role of bystanders in establishing a safe and inclusive workspace and build awareness around the avenues available to speak up. Over 62% of employee participated in these discussions.
	BHP	Launched a psychosocial risk management program and Respectful Behaviour campaign to reinforce zero tolerance of sexual harassment, racism and bullying including global 'Stop for Safety' sessions for all employees and contractors.
Employee engagement	**OZL**	Bi-monthly pulse survey identifies potential risk hotspots on an ongoing basis.
	FMG	99% participation in the annual engagement survey.
	BHP	Includes contractors in the employee engagement survey and provides distinct commentary between employee and contractor results.
	CWY	Does not distinguish between contractors and employees, including both under the broader Cleanaway management approach and reporting on health and safety.
Employee retention	**FMG RIO**	FMG reports absentee rates by gender while RIO reports absentee rates by region.
	FMG BHP	BHP and FMG have reduced the gender turnover gap over time.

Appendix 3. Suggested questions to guide workplace culture assessments

Effective governance and oversight

- How is workplace culture incorporated into the remuneration framework?
- What are the incentive hurdles for bonus payments and who does it apply to? How are the results tracked and published?
- Does the Board receive structured reporting on the frequency and severity of workplace culture complaints, and substantiated incidents?
- Have there been an internal review on workplace culture conducted? What were the key findings and action as a result?
- What is the program for senior management to stay 'in touch' with the work environments at project sites and at operating assets?

A safe and inclusive operating environment

- What kind of DEI training and awareness is provided for employees, contractors and senior management? What percentage of the workforce has undertaken this?
- Is there an alcohol policy or guideline in place? How is this enforced?
- What percentage of the workforce is made up of contractors? Are contractors bound by the same safety reporting and measures as the full-time workforce?
- How are cultural considerations integrated through the contract workforce? Are assessments of People and Culture part of the contract evaluation process?
- What measures have been, or will be, taken to improve operational facility safety?
- What leading and lagging indicators are tracked internally and reported, both for physical safety and psychological safety?

Strong speak up culture and reporting

- How do you enforce the value of a speak up culture through the organisation? How has this changed over the past few years?
- What kind of reporting channels and whistleblowing platforms are provided to employees? How are you confident that issues are being reported adequately?
- Have you considered disclosing information on complaints/ reports that are made through reporting channels or engagement surveys?
- How are you ensuring your employees are heard, and your safeguards and follow up processes are sufficient and accessible for whistle-blowers?

Engaged employees

- Does your employee engagement survey take place annually and are contractors included in this survey? Do you conduct pulse surveys?
- Are the engagement survey results and participation rates considered satisfactory? Are these disclosed externally?
- How are the results used to identify and manage 'hot-spots' or concerns within certain areas or groups?
- Do you find participation rate varies by job type of area of the business?
- Are there explicit questions in the survey around bullying, racism and sexual harassment?
- Do you provide the option of including free text answers and respondents to disclose their identity if they wish?

Turnover

- Do you disclose turnover data for employees and contractors?
- What is the variance between male and female turnover and how is this being addressed?
- Do you disclose any information related to dismissals as a result of issues such as discrimination, sexual harassment and racism? How has this trended over the last three years?

Workforce diversity

- Overview of programs in place to increase workforce diversity and retain staff from underrepresented groups?
- Are there targets in place for female and indigneous employment through the workforce and manager levels?
- How do you account for cultural differences between sites and/or countries?