



The Forum for Sustainable and Responsible Investment

December 6, 2021

Gary Gensler
Chair
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Human Capital Management Disclosures

Dear Chair Gensler:

On behalf of US SIF: The Forum for Sustainable and Responsible Investment, I am pleased to submit the following recommendations for human capital management disclosure requirements. This letter expands upon the human capital management disclosures summarized in our letter responding to the SEC's "Request for Comment on Climate Change Disclosure"¹ and in the Regulation S-K rulemaking (File No. S7-11-19).²

US SIF is the leading voice advancing sustainable investing across all asset classes. Our mission is to rapidly shift investment practices toward sustainability, focusing on long-term investment and the generation of positive social and environmental impacts. Our members, comprised of investment management and advisory firms, mutual fund companies, asset owners, research and data firms, financial planners, advisors and broker-dealers, represent more than \$5 trillion in assets under management or advisement. US SIF members integrate ESG criteria into their investment decisions and take their responsibilities as shareowners seriously, including voting proxies and engaging with companies.³

The SEC has indicated its intent to initiate a rulemaking on human capital management disclosure.⁴ Since first writing to the SEC about disclosure in 2009, US SIF has recommended a comprehensive environmental, social and governance (ESG) disclosure framework.⁵ We are thus pleased about this initiative to create mandatory disclosures of companies' workforce metrics and practices to give investors and stakeholders thorough, comparable and reliable information.

¹ US SIF comment letter "Request for Comment on Climate Change Disclosure" (June 14, 2021) https://www.ussif.org//Files/Public_Policy/USSIF%20response%20to%20SEC%20re%20climate%20disclosure%20FINAL.pdf

² US SIF comment letter on the proposed rule on Modernization of Regulation S-K Items 101, 103, and 105 (October 22, 2019) <https://www.ussif.org/Files/US%20SIF%20Reg%20S-K%20comment%20Oct%202019.pdf>

³ For more information, please visit www.ussif.org.

⁴ <https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=202104&RIN=3235-AM88>

⁵ US SIF letter to SEC calling for ESG disclosure (July 21, 2009) https://www.ussif.org/files/Public_Policy/Comment_Letters/SIF_SEC_ESG_Disclosure_Policy_Letter_and_Submission%2008142009.pdf

Recommendations

Research shows human capital issues are core to companies' long-term risks and performance, with firms that disclose human capital management data performing better.⁶

Investors want more complete and comparable information on human capital criteria. *A Just Capital* report found low reporting of human capital data by large companies, and when companies do report, it often lacks comparability and reliability.⁷

To obtain critical human capital information, US SIF recommends that the SEC mandate the following disclosures.

a. **Workforce demographics:**

- Submission of Form EEO-1⁸ reports including the number of full-time employees, the number of part-time employees, the number of contingent workers (including temporary and contract workers), and any policies or practices relating to subcontracting, outsourcing, and insourcing disaggregated by race, ethnicity, gender, and disability status
- Data on diversity (including racial, gender, ethnic, and disability composition) and any policies and audits related to diversity

b. **Workforce stability:**

- Information about the voluntary turnover or retention rate, the involuntary turnover rate, the internal hiring rate, and the internal promotion rate disaggregated by race, ethnicity, gender, and disability status
- Policies and practices on recruitment, retention and promotion related to diversity
- Whether the company has a business plan for workforce retention and redeployment of workers whose jobs are eliminated as a result of climate change or the firm's management of the physical and transition risks associated with climate change.
- Information about provisions made to recruit and retain people with disabilities

c. **Workforce skills and capabilities:**

- Information on the training of employees (including the average number of hours of training, spending on training per employee per year, registered apprenticeship programs, types of labor-management training partnerships, and other training for non-temporary hires
- Summary data on education, experience, certifications and training of the workforce

d. **Workforce culture and empowerment:**

- Policies and practices relating to freedom of association and work-life balance
- Any incidents of verified workplace harassment in the previous five fiscal years
- Policies and practices on disability inclusion and steps taken to achieve competitive, integrated employment for people with disabilities
- Percentage of workers who are covered by a collective bargaining agreement, disaggregated by job classification, race, gender, and disability status

⁶ <https://www.sec.gov/comments/265-28/26528-5180428-183533.pdf>


⁷ Just Capital, "The Current State of Human Capital Disclosure in Corporate America: Assessing What Data Large U.S. Employers Share," (October 2021). <https://justcapital.com/reports/the-current-state-of-human-capital-disclosure-in-corporate-america/>

⁸ <https://www.eeoc.gov/employers/eeo-1-data-collection>

- Legal fees or consultant services for union avoidance
 - Description of outstanding National Labor Relations Board complaints and related legal costs
- e. **Workforce health and safety:**
- Frequency, severity, and lost time due to injuries, illness, and fatalities
 - Total dollar value of assessed fines under the Occupational Safety and Health Act of 1970
 - Total number of actions brought under section 13 of the Occupational Safety and Health Act of 1970 ([29 USC 662](#)) to prevent imminent dangers
 - Total number of actions brought against the issuer under section 11(c) of the Occupational Safety and Health Act of 1970 ([29 USC 660\(c\)](#)) (discrimination against filers of complaints under OSHA)
- f. **Workforce compensation and incentives:**
- Total workforce compensation for full-time, part-time, and contingent disaggregated by race, ethnicity, gender, disability status and job classification
 - Pay equity ratios by gender, race/ethnicity and disability status⁹
- g. **Human rights commitments and their implementation:**
- Principles used to evaluate risk, constituency consultation processes and supplier due diligence

US SIF appreciates the opportunity to submit comments to help inform the Commission's disclosure framework on human capital management issues. Please feel free to reach out to me at lwooll@ussif.org or US SIF's Director of Policy and Programs, Bryan McGannon, at bmcgannon@ussif.org.

Sincerely,



Lisa Woll
CEO

⁹ <https://www.sec.gov/rules/petitions/2020/petn4-696-amended.pdf>