

May 16, 2024

The Honorable Gary Gensler  
Chair, U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, D.C. 20549-1090

Dear Chair Gensler,

The undersigned organizations write in support of urgent action by the U.S. Securities and Exchange Commission (“the Commission”) on mandated Human Capital Management (“HCM”) disclosures for U.S.-listed companies.

The signatories of this letter represent businesses, investors, philanthropies and nonprofits dedicated to advancing public and private sector solutions to help manifest an economy that works for all Americans. We support the Commission’s efforts to date to protect investors and improve transparency and accountability across the capital markets.

The undersigned organizations originally called on the Commission in 2022 to prioritize publishing a strong rulemaking on HCM disclosures as is outlined in the Commission’s regulatory agenda.<sup>1</sup> Nearly two years later, following a subsequent recommendation on HCM disclosures by the Commission’s Investor Advisory Committee, we once again call on the Commission for urgent action on the proposed rulemaking<sup>2</sup>.

Information on HCM – such as a company’s workforce composition, compensation, health and safety, and diversity practices – is vital to investor decision making. Investments in human capital are associated with higher risk-adjusted returns, return on assets, return on capital, profitability<sup>3</sup> and overall outperformance compared to benchmarks.<sup>4</sup>

Furthermore, investors are increasingly demanding clear, consistent and comparable data on this type of information. According to the SEC Investor Advisory Committee, “investors still need fundamental HCM metrics to anchor industry- and company-specific information to seize opportunities and mitigate risks.”<sup>5</sup> Over 80% of Americans agree that companies should disclose more about their business practices and

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<sup>1</sup> [Letter to Chair Gensler on HCM](#), June 2022.

<sup>2</sup> Investor Advisory Committee [“Recommendation of the SEC Investor Advisory Committee’s Investor-as-Owner Subcommittee regarding Human Capital Management Disclosure,”](#) September 2023.

<sup>3</sup> Investor Responsibility Research Center Institute (IIRCI), [“The Materiality of Human Capital to Corporate Financial Performance,”](#) April 2015.

<sup>4</sup> McBassi & Company, [“Human Capital Management Predicts Stock Prices,”](#) June 2010.

<sup>5</sup> Investor Advisory Committee [“Recommendation of the SEC Investor Advisory Committee’s Investor-as-Owner Subcommittee regarding Human Capital Management Disclosure,”](#) September 2023.

impact on society,<sup>6</sup> and some of the largest asset managers have called on public companies to disclose board and workforce diversity information, in particular.<sup>7</sup> Disclosures related to workforce diversity data are particularly important to investors. There is a growing body of evidence to suggest that diversity across corporate boards, senior management and overall workforce corresponds with better financial performance and resiliency, as well as a company's ability to attract and retain talent.<sup>8</sup> It is evident that HCM information, specifically diversity, is material and financially relevant to investors, with significant implications for business performance.

We encourage the Commission to pursue a comprehensive set of HCM disclosure requirements, including universal and quantitative metrics like the total number of employees (including full-time, part-time and contingent labor), the total cost of a company's workforce, workforce turnover and employee diversity demographics by seniority level. These should be paired with qualitative disclosure requirements around factors such as workforce health and safety, human rights and supply chain due diligence, workforce culture and worker empowerment, among other material factors.

We are deeply appreciative of the Commission's leadership in advancing its mission to protect investors by improving access to clear, consistent and comparable data on material factors. The undersigned organizations urge the Commission to work quickly on publishing a rule that will lend meaningful transparency to companies' HCM practices. We look forward to continuing to engage with the Commission on these issues and providing comment upon publication of the proposed rule.

Sincerely,

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Align Impact

Amalgamated Bank

American Sustainable Business Network

Americans for Financial Reform Education Fund

Aspen Institute Economic Opportunities Program

B Lab US & Canada

B Local Wisconsin

BlueMark

The B Team

California Wellness Foundation

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<sup>6</sup> JUST Capital, "[JUST Capital's 2023 Americans' Views on Business Survey: Americans Want More Action From Corporate America as Talk Dwindles Following ESG and 'Woke Business' Backlash](#)," November 2023.

<sup>7</sup> Harvard Law School Forum on Corporate Governance, "[Diversity Strategy, Goals & Disclosure: Our Expectations for Public Companies](#)," September 2020; Reuters, "[BlackRock adds diversity target for U.S. boardrooms](#)," December 2021.

<sup>8</sup> McKinsey & Company, "[Diversity Still Matters](#)," May 2020; Morgan Stanley, "[Why it Pays to Invest in Gender Diversity](#)," May 2016; Glass Door, "[What Job Seekers Really Think About Your Diversity and Inclusion Stats](#)," July 2021.

Change Finance  
Chicory Wealth  
Coalition for Inclusive Capitalism  
Community Capital Advisors  
Community Development Venture Capital Alliance (CDVCA)  
Confluence Philanthropy  
Disability:IN  
Evolution Marketing  
Florida For Good  
For the Long Term  
Global Steering Group for Impact Investment  
HCM Impact  
HCMoneyball  
Human Capital Management Institute  
Impact Capital Managers  
Impact Investing Institute, UK  
Inspiring Capital  
Intentional Endowments Network  
Interfaith Center on Corporate Responsibility  
JUST Capital  
Kresge Foundation  
Legacy Vacation Resorts  
McKnight Foundation  
National Community Investment Fund  
Nia Impact Capital  
Oxfam America  
Pacific Community Ventures  
PolicyLink  
Predistribution Initiative  
Public Citizen  
Rights CoLab  
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Whistle Stop Capital  
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