

Vanessa A. Countryman,
Secretary Securities and Exchange Commission
100 F Street, NE Washington, DC 20549-1090

Submitted electronically via rule-comments@sec.gov

Re: File No. 4-787

October 24, 2023

Dear Chairman Gensler,

The undersigned organizations regularly engage with publicly traded companies in our portfolios on a range of ESG topics. We write today in support of the rulemaking petition submitted by the Working Group on Human Capital Accounting Disclosure on June 7, 2022. In doing so, we also urge the Securities and Exchange Commission (SEC) to require that companies disaggregate their public human capital management disclosures by race and gender.

This proposed rulemaking is necessary because the most important asset in a company is its human capital - the knowledge, experience, skills, and health of its workforce.¹ Many executives and board members agree that the company's employees are one of its strongest assets. In the words of former GM North America President, Gary Cowger: "How can you say that your human capital isn't the most important thing you've got? You can get good technology and you can get a good product, but at the end of the day, it's people that make the difference."²

In addition to the critical disclosures listed in the Working Group's "Proposed Grid Disclosure for Workforce Investments," we recommend that the Commission mandate, at a minimum, that retention and salary data be broken down by gender and race. The gender pay gap has remained relatively steady over the past 20 years. In 2002, women earned 80% of what men earned. In 2022, women earned an average of 82% as much as men.³ Many people of color also receive disparate wages, with black workers earning \$0.76 per dollar a white worker earns, and Latino workers receiving only \$0.73.⁴ Therefore, providing compensation and retention data without disaggregation by race and gender removes vital context. The Human Capital Management

¹McKinsey & Company "Human capital at work: The value of experience" (June 2, 2022) accessible at: <https://tinyurl.com/3rfw4b9c>.

² Stephen Klemash, Jennifer Lee, and Jamie Smith, EY Center for Board Matters, "Human Capital: Key Findings from a Survey of Public Company Directors" (May 24, 2020) accessible at: <https://tinyurl.com/bdem278a>

³Pew Research Center "Gender pay gap in U.S. hasn't changed much in two decades" (March 1, 2023) accessible at: <https://www.pewresearch.org/short-reads/2023/03/01/gender-pay-gap-facts/>.

⁴ U.S. Department of Labor, Office of Federal Contract Compliance Programs, "Earnings Disparities by Race and Ethnicity" (2023) accessible at: <https://www.dol.gov/agencies/ofccp/about/data/earnings/race-and-ethnicity>.

Coalition, the organization that submitted the 2017 human capital management disclosure SEC rulemaking petition,⁵ includes “diversity data” as one of the four foundational disclosures.⁶

Research continues to demonstrate that financial returns are correlated with diversity and inclusion programs.⁷ Disclosure of workforce compensation and retention broken down by gender and race is a necessary metric for investors to discern the effectiveness of company diversity, equity, and inclusion (“DEI”) programs and the potential risk to companies that are not properly addressing inequality within their own workforce.

In addition to data disclosure broken down by race and gender, we strongly recommend that the Commission require disclosure of employer provided health benefits. In the United States, well over half of the U.S. population (179 million persons, or 54.7% of the population) received their health care from private group health insurance.⁸

Surveys show that most employees rate their benefits package as being very important to their decision to stay in their current job or find a new job.⁹ Disclosure of healthcare benefits helps investors gauge whether hiring and retention initiatives are meaningful and effective.

Further, the strength of a company’s health care benefits is a direct measure of how well it is managing and protecting human capital. In order to analyze the competitiveness of corporate health benefits packages, much greater transparency is required.

This proposed rulemaking is necessary due to the current lack of human capital disclosures by large corporations. The companies that do disclose human capital information are increasingly breaking down their data by gender and race.¹⁰ We believe that the Commission should require this disaggregation for all companies and all human capital management disclosures, and require disclosure of employer health insurance benefits.

We appreciate your consideration of this comment in support of the petition.

⁵ File No. 4-711

⁶ Human Capital Management Coalition, “Foundational Human Capital Reporting: Taking a Balanced Approach” (2021) accessible at: <https://www.hcmcoalition.org/foundational-reporting>.

⁷ As You Sow, “Workplace Diversity, Equity, and Inclusion” (2023) accessible at: <https://www.asyousow.org/our-work/social-justice/workplace-equity>.

⁸ “U.S. Health Care Coverage and Spending,” Congressional Research Service, February 6, 2023 at <https://crsreports.congress.gov/product/pdf/IF/IF10830>.

⁹ See, e.g., Employee Benefit Research Institute, “EBRI/Greenwald Workplace Wellness Survey” (2022) accessible at: <https://www.ebri.org/health/Workplace-Wellness-Survey>; see also, SHRM, “Employees Are More Likely to Stay If They Like Their Health Plan” (2018) accessible at: <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/health-benefits-foster-retention.aspx>.

¹⁰ Pam Greene, David Kritz, and Anna Barrera, “Key Themes of Human Capital Management Disclosure” (May 16, 2022) accessible at: <https://corpgov.law.harvard.edu/2022/05/16/key-themes-of-human-capital-management-disclosure/>.

Sincerely,

Shelley Alpern, Rhia Ventures

Allan W. Moskowitz, Transformative Wealth Management

Johann A. Klaassen, Horizons Sustainable Financial Services, Inc.

Kristin Hull, Nia Impact Capital

Ruth Shaber, Tara Health

Jim McRitchie, CorpGov.net

Sonia Kowal, Zevin Asset Management

Julia Cedarholm, Arjuna Capital

Safo Ngunga, Women of the World Endowment