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

Re: Proposed Rule– Modernization of Regulation S-K Items 101, 103, and 105 – File No. S7-11-19

Dear Ms. Countryman,

We appreciate the opportunity to respond to the U.S. Security and Exchange Commission's request for comments on the Modernization of Regulations S-K Items 101, 103, and 105 proposed rule. Below, we provide our perspective on the proposed principles-based approach for Item 101(c) reporting, and more specifically 101(c)(1)(xiii). First, though, please find a short description of JUST Capital.

Background On JUST Capital

JUST Capital's mission is to advance measurable corporate change to create an inclusive form of capitalism that reflects the priorities of the American public. To drive change at scale, JUST Capital utilizes a combination of data-driven research and strategic engagement to shift norms and practices in corporate America and the financial markets. Each year, JUST Capital tracks and measures, in an unbiased way, how companies (currently the Russell 1000) perform on a range of criteria defined by the public, and then identifies the tangible steps each company can take to create greater value and support for all of their stakeholders, including investors.

Specifically, JUST Capital polls roughly 9,000 people each year, representative of the U.S. population, on what business practices matter most to them, from paid leave and fair wages to community development and customer privacy. Then, for the thousand largest publicly traded companies, JUST Capital evaluates corporate behavior across five stakeholder categories – workers, communities, customers, the environment, and shareholders – using 88 metrics and collecting 467 data points for each company. JUST Capital uses that data to assess which companies most closely align with the American public's priorities, and to support tools, indexes, and products that help people invest in, buy from, work for, and support the best performers.

Request for Comment: *Should we shift to a more principles-based approach for Item 101(c), as proposed? Would registrants find it difficult to apply the principles-based requirements? Would the proposed principles-based requirements elicit information that is material to an investment decision? If not, how might Item 101(c) be further improved? Are there any additional disclosure topics that we should include in Item 101(c) to facilitate disclosure? Alternatively, should we exclude any of our proposed disclosure topics?*

Over the last few years there have been increased calls – from business leaders, investors, academic researchers, and public policy experts – for companies to disclose human capital measurements. The argument underpinning these recommendations in its simplest form is as follows: companies that invest in their workforces have greater long-term value than those that don't; therefore, it is in investors' interest to have access to greater information on companies' human capital practices. JUST Capital agrees.

It is with an eye toward achieving this goal – equipping investors with comparable information on a range of human capital practices – that JUST Capital proposes adopting a hybrid prescriptive-principles based approach for Item 101(c)(1)(xiii). Under this approach, filers would be required to report on a set of itemized human capital measurements that the SEC deems are material to all companies, and then report any additional human capital measurements that are also material to their company. The reason for this recommendation is two-fold:

1.) A core set of human capital measurements are material to *all* companies.
2.) Uniformity in human capital disclosure is important to both companies and investors.

Through our research, engagement, and review of the most recent literature we strongly believe that there is a baseline set of human capital measurements that are material to all companies. JUST Capital believes that the SEC should engage the investor community further to determine what specific human capital measurements should be required of all filers. A few metrics that are emerging in the field as potentially universal to all companies include: 1) Size and composition (full-time, part-time, non-employee) of the workforce; 2) Total cost of workforce and pay equity analyses; 3) Turnover; and 4) Demographics of workforce (gender, race/ethnicity). These, along with others, should be considered and explored by the SEC as baseline human capital metrics.

As discussed in the proposed rule, there are a number of additional human capital measurements that are uniquely applicable to individual companies or sectors, and JUST Capital believes companies should disclose these metrics additionally. Importantly, the SEC should create a standardized reporting framework for these metrics. JUST Capital's recommended prescriptive-principles based approach is informed by our original research, discussed in detail below.

JUST Capital's research underscores not only the business case for disclosure but also the need for the SEC to establish human capital measurement standards. As described above, JUST Capital collects data on the thousand largest publicly traded companies. This year, we conducted an analysis of the state of voluntary human capital disclosure. What we found is perhaps not surprising but nonetheless informative: few companies are disclosing their human capital practices, and those that do are not doing so in a uniform manner.

For each of the 890 companies ranked by JUST Capital in 2018, we reviewed their practices on nine human capital-related issues and determined their state of disclosure. The nine workforce policies that were analyzed are as follows:

- Gender Pay Equity Policy
- Diversity and Equal Opportunity Policy
- Diversity and Equal Opportunity Targets
- Paid Time Off Policy
- Paid Parental Leave Policy
- Day Care Services
- Flexible Working Hours
- Career Development Policy
- Tuition Reimbursement Policy

Based on our 2018 analysis, there were only 18 companies out of 890, or 2%, that disclosed their practices on all nine of these issues. The prevalence of disclosure varied significantly across the issues, with 86% of companies disclosing their diversity and inclusion policy and only 7% publicly disclosing the results of their gender equity pay analyses.

Issues	Share of Companies Disclosing Policy
Detailed Gender Pay Equity Analysis	7%
Diversity and Equal Opportunity Policy	86%
Diversity and Equal Opportunity Targets	11%
Detailed Paid Time Off Policy	28%
Detailed Paid Parental Leave Policy	28%
Day Care Services	23%
Flexible Working Hours	45%
Career Development Policy	72%
Tuition Reimbursement Policy	68%

Source: JUST Capital “Win-Win of JUST Jobs” April, 2019.
Available at https://justcapital.com/reports/the-win-win-of-just-jobs/

Importantly, among companies that disclosed their practices on the same issue, the form of disclosure varied, making it difficult to compare practices head-to-head. For example, some companies that disclose the results of their pay equity analysis provide a gender wage gap for the company as a whole, while other companies provide a gender wage gap by worker category (leadership, management, non-management etc.) and include a description of how the analysis was conducted.

In addition to identifying the prevalence of disclosure, JUST Capital charted the percentage of companies offering each policy and the associated median five-year Return-on-Equity (ROE). We found that companies disclosing JUST job policies reported higher ROEs of between 1.2 percentage points and 3 percentage points for eight of the nine issues, supporting the case that companies that invest in their workforces and disclose those investments observe higher returns.

Similarly, in a separate analysis, JUST Capital looked at the relationship between financial performance and policies that support work-life balance and provide career development opportunities. Previous research has found that greater employee happiness is associated with higher productivity, lower absenteeism, and reduced turnover. Companies that score in the top 50% of JUST Capital's Rankings on work-life balance have an average ROE 4.4 percentage points higher than those in the bottom 50% of JUST Capitals' Rankings, a statistically significant difference.[1] A similar result was found for companies that provide meaningful career development opportunities. Companies that scored in the top 50% of JUST Capital's Rankings on this issue had an average ROE 4.9 percentage points higher than companies in the bottom 50% of JUST Capital's scoring on career development.

The research described above identifies a need to standardize human capital measurements and the materiality of these measurements across companies and industries. Moreover, the state of disclosure documented by JUST Capital shows that, absent clear guidelines on how to report human capital measurements, companies will adopt an array of reporting strategies, limiting the utility of the disclosure for investors and the public.

Therefore, JUST Capital believes the SEC should identify a baseline set of human capital measurements that all filers should disclose under 101(c)(1)(xiii), specifying how each of these measurements should be reported. Beyond these baseline metrics, the SEC should also require companies to disclose any additional human capital measurements that are material to their company or industry and develop uniform reporting frameworks for when companies do disclose these metrics.

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[1] Jones, Dottie and Hernando Corina. "The Win-Win of JUST Business Behavior: Three Ways to Treat Workers Better and Improve Your Bottom Line" October, 2018. Available at: https://justcapital.com/wp-content/uploads/2018/10/JUSTCapital_WinWinJUSTBusiness_092018-Final.pdf

JUST Capital believes that this approach would most directly achieve the SEC's goal of revising reporting requirements under 101(c)(1)(xiii) so that companies disclose "any human capital measures or objectives that management focuses on in managing the business, to the extent such disclosures would be material to an understanding of the registrant's business."

Thank you again for providing the opportunity to comment on such important and impactful issue.

Sincerely,

Martin Whittaker
CEO
JUST Capital