Human Capital Disclosure Report: Learning on the Job

As the Securities and Exchange Commission went about modernizing its corporate disclosure requirements in recent years, it faced no shortage of opinions. One of the most active areas of debate surrounded what it should require public companies to disclose about their workforces.

For decades, the SEC only required companies to disclose their number of employees. Outside groups suggested hundreds of additional human capital data points that the SEC should require issuers to disclose, including information about:

- Employee grievance mechanisms;
- Legal proceedings relating to employee management;
  Compensation and incentive pay; and
- The existence of collective bargaining agreements.

In the summer of 2019, the SEC unveiled its proposed update to the rule—Item 101 of Regulation S-K—governing disclosures about human capital. When it pulled the curtain away, the new rule mandated no new metrics at all. It even eliminated the requirement that filers disclose their number of employees. The SEC eventually reversed itself on the employee count, but not any other specific proposals. Instead, it held fast to its belief in a “principles-based” approach that only required public companies to provide “a description of the registrant’s human capital resources…to the extent such disclosures would be material to an understanding of the registrant’s business.

Theoretically, that new standard calls for the disclosure of much more information than an employee headcount, but in practice provides no guidance as to what that information might be. The new rule even declines to define "human capital" itself.

In developing this report, we set out to understand how public companies are responding to the new disclosure requirement for human capital. Using the Intelligize platform, we analyzed 427 10-Ks filed by S&P 500 companies between November 9, 2020, and March 5, 2021. We address the varied form that human capital disclosures took, as well as specific topics that issuers chose to cover.

Our broader takeaways from the study are two-fold. First, filers capitalized on the fact that the new rule does not call for specific metrics. Relatively few issuers provided meaningful numbers about their human capital, even when they had those numbers at hand. While every public company files a regular report with the government on the percentage of women and racial minorities it employs, for instance, fewer than 20 filers chose to disclose that information in their 10-Ks.

That's not to say that companies did not take their human capital reporting obligation seriously. To the contrary, our second takeaway is that disclosures, as a whole, suggested sincere effort to fulfill the scantly defined disclosure obligation. The few topics of obvious relevance to human capital across industries found their way into nearly every filing. In a sign of our times, those included diversity and—in the midst of a pandemic—health and safety. Beyond that, filers appeared to be taking cues wherever they could find them. The text of the new rule offers just three examples of topics that might be covered (training, recruiting and retention), and all three were widely addressed. Filers also looked to each other. In a sign that they have been building on each other's work, human capital descriptions filed later in the study period were, on average, longer than those filed toward the start.

In short, under the new human capital disclosure rule, the S&P 500 has been learning on the job.

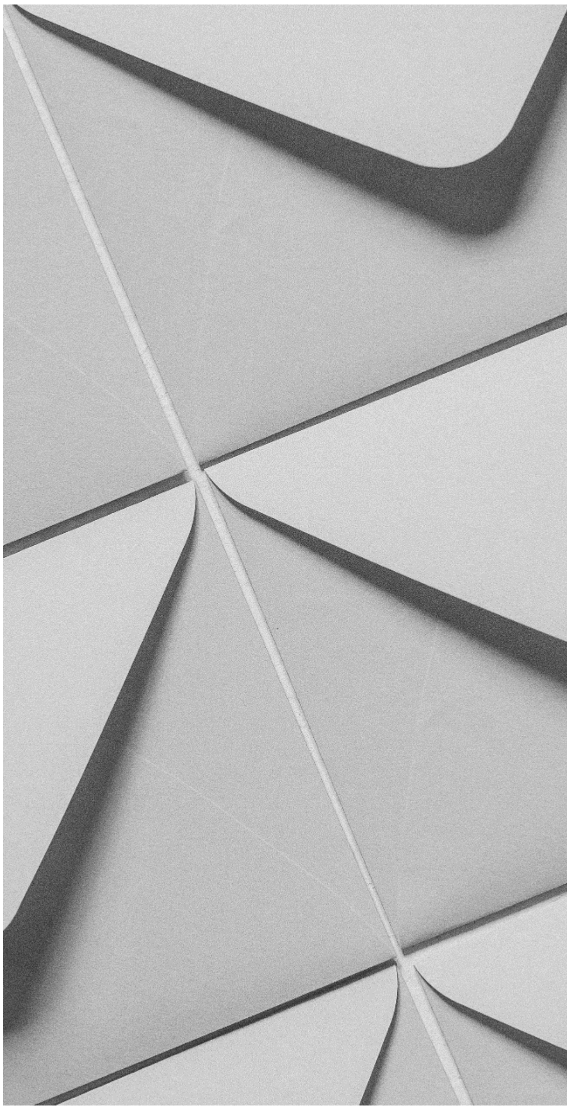
Form and Content

The human capital disclosures in the 427 10-Ks we analyzed for this report varied greatly in both form and content. They can be classified, however, into three broad groups. In the first, issuers submitted unstructured paragraphs on the topic of human capital management, largely unchanged from text found in prior 10-Ks. Even within this group, we noted substantial disparities in length, which did not correlate with company size. Take, for instance, the contrast between the brief description from Amazon, which has more than a million employees, and the much longer description offered by Extra Space Storage, which has fewer than 5,000.

AMAZON 10-K (FY 2020)

Our employees are critical to our mission of being Earth's most customer-centric company. As of December 31, 2020, we employed approximately 1,298,000 full-time and part-time employees. Additionally, we utilize independent contractors and temporary personnel to supplement our workforce. Competition for qualified personnel has historically been intense, particularly for software engineers, computer scientists, and other technical staff.

We focus on investment and innovation, inclusion and diversity, safety, and engagement to hire and develop the best talent. We rely on numerous and evolving initiatives to implement these objectives and invent mechanisms for talent development, including industry-leading pay and benefits, skills training programs such as Amazon Career Choice and the Amazon Technical Academy, mentorship and support resources, and programs that advance engagement, communication, and feedback.



EXTRA SPACE STORAGE 10-K (FY 2020)

As of December 31, 2020, we had 4,013 employees and believe our relationship with our employees is good. Our employees are not represented by a collective bargaining agreement. In 2020, we invited our employees to participate in an employee satisfaction survey. We achieved an overall satisfaction score of over 90%.

The Company offers competitive health benefits and encourages its employees to participate in employee health and wellness programs. Over 70% of our employees who are enrolled in our health plan participate in these programs. We offer individualized counseling to our employees to assist them with their journey towards better health. We also offer other health-oriented benefits such as smoking cessation programs and a fitness program that allows for reimbursements to employees for expenses incurred relating to fit-friendly activities, sports or exercise equipment.

In order to attract and retain top talent, we offer training and development opportunities for our employees. In 2020, we invested in training and development for our employees, which included leadership training, communication training, individual learning plans, site manager training and mentorship programs. Our field employees received on average 8.2 hours of training in 2020. Additionally, the Company provides its employees with an education assistance program through Western Governors University that allows our employees a path to an undergraduate degree in business or information technology through scholarships and other assistance.

The Company has always valued the safety of our employees and provides regular training for our employees to increase safety at our sites. During the pandemic, we chose to close our doors to in-person customers until we could install personal protective equipment for our employees. We understood that such a dramatic move would affect our revenues, but felt that as a company it was more important to ensure the safety of our employees. We moved quickly to put the necessary equipment in place and reopened with a safer and more sanitized environment for our employees.

The Company undertakes a wide spectrum of initiatives to attract and retain a diverse workforce. The Company has a Diversity and Inclusion Committee that has been active since 2018. During 2020, the Company launched implicit bias and allyship training for its employees, produced videos featuring our CEO discussing the importance of diversity and inclusion to the Company. The Company will continue to implement and pursue diversity and inclusion initiatives and goals that allow us to attract and retain top talent, improve employee engagement, increase innovation and customer insight and enhance the quality of our decision making. Forbes Magazine recently named the Company as a Best Employer for Diversity in 2020.

We believe that our emphasis on training and development, employee safety, employee health and well-being, and a commitment to diversity and inclusion leads to an increase in employee productivity and positions us to attract and retain top diverse talent

The filers in this group eschewed hard data. In addition, many chose not to look backward at their performance on human capital management, but instead to identify aspirational, forward-looking goals. Goldman Sachs's approach was typical for this group.

ASPIRATIONAL GOALS

We have set the following aspirational goals:

- We aim for analyst and associate hiring (which accounts for over 70% of our annual hiring) to achieve representation of 50% women, 11% Black professionals and 14% Hispanic/Latinx professionals in the Americas, and 9% Black professionals in the U.K.
- We aim for women to represent 40% of our vice presidents globally by 2025 and 50% of all our employees globally over time, while also endeavoring for women to comprise 30% of senior talent (vice presidents and above) in the U.K. by 2023.
- We aim for Black professionals to represent 7% of our vice president population in the Americas and in the U.K., and for Hispanic/Latinx professionals to represent 9% of our vice president population in the Americas, both by 2025.
- We aim to double the number of campus hires in the U.S. recruited from historically Black colleges and universities by 2025.

Goldman Sachs 10-K (FY 2020) February 22, 2021

A second group of issuers also omitted any hard data but used disclosure and focus on specific topics—the most popular of which are included later in this report.

The third and decidedly smallest group, which included issuers like Merck and Morgan Stanley, included far more robust disclosures, which included data in the form of tables and graphs to illustrate key information.

HUMAN CAPITAL METRICS[1]

CATEGORY		METRIC	AT DEC 31, 2020
EMPLOYEES	Employees by geography (thousands)	Americas	48
		Asia Pacific	12
		EMEA	8
CULTURE	Employee engagement[2]	% Proud to work at Morgan Stanley	88%
DIVERSITY AND INCLUSION	Global gender representation	% Female	39%
		% Female officer[3]	26%
	U.S. ethnic diversity representation	% Ethnically diverse[4]	30%
		% Ethnically diverse officer[3]	24%
RETENTION	Voluntary attrition in 2020	% Global	7%
	Tenure	Management Committee average length of service (years)	19
		All employees average length of service (years)	7
COMPENSATION	Compensation and benefits	Total compensation and benefits expense in 2020 (millions)	20854

1. Legacy E*TRADE employees are included in all metrics other than "employee engagement." For "voluntary attrition in 2020," E*TRADE attrition is relative to January 1, 2020 staffing levels. For "tenure," E*TRADE tenure is based on length of service since joining E*TRADE.
2. In 2019, 91% of employees responded to the biennial employee engagement survey. The percentage shown is based on 2019 survey results.
3. Officer includes Managing Directors, Executive Directors and Vice Presidents, and the equivalent positions for legacy E*TRADE employees.
4. U.S. ethnically diverse designations align with the Equal Employment Opportunity Commission's ethnicity and race categories and includes American Indian or Native Alaskan, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Pacific Islander, and two or more races.

Morgan Stanley 10-K (FY 2020) Feb. 25, 2021

Oversight

Many filers chose to describe the organizational structure through which they oversee human capital issues. Based on those descriptions, many vest authority for managing human capital with the board of directors, its committees (the audit, compensation, corporate governance, and management development committees were mentioned most frequently) and officers (particularly CEOs, diversity officers and chief human resource officers).

OVERSIGHT AND MANAGEMENT

Our Board of Directors and Board committees provide oversight on certain human capital matters, including our Inclusion and Diversity programs and initiatives. As noted in its charter, our Compensation and Management Development Committee is responsible for periodically reviewing Starbucks partner resource programs and initiatives, including healthcare and other benefits, as well as our management development and succession planning practices and strategies. Our Audit and Compliance Committee works closely with the Risk Management Committee, led by Starbucks cfo and general counsel, to monitor current and emerging labor and human capital management risks and to mitigate exposure to those risks. Furthermore, our Nominating and Corporate Governance Committee annually evaluates the effectiveness of our social responsibility policies, goals and programs, which also include partner-related issues. These reports and recommendations to the Board and its committees are part of the broader framework that guides how Starbucks should attract, retain and develop a workforce that aligns with our values and strategies.

Starbucks 10-K (FY 2020) Nov. 12, 2020

Human Capital “Measures or Objectives”

By design, the revised rule offers almost no guidance on what information filers should include in the “description of the registrant’s human capital resources.” Almost, that is. The short rule (just 57 words long) does single out two specific areas for registrants to cover:

- “[T]he number of persons employed by the registrant,” and
- “[A]ny human capital measures of objectives that the registrant focuses on in managing the business”

The rule does flesh out the second requirement briefly, offering examples of what those “measures and objectives” might include—namely, ones that “address the development, attraction, and retention of personnel.”

That may not feel like much direction, but filers ran with it. More than half of all filers discussed the "development" (or training), "attraction" (or recruiting), and "retention" of employees. Touching on all three of those topics, **the issue of turnover was particularly popular, appearing in more than 140 human capital descriptions**. Similarly, succession planning appeared 200 times.

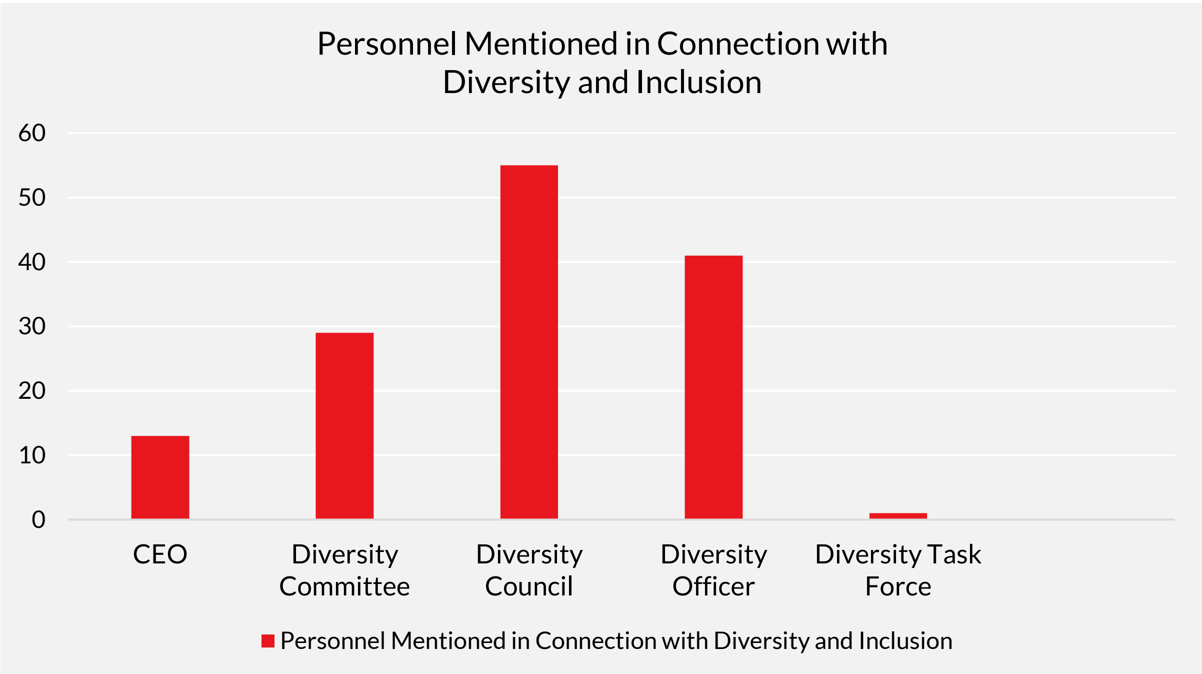
Diversity and Inclusion

424 filers mentioned / 275 under its own heading

The new human capital rule was finalized in August 2020, during a summer of unrest over racial injustice in which many corporations affirmed their belief in the value of diversity to society generally, and their workforces in particular. Unsurprisingly, then, more than 90% of filers discussed diversity and inclusion in their human capital descriptions. More than 60% gave the subject its own heading.

Balanced against the S&P 500's widespread acknowledgment of D&I's importance, however, was its reluctance to disclose company-specific metrics. Every member of the S&P 500 already gathers and reports to the federal government a breakdown of its workforce by race, gender and other characteristics (on what is called an EEO-1 form). **Nonetheless, a mere 16 filers chose to disclose that information in their 10-Ks**. Some outliers, like Merck (see below), provided detailed numbers showing their record on diversity over time. More commonly, filers provided no data and aspirational goals, like Twitter's comment that "by 2025, we aspire to have at least half our global workforce represented by women and at least a quarter of our U.S. workforce represented by under-represented communities."

Many filers identified personnel with responsibility for D&I issues, with diversity councils receiving the most mentions at 55 and CEOs receiving 13 mentions.



GENDER AND ETHNICITY PERFORMANCE DATA[1]	2020	2019	2018
Women in the workforce	49%	49%	49%
Women in the workforce in the U.S.	50%	50%	NR
Women on the Board of Directors	46%	33%	23%
Women in Executive roles[2]	34%	36%	32%
Women in management roles[3]	43%	43%	41%
Members of underrepresented ethnic groups on the Board of Directors	23%	17%	15%
Members of underrepresented ethnic groups in executive roles (U.S.)	22%	26%	21%
Members of underrepresented ethnic groups in the workforce (U.S.)	31%	29%	27%
Members of underrepresented ethnic groups in management roles (U.S.)	29%	27%	25%
New hires that were female	50%	50%	51%
New hires that were members of underrepresented ethnic groups (U.S.)	42%	33%	36%

NR: Not reported

1. As of 12/31
2. "Executive" is defined as the chief executive officer and two structural levels below
3. Management role" is defined as all managers with direct reports other than executives defined in note 2.

Merck 10-K (FY 2020) Feb. 25, 2021

Other Topics

SAFETY

425 filers mentioned / 200 under its own heading

The SEC rejected calls to require hard numbers based in part on its view that the objectives of human capital management would "evolve over time." That justification has already been validated to some extent. When the revised rule became effective, after all, concerns related to COVID-19 dominated all discussions of human capital management. Little more than a month later, the FDA authorized a vaccine, creating hope that they might soon fade in importance.

For the moment, of course, they are still with us. That's reflected in the overwhelming percentage of filers that discussed safety- and health-related issues, many tying those concepts explicitly to COVID-19. Of the 425 filers that discussed safety, **62 included a separate header for COVID-19**. Those sections often referred to safety enhancements or continuity planning in connection with a move to remote working.

SAFETY AND WELLNESS AND OUR RESPONSE TO COVID-19

In response to the COVID-19 pandemic and as part of our commitment to work to ensure the safety and well-being of our employees, we have activated our applicable business continuity plans, including having those of our employees who are able to work from home to do so since mid-March 2020.

Amgen 10-K (FY 2020) Feb. 9, 2021

Issuers that discussed safety outside the context of COVID-19 often brought up workplace injuries, as Amgen did in stating "compared to a benchmark of twelve companies in the pharmaceutical industry, Amgen was in the quartile with the lowest injury rate."

Health
425 filers mentioned / 167 under its own heading

Many issuers combined their discussion of health with the related issues of safety and COVID-19. Of the 167 filers that dedicated a section to health issues, **123 of them combined it with their discussion of safety**. Popular health topics covered by filers included company wellness programs and employee assistance programs (EAPs)—sometimes with explicit reference to how they helped employees through COVID-19.

HEALTH AND SAFETY

Our Employee Assistance Program helps employees navigate daily life to managing remote work, coping with major life events or even dealing with a global pandemic.

Baker Hughes 10-K (FY 2020) Feb. 25, 2021

Compensation
425 filers mentioned / 184 with dedicated section

It would be disingenuous for any employer to take the position that pay does not impact their human capital management. And indeed, all but two of the S&P 500 filers we studied discussed compensation. With the SEC's principles-based approach, however, they were able to do so on their own terms. In the main, filers did not offer hard compensation figures, even the kind that a separate provision of Reg S-K—Item 402(u), the CEO pay-ratio rule—requires them to publicly disclose. It's also worth noting again that [only 16 filers included their EEO-1 data](), **which includes pay rates broken down by race, sex, and ethnicity**, and which employers already have to prepare for the government.

Instead, filers emphasized the less quantifiable aspects of their compensation programs, including benefits and short- and long-term incentive plans. Several filers also highlighted their use of compensation consultants and their decision to give COVID-19-related payments to employees.

PAY AND BENEFITS PHILOSOPHY, COMPENSATION AND FINANCIAL SECURITY

Our Company's pay and benefits structure is designed to motivate and reward our associates at all levels of the organization for their skill development, demonstration of our values and performance. While our programs vary by location and business, they may include:

FINANCIAL	HEALTH	LIFE
• Competitive Base Pay	• Medical, Dental, and Vision Benefits	• Paid time off, paid holidays and jury duty pay
• Associate Incentive Plan (Annual Bonus)	• Supplemental Health Benefits	• Paid Parental Leave
• Supplemental Pay (Including Overtime)	• Long-term Care Insurance	• Caregiver Time Off Program
• Recognition Pay and Service Awards	• Wellness and Rewards Program	• Employee Assistance Program
• 401(k) Retirement Savings Plan with Company Match Program	• Health Plan Incentives	• Associate Discount Programs and Services
• Life insurance	• On-site Health and Fitness Centers	• Helping Hands Program
• Short- and Long-Term Disability Insurance	• On-site Health Screenings and Vaccinations	• Transit Services

Humana 10-K (FY 2020) Feb. 18, 2021

Culture
382 filers mentioned / 80 under its own heading

Filers eagerly discussed their culture or company values, with more than nine out of 10 bringing up the topic. Their discussions frequently raised codes of conduct, core principles and commitment to ethical behavior.

Under the wide umbrella of culture, perhaps the most-discussed concept was “employee engagement.” On that topic, at least, companies were comfortable providing metrics. **More than 200 of the filings we analyzed—or nearly half—disclosed some form of survey on employee engagement**, and 87 different filers determined that it warranted discussion under its own separate header.

Among Morgan Stanley employees responding to a 2019 biennial employee engagement survey, 88% indicated they were proud to work at the company.

Morgan Stanley 10-K (FY 2020) Feb. 26, 2021

Community
330 filers mentioned / 38 under its own heading

A substantial number of companies were eager to describe their employees' volunteer efforts as well as their own charitable giving. **Frequently mentioned initiatives included company-designated volunteer days, charitable contribution matching programs and employee volunteer programs**. Some filers included numbers to back up the significance of their work in this area.

EMPLOYEE VOLUNTEERISM

Due to the impacts of the pandemic, we accelerated our employee fundraising efforts and employees donated $1.4 million to our Helping Hand Fund (our employee crisis relief program). These funds provided approximately 1,100 employees with emergency relief grants for themselves and their families.

Trane Technologies 10-K (FY 2020) Feb. 9, 2021

Labor Relations
322 filers mentioned /
25 under its own heading

It may be surprising that more than three out of four filers discussed this topic, given that a smaller fraction employs union labor. But of course, labor relations writ large affect every employer. Also, **discussions of labor relations and collective bargaining were particularly varied in length**, even among those that placed it under a separate header. Some offered a very simple paragraph; others, like American Airlines, including a lengthy description and paired it with data in table format.

UNION	CLASS OR CRAFT	EMPLOYEES	CONTRACT AMENDABLE DATE
MAINLINE:			
Allied Pilots Association (APA)	Pilots	13.400	2020
Association of Professional Flight Attendants (APFA)	Flight Attendants	24.550	2019
Airline Customer Service Employee Association - Communications Workers of America and International Brotherhood of Teamsters (CWIA-IBT)	Passenger Service	13.500	2020
Transport Workers Union and International Association of Machinists & Aerospace Workers (TWU-IAM Association)	Mechanics and Related	12.300	2025
TWU-IAM Association	Fleet Service	16.600	2025
TWU-IAM Association	Stock Clerks	1750	2025
TWU-IAM Association	Flight Simulator Engineers	140	2021
TWU-IAM Association	Maintenance Control Technicians	190	2025
TWU-IAM Association	Maintenance Training Instructors	50	2025
Professional Airline Flight Control Association (PAFCA)	Dispatchers	470	2021
Transport Workers Union (TWU)	Flight Crew Training Instructors	350	2021
ENVOY:			
Air Line Pilots Associations (ALPA)	Pilots	2.150	2024
Association of Flight Attendants-CWA (AFA)	Flight Attendants	1.500	2020
TWU	Ground School Instructors	10	2023
TWU	Mechanics and Related	1.400	2020
TWU	Stock Clerks	140	2020
TWU	Fleet Service	3.800	2019
TWU	Dispatchers	70	2025
Communications Workers of America (CWA)	Passenger Service	4.850	2026

American Airlines 10-K (FY 2020) Feb. 17, 2021

Conclusion

This filing season is the first in which public companies have been required to disclose anything about their human capital beyond employee headcount. While it imposed these requirements, the SEC left its interpretation largely in issuers' hands. We saw the results of that approach this year. Without a mandate to provide any particular data on their workforces, most filers declined to provide them. At the same time, the SEC's principles-based approach allowed companies to focus on two key issues—diversity and health—that current events drove to the front of corporate consciousness in recent months. Also, our review of more than 400 filings suggested that while companies lacked a detailed instruction manual for how to address human capital disclosures, they made sincere efforts to describe their workforces in meaningful ways. They were learning on the job, giving us reason to hope that they will only get better with time.

Methodology

This report uses a data set of 427 10-Ks filed by S&P 500 companies between November 9, 2020, and March 5, 2021. All filings are available on the Intelligize platform, and our analysis was performed using the platform's advanced search, filtering and sorting functionality.

About Intelligize

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