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Top Ten Human Capital Topics of Interest to Investors

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Management of human capital is an increasing area of focus for investors as part of their ESG assessments. But what exactly falls under the "human capital" rubric, as the term seems at once both familiar and obscure, remains largely unsettled.

After some fairly unscientific research, including reading what various institutional investors and the standard setters that promote corporate disclosures say about the types of information they want companies to provide, the SEC rulemaking petition by the Human Capital Management Coalition, which we **previously discussed here**, and the analysis undertaken by the entities known as ESG "raters" who evaluate not only company statements but also third-party data, set forth below (in no particular order) is a list of ten items that appear to broadly fall within "human capital" discussions.

1. Employee data (such as the number of full- and/or part-time employees and outsourcing information)
2. Impacts on comings and goings (such as hiring, recruitment, turnover and retention)
3. Composition (diversity data)
4. Skills (including training and development)
5. Culture (includes employee engagement and grievance mechanisms, whistleblower channels, work-life issues and employee wellness)
6. Collective bargaining and labor matters
7. Health and safety
8. Productivity
9. Wages and benefits (such as pay equity)
10. Supply chain

Among the "innumerable caveats"* to this list is an acknowledgment that many believe that the range of topics, or at least the priority and emphasis of the subjects, needs to vary by industry. For example, companies in the industrial sector are likely expected to heavily target employee health and safety, while those in the retail sector may find themselves facing inquiries about their supply chain.

*Term borrowed from Dave Fredrickson.

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If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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