ValueEdge
ADVISORS

September 27, 2017

Honorable Jay Clayton
Chairman
U.S. Securities and Exchange Commission
110 F Street. N.E.
Washington D.C. 20549

Re: Human Capital Management Disclosures Rulemaking Petition

Dear Chairman Clayton,

We write in support of better disclosure of human capital information on behalf of ValueEdge Advisors, a consulting firm specializing in corporate governance, working primarily with institutional investors. This comment, however, reflects only our own views, based on decades of working in the fields of corporate governance and capital formation.

As you know, GAAP data came out of an era when a company's primary worth was based on real property, equipment, and its inventory of tangible products. We now live on a time when companies' primary assets and liabilities are all human capital, the abilities, knowledge, and relationships of its employees. You can hardly find an issuer's annual report that does not claim the company's primary assets are its people. And yet you would not know that from looking at balance sheets, which are skimpy when it comes to information we find essential for evaluating investment risk. Just as important, it is information corporate executives themselves must have in order to develop strategy and evaluate operations.

We strongly endorse the position of the Human Capital Management Coalition (HCM) as outlined in their comment letter of July 6, 2017, that better disclosure of an issuer's record on human capital is achievable at very low cost, and of enormous value to investors, analysts, and the issuers themselves. The kind of information we would like to see includes employee turnover, employee training, and opportunities for advancement.

It is important to emphasize that this is not in any way a political agenda. It reflects concerns raised by respected institutional voices like BlackRock's Larry Fink and the Sustainability Accounting Standards Board (SASB), which produces reports like "Human Capital in the Age of Fintech." As noted in the HCM letter, "SASB has identified one or more human capital issues as 'material' for accounting purposes for at least some industries in each of its 10 sectors. It has characterized human capital as a 'cross-cutting' issue." (footnotes omitted)

Such disclosure will not inhibit capital formation. Quite the contrary, it will make capital allocation more efficient, and any such claims should be closely examined for proof. And it will not impose any additional costs. The information needed for disclosure is already available and relied on by executives and managers, or, if it isn't, they are overlooking critical data and that in and of itself is of vital interest to investors. If part of what investors need to do is evaluate risk, it is far more significant to know how much a company is investing in employee development and whether employees are satisfied enough to stay in their jobs, keeping crucial institutional knowledge in-house, than to know what the depreciation schedule is for some forklifts. There is hard data, readily available, about employee capabilities, training, and treatment. And there are unprecedented changes ahead from the development of AI and the increasing seamlessness of global outsourcing. Both can be enormous accelerants for corporate operations, but both pose enormous risks as well, in oversight and in the scope of problems, like cybersecurity, that are difficult to predict.

We will not reiterate the extensive points made by HCM; we incorporate them by reference, and provide this comment only to underscore our strong belief that this is an essential area for SEC action. We request that hearings be scheduled and would be glad to provide any additional information that may be of help.

Sincerely yours,

Richard A. Bennett
President and CEO

Nell Minow
Vice Chair