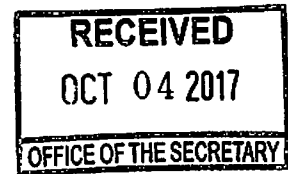


State of Connecticut



DENISE L. NAPPIER
TREASURER

October 2, 2017

Hartford

Mr. Brent Fields, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: File No. 4-711; Human Capital Management Disclosure Petition for Rulemaking

Dear Mr. Fields,

As Treasurer of the State of Connecticut and principal fiduciary of the \$32.4 billion Connecticut Retirement Plans and Trust Funds ("CRPTF"), I am writing in support of *Rulemaking Petition to Require Issuers to Disclose Information About Their Human Capital Management Policies, Practices and Performance* (the "Petition"), filed by the Human Capital Management Coalition (the "Coalition") on July 6, 2017. The CRPTF is a member of the Coalition.

With respect to the CRPTF, my primary objective is to increase the value of its investments for the benefit of its 212,000 participants and beneficiaries who depend on these assets for their future financial security. The quality of disclosure by issuers in the U.S. public markets, which informs CRPTF's investment and voting decisions, is of great interest to me as a long-term investor.

The CRPTF has a strong track record of advocating for more robust disclosure. For example, I recently commented on the Commission's Disclosure Effectiveness Concept Release (<https://www.sec.gov/comments/s7-06-16/s70616-190.pdf>) and the rule requiring disclosure of the ratio between CEO and average worker pay (<https://www.sec.gov/comments/s7-07-13/s70713-583.pdf>). In 2008, I led an investor coalition that successfully advocated for fuller disclosure regarding compensation consultant conflicts of interest (<https://www.sec.gov/rules/petitions/2008/petn4-558.pdf>).

Issuers are facing a rapidly-changing environment in which human capital management plays an increasingly important role. A company's management of its workforce can be a key source of competitive advantage or material risk. Investors therefore need information about human capital management to accurately assess issuers' long-term financial prospects and the quality of stewardship by managements and boards.

Thank you for this opportunity to comment on these important issues. If you have any questions or would like to follow up further, please contact Christine Shaw, Chief Compliance Officer and Assistant Treasurer for Policy at [REDACTED] or [REDACTED].

Sincerely,

A handwritten signature in cursive script that reads "Denise L. Nappier".

Denise L. Nappier
State Treasurer

Attachment

ATTACHMENT

Rulemaking Petition to Require Issuers to Disclose Information About Their Human Capital Management Policies, Practices and Performance

A company's human capital is generally defined as the skills, knowledge, well-being, experience and motivation of the workforce, and its alignment with the company's mission and values. In an increasingly competitive global economy, management of human capital has assumed greater importance as a driver of productivity and innovation and, ultimately, value creation. As a 2015 report by the World Economic Forum predicts, "Talent, not capital, will be the key factor linking innovation, competitiveness and growth in the 21st century."¹ At the same time, changes in the structure of work—the rise of subcontracting and outsourcing, and companies' growing reliance on global supply chains—have created new challenges.

The Petition describes the substantial body of research supporting the link between effective human capital management and firm performance, and I will not repeat it here. Companies appear to agree on the importance of their workforces: It is commonplace for companies to tout their workforce as their "greatest asset." But information on human capital, in contrast to physical or financial capital, is in short supply.

The Commission requires very little specific disclosure regarding the workforce. Commission rules also preclude investors from using the shareholder proposal rule to ask companies to disclose most kinds of information about their workforces. Even when companies do disclose workforce-related information, inconsistent data and methodologies hamper comparability. Companies may voluntarily provide disclosures directly to large investors or to data vendors, which may have the effect of disadvantaging smaller investors. Investors thus do not have the information they need to determine the extent to which a company's human capital management policies and practices serve its business strategy or to identify companies whose workforce management practices have created, or are likely to create, risks with an impact on long-term value.

Information on human capital management is relevant to several kinds of investor decisions. Being able to identify human capital leaders and laggards in an industry, for example, adds value to the fundamental analysis used in stock selection. Information indicating that a portfolio company's practices have begun to create new risks would enable an investor to sell the stock before the risks damage the company's financial condition. On the voting side, the quality of a company's human capital management is an element of overall stewardship, which the CRPTF and other investors consider when voting on proposals such as the election of directors. As well, some investors, including the CRPTF, would use human capital disclosures to identify companies for engagement.

In addition to giving investors crucial information, disclosure of information on human capital management would likely help to promote a longer-term investment outlook. Investors have been criticized for having horizons that are too short-term, which destabilizes capital markets and undermines companies' ability to manage for long-term success. The Aspen Institute's Corporate Values Strategy Group, whose mission is "re-asserting long-term orientation in business decision-making and investing," has recommended that both companies and investors eschew short-term financial metrics and focus on "forward-looking" metrics that support long-term value creation, including metrics addressing the recruitment, motivation

¹ World Economic Forum, *The Human Capital Report 2015*, p. v (available at http://www3.weforum.org/docs/WEF_Human_Capital_Report_2015.pdf).

and retention of high-performing employees.”² With the kinds of disclosures sought in the Petition, investors would be better-positioned to provide patient capital to support companies wishing to adopt a longer-term orientation.

The Petition does not take a prescriptive approach to human capital disclosure, recognizing the complexity of the issues. Instead, the Petition suggests nine categories of information about whose value to investors there is broad consensus, as reflected in existing disclosure frameworks, best practices recommendations and white papers. Using these categories as a starting point, a robust stakeholder consultation process should result in proposed rules that give investors the information they need while taking into account issuer concerns.

² The Aspen Institute, *Long-Term Value Creation: Guiding Principles for Corporations and Investors*, Principle 1 (2009) (available at https://assets.aspeninstitute.org/content/uploads/files/content/docs/pubs/Aspen_Principles_with_signers_April_09.pdf).