

17 October 2017



The Honourable Jay Clayton  
Chairman  
U.S. Securities and Exchange Commission  
110 F Street, N.E.  
WASHINGTON DC 20549

Re: Human Capital Management (HCM) Disclosures Rulemaking Petition  
File 4-711 - 07/06/2017

Dear Chairman Clayton,

I am writing in support of the Human Capital Management Petition filed with the U.S. Securities Exchange Commission (SEC, Commission) by the Human Capital Management Coalition on 6 July 2017. The Australian Council of Trade Unions (ACTU) represents union nominated trustees on over 40 Australian industry superannuation funds with over Aus\$600B under management, a significant component of which is invested in the US market.

I am grateful for the opportunity to share our interest and support in this petition requesting rulemaking on better disclosures on a public listed company's most important asset, its human capital. We agree with the premise that human capital management plays a complex and dynamic role in business, valuable to understanding how well a company is managed but more importantly provides insight into how does its people, human capital, impact the company's value and long-term strategy and business plans of a company.

Given our trustees' interest in long term investment, we see this petition as an important mechanism to facilitate better access to information investors need to make informed investment decisions. We agree with the HCM Coalition's petition that:

"Research has shown that differences in human capital management performance can form the basis for successful investment strategies. Human capital management matters not only when it confers competitive advantage and improves firm performance. Material risks related to human capital management can create substantial risks for companies and investors, damaging corporate reputation, generating legal liabilities and undermining relationships with key stakeholders."<sup>1</sup>

<sup>1</sup> HCM Petition filed with the SEC, page 4 and 8, July 6, 2017  
<https://www.sec.gov/rules/petitions/2017/petn4-711.pdf>

We regard the SEC's mission to protect investors, maintain fair, orderly and efficient markets and facilitate capital formation as supportive of the HCM petition's request. We believe the SEC's underlying goals as outlined on its website to "Inform and protect investors, facilitate capital formation, enforce federal securities laws, regulate securities markets and provide data" are fundamental to the petition's request which is interrelated to the SEC's goal to require public companies to disclose meaningful financial and other information to the market. Only through the steady flow of timely, comprehensive and accurate information does the market work efficiently and effectively. If stakeholders are to reap the full benefits of the global capital market, the SEC should have an inherent interest in ensuring better transparency and robust disclosures that will facilitate a more active, productive capital market to facilitate capital formation that is important to the U.S. economy.

We believe guidance by the SEC on HCM can help investors and other stakeholders gain a fuller understanding of a company's business model, underlying strategy and conditions for value-creation not only in the short-term but more importantly in the long-term. The ACTU and the trustees it represents understands the importance and evolution of disclosure requirements and the essential requisite that companies meet stakeholder requests for more meaningful information beyond current financial reporting requirements. This is important for Australian superannuation funds which are bound by law to focus on fund members' retirement incomes when making investment decisions. In order to attract capital from such institutional investors, businesses need to focus on creating long-term value and explore new opportunities to measure and evaluate the broader outcomes associated with their organizations, operations, programs and projects. We support the petition's request for robust human capital disclosures that would benefit owners by supporting long-term investment strategies, stabilizing markets and encouraging employers to invest in their workforces.

The ACTU agrees with the approach outlined in the petition that disclosure requirements may need to be tailored and not necessarily imposed across-the board disclosure requirements, but also recognise that certain categories of information are fundamental to human capital analysis and some disclosures, whether quantitative or qualitative (or both) should be required. These include:

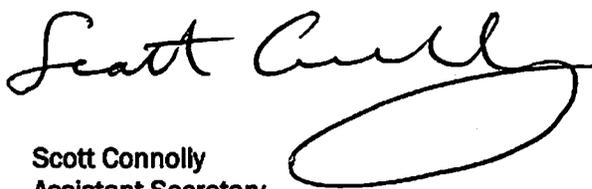
1. Workforce demographics (number of full-time and part-time workers, number of contingent workers, policies on and use of subcontracting and outsourcing)
2. Workforce stability (turnover (voluntary and involuntary), internal hire rate)
3. Workforce composition (diversity, 111 pay equity policies/audits/ratios)
4. Workforce skills and capabilities (training, alignment with business strategy, skills gaps)
5. Workforce culture and empowerment (employee engagement, union representation, work-life initiatives)
6. Workforce health and safety (work-related injuries and fatalities, lost day rate)
7. Workforce productivity (return on cost of workforce, profit/revenue per full-time employee)
8. Human rights commitments and their implementation (principles used to evaluate risk, constituency consultation processes, supplier due diligence)

9. Workforce compensation and incentives (bonus metrics used for employees below the named executive officer level, measures to counterbalance risks created by incentives)

We understand the importance as outlined in the petition that quantitative and qualitative disclosures will complement each other and similar to the SEC's efforts on Compensation Disclosure and Analysis (CD&A), the Commission will need to find the appropriate balance on what are the right human capital management metrics and disclosures.

Thank you in advance for your consideration. We believe the SEC's capital formation agenda would benefit from improving disclosure on vitally important driver of performance - human capital management.

Yours sincerely

A handwritten signature in black ink, appearing to read "Scott Connolly". The signature is written in a cursive style with a large, sweeping loop at the end.

**Scott Connolly**  
Assistant Secretary