



April 25, 2018

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

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

Dear Chairman Clayton,

League of Allies is a boutique professional services firm focused primarily on improving returns via gender parity, balance, and inclusion. The founders have a complimentary set of experiences including investment banking, strategy and turnaround consulting, running the first Diversity & Inclusion program on Wall Street, Chief Human Resource Officer and other executive roles, and authoring books on employee engagement and gender relations.

We strongly support the petition for public reporting on Human Capital Management (File 4-711) as, from our “in the trenches” experiences, it is the human factors that ultimately drive performance and returns. We agree with SASB that these factors “cross cut” all sectors.

We would briefly like to comment on the Human Capital Management Coalition’s suggestions regarding categories of information that are fundamental and material to human capital analysis.

First, per the petition, employee engagement has ripple effects throughout organizations, from productivity and innovation to retention and talent acquisition costs. The one material factor we would like to add to this list are health care expenditures. Per sources such as Gallup, a thriving (engaged) employee costs roughly 30% (~\$4,000) of what a suffering (actively disengaged) employee incurs (~\$11,000) in disease burden and unhealthy days per year.¹

Second, research, again from Gallup, reveals women are more likely to be engaged managers, and engage their employees.² While the differences between genders may seem small (6~10%) if gender balance in management ranks (presently ~25% of upper level positions are occupied by women³) were reached, extrapolating bottom line impacts from the factors listed above would seem to transition from material to profound.

Third, per research done by companies such as Sodexo, teams that are gender “balanced” (40-60% female) perform markedly better in a variety of measures (gross profit, organic growth, brand

¹ <http://news.gallup.com/businessjournal/164420/lower-health-costs-boosting-performance.aspx>

² <http://news.gallup.com/businessjournal/183026/female-bosses-engaging-male-bosses.aspx>

³ <https://womenintheworkplace.com/>



LEAGUE OF ALLIES

recognition, operating profit, safety, and engagement) than teams on either end of the scale.^{4 5} Optimal team performance is achieved by mitigating dominant culture groupthink.

These impacts, at scale could be reflected in a flood of reports from the likes of Credit Suisse, Morgan Stanley, MSCI, and McKinsey that correlate increased female representation, from Boards to Senior Management, to simply percentage of the workforce, with a variety of boosted measures: share price, EPS, ROE, ROS, ROA, etc.

Further, per a study by the Haas School of Business, companies with more women on their boards are more likely to focus on environmental, social and governance (ESG) issues, including human rights and avoiding controversy risks.⁶ We believe this prioritization of focus on ESG factors is shared by a large majority of women, regardless of level.

In this context, we believe that gender diversity in management will have a material impact on the following categories in the petition and is a key factor to any human capital analysis.

2. Workforce stability
3. Workforce composition
4. Workforce skills and capabilities
5. Workforce culture and empowerment
6. Workforce health and safety
7. Workforce productivity
8. Human right commitments and implementation
9. Workforce compensation and incentives

Thus, in the process of determining the relevant and material HCM information investors should be able to access to effectively assess and compare company performance, we suggest gender diversity in managerial roles (percentage by level) should receive significant attention in your discussions.

Thank you for the gift of your time.

Sincerely,

Lawler Kang
Chief Executive Officer
League of Allies

⁴ http://sodexoinsights.com/wp-content/uploads/2016/04/Sodexo-Study_Gender-Balance-Trend.pdf?pw=2073

⁵ <https://www.sodexo.com/home/media/publications/studies-and-reports/gender-balance-study-2018.html>

⁶ http://www.haas.berkeley.edu/groups/online_marketing/facultyCV/papers/Women_Create_Sustainable_Value_FIN_AL_10_2012