October 22, 2019
Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090

Via email to rule-comments@sec.gov

Re: Modernization of Regulation S-K Items 101, 103, and 105 (File No. S7-11-19)

Dear Ms. Countryman:

I am writing on behalf of Domini Impact Investments LLC, an investment adviser and sponsor of a proprietary family of mutual funds, to comment on the Securities and Exchange Commission's ("SEC" or "Commission") proposed rule, "Modernization of Regulation S-K Items 101, 103, and 105," (the "Proposed Rule"). We appreciate the opportunity to address this important issue. Where the following comments are responsive to specific requests in the Proposed Rule, effort has been made to call them out with parenthetical reference.

We commend the Commission for its addition of human capital related disclosures. As the Proposed Rule acknowledges, human capital is a primary source of value creation for modern firms. It is appropriate that financial disclosure reflect that reality and provide investors with more and better information on how that asset is being managed, maintained and grown.

We must also express our deep concern about the "principles-based" approach applied throughout the Proposed Rule. Such an approach threatens to reduce the usefulness of corporate disclosures for investors and limit, if not harm, market efficiency more broadly. Applied alone, principles-based reporting (i.e. without any accompanying line-item disclosure) is inappropriate for the areas considered in the Proposed Rule. Instead, we believe a hybrid approach provides the most flexibility for issuers while still protecting the interests of investors and the capital markets (#12).

Using a materiality threshold increases reliance on the subjective judgement of management. We've seen such reliance, for instance, with respect to climate change related disclosures. In that case we did not observe any improvement in the quality of disclosure, despite specific SEC guidance on its materiality. If management misjudges the materiality of an issue, absent the SEC's proactive enforcement of these disclosure obligations, as an investor our recourse lies in litigation, only after a harm has occurred. This is cost prohibitive for most investors and hampers our ability to be proactive in understanding and managing risk in our investments (#12).

It is unlikely that principles-based requirements will improve the availability of material information (#13). Registrants are already required to include material information, accordingly a shift to more principle-based disclosures would result in the same or less information being available depending on management's own materiality assessment. As investors, we believe our current disclosure regime is not at risk of eliciting too much information and believe claims of "information overload" are broadly overstated.

Line-item disclosures may ease some reporting obligations by being consistent and predictable, whereas the principles-based approach may complicate the disclosure process by triggering repeated materiality assessments (#5, #12). Many specific disclosure items could be captured through relatively simple software, for instance, an app that could extract human capital metrics from payroll data. This would also fulfill the Commission's stated aim to "better leverage technology" in the disclosure process.

Requiring specific, consistent and comparable data would be highly beneficial to investors as it would allow benchmarking of corporate performance and the observation of trends over time (#13, #14, #21). We urge the Commission to consider mandating line-item disclosures on environmental, social and governance ("ESG") issues. As long-time responsible investors, we leverage ESG data in our investment process for the benefit of our clients. Broad investor coalitions have called on the Commission to address such topics through petitions for rulemakings on human capital management, ESG topics broadly, and political spending, which received over 1,000,000 comments.

While it is beyond the scope of this comment to identify each issue area and relevant metrics, there are substantial existing resources. Private, voluntary reporting tools and frameworks like the International Organization for Standardization, the Global Reporting Initiative, the Sustainability Accounting Standards Board, the Workforce Disclosure Initiative, the Carbon Disclosure Project, among others which may guide the Commission and companies in determining appropriate metrics for line-item disclosures and potentially material issues respectively (#14).

Consistent data points on these issues would allow for large scale analytics that could help a wide range of market participants digest and utilize the information contained in corporate reporting, again fulfilling the Commission's stated aim to "better leverage technology."

With respect to human capital metrics, line-item disclosures might include the number of full time, part time and contingent workers (including how these categories are defined); workforce costs; workforce diversity; and employee turnover (or comparable workforce stability metric). Disclosures should also include material human capital management measures or objectives that management focuses on in managing the business (#21). All information should be provided in a way that helps investors understand the workforce strategy and how it relates to the company's business strategy, and related risks and opportunities. The existing requirement for registrants to disclose the number of employees should be enhanced as it is currently insufficient in providing investors a full picture of a company's workforce (#24). We support the recommendation of the investor Advisory Committee from March of this year to include the number of full time, part time, and contingent workers.

Disclosures under Item 103 are also too discretionary for providing reliable, useful and consistent information to investors. The threshold for sanctions that will trigger disclosure should not be increased from $100,000 to $300,000. Such a change would further limit the available information on the environmental performance of issuers. Corporate disclosures are already seriously lacking climate change related disclosures despite the Commission's own guidance indicating that climate change issues are material. Other reference points might include the cost or time horizon of remedying the harm (#30, #32, #33).

As a final note, the Proposed Rule does not appear to adequately weigh the importance that robust, comparable and consistent corporate disclosures hold for overall market efficiency. Transparency and the free flow of information have long been a core characteristic of efficient markets. Today, technology harnesses vast amounts of data to provide powerful insights in industries from health care to marketing. Applying that power to better data in financial reporting has the potential to vastly improve the efficiency of our markets but that does not appear possible without specific disclosure requirements from the Commission.

In closing, we encourage the Commission to consider a more balanced, hybrid approach to its disclosure reforms. Prescriptive disclosures can serve as a floor for reporting, a level playing field from which all issuers begin their disclosure, while principles-based disclosures can provide management with the flexibility and discretion to fill out the overall picture of the state of the company. The combination of the two approaches offers the most robust disclosure framework for all market participants.

Thank you for your consideration of these important matters and for this opportunity to share our perspective as investors. We would welcome the opportunity to discuss these issues or provided any additional information or clarification that might be helpful. I can be reached at [redacted] or [redacted].

Sincerely,

Corey Klemmer, Esq.
Director of Corporate Engagement