

# Human Capital Disclosures



A new layer of disclosure for public companies - all about your people.

## RECRUIT | DEVELOP | RETAIN

# 1934

In the wake of the Great Depression, President Franklin D. Roosevelt's New Deal established the Securities and Exchange Commission.

The SEC was designed to help fight long-lasting effects of the Great Depression, and prevent financial calamity in the future by creating a system of transparency in the marketplace.



# 100%

In 1934, 100% of a company's value was determined by physical assets, not human capital.

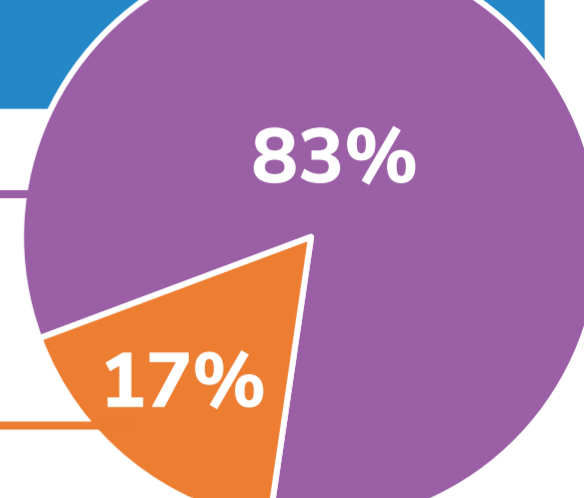
After nearly 40 years of establishing some regulations, the SEC published its "12 Standard Disclosure Items," for public companies.

The 12 Standard Disclosures remained roughly the same for another 40 years of the SEC's history.

# 1977

By 1977, 83% of a company's value was determined by physical assets.

17% of the value was determined by the human talent, quality, and number.

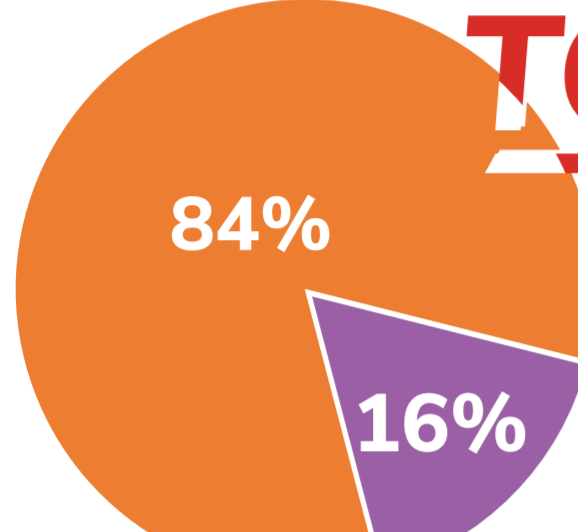


# 2015 - 2019

The SEC begins its next generational review and reform in 2015. Sweeping amendments are proposed and years of public comment are generated.

By 2019, clarifications were articulated into revised guidance on disclosures for public companies.

## TOTAL REVERSAL OF VALUES



By 2015, a whopping 84% of the value was determined by the human talent, quality, and number.

By 2015, only 16% of a company's value was determined by physical assets.

Physical asset value determined by stock price x no. of outstanding shares of the S&P 500 companies explained by assets held. The remaining balance has been identified by human capital.

**S&P Global**

# 2020-2021

August 26, 2020

The SEC publishes the "Modernization of Regulation S-K"

Spring, 2021

First filing season with new "Human Capital" Disclosure

17 CFR 229.101(c)(2)(ii)

*A description of the registrant's human capital resources, including the number of persons employed by the registrant, and any human capital measures or objectives that the registrant focuses on in managing the business (such as, depending on the nature of the registrant's business and workforce, measures or objectives that address the development, attraction and retention of personnel).*



"If I am an investor looking at businesses today, I want to know what you are doing with your human talent, how you are growing your human talent, how you are accessing new talent, how you are retaining existing talent, how you are enhancing. I think that is an area where we can lead."

- Jay Clayton, Chairman of the SEC, 2017-2020

"We think this indicates that human capital management will change over time. Consulting firms, data analytics shops and government will publish more information on benchmarks. Human capital metrics will become more standardized. This will allow for more robust disclosure as companies try to find better measurements of the ROI on human capital and link it to financial metrics important to shareholders and the investment community at large."

- Margaret Engel, Compensation Advisory Partners



"With respect to human capital, the new rules require companies to incorporate the key human capital metrics that they focus on in managing the business, again to the extent material to an understanding of the company's business as a whole."

- Jay Clayton, Chairman of the SEC, 2017-2020

"Various investor groups have been pushing for these types of disclosures, underscoring the growing recognition that human capital is a key driver of long-term value."

- Marc A. Siegel, Financial Accounting Standards Board



**1988**  
**2018**  
Intangible Assets to Market Capitalization

"In 1988, the largest 500 U.S. companies had a ratio of intangible assets to market capitalization of 8.5 percent—that ratio was 29.7 percent in 2018."

- Jay Clayton, Chairman of the SEC, 2017-2020

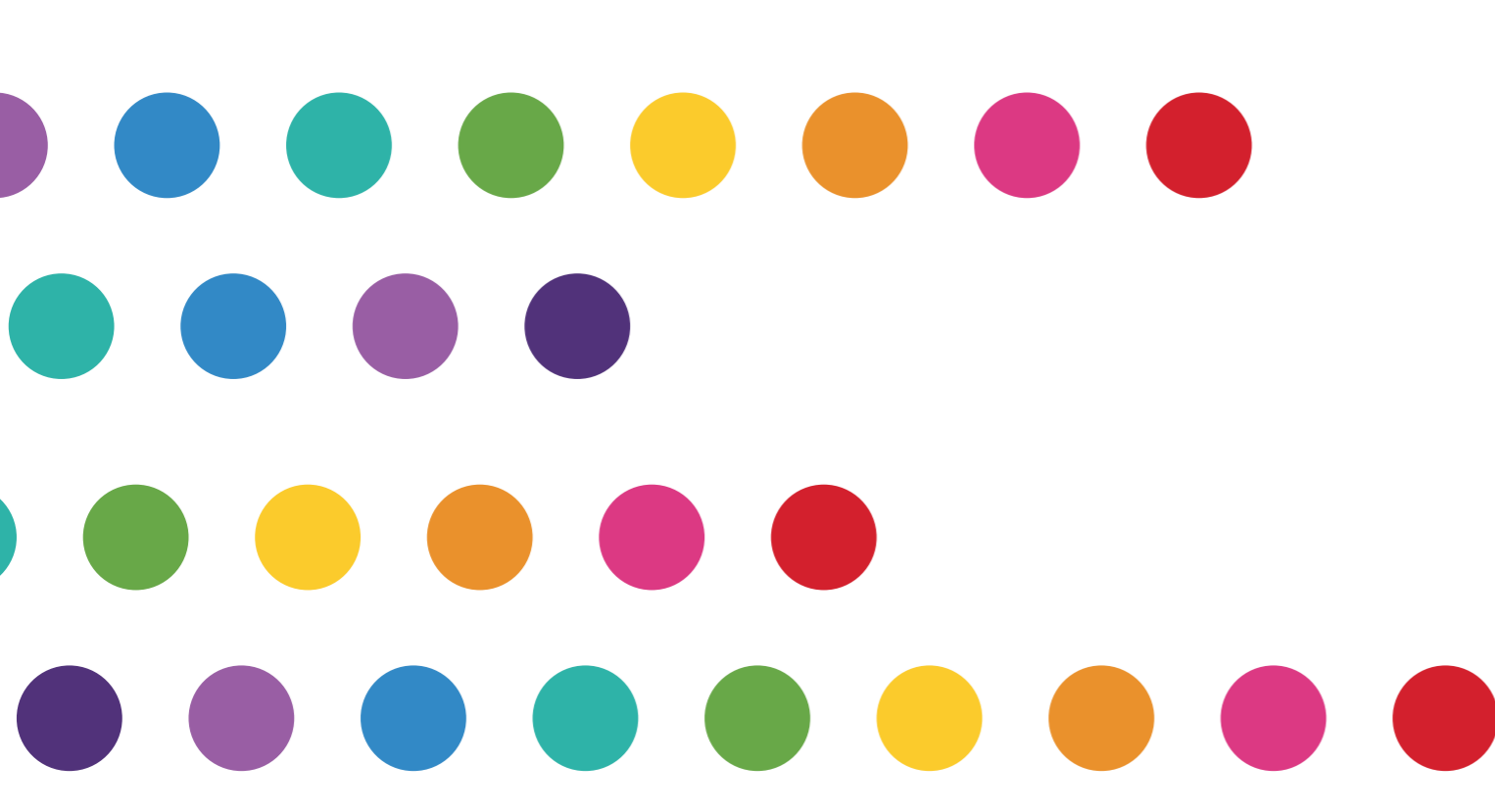
**330** of 427 companies included volunteer efforts and/or charitable giving

**382** of 427 companies included "culture" as an explicit element in disclosure

**>200** companies disclosed some form of employee engagement survey

Source: Intelligize analysis of reports and disclosures of the S&P 500 listed companies

Business Volunteers Unlimited engages businesses, nonprofits, and the community to work together to strengthen Northeast Ohio. Northeast Ohio businesses engage in volunteerism as a catalyst for a strong and vibrant community.



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