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# Meridian Client Update

## **Investor Group Seeking Greater Disclosure on Workplace Equity Policies**

**A group of 99 institutional investors are requesting “that companies increase investors’ accessibility to information related to their workplace equity policies and practices across gender, race, ethnicity, sexual orientation, and other federally protected classes.”**

Through a yet-to-be launched letter campaign, so far, a group of 99 institutional investors representing over \$1.6 trillion of assets owned, advised or managed are signatories to an “Investor Statement” calling for public companies to provide enhanced disclosure on workplace policies, practices and **outcomes** across gender, race, ethnicity, sexual orientation and other classes of employees.

According to the press release announcing the campaign and the Investor Statement, investor signatories are seeking this information for several reasons:

- To close the gap between public commitments companies make to workplace equality and the disclosures they provide to investors showing how, and if, they are meeting their stated goals.
- To allow investors to make better investment decisions based on more accurate assessments of the scope and depth of a company’s human capital management programs, its performance relative to peers, and improvement trends over time.
- To promote greater diversity in the workplace and on corporate boards, which according to several studies leads to premium market returns.

The signatories to the Investor Statement are largely socially responsible investment funds and investment funds managed by faith-based organizations.<sup>1</sup>

The Investor Statement will be sent to more than 3,000 companies, across 23 developed market economies. Neither the companies that will receive the Investor Statement nor the timing of the campaign has been announced.

### **Meridian Comment**

The Investor Statement letter campaign is part of a broader effort by certain institutional investors, money managers and other groups to require fulsome public disclosures on human capital management matters. For example, in July 2017, the Human Capital Management Coalition, which represents over 25 institutional investors (comprised mostly of pension funds and labor groups), petitioned the Securities and Exchange Commission (SEC) to adopt both principles-based and prescriptive-based rules requiring public companies to make workforce disclosures.<sup>2</sup> Earlier this year, BlackRock disclosed that it will engage portfolio companies on

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<sup>1</sup> The Investor Letter and current signatories is available at <https://www.asyousow.org/our-work/gender-workplace-equity-disclosure-statement>.

<sup>2</sup> The Human Capital Management Coalition petition is available at <https://www.sec.gov/rules/petitions/2017/petn4-711.pdf>.

human capital management issues.<sup>3</sup> Similarly, State Street Global Advisors advised its portfolio companies that the firm would be focusing on “corporate culture as one of the many, growing intangible value drivers that affect a company’s ability to execute its long-term strategy,”<sup>4</sup> during this proxy season. Additionally, the U.S. House of Representatives and the Investor Advisory Committee to the SEC have separately proposed that the SEC adopt human capital management disclosures.<sup>5</sup> As investors and regulators contemplate frameworks for human capital management reporting, we anticipate that companies will continue to focus on significantly enhancing their public disclosures in this area.

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The *Client Update* is prepared by Meridian Compensation Partners’ Governance and Regulatory Team led by Donald Kalfen. Questions regarding this Client Update or executive compensation technical issues may be directed to Donald Kalfen at 847-235-3605 or [dkalfen@meridiancp.com](mailto:dkalfen@meridiancp.com).

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<sup>3</sup> See <https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf>.

<sup>4</sup> See [https://www.ssga.com/investment-topics/environmental-social-governance/2019/01/2019 Proxy Letter-Aligning Corporate Culture with Long-Term Strategy.pdf](https://www.ssga.com/investment-topics/environmental-social-governance/2019/01/2019%20Proxy%20Letter-Aligning%20Corporate%20Culture%20with%20Long-Term%20Strategy.pdf).

<sup>5</sup> For a discussion of the U.S. House of Representatives bill, refer to Meridian Client Update dated June 17, 2019 available at <http://www.meridiancp.com/house-committee-hearing-on-corporate-accountability-bills/>. The Investor Advisory Committee’s recommendation to the SEC may be found at <https://www.sec.gov/spotlight/investor-advisory-committee-2012/human-capital-disclosure-recommendation.pdf>.