

U.S. Companies Focus on Four Areas of Human Capital Management Disclosure

As more companies provide required disclosure of their human capital management following a new SEC rule in 2020, we're getting a more complete picture of disclosure trends and the topics that companies are providing details on.

It's been less than a year since a new disclosure rule by the Securities and Exchange Commission (SEC) took effect, which required companies to provide additional detail in their 10-K reports around their human capital management (HCM). The issue is a hot topic for institutional investors and their advisors, particularly since the COVID-19 pandemic, and many of them supported the SEC rule.

As an update to our [previous article](#) on the first 100 10-K disclosures, this article includes an analysis of 725 companies who have filed since then — providing a more complete picture of disclosure trends and hot topics in HCM.

Quantitative and qualitative disclosures based on the new rule fit primarily into the 13 categories listed below. Using these categories, we calculated the prevalence of each along with the type of disclosure, with additional breakouts by industry.

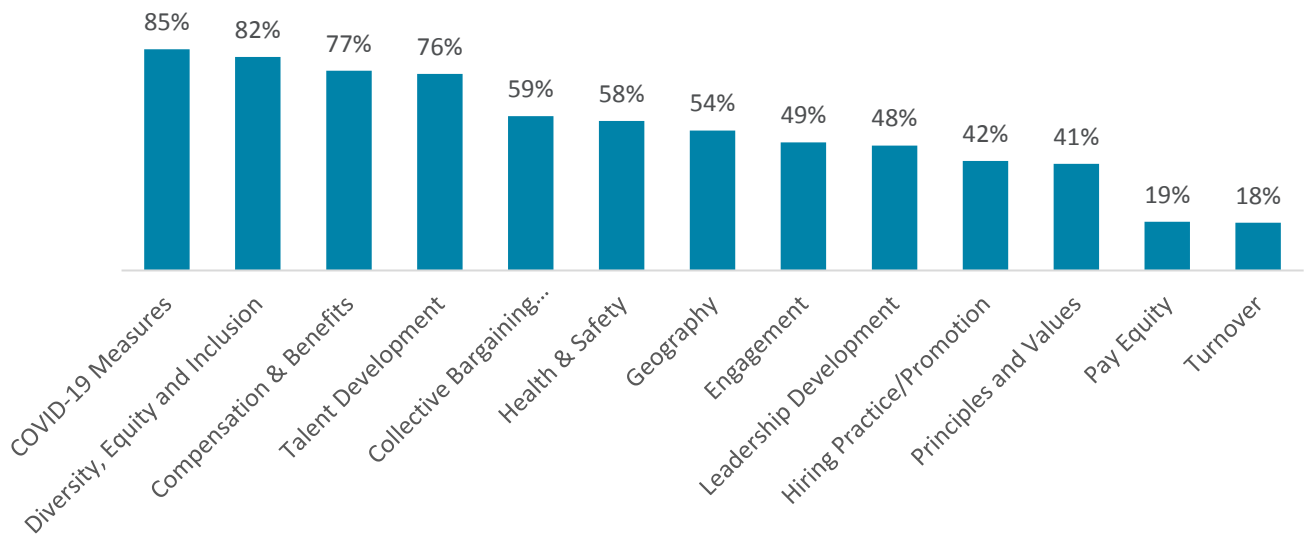
- Geography (distribution of workforce)
- Diversity
- Health and safety
- Compensation and benefits
- Talent development
- Engagement
- Principles and values
- Turnover and attrition
- Hiring and promotion practices
- Leadership development
- COVID-19 health measures
- Pay equity
- Collective bargaining agreements

Key Findings

Overall, there was an increased robustness in both the number of items discussed and the prevalence of categories disclosed from our original article in January 2021 until now. The most prevalent categories are

COVID-19 safety measures; diversity, equity and inclusion; compensation and benefits; and talent development. There is a big drop off in the prevalence of the other categories after those four, as shown in Figure 1.

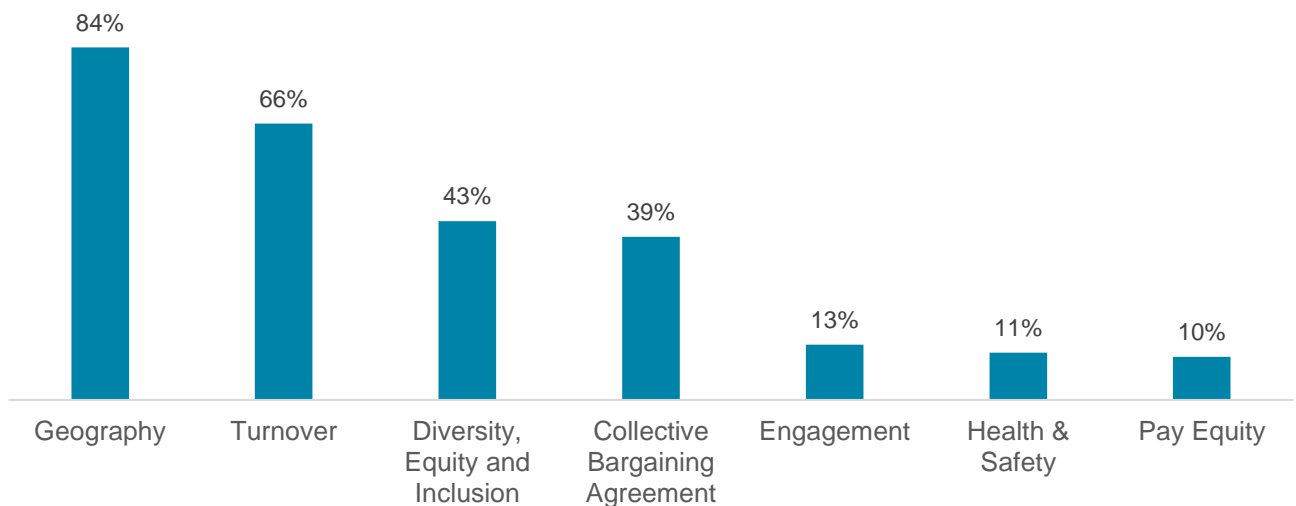
Figure 1
Most Prevalent Categories of HCM Disclosure



Source: Aon 10-K database

Topics such as geography; turnover; and diversity, equity and inclusion have high instances of quantitative disclosures. Categories shown in Figure 2 were the only ones with quantitative disclosure.

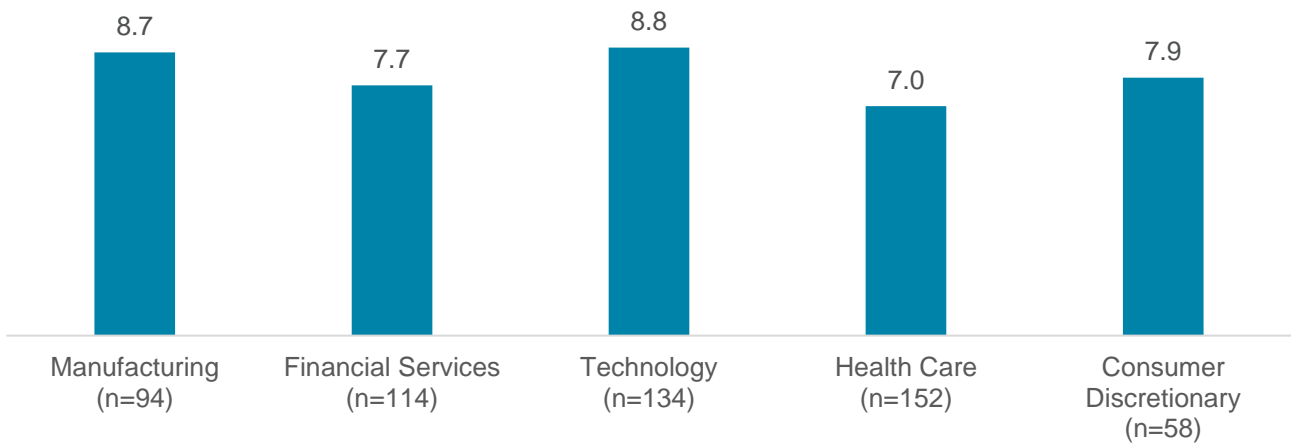
Figure 2
Most Prevalent Categories Disclosed with Quantitative Information



Source: Aon 10-K database

The average number of categories discussed was consistent across industries, with each industry discussing roughly eight topics. This includes information on number of employees and geography.

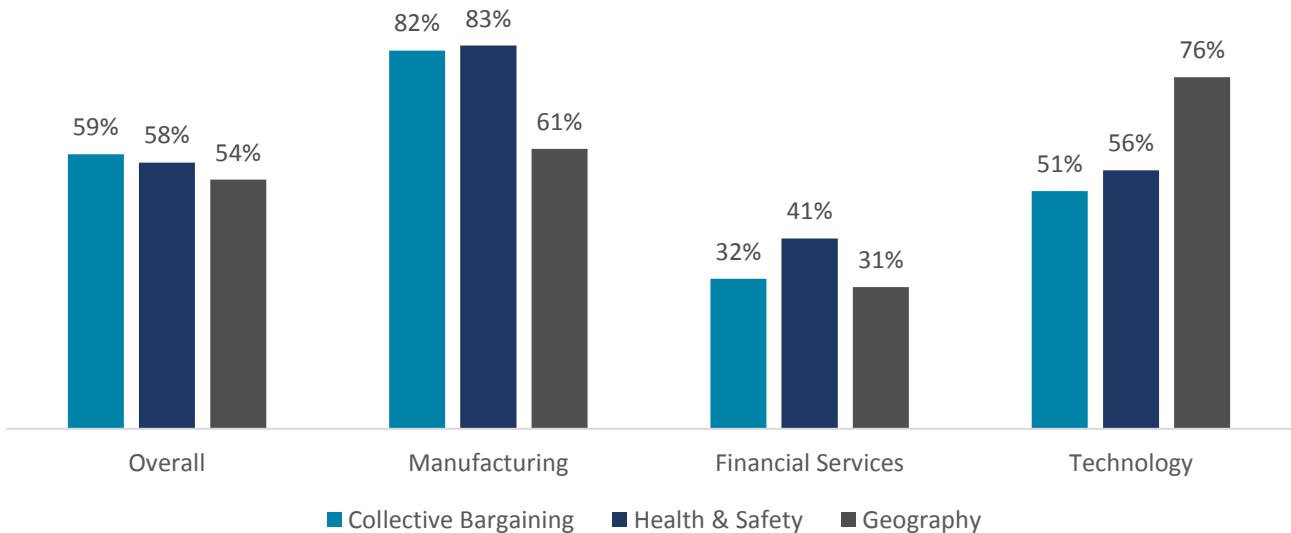
Figure 3
Average Number of Categories by Industry



Source: Aon 10-K database

Certain HCM topics will impact industries differently, which is reflected in the types of disclosure. For example, manufacturing firms were most likely to include disclosure around collective bargaining agreements while technology companies were more likely to disclose information around geography given a more dispersed and now remote workforce, as shown in Figure 4.

Figure 4
Key Industry Differences in Disclosure of Certain HCM Topics



Source: Aon 10-K database

Next Steps

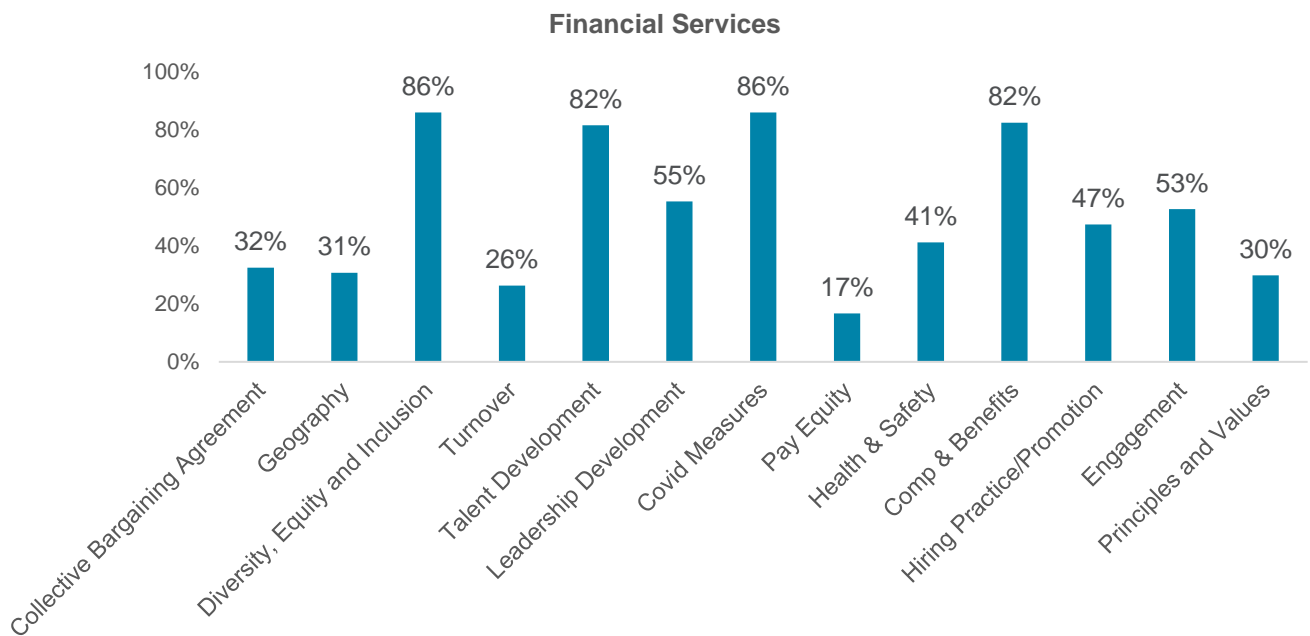
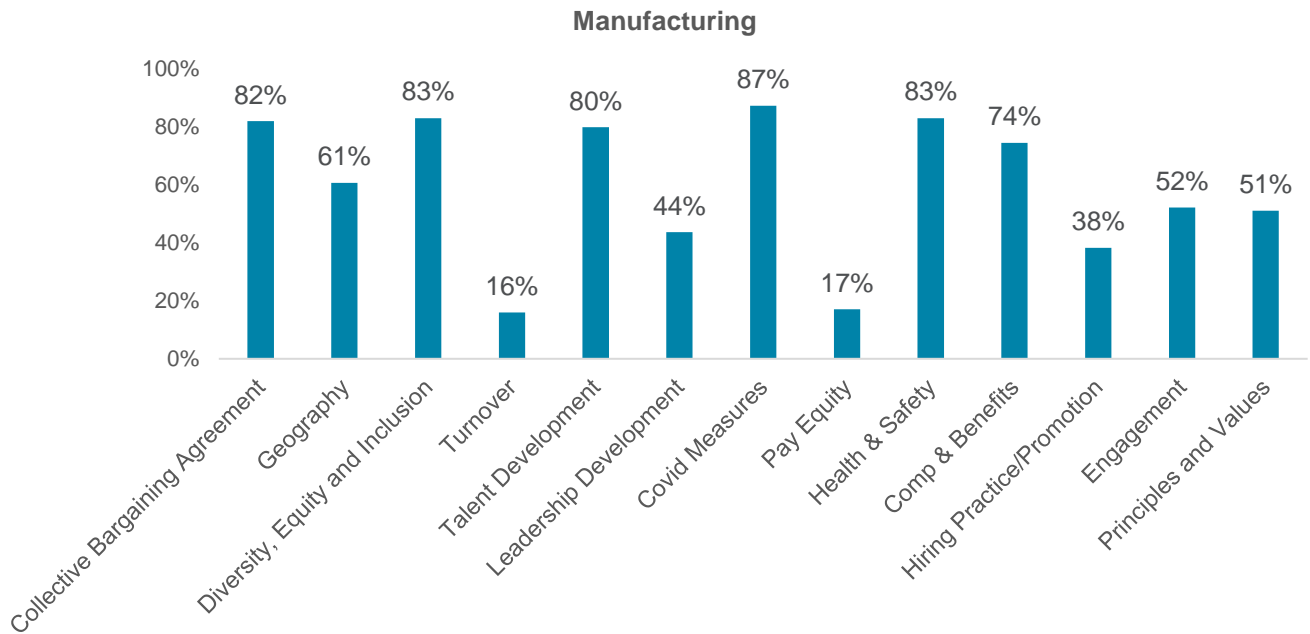
The most compelling examples of HCM disclosure so far are organizations that provide clear information that strikes a balance between brevity and detail. We believe stakeholders will be less focused on the length or graphics of the disclosure and more on whether it conveys a compelling message that the company is tracking and monitoring topics of HCM that are relevant to its business and industry.

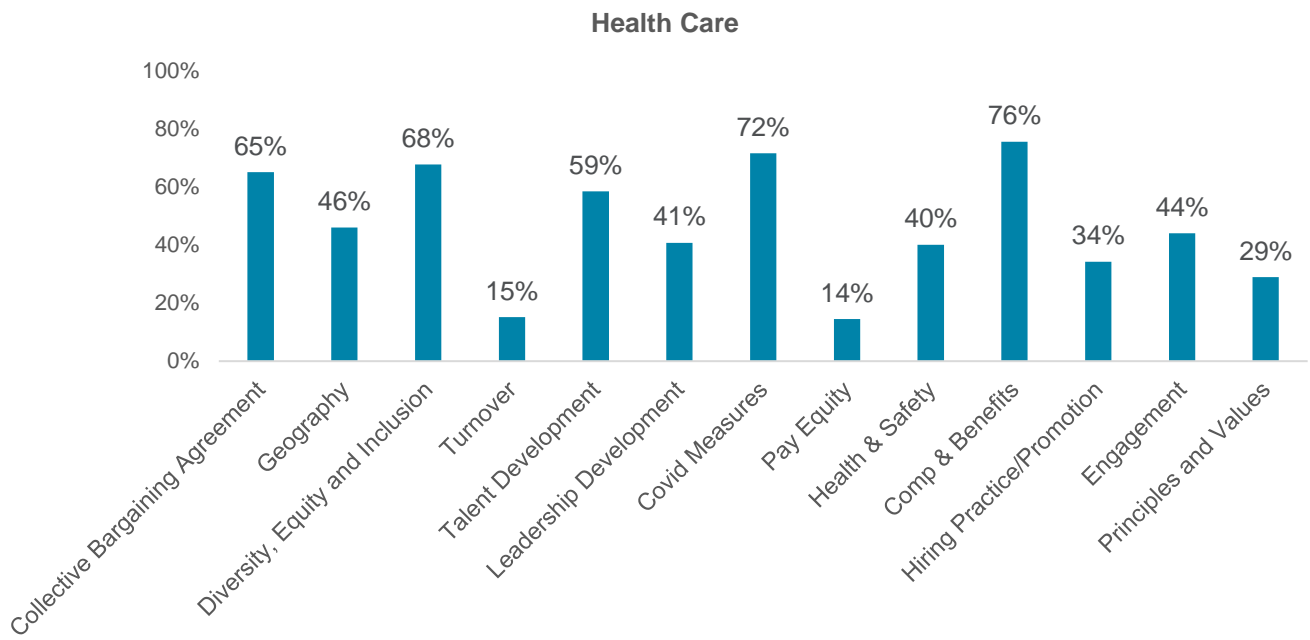
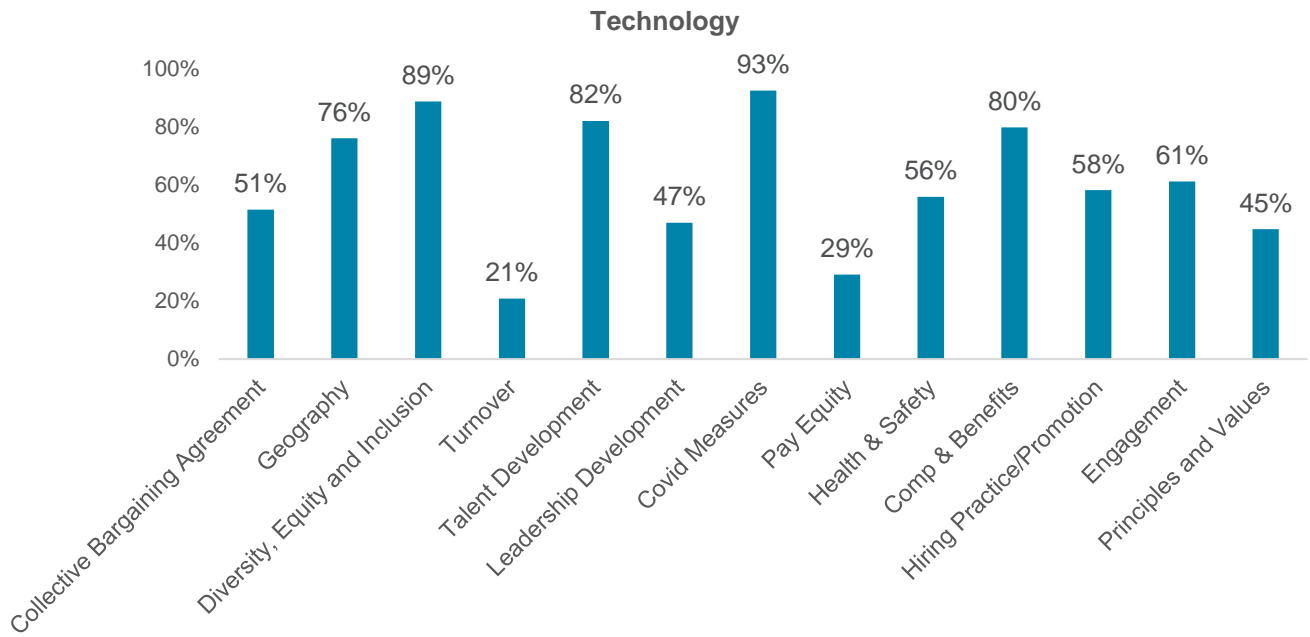
It's also important to keep in mind that while complying with the SEC rule is top-of-mind for issuers, companies shouldn't ignore the larger picture: Investors, proxy advisors, employees and other key stakeholders are increasingly interested in how companies are managing their human capital and measuring success against any goals. Businesses need a plan for how they will proactively track, measure and communicate HCM over time. We expect disclosures to evolve and become more detailed in the coming years.

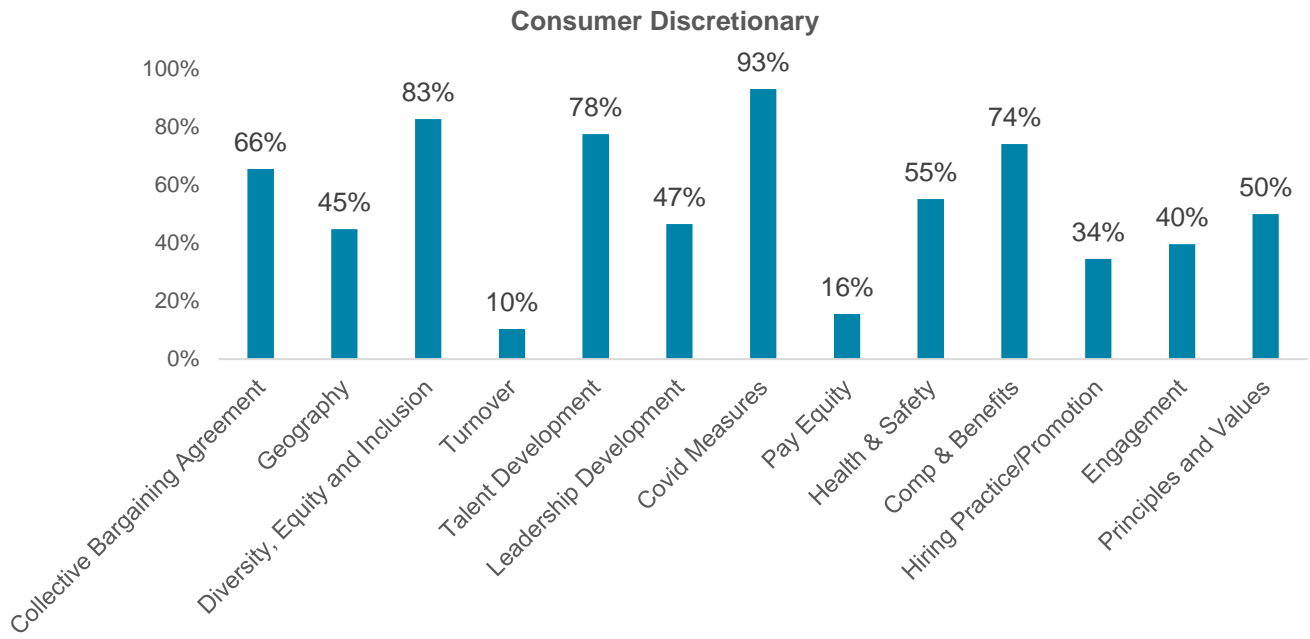
In fact, many companies are taking stock of where they fall relative to industry peers on key quantitative metrics and practices to determine if they are aligned with market practice or are an outlier. This analysis is a helpful next step to not only determining if there are action items that need to be addressed within a human capital management strategy, but also whether qualitative context needs to be provided for any statistics, goals or metrics provided in the Form 10-K disclosure.

For more information about steps to take in the longer term see our article, [*New Disclosure Rules Bring Increased Transparency to Human Capital Management*](#). For more information about how we help boards, please visit our Future-Ready Boardroom portal at humancapital.aon.com/insights/future-ready-boardroom.

Appendix: Prevalence of HCM Categories by Industry







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