

Pearl Meyer

Quick Poll



Human Capital Management (HCM) Disclosure

Executive Summary

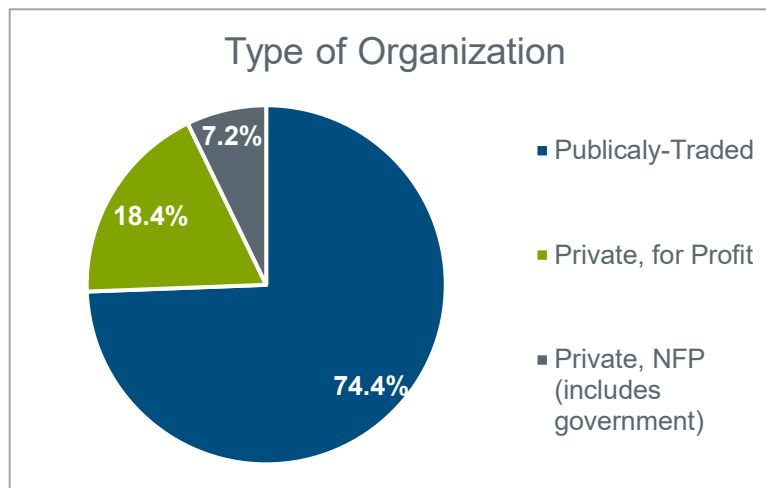


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Introduction: About Our Quick Poll Survey

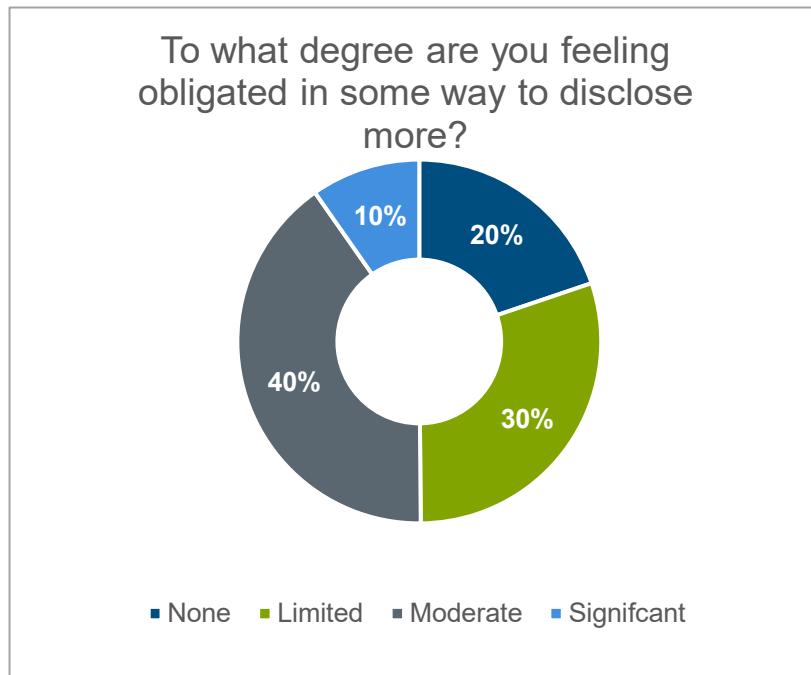
- Pearl Meyer conducted a Quick Poll to assess whether the new SEC requirement to disclose material information related to Human Capital Management (HCM) has spurred additional disclosure beyond the Annual Report/10-K and if so, through what channels and on what topics.
- Data was analyzed across a variety of demographics and our study focuses on 125 participant responses from a mix of publicly traded companies and private for profit and not-for-profit organizations.



Please contact Sharon Podstupka to discuss any aspect of these findings at sharon.podstupka@pearlmeyer.com or (212) 407-9551.

Key Findings: The Biggest Takeaways

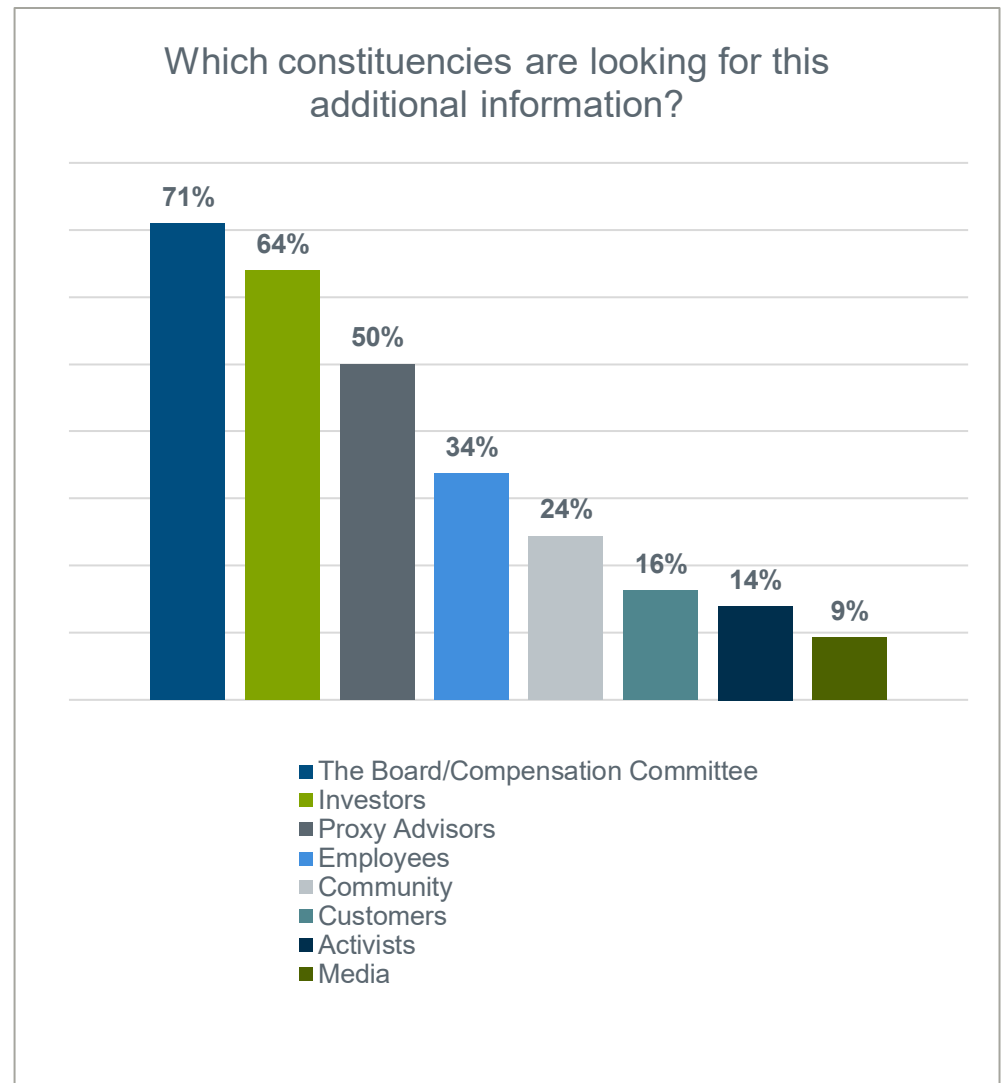
The pressure is on—most respondents (80%) are feeling obligated in some way to disclose more information about HCM initiatives/priorities:



- **The Annual Report/10-K filing is just the tip of the iceberg.**
 - Just under half of respondents (~46%) said they used more widely read/reader-friendly communications to tell their HCM stories in 2021.
 - Slightly more than half (52%) anticipate expanding on their Annual Report/10-K disclosures using other methods of communication in the coming year.
- **There is room for improvement in HCM practices, with diversity, equity, and inclusion (DE&I) being the front-runner by far.**
 - 84% identified DE&I as a key area for improvement.

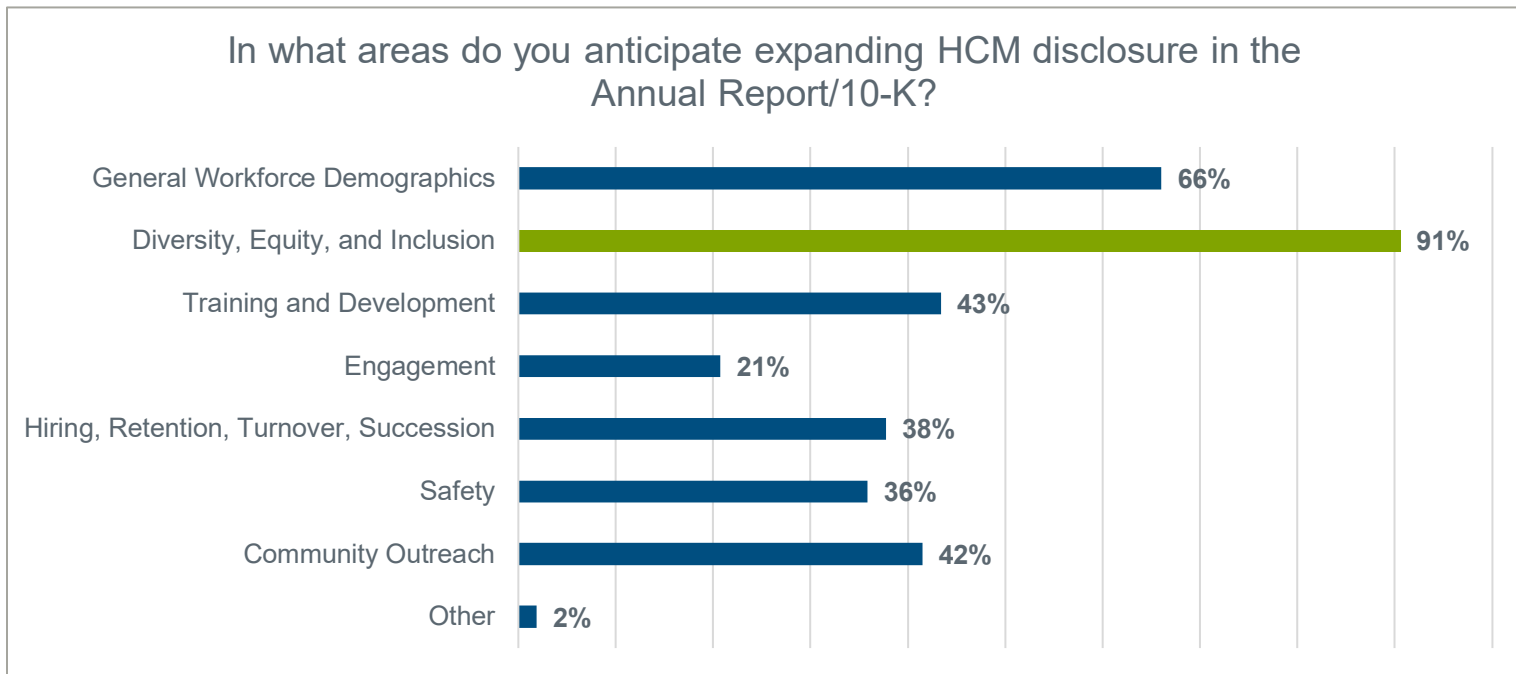
Feeling the Pressure: From Where Is It Coming?

- Boards and their compensation committees are looking for management to provide more HCM information.
- It's likely this is a trickle-down-effect from boards getting more inquiries about their organizations' HCM initiatives and priorities from the investor community, and heightened scrutiny from the proxy advisory firms.
- Interest from employees and the community at large is also gaining momentum, with customers, activists, and the media not far behind.



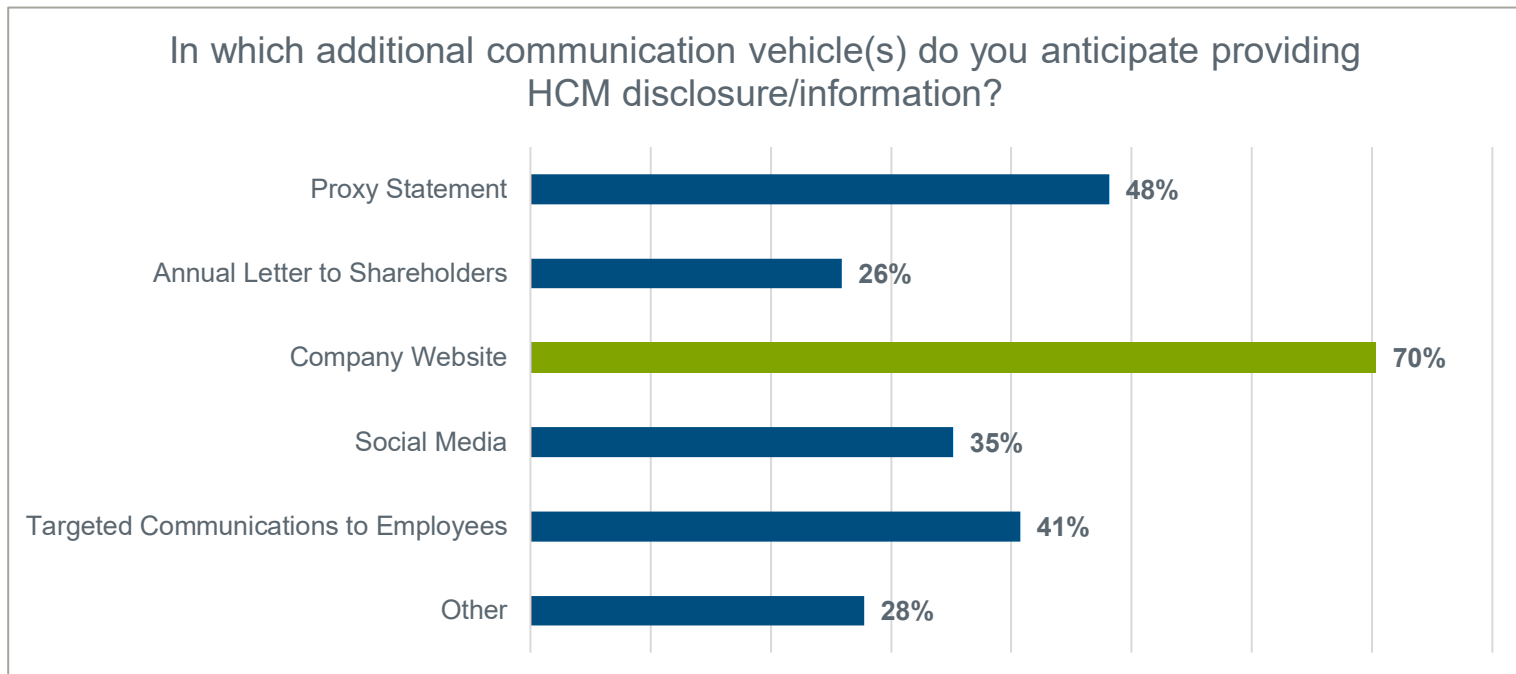
Annual Report/10-K Narratives Will Grow: DE&I is the Priority

- Added pressure means more transparency—more than half of respondents (52%) said they plan to expand their HCM disclosures in 2022.
- DE&I, in addition to being an area for policy/practice improvement, is the clear front-runner (91%) when it comes to providing more disclosure.



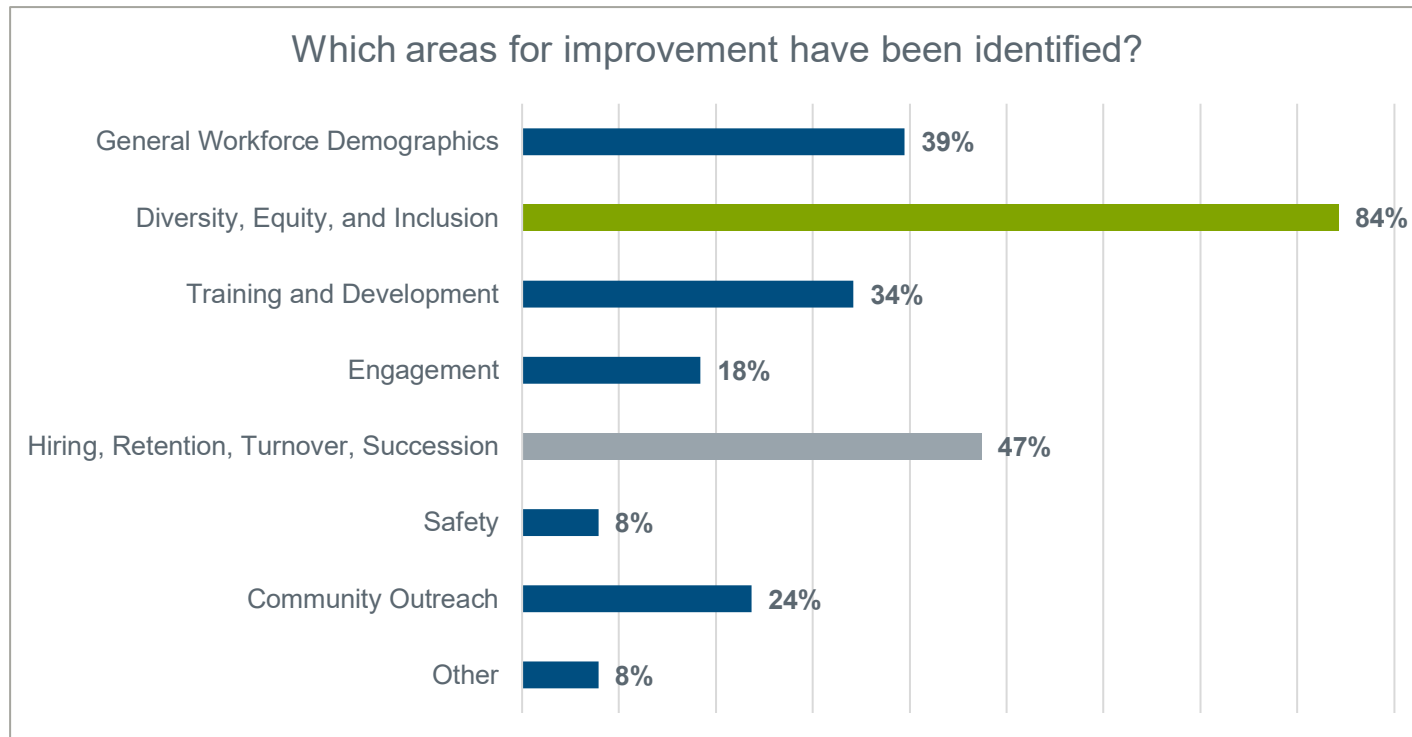
Outside the Annual Report/10-K: Other Communications

- More than half of respondents (52%) plan to leverage other methods of communication to help ensure their HCM messages get more visibility.
- A mix of media is key, using a combination of external filings, the internet, and more reader-friendly communication tools to reach various audiences; company websites take the top spot (70%).



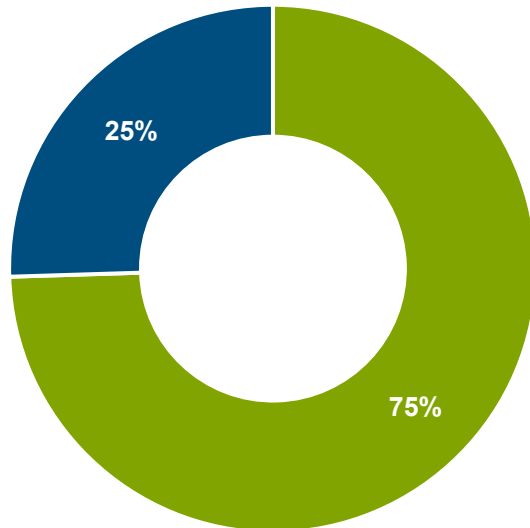
Recognizing Room for HCM Improvement

- Just under 40% of respondents said that this past year helped them identify potential HCM areas to assess in the future.
 - Of those respondents, DE&I was the area in which most said they could improve.
 - Issues of hiring, retention, turnover, and succession, which have ties to DE&I, was second on the list.



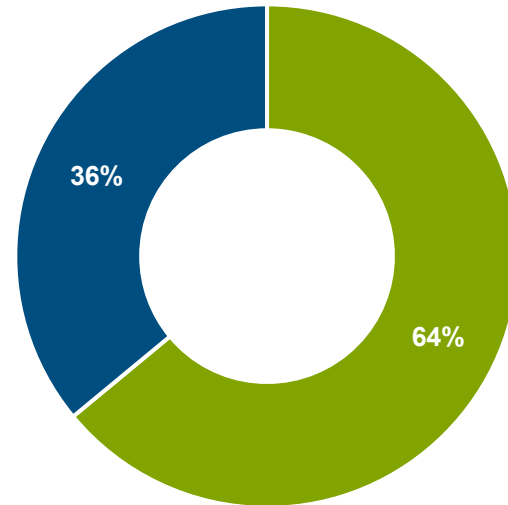
What's Next? All Eyes Are On Peers' Practices

Is the way in which your peer companies/competitors disclose their HCM initiatives/priorities important to you?



■ Yes, it is important ■ No, it is not important

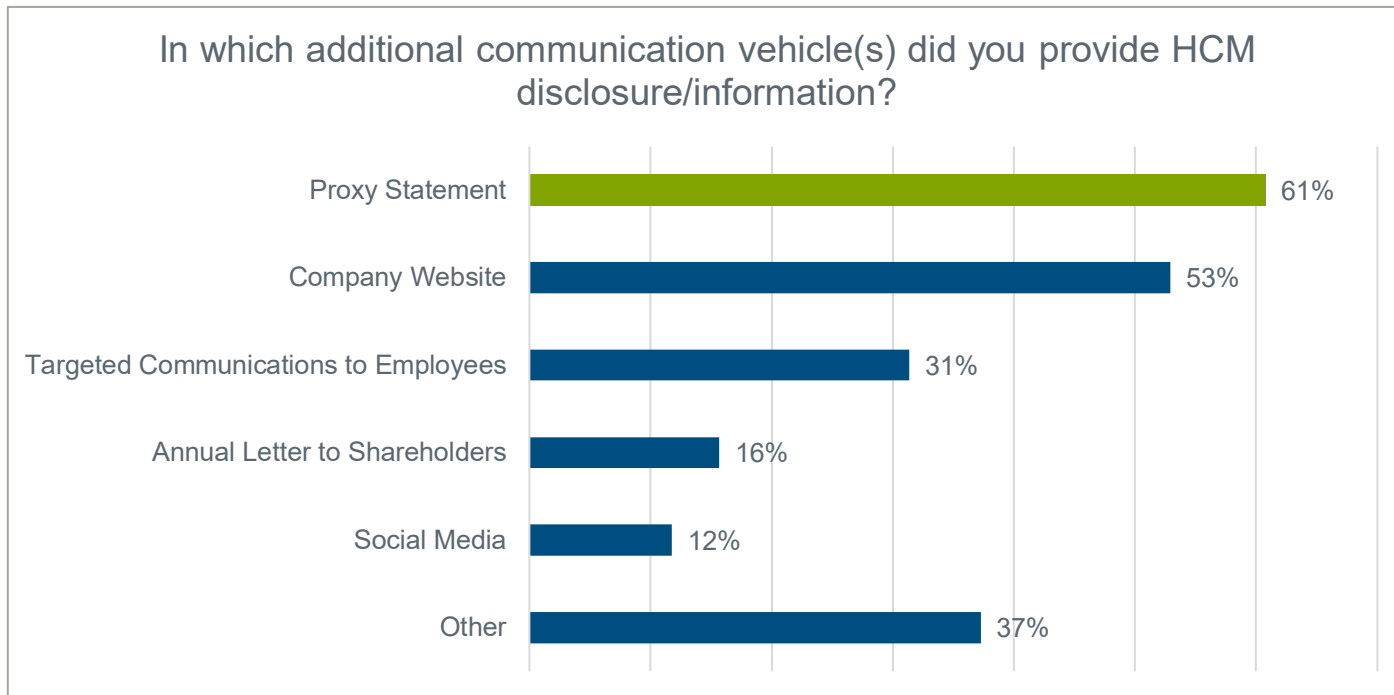
To what degree does their approach influence your decisions about future disclosure?



■ If we see clear trends, we will follow them
■ This does not influence our decisions at all, we just want to know where we stand relative to our peers

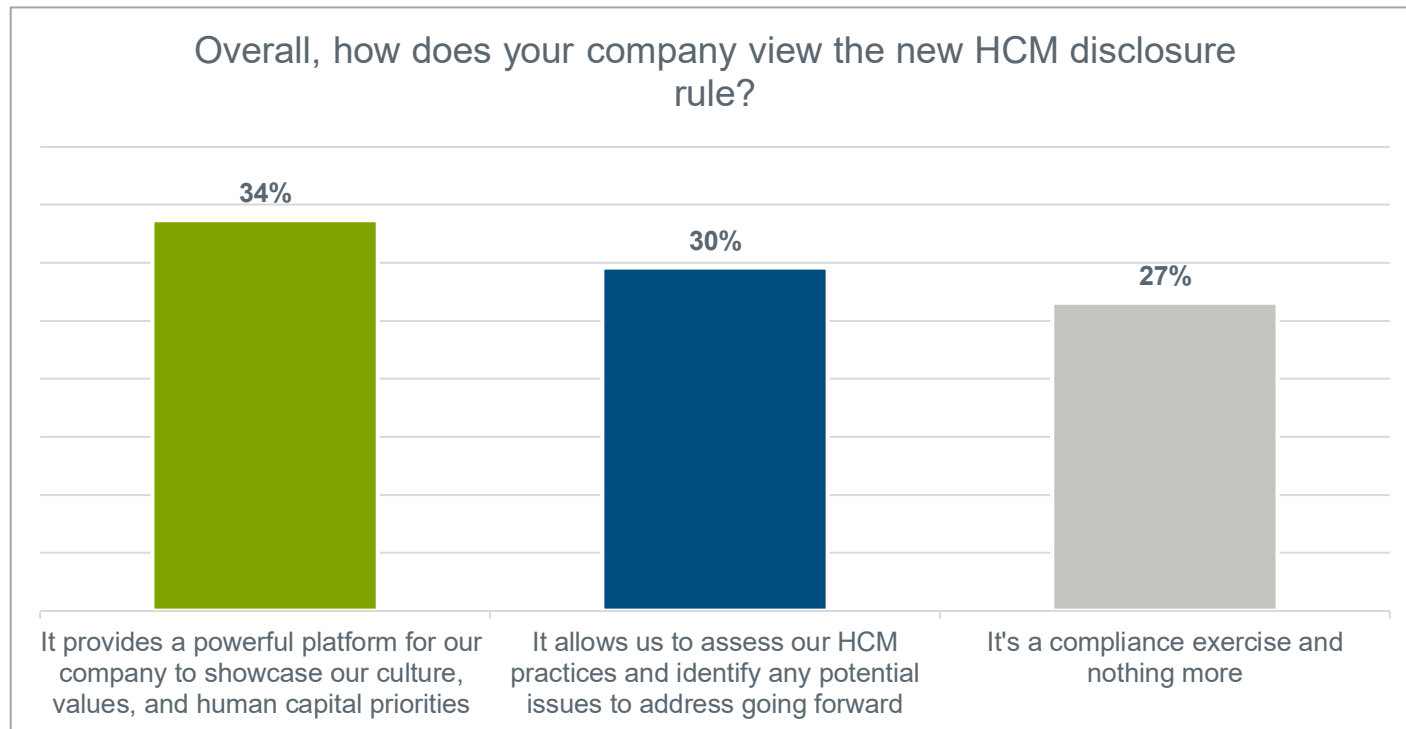
Other Findings: Other 2020/2021 Communications

- Just under half (~46%) of respondents leveraged other communications in 2020/2021, of which 61% used their proxy statement.



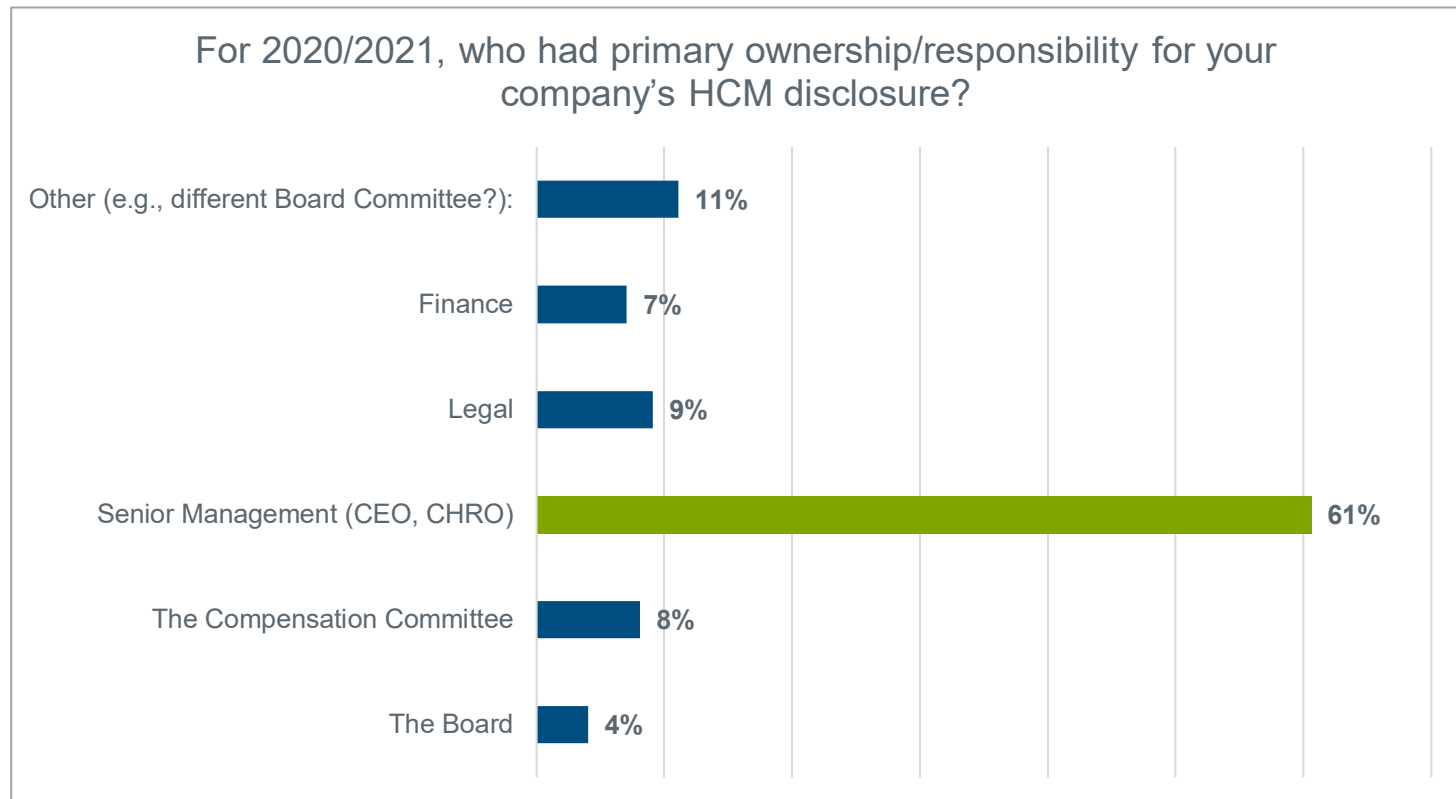
Other Findings: Opinions of the HCM Rule

- Companies' opinions of the new HCM rule were almost equally split between useless compliance exercise (27%), good for inventory exercise (30%), and powerful tool to showcase culture, values, and HCM priorities (34%).



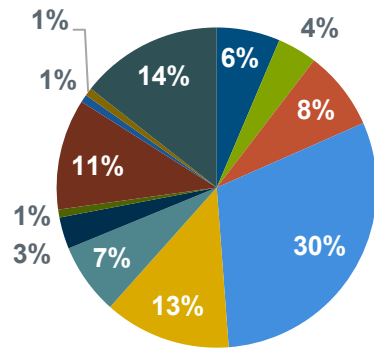
Other Findings: HCM Disclosure Ownership/Responsibility

- This past year, primary ownership for HCM disclosure was with senior management (61%) and most companies (91%) indicated that this ownership will not be shifted for the coming year.



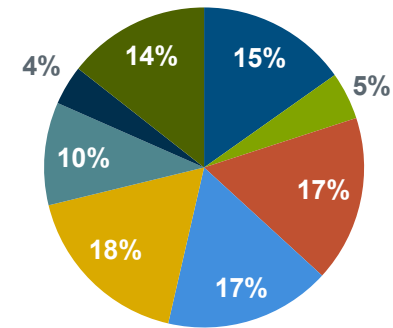
Respondent Demographics

Respondents by Industry



- Business Services
- Consumer
- Energy
- Financial
- Healthcare (including life sciences, health plans)
- Industrial
- Materials
- Real Estate
- Technology
- Transportation
- Utilities

Respondents by Size*



- Under \$100 million
- \$100 million to less than \$300 million
- \$300 million to less than \$1 billion
- \$1 billion to less than \$3 billion
- \$3 billion to less than \$10 billion
- \$10 billion to less than \$20 billion
- \$20 billion to less than \$30 billion
- \$30 billion or greater

*Revenue (asset size for financial institutions)



About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management on the alignment of executive compensation with business and leadership strategy, making pay programs a powerful catalyst for value creation and competitive advantage. Pearl Meyer's global clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private companies to the Fortune 500 and FTSE 350. The firm has offices in Atlanta, Baltimore, Boston, Charlotte, Chicago, Houston, London, Los Angeles, New York, Rochester, and San Jose.



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