**Testimony of**

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**Before the**
**United States House of Representatives**
**Committee on Financial Services**
**Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets**

# E, S, G and W: Examining Private Sector Disclosure of Workforce Management, Investment, and Diversity Data

**December 6, 2022**

**Full Text of Statement**

Chairman Sherman, Ranking Member Huizenga, and other Members of the Subcommittee:

Good afternoon, and thank you for the opportunity to testify at today's hearing. My name is Cambria Allen Ratzlaff, and I am Managing Director and Head of Investor Strategies for JUST Capital.

I am pleased to appear before you today on behalf of JUST Capital, and to share with you our data and research.

My written testimony includes a brief overview of JUST Capital, an independent nonprofit that works at the intersection of business, finance, and civil society to build and support a stronger, fairer, and more just market system that reflects the values of the American people.

We know that investors are seeking more decision-useful information to understand and assess a company's business risks and prospects in order to make critical decisions about how and where to direct capital. We have spent over five years investigating how companies that do best on the American people's priorities perform financially and in the marketplace, and we have found that our company performance data, investable indexes, and in-depth financial analysis demonstrate a powerful business and investor case for just business behavior. In other words, companies that perform best on the things Americans prioritize also do better for their investors.

One of things we do know is that Americans want more trusted and reliable information on how companies are actually performing on the issues they care about, especially "kitchen table" factors such as how companies are investing in their workers, creating good jobs, and supporting stronger and healthier communities, as well a number of issues that relate to environmental factors, including climate risk. They want this information so they can make more informed choices as workers, consumers, and investors. A poll we fielded earlier this year also suggests Americans would like to see more standardized disclosure on key issues relating to their business practices and impact on American society.[1]

We also know that, based on our assessments, the current data landscape does not meet these different needs (because of the dearth of data and the frequent lack of meaning and veracity), increasing risks for those stakeholders and their use cases.

## Introduction to JUST Capital

JUST Capital is an independent, nonpartisan nonprofit dedicated to building an economy that works for all Americans by measuring and improving how America's largest public companies do right by their workers, their customers, the communities they operate in, and more. Every year we ask the American people what their priorities are, map how well Russell 1000 companies perform against these priorities through our Rankings, assess how well this performance translates into investment returns, and work with companies to help them improve performance. While our survey research is not framed in ESG language or context, Americans understand the core issues and have a clear, common sense picture of what they think is important. Therefore, our data incorporates metrics some may view as “ESG” only to the extent the American public tells us they are relevant. We are not an advocacy group, but rather we go where the polling and data take us. We have consistently observed that companies that best serve the needs of key stakeholders also tend to outperform in the U.S. capital markets.

Our process begins with an annual poll of the American public to identify the issues that matter most to them in defining business behavior today. Since 2015, we’ve engaged more than 160,000 respondents broadly representative of the U.S. adult population. We observe that these issues fall into five key stakeholder groups: Workers, Communities, Customers, Shareholders and Governance, and the Environment. Issues prioritized by the public become the foundation by which we track, analyze, and incentivize corporate behavior change, including our Rankings of America’s Most JUST Companies and our investable indexes.

**Building our 2023 Annual Survey to identify Americans’ priorities for large U.S. public companies**

As in previous years, we began our 2023 Annual Survey process by facilitating a series of group conversations with a diverse mix of Americans across the U.S. to help us broadly understand the business behaviors and actions they view as most important.[2] These focus groups enable our research team to hear the unvarnished voice of the public speak to what issues matter most, and whether their opinions have changed over time. The polling team then distills the focus groups’ major themes into statements that capture these concepts, which we call “Issues.” This years’ survey – which will form the basis of our 2023 Rankings – yielded 20 Issues, which is consistent with the number of Issues identified last year.

Since the public initially tells us that all of these Issues are of high importance, we then conduct a choice modeling exercise to understand the *relative* importance of each Issue. From here, we extract a “weight” per Issue that we use to power our Rankings of America’s Most JUST Companies.[3]

This year’s survey covered 3,002 Americans and was conducted from June 22 to July 11, 2022 in partnership with SSRS, a non-partisan research institution that provides scientifically rigorous statistical surveys of the U.S. population.

Results were weighted to U.S. Census parameters for age, gender, education, race/Hispanic ethnicity, and Census Division to ensure representativeness of the U.S. population (Figure 1).

**Figure 1**

### 2022 Demographics

| AGE | |
|---|---|
| 18-29 | 19% |
| 30-44 | 26% |
| 45-54 | 14% |
| 55-64 | 19% |
| 65+ | 21% |

| EDUCATION | |
|---|---|
| Less than high school | 8% |
| High school grad/equivalent | 30% |
| Some college/Associate's degree | 27% |
| Bachelor's degree+ (some post grad schooling) | 23% |
| Graduate degree | 12% |

| HOUSEHOLD INCOME | |
|---|---|
| Less than $40,000 | 36% |
| $40,000 to $74,999 | 24% |
| $75,000 to $249,999 | 31% |
| $250,000+ | 3% |

| EMPLOYMENT | |
|---|---|
| Hourly, low wage workers | 22% |
| Previously worked for a large company | 58% |

| POLITICAL IDEOLOGY | |
|---|---|
| Conservative | 31% |
| Moderate | 37% |
| Liberal | 31% |

| RACE/ETHNICITY | |
|---|---|
| Asian/Non-Hispanic | 5% |
| Black/Non-Hispanic | 12% |
| Hispanic | 17% |
| White/Non-Hispanic | 63% |
| Other/Mixed race | 3% |

| GENDER | |
|---|---|
| Female | 53% |
| Male | 45% |
| Non-binary | 1% |

**Each year, Americans have identified the American worker as the highest priority group**

Consistent with each of the six years we have conducted our polling, the resounding refrain from the public in 2022 is that America's largest companies should put workers squarely at the heart of just business practices.

Four of the top five Issues of relative import relate directly to various aspects of working life, from wages and job creation to advancement and health and safety:

1. Pays a fair, living wage. (21.2%)
2. Creates jobs in the U.S. (11.1%)
3. Acts ethically at the leadership level. (7.6%)
4. Protects worker health and safety. (7.3%)
5. Supports workforce retention, advancement, and training. (7.1%)

This year's top Issue, "Pays a fair, living wage," takes that spot for the third consecutive year, and more than doubled in importance over the last two years (from 9% in 2020 to 21% in 2022). Additionally, more than three-quarters of Americans say that this Issue is "more important" (including 50% saying it is "much more" important) than last year.

Collectively, Issues most directly impacting Workers will comprise 44% of a company's score in our upcoming 2023 Rankings of America's Most JUST Companies, followed by Communities (18%), Customers (14%), Shareholders and Governance (12%), and the Environment (12%).[4]

**Americans are clear, consistent, and united what they want companies to prioritize: workers and wages**

Despite increasing media attention and political rhetoric that the country is incredibly polarized, we are not divided as a country when it comes to expectations regarding business behavior.

There is broad consensus across all demographic and political cohorts that Workers should be corporate America's top priority.

Specifically, among every demographic group – liberal, conservative, high-income, low-income, men, women, young generations, older generations, and white, Black, and Hispanic Americans – the Workers stakeholder is the top priority (Figure 2). And for every one of these demographic groups, the most important Issue is "Pays workers fairly and offers a living wage that covers the cost of basic needs at the local level."

**Figure 2**

| Overall | Stakeholders | Black | Hispanic | White | Republican | Democrat | Low-wage | Women | Under 30 | 65 plus | Active Investors |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Workers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 2 | Communities | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 2 |
| 3 | Customers | 3 | 3 | 3 | 3 | 4 | 3 | 3 | 4 | 4 | 3 |
| 4 | Shareholders | 4 | 5 | 4 | 4 | 5 | 5 | 5 | 5 | 2 | 4 |
| 5 | Environment | 5 | 4 | 5 | 5 | 3 | 4 | 4 | 3 | 5 | 5 |

| Overall | Top 5 Issues | Black | Hispanic | White | Republican | Democrat | Low-wage | Women | Under 30 | 65 plus | Active Investors |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Pays a fair, living wage | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 2 | Creates jobs in the U.S. | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 2 |
| 3 | Acts ethically at the leadership level | 4 | 8 | 3 | 4 | 4 | 5 | 5 | 5 | 2 | 3 |
| 4 | Protects worker health and safety | 3 | 4 | 4 | 5 | 3 | 3 | 3 | 2 | 5 | 5 |
| 5 | Supports workforce retention, advancement, and training | 5 | 3 | 5 | 3 | 6 | 4 | 4 | 6 | 4 | 4 |

(For a more comprehensive look at our polling process and results, see Appendix 1.)

**There is a strong case for investment in America's Most JUST Companies**

The corporate data from our Rankings are a tool for investors as much as they are for the C-suites and boards running the companies we track. We know that investors are seeking more decision-useful information to understand and assess a company's business risks and prospects in order to make critical decisions about how and where to direct capital. We have spent over five years investigating how companies that do best on the American people's priorities perform financially and in the marketplace, and we have found that our company performance data, investable indexes, and in-depth financial analysis demonstrate a powerful business and investor case for just business behavior. In other words, companies that perform best on the things ordinary Americans prioritize also do better for their investors.

As of September 30, 2022, our flagship JUST U.S. Large Cap Diversified Index (JULCD), which tracks the top half of ranked companies in the Russell 1000 by industry, has outperformed the R1000 by 6.55% since inception. Our JUST 100 Index (JUONE) shows similar results, with the top 100 companies in our Rankings outperforming the R1000 by 6.76% since inception. Looking deeper into the Rankings, the top 10% of companies in our Rankings outperformed the bottom 10% by almost 43.45% since January 1, 2018.

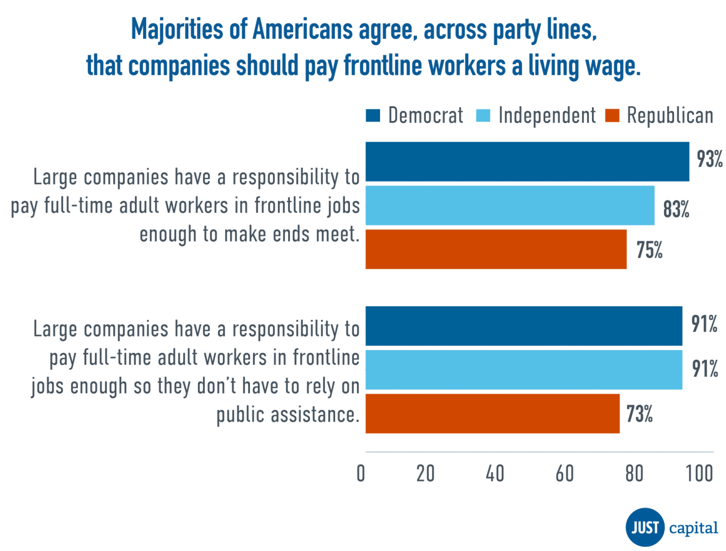
Our partnerships with some of the largest U.S. asset managers and owners have resulted in stakeholder-centered investment products that leverage our data to drive capital and capture returns based on the performance of companies leading on the American public's priorities. JUST data currently supports 10 different financial products with over $400 million in assets under influence.

## Across Political Divides, Americans Agree Companies Should Prioritize Workers

Understanding issues relating to workers' wages continually rise to the top in regard to prioritization in our Annual Survey, JUST Capital and its polling partner, SSRS, conducted an additional survey in June 2022 to explore deeper insights into what Americans want from companies when it comes to wages and benefits.[5]

Overall, Americans want companies to take greater responsibility for their workers' economic security: 84% of Americans believe large companies have a responsibility to pay full-time adult workers in frontline jobs enough to make ends meet, and, moreso, that companies should pay enough so these workers don't rely on public assistance (87%). This holds true across political ideologies (Figure 3).

**Figure 3**




Americans also want more wage transparency: 93% of Americans favor large companies releasing the wage ranges for different types of jobs at their company, and 89% favor the release of minimum wage rates for frontline and entry-level workers.

Americans agree a living wage can drive competitive advantage: When comparing two companies – one that pays its frontline workers a living wage to another that minimizes costs by paying lower wages – 90% agree that the first company will provide better customer service, 71% agree it will be more competitive in its industry, 78% agree it will be more profitable in the long term, and 59% agree it will provide greater value to shareholders.

Americans are also more united than we may think when it comes to wages: Despite divisive rhetoric, Republicans, Independents, and Democrats alike agree that it's a company's responsibility to raise wages in line with cost of living increases; and provide affordable health insurance, opportunities for advancement, and more (Appendix 2).

**Americans across party lines support increased corporate disclosure**

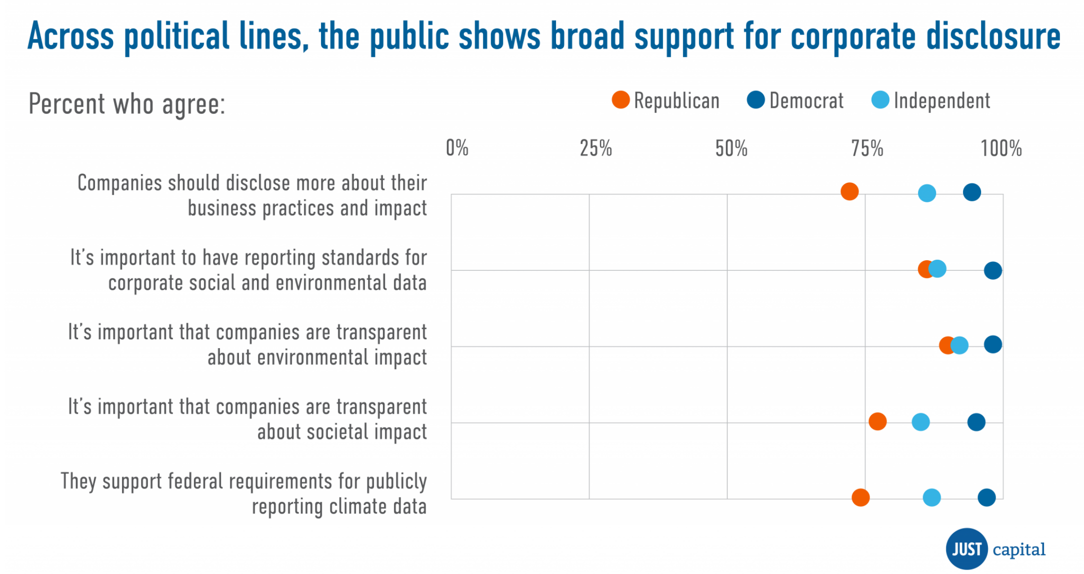
In February 2022 JUST Capital and its polling partner, SSRS, conducted a survey to understand how the American public felt about corporate disclosure and reporting standards (Figure 4).[6] Specifically Americans believe:

- More disclosure is needed: 85% of Americans agree, including across political affiliations, that companies need to disclose more about their business practices and impact on society.

- Standardization is key: 90% of Americans – including 86% of Republicans, 98% of Democrats, and 88% of Independents – say it is important to have standards for reporting corporate social and environmental data.

- Americans support federal action: Nearly 90% look to the federal government – including 74% of Republicans, 97% of Democrats, 87% of Independents – to support greater corporate disclosure on business-relevant issues such as workforce compensation and climate data.

**Figure 4**



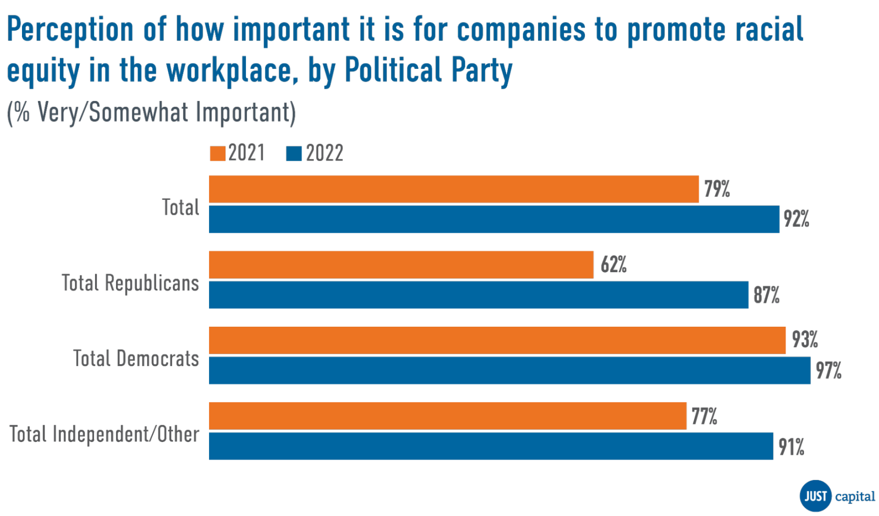
**Americans across political ideologies think it's important for corporate America to promote racial diversity in the workplace**

In order to understand how the American public views corporate efforts to advance racial equity – specifically, what concrete actions corporate leaders can prioritize – we worked with our polling partner SSRS in April 2022 to survey a representative sample of 1,202 U.S. adults.

The survey showed that over 90% of Americans (up from 80% last year) believe it is important for companies to promote racial diversity and equity in the workplace. However, 68% of Americans (up from 64% last year) say companies have more work to do to achieve racial equity in the workplace.

Across party lines, we see strong percentages of respondents who agree that workplace equity is important (Figure 5).

**Figure 5**




When looking at a range of policies that companies can implement – including pay equity analyses, demographic disclosure, and training opportunities – three-quarters or more say every policy is important in advancing racial equity. Across all demographics, Americans universally agree that wages are key: 77% say that racial equity cannot be achieved without all workers being paid a living wage (Appendix 3).

**The public wants transparency, but data is limited**

As JUST Capital's polling research demonstrates, the American public expects companies to share data on worker issues. But measuring the state of disclosure on these issues remains challenging given the absence of reporting standardization. While there has been progress made on voluntary disclosure on human capital data, it remains limited and non-standardized.

And while it is clear what Americans care most about, identifying quantifiable performance measurements that meaningfully capture these concerns and are applicable across industries remains challenging in the absence of standardized reporting requirements. In November 2020, the Securities and Exchange Commission (SEC) amended Item 101(c) under Regulation S-K, calling on employers to disclose human capital measures or objectives that a company deems material to its business, a step beyond the previous requirement to only disclose the number of employees.[6] Even with this amendment, the new human capital reporting requirements lack detailed and specific requirements which leaves it to the discretion of companies themselves to determine what data to disclose. As such, the inconsistency in disclosure across some of the most salient and frequently analyzed worker metrics is high.

Many investors, including members of the $8 trillion Human Capital Management Coalition, recognized the new disclosure standards as a step in the right direction, but also voiced their concerns that the absence of standardized reporting metrics permits an overreliance of management discretion in what is reported and does not require a uniform set of baseline information which is consistent, comparable, and concise to allow investors to gain a clear and effective understanding of a company's skill in managing its workforce.

**Companies are struggling with the myriad of frameworks**

One of the core elements of JUST Capital's work is working directly with the largest publicly-traded companies headquartered in the United States, in this case, those in the Russell 1000 on their transparency and performance on the issues that matter most to the American public. To date, we have some degree of relationship with over 500 of the 1,000 companies, and active engagement with around 350 of those companies. In 2022, 54% of them told us that they made some change around their transparency or performance because of JUST Capital's work. We hear consistent themes from corporate leaders, including:

- Corporate leadership believes that investing in their workforce, their relationship with their consumers, managing climate risk, and more is good for business and good for competition. Specifically, they increasingly see workers as a source of value creation, and are looking for support in measuring their success and areas of improvement around good jobs.

- They struggle to navigate the myriad of frameworks that exist, and because there hasn't been a clear set of metrics to measure and disclose, they see the need for continued leadership across sectors in ensuring there is forthcoming clarity on those topics.

- They appreciate efforts like the recent one by the Families and Workers Fund and the Aspen Institute, which JUST Capital supported in its conversations with companies, around measuring what a good job actually is, so that there is a consistent baseline for workers, consumers, and, importantly, investors.

- On the downside, companies are very familiar with the cost of compliance, trade secret risk, and potential liabilities that some disclosures can raise. A process needs to include those challenges, and also be driven by the market to ensure that disclosures that do exist are related to utility, performance, and business impact.

**The state of disclosure and standardization of human capital metrics is poor, making data collection labor intensive**

To develop a foundational understanding of the size of the gap between the American public's and the investor community's desire for transparency around human capital and workforce data and the actual availability of these metrics, JUST Capital began collecting publicly disclosed data from the 100 largest U.S. employers in the Russell 1000 Index between July and August 2021.[7]

We first identified a set of core human capital metrics based on the overlaps in recommendations from standards setters and other stakeholders, including the Human Capital Metrics Coalition, Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), the World Economic Forum International Business Council's report "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation" (WEF IBC), and the Embankment Project for Inclusive Capital's report (EPIC), among others. [8] [9] [10] [11] [12] From this preliminary landscape analysis, we found a total of 35 performance-focused human capital metrics, grouped into six key themes: Employment and Labor Type; Job Stability; Wages, Compensation, and Benefits; Workforce Diversity, Equity, and Inclusion; Occupational Health and Safety; and Training and Education (Appendix 4).

We then manually searched through company websites, corporate social responsibility reports, diversity and inclusion reports, annual filings, and other company-reported sources among the 100 largest U.S. employers within the Russell 1000 – those that based on JUST Capital's other research are disproportionately more likely to disclose any ESG data – to find voluntarily disclosed data on 28 of the 35 identified metrics.[13] In addition to recording data (or lack thereof) associated with each metric, we also collected excerpts, source type, collection time, and other metadata that could help quantify its standardization and document the complexity of finding it.

**The analysis revealed four trends about the state of human capital disclosure:**

(1) <u>Disclosure on recommended performance-based human capital metrics is low across the board, with less than 20% of companies disclosing data for the majority of the metrics.</u>

We found that 23 out of the 28 metrics evaluated have a disclosure rate below 20% – meaning that less than 20 of the 100 companies assessed report data on them (Appendix 5). Five metrics have a disclosure rate between 20 and 40%, and just one metric – the total value of salaries, benefits, and pensions for the workforce – has a disclosure rate of 42%. On average, disclosure is 11% across all metrics, and no company has disclosure on every single metric.

The results underscore that even the companies that generally have more robust ESG disclosures lag behind when it comes to voluntarily reporting on performance-based human capital measures.

(2) Data on human capital is mostly disclosed in Corporate Social Responsibility or Sustainability Reports, which are not audited or subject to metric standardization.

We list the average distribution of source types in which human capital metrics are found in Appendix 6. On average, 56% of metrics were disclosed in Corporate Social Responsibility or Sustainability Reports. Notably, these are mostly informal documents prepared by marketing or communications teams that are not subject to auditing and are not required to meet standardization requirements. Annual Reports and 10-K Filings, the next most common source, do have more standardization, but the lack of specific requirements in Regulation S-K largely leaves it to the discretion of companies to determine what human capital, workforce, or diversity data is disclosed.[14]

A working paper published in September 2022 supports these findings.[15] The researchers examined manually collected human capital disclosures among 2,393 firms and found that the richest human capital data was found in ESG Reports (inclusive of Corporate Social Responsibility and Sustainability Reports), not 10-Ks. Regulation S-K helped shift some information, particularly on diversity and turnover data, into 10-K Filings, but overall the amendment was insufficient in broadly increasing reporting on human capital metrics.[16]

(3) Metrics that have the most disclosure are more likely to be found in Annual Reports or 10-K Filings.

Annual Reports and 10-K Filings were the most common source among data points that had the highest rate of disclosure (Appendix 7). For example, among the 42 companies that disclosed the total value of salaries and benefits and 38 companies that disclosed the total cost of pensions for the workforce, 98% and 97%, respectively, were found in Annual Reports or 10-K Filings.

This may suggest that formal, required, or more structured reporting formats can serve as easy vehicles for reporting, but it also indicates that disclosure in these sources are more focused on workforce size and labor costs and less on outcomes of human capital investments, in line with observations from other research.[17]

(4) Data collection for human capital metrics is highly labor intensive, requiring significant time and resources given non-standardized reporting.[18]

To collect 28 human capital metrics across 100 companies, it took a team of two full-time workers over 130 hours, more than three weeks, indicating the complexity of finding this information. Figure 6 shows the breakdown of collection time by thematic area, but it is also worth noting that the majority of the time that analysts spent searching for data resulted in finding no disclosure on a given human capital metric.

**Figure 6**

**HUMAN CAPITAL METRICS DATA COLLECTION TIME**

| | Number of Metrics | Total Collection Time (In Hours) | Average Minutes per Company | Average Minutes per Metric | Average Minutes per Metric per Company |
|---|---|---|---|---|---|
| Employment and Labor Type | 6 | 36.1 | 21.7 | 361.0 | 3.6 |
| Job Stability | 12 | 30.2 | 18.1 | 150.8 | 1.5 |
| Wages, Compensation, and Benefits | 7 | 35.1 | 21.1 | 300.9 | 3.0 |
| Occupational Health and Safety | 1 | 8.0 | 4.8 | 480.0 | 4.8 |
| Training and Education | 3 | 17.4 | 10.4 | 347.0 | 3.5 |
| TOTAL | 29* | 130.7 | 78.4 | 270.4 | 2.7 |

**Note:** This chart reflects data for the 100 largest U.S. companies, determined by U.S. employment size. *While our report looks at 28 metrics across the six human capital themes, we collected data on 29 metrics (one of which was a metadata year field and not usable in broader analyses) across five human capital themes.

**Source:** JUST Capital's Human Capital Metrics research project, with data collected between July and August 2021.

In cases where analysts did find disclosure, Annual Reports and 10-K Filings were the most time-consuming source type. While they may be an easy vehicle for reporting, intensive data collection time from this source type might be caused by their poor searchability, extreme length, information buried in technical language, footnotes, and tables, and insufficient standardization in human capital metrics data included or referenced.

**Across Russell 1000 companies, voluntary reporting on policies and practices supporting workers is also low**

Bridging from the foundational research on the state of disclosure around performance-based human capital metrics, we used data from our 2022 Rankings of America's Most JUST Companies – which examined 954 of the Russell 1000 companies – to assess the scope of low disclosure on a broader set of workers issues. These findings largely corroborate our previous exploratory research and are summarized below.[19]

(1) <u>State of disclosure is poor across all Russell 1000 companies and across worker issues.</u>

In 2022, JUST Capital completed a comprehensive overview of 23 policy and performance metrics that represent the top issues most relevant to workers, as defined by the American public, and found that with few exceptions, disclosure in public company materials – such as

Annual Reports, 10-K Filings, and Corporate Social Responsibility (CSR) reports – is low across the board.

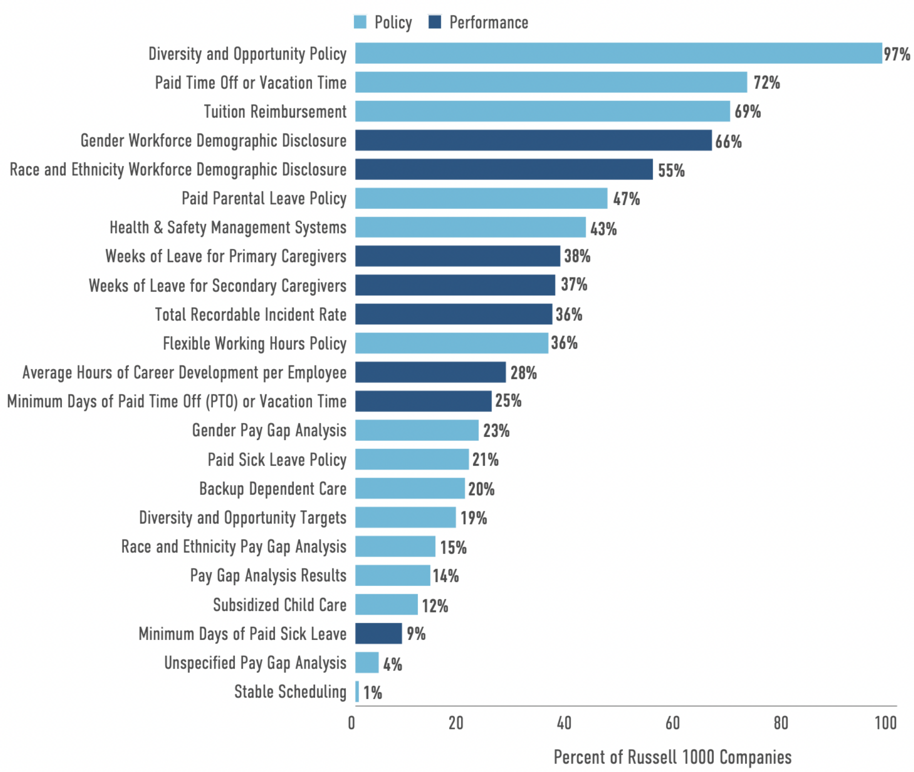
An average Russell 1000 company discloses only eight data points out of a possible 21 (some disclosures are mutually exclusive), and not a single company discloses all 21 data points (Appendix 8). This wide range exemplifies the extreme variation in disclosure and the lack of a unified approach to disclosing this information. Looking at industry trends, we found that while disclosure overall is low across industries, Utilities and Oil & Gas have higher worker disclosures, while Basic Resources companies lag.

(2) <u>Companies tend to disclose more policies than performance metrics on worker issues.</u>

We separated the workers metrics that we analyzed into policy and performance type to distinguish between disclosures on the existence of a policy versus disclosure on the company's actual performance on an issue (Appendix 9).

Looking at the disclosure level by metric, we found that it ranges from 1% to 97%, with almost all performance data points having less than 40% disclosure (Figure 7). Meanwhile, the metrics with high disclosure rates across America's largest companies tend to be policy metrics, which do not necessarily speak to performance on a given issue or reflect their accessibility or the lived experiences of workers. The one exception to this finding is workforce demographic data by gender and race and ethnicity, which is discussed in detail in the next section.

**Figure 7**




**Source:** JUST Capital

Even our newer data on minimum wage disclosure across the Russell 1000 yielded similar results, though, as recent polling shows, transparency around this issue received bipartisan support.[20] Our data revealed that only 13% of America's largest companies disclose some data about their employees' lowest hourly wages, and even fewer, 9%, disclose the exact value of the minimum wage paid to their U.S. workforce.

**Workforce data on diversity and representation is an example of how existing standardized reporting frameworks and increased investor focus have rapidly grown disclosure**

Because it is one of the issues identified by the American people as relevant to just business behavior, JUST Capital developed a workstream in 2019 to track diversity, equity, and inclusion (DEI) data, with a particular focus on collecting 23 metrics on workforce demographic data, comprising a range of highly generalized to highly detailed counts or percentages of workers by gender, racial, or ethnic identity.[21] Over time, this research has revealed that:

(1) Data disclosure on workforce demographics is highly non-standardized, aside from voluntarily disclosed EEO-1 Reports, which are annually submitted to the Equal Employment Opportunity Commission (EEOC).

Among Russell 1000 companies, there is significant variation in *how* gender, racial, and ethnic workforce demographic data is disclosed. First, there is little consistency in which racial or ethnic categories are reported out. In some instances, companies follow the U.S. Census Bureau's grouping while others may choose to aggregate or disaggregate certain groups.[22] Second, the unit of measurement or calculation method employed differs across companies: Companies may either report the count of workers identifying as a member of a group or the percentage of the global or U.S. workforce.

Though gender data is still largely reported in binary terms (Men and Women), JUST Capital has observed that there are generally four broad ways in which companies report racial and ethnic demographic data, ranging from least to most granular:

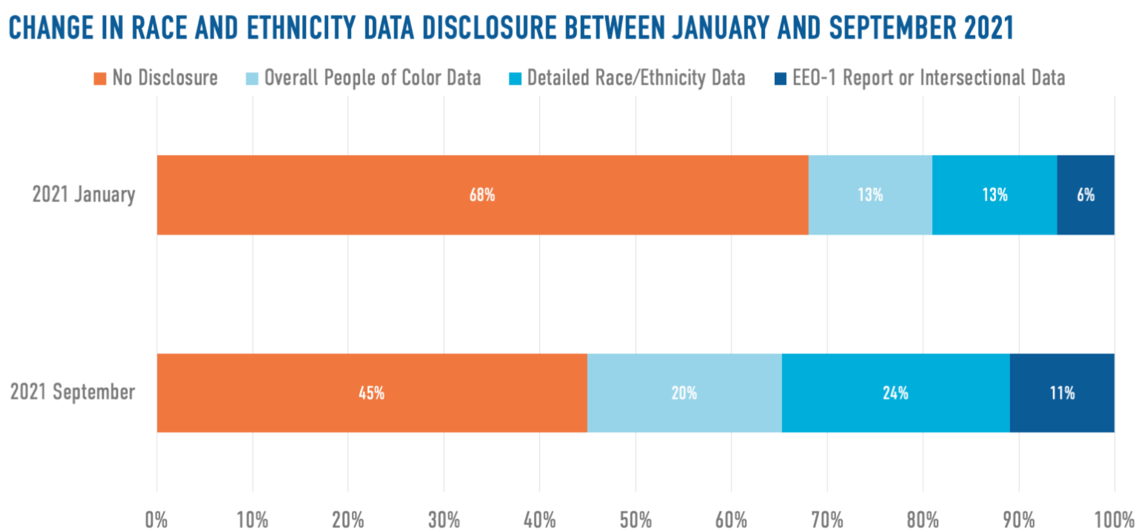
- *No Disclosure:* Companies report neither numbers or percentages of workers broken down by racial or ethnic identity.
- *Overall People of Color:* Companies report an aggregate number or percentage of workers who identify as people of color, which is often termed "minority" or "non-white."
- *Detailed Race/Ethnicity:* Companies at least report the number or percentage of workers who identify as Asian, Black or African American, and Hispanic or Latino.
- *EEO-1 Report or Intersectional Gender and Race Ethnicity:* Companies report the number (and to a lesser degree percentage) of employees by 14 intersectional identities of gender by race or ethnicity, further disaggregated by 10 standardized job categories. Employers that have at least 100 employees are required to submit an EEO-1 Report that includes this data in Component 1 annually to the EEOC.[23] While EEO-1 Reports

are highly standardized vehicles for reporting racial and ethnic workforce data, companies are not required to disclose them publicly.[24]

(2) Across Russell 1000 companies, a growing majority voluntarily disclose some type of racial or ethnic data.[25]

JUST Capital's data from January 2021 revealed that 32% of companies we tracked within the Russell 1000 Index disclosed some type of demographic data (Figure 8). Our updated data collection as of September 2021 found that this share had grown to 55%, a 23 percentage point increase since January of that same year. As of September 2021, detailed racial/ethnic data were the most common type of racial/ethnic disclosure reported by Russell 1000 companies.

**Figure 8**




**Note:** This chart is based on JUST Capital's evaluation of 954 companies from the Russell 1000 Index featured in our 2022 Ranking of America's Most JUST Companies. "EEO-1 Report or Intersectional Data" denotes that a company has disclosed highly detailed race/ethnicity data disaggregated by gender. "Detailed Data" denotes that a company has disclosed race/ethnicity data for at least three standard groups: Asian, Black or African American, and Hispanic or Latino.

**Source:** JUST Capital's corporate demographic datasets, with data as of September 2021.

(3) Disclosure of highly-standardized intersectional demographic data like EEO-1 Reports is low but has grown rapidly over the last four years thanks to investor advocacy efforts.[26]

When JUST Capital initially began tracking it in 2019, it became clear that EEO-1 Reports were a low-lift public disclosure framework for companies to use when sharing demographic data because of their high degree of standardization and submission requirement to the EEOC.[27] However, at the time, just 3% of Russell 1000 companies voluntarily disclosed this rich, intersectional gender, race, and ethnicity data. Since 2019, investor advocacy efforts – like those from the New York City Comptroller and shareholder proposals during proxy seasons – have pressed for large public companies to voluntarily disclose EEO-1 Reports, and, correlationally, we have seen rapid growth in the disclosure rate among Russell 1000 companies despite the fact that overall disclosure is still low.[28]

Between November 2019 and September 2021, EEO-1 Report or intersectional data disclosure grew from 3% to 10.9%, close to an 8 percentage point increase which is equivalent to nearly a 250% increase (Appendix 10).

**When surveying a broader array of DEI-related data we see areas that received rising pressure from investors have greater disclosures that those that have not**

For the past two years, JUST Capital has been tracking the specific steps that companies have taken to cultivate diversity – one of the issues identified by the American people as relevant to JUST business behavior – via our Corporate Racial Equity Tracker, which offers an in-depth accounting of the state of disclosure by the 100 largest U.S. employers in the Russell 1000, through 23 metrics across six specific dimensions of racial equity: (1) Pay Equity, (2) Racial/Ethnic Diversity Data, (3) Education and Training Programs, (4) Response to Mass Incarceration, (5) Community Investments, and (6) Anti-Discrimination Policies.[29] Analyzing the results, it is clear that corporate America is making progress in some areas, but is still not matching its commitments with actions to implement meaningful change.

Across the 85 companies JUST Capital tracked in both 2021 and 2022, the greatest increases in disclosure are seen in workforce and board diversity data, as well as pay equity – areas where there has also been rising pressure from investors:

- Workforce diversity data disclosure increased by 6% from 86% to 91%.
- Board diversity data disclosure increased by 13% from 84% to 95%.
- Racial/Ethnic Pay equity analysis disclosure increased by 33% from 34% to 45%.
- Disclosure of pay ratios by race/ethnicity increased by 71% from 14% to 24%.

Metrics that have low levels of meaningful disclosures among the 100 companies currently tracked include the following. Only:

- 7% disclose their internal hire (or promotion) rate by race/ethnicity.
- 11% report re-entry or second chance policies.
- 21% report providing anti-harassment training, compared to 98% of companies that disclose an anti-harassment policy.
- 22% disclose the actual results of the pay equity analysis, i.e. pay ratios by race/ethnicity.
- 23% disclose diversity targets for hiring, workforce composition, promotion, or retention by race/ethnicity.
- 42% disclose a supplier diversity spend amount, and 9% disclose a local supplier/small business spend amount.

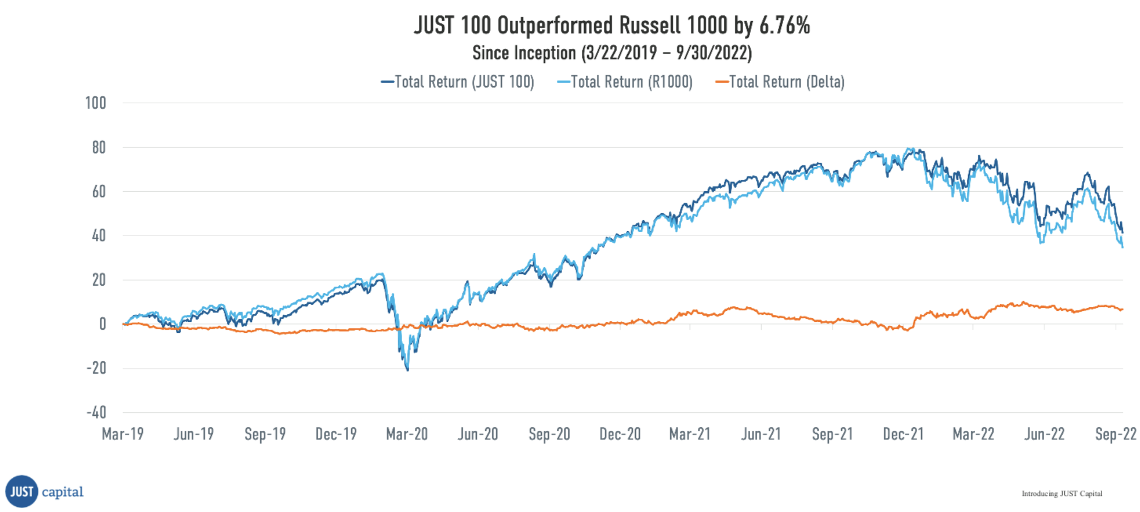
It is clear to us that more availability of data would only benefit investors and other stakeholders.

## Stakeholder Capitalism Is Good for Business

One of the foundations of the stakeholder model of business is that by taking into account how companies perform in creating value for all their stakeholders – their workers, their customers, the communities they operate in, the planet, and of course, shareholders – we can grow the pie for everyone, and create a race to the top for business in America today. We have seen evidence of this in our assessment of companies.

When comparing the index of our JUST 100 companies to the Russell 1000 since inception through the end of September (March 22, 2019 - September 30, 2022), we have found outperformance of 6.7% (Figure 9).

**Figure 9**




We are not guaranteeing that companies that manage according to the priorities of the American public will consistently generate alpha, but we are at least confident in the JUST 100 Index's general ability to generate market beta, given the data. And, given the nature of our metrics, these companies also generate tangible value across all stakeholders. For example, the average JUST 100 company compared to the average Russell 1000 company created 7.8 times more jobs in the U.S. from 2016 to 2020, had a 4.4% higher return on equity and paid 19.2% more in dividends, were 7.6 times more likely to disclose workforce demographic data by race and ethnicity, and used 19.8% more renewable energy.

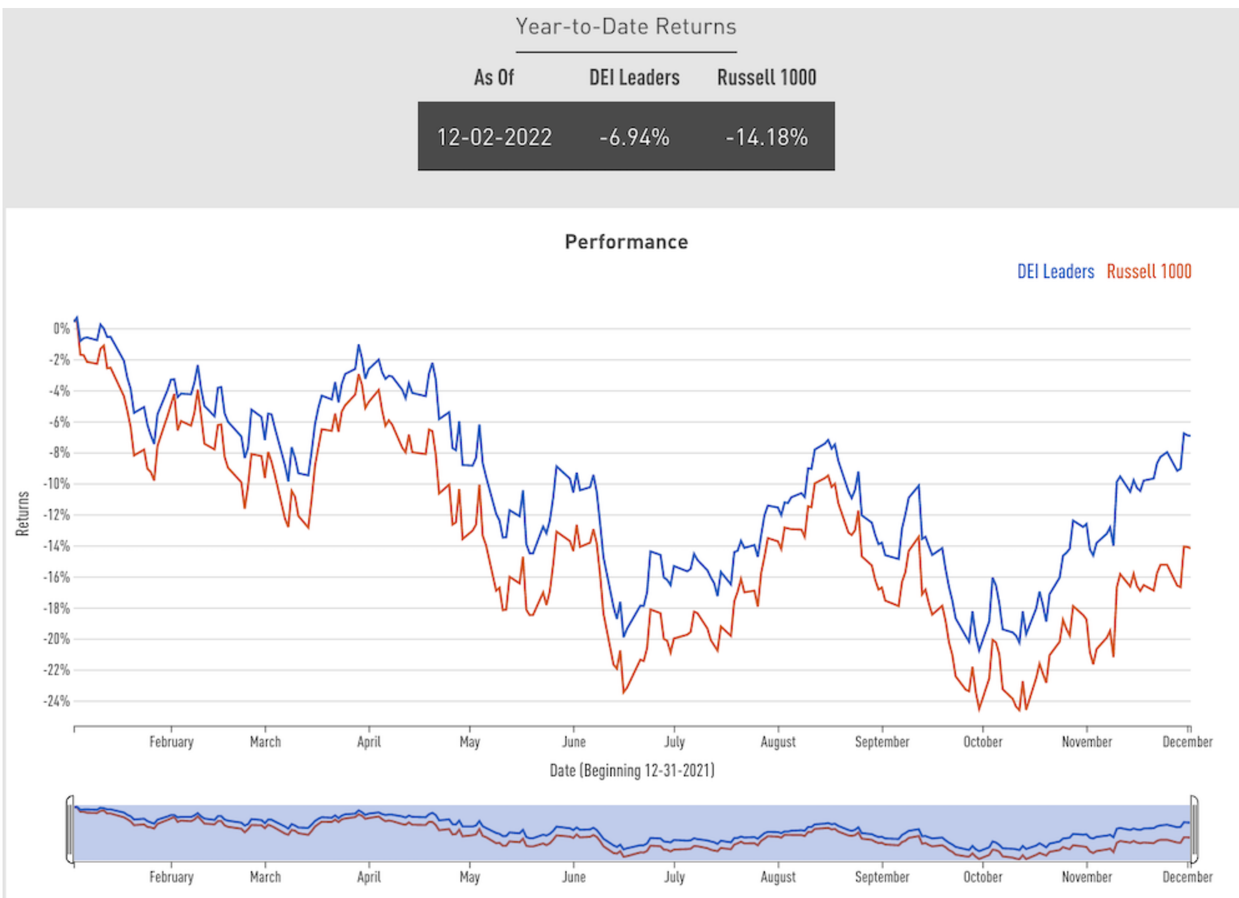
### The case for investing in workers

As we have discussed above, the American public prioritizes worker issues when it comes to their expectations of the country's largest companies, and that is why JUST spends as much time as it does on matters of human capital. These are issues that have only increased in importance in a tight labor market with high inflation, and we have found that companies that are investing in their workers are finding an edge.

We found that in Q3 of 2022, of the companies we track, those in the top 10% of the Workers score outperformed the bottom 10% by 2.09%.[30] Further, when we created an index concept of our Top Quintile of Workers, we found it outperformed the Russell 1000 by 9.29% across 2022 (Appendix 11). We found that the average company in this quintile, as compared to the average Russell 1000 company, was 18.1% more likely to pay a living wage, 125.1% more likely to have conducted a pay gap analysis, and 37.2% more likely to disclose workforce demographics.

There is also evidence that taking DEI policies seriously within corporations – namely, being transparent and providing paths of opportunity and mobility for all employees – is smart business. When comparing the top quintile of companies according to their DEI score against the Russell 1000 through the beginning of December, we found an outperformance of 7.24% (Figure 10).

**Figure 10**




These data points do not exist in a vacuum.

There is a wealth of research that finds a link between wages and employee satisfaction and retention (e.g. research from the Oxford Saïd Business School) and higher productivity (e.g. research from thePeterson Institute for International Economics).[31] [32] We have also discussed with leaders of companies scoring well in JUST's DEI metric how policies of opportunity and mobility have improved productivity, as well as recruitment and retention in a competitive marketplace for talent.[33] [34] [35]

**A tool for investors**

As mentioned above, we know that investors want to see relevant stakeholder metrics to get as thorough a picture as possible about the companies they choose to invest in, and we can see from our data and work with corporations that these metrics are material.

There are many different kinds of organizations in the ESG and stakeholder capitalism space, but JUST is focused on the priorities of the public as a North Star. We are against any disingenuous hijacking of these terms to "greenwash" or otherwise use marketing to gain political favor; to us, measuring these metrics and then managing and investing according to them is simply smart business.

**Academic Usage**

JUST Capital's Rankings and underlying raw data have also been used across the academic community as a valued source of research and insights. Spanning topics from workers and performance to the COVID-19 pandemic and CSR, engagement and interest from the academic community continues to increase. Following more than 50 academic data requests booked for the year 2022, JUST has worked alongside, just to name a few, New York University, Harvard Business School, the Darden School of Business at the University of Virginia, and MIT.

## Conclusion

As you have seen, JUST Capital focuses on the business issues that matter most to the American public, and they are clear about what they want companies to prioritize – and that's workers, wages, and jobs. A majority of survey respondents tell us that the economy is not currently working for everyday Americans. They expect companies to do more to help deliver on the promise of the American dream. We know from our research that companies that do right by their workers do well for their shareholders, but that we still have a long way to go to provide relevant, meaningful data that can help build and support a stronger, fairer, and more just market system that reflects the values of the American people.

Thank you for this opportunity, and I look forward to your questions.

# APPENDICES

### Appendix 1

Every year we begin our Annual Survey process by facilitating a series of group conversations with a diverse mix of Americans across the U.S., to help us broadly understand the business behaviors and actions that they consider to be most "just." These focus groups enable our research team to hear the unvarnished voice of the public speak to what issues matter most, and whether their opinions have changed over time. The polling team then distills the focus groups' major themes into statements that capture these concepts, which we call "Issues." In 2022, this work yielded 20 Issues, which is consistent with the number of Issues last year.

Since the public initially tells us that all of these Issues are of high importance, we then conduct a choice modeling exercise as part of our Annual Survey work, allowing us to derive the relative importance of these 20 Issues. From here, we extract a "weight" per Issue that we use as the foundation for our Rankings of America's Most JUST Companies. The weights below reflect the probability that an individual would choose that Issue as most important to defining a just company, based on a representative sample of 3,002 Americans. These weights power our analysis of corporate stakeholder performance at the country's largest companies, including JUST's annual Rankings. The 20 Issues, according to those surveyed, that will power our 2023 Rankings are as follows:

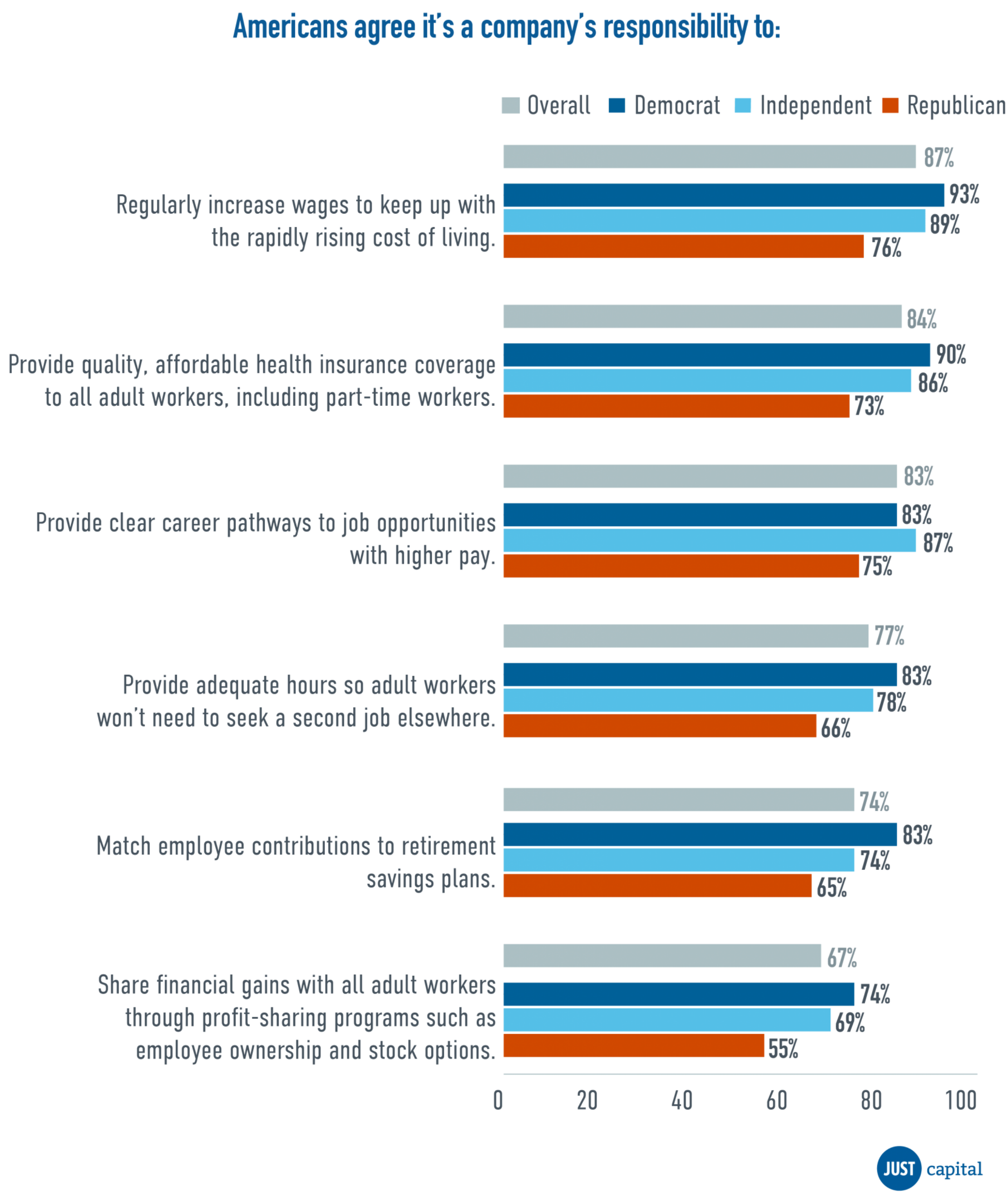
1. Pays a fair, living wage. (21.2%)
2. Creates jobs in the U.S. (11.1%)
3. Acts ethically at the leadership level. (7.6%)
4. Protects worker health and safety. (7.3%)
5. Supports workforce retention, advancement, and training. (7.1%)
6. Provides benefits and work-life balance. (6.2%)
7. Protects customer privacy. (4.3%)
8. Minimizes pollution. (4.2%)
9. Addresses human rights issues in the supply chain. (3.8%)
10. Treats customers fairly. (3.6%)
11. Uses sustainable materials. (3.4%)
12. Communicates transparently. (3.4%)
13. Combats climate change. (2.6%)
14. Makes beneficial products. (2.5%)
15. Cultivates a diverse, inclusive workplace. (2.4%)
16. Contributes to community development. (2.3%)
17. Generates returns for investors. (2.2%)
18. Prioritizes accountability to all stakeholders. (2.1%)
19. Uses resources efficiently. (1.5%)
20. Gives back to local communities. (1.1%)

Organizing the 20 Issues into stakeholder groups, the survey research provides a roadmap for how Americans want companies to prioritize its their stakeholders, including how a company:

- Invests in its Workers. (44%)
- Supports Communities. (18%)
- Treats its Customers. (14%)
- Impacts the Environment. (12%)
- Serves its Shareholders through good Governance. (12%)

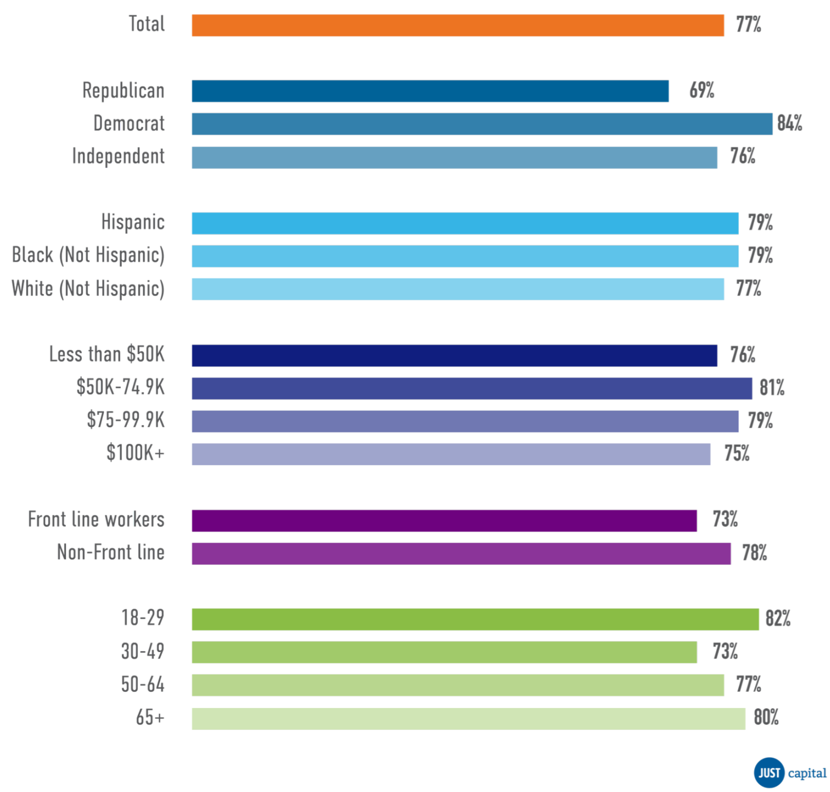
For the past two years, JUST has partnered with SSRS, an objective, non-partisan research institution that provides scientifically rigorous statistical surveys of the U.S. population, to survey more than 3,000 Americans on their perspectives. This year's annual survey was conducted from June 22 to July 11, 2022 among a general population sample of 3,000. Results were weighted to U.S. Census parameters for age, gender, education, race/Hispanic ethnicity, and Census Division to ensure representativeness of the U.S. population.

**Appendix 2**


Americans agree it's a company's responsibility to:
Overall
Democrat
Independent
Republican
Regularly increase wages to keep up with the rapidly rising cost of living.
87%
93%
89%
76%
Provide quality, affordable health insurance coverage to all adult workers, including part-time workers.
84%
90%
86%
73%
Provide clear career pathways to job opportunities with higher pay.
83%
83%
87%
75%
Provide adequate hours so adult workers won't need to seek a second job elsewhere.
77%
83%
78%
66%
Match employee contributions to retirement savings plans.
74%
83%
74%
65%
Share financial gains with all adult workers through profit-sharing programs such as employee ownership and stock options.
67%
74%
69%
55%
0
20
40
60
80
100
JUST capital

## Appendix 3

**Percentage agree: Racial equity in the workplace cannot be achieved without all workers being paid a living wage**




## Appendix 4

### HUMAN CAPITAL METRICS BY THEME

| Employment and Labor Type | Job Stability | Wages, Compensation, and Benefits | Workforce Diversity, Equity, and Inclusion | Occupational Health and Safety | Training and Education |
|---|---|---|---|---|---|
| ▪ Full-Time Employees<br>▪ Part-Time Employees<br>▪ Salaried Employees<br>▪ Hourly Employees<br>▪ On-Site Contractors and Vendors<br>▪ On-Site Temporary or Seasonal Workers | ▪ New Hires<br>▪ Total Female New Hires<br>▪ Total Male New Hires<br>▪ Total Minority New Hires<br>▪ Turnover<br>▪ Voluntary Turnover<br>▪ Voluntary Turnover by Gender or Race/Ethnicity<br>▪ Involuntary Turnover<br>▪ Involuntary Turnover by Gender or Race/Ethnicity<br>▪ Retention Rate<br>▪ Retention Rate by Gender<br>▪ Retention Rate by Ethnicity | ▪ Minimum Wage Lowest Pay Threshold<br>▪ Share of Local Minimum Wage Earners<br>▪ Minimum Wage to Local Minimum Wage Ratio<br>▪ Total Value of salaries, bonuses, and pension benefits for the workforce<br>▪ Total Value of Salaries and Benefits for the Workforce<br>▪ Total Value of Pensions for the Workforce | ▪ Workforce demographic composition by Gender or Race/Ethnicity*<br>▪ Board demographic composition by Gender or Race/Ethnicity*<br>▪ Ratio of basic salary and remuneration by Gender or Race/Ethnicity*<br>▪ Adjusted pay gap by Gender or Race/Ethnicity* | ▪ Absenteeism Rate<br>▪ Total Recordable Incident Rate (TRIR)* | ▪ Internal Hiring Rate<br>▪ Internal Hiring Gender Disclosure<br>▪ Internal Hiring Race Ethnicity<br>▪ Average hours of training per employee per year*<br>▪ Program for tuition or education assistance* |

**Note:** Metrics marked with an asterisk* were not collected as part of JUST Capital's Human Capital Metrics research project, and instead follow our typical rankings data collection procedure. For this reason, they have not been analyzed in this report.

**Source:** JUST Capital's Human Capital Metrics research project, with data collected between July and August 2021.

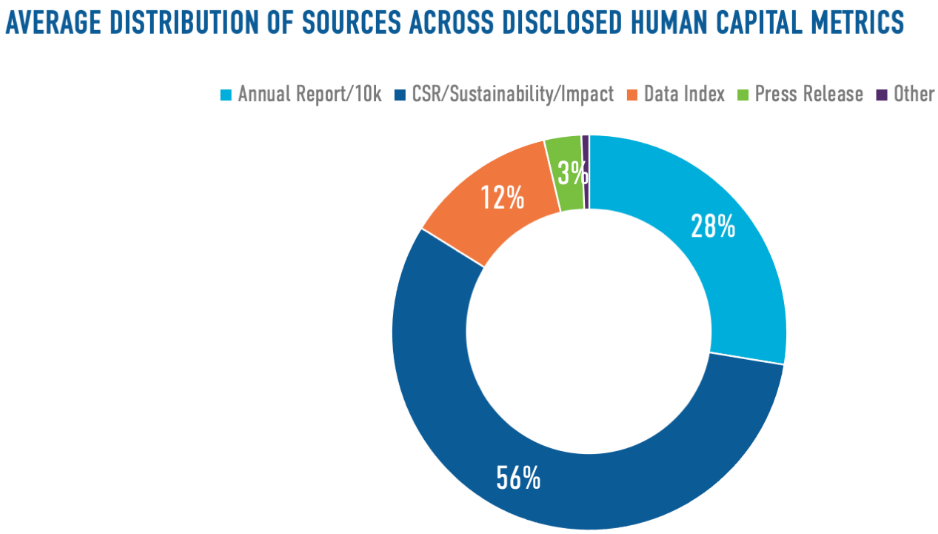
## Appendix 5

### HEAT MAP OF DISCLOSURE RATES FOR HUMAN CAPITAL METRICS

| | | Disclosure Rate | 0-20% | 20-40% | 40-60% | 60-80% | 80-100% |
|---|---|---|---|---|---|---|---|
| Employment and Labor Type | Full-Time Employees | 38% | | ● | | | |
| | Part-Time Employees | 31% | | ● | | | |
| | Salaried Employees | 4% | ● | | | | |
| | Hourly Employees | 6% | ● | | | | |
| | On-Site Contractors and Vendors | 1% | ● | | | | |
| | On-Site Temporary or Seasonal Workers | 4% | ● | | | | |
| Job Stability | New Hires | 16% | ● | | | | |
| | Total Female New Hires | 24% | | ● | | | |
| | Total Male New Hires | 11% | ● | | | | |
| | Total Minority New Hires | 13% | ● | | | | |
| | Turnover | 15% | ● | | | | |
| | Voluntary Turnover | 15% | ● | | | | |
| | Voluntary Turnover by Gender or Race/Ethnicity | 2% | ● | | | | |
| | Involuntary Turnover | 5% | ● | | | | |
| | Involuntary Turnover by Gender or Race/Ethnicity | 2% | ● | | | | |
| | Retention Rate | 4% | ● | | | | |
| | Retention Rate by Gender | 1% | ● | | | | |
| | Retention Rate by Ethnicity | 0% | ● | | | | |
| Wages, Compensation, and Benefits | Minimum Wage/Lowest Pay Threshold | 20% | | ● | | | |
| | Share of Local Minimum Wage Earners | 1% | ● | | | | |
| | Minimum Wage to Local Minimum Wage Data Ratio | 0% | ● | | | | |
| | Total Value of Salaries, Benefits, and Pensions for the Workforce | 0% | ● | | | | |
| | Total value of Salaries and Benefits for the Workforce | 42% | | | ● | | |
| | Total value of Pensions for the Workforce | 38% | | ● | | | |
| * | Absenteeism Rate | 1% | ● | | | | |
| Training and Education | Internal Hiring Rate | 3% | ● | | | | |
| | Internal Hiring Rate by Gender | 3% | ● | | | | |
| | Internal Hiring by Race/Ethnicity | 1% | ● | | | | |

**Note:** This chart reflects data for the 100 largest U.S. companies, determined by U.S. employment size. Asterisk * indicates Occupational Health and Safety theme.
**Source:** JUST Capital's Human Capital Metrics research project, with data collected between July and August 2021.

## Appendix 6




**Note:** This chart reflects data for the 100 largest U.S. companies, determined by U.S. employment size.
**Source:** JUST Capital's Human Capital Metrics research project, with data collected between July and August 2021.

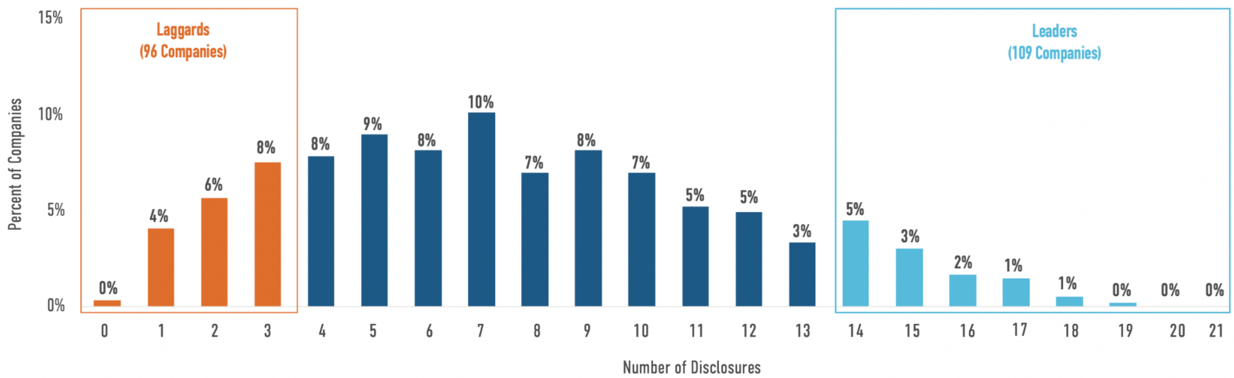
## Appendix 7

### HEAT MAP OF SOURCES FOR METRICS WITH 20% OR HIGHER DISCLOSURE RATE

| | Disclosure Rate | Annual Reports or 10-K Filings | CSR, Sustainability, or Impact Reports | Data Index | Press Release | Other |
|---|---|---|---|---|---|---|
| Total Value of Salaries and Benefits for the Workforce | 42% | 98% | 2% | 0% | 0% | 0% |
| Total Value of Pensions for the Workforce | 38% | 97% | 0% | 3% | 0% | 0% |
| Full-Time Employees | 38% | 61% | 34% | 5% | 0% | 0% |
| Part-Time Employees | 31% | 57% | 37% | 7% | 0% | 0% |
| Total Female New Hires | 24% | 8% | 83% | 8% | 0% | 0% |
| Minimum Wage/Lowest Pay Threshold | 20% | 5% | 11% | 5% | 68% | 11% |

**Note:** This chart reflects data for the 100 largest U.S. companies, determined by U.S. employment size.
**Source:** JUST Capital's Human Capital Metrics research project, with data collected between July and August 2021.

## Appendix 8

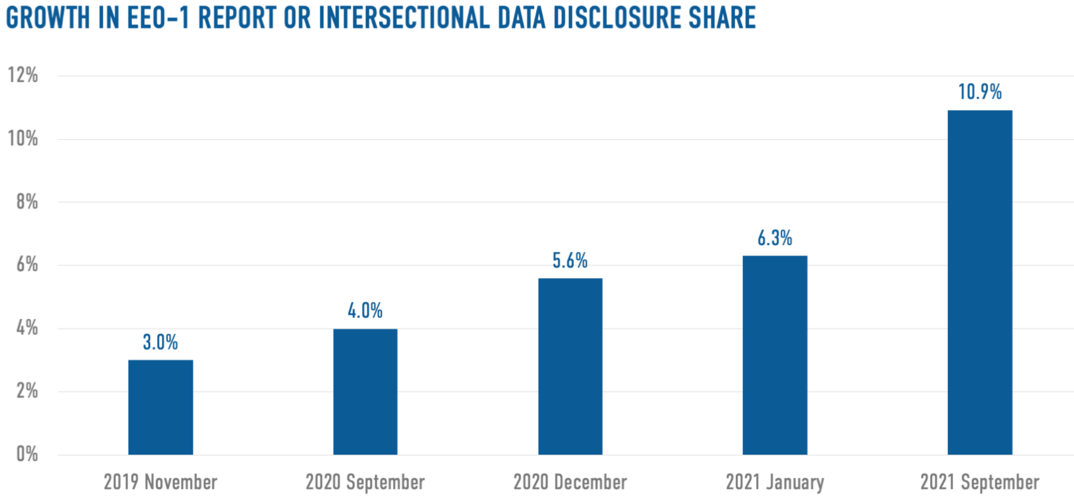



**Source:** JUST Capital

## Appendix 9

| Issue | Data Point | Performance or Policy |
|---|---|---|
| Benefits & Work-Life Balance | Paid Time Off or Vacation Time for Exempt Employees | Policy |
| | Minimum Days of Paid Time Off (PTO) or Vacation Time for Exempt Employees | Performance |
| | Paid Sick Leave Policy for Exempt Employees | Policy |
| | Minimum Days of Paid Sick Leave for Exempt Employees | Performance |
| | Paid Parental Leave Policy | Policy |
| | Weeks of Leave for Primary Caregivers or Maternity Leave | Performance |
| | Weeks of Leave for Secondary Caregivers or Paternity Leave | Performance |
| | Subsidized Child Care | Policy |
| | Backup Dependent Care | Policy |
| | Flexible Working Hours Policy | Policy |
| | Stable Scheduling | Policy |
| Diversity, Equity, & Inclusion | Diversity and Opportunity Policy | Policy |
| | Diversity and Opportunity Targets | Policy |
| | Gender Pay Gap Analysis | Policy |
| | Race and Ethnicity Pay Gap Analysis | Policy |
| | Unspecified Pay Gap Analysis | Policy |
| | Pay Gap Analysis Results | Policy |
| | Gender Workforce Demographic Disclosure** | Performance |
| | Race and Ethnicity Workforce Demographic Disclosure** | Performance |
| Workforce Investment & Training | Tuition Reimbursement | Policy |
| | Average Hours of Training or Career Development per Employee | Performance |
| Worker Health & Safety | Total Recordable Incident Rate (TRIR) | Performance |
| | Health & Safety Management Systems | Policy |

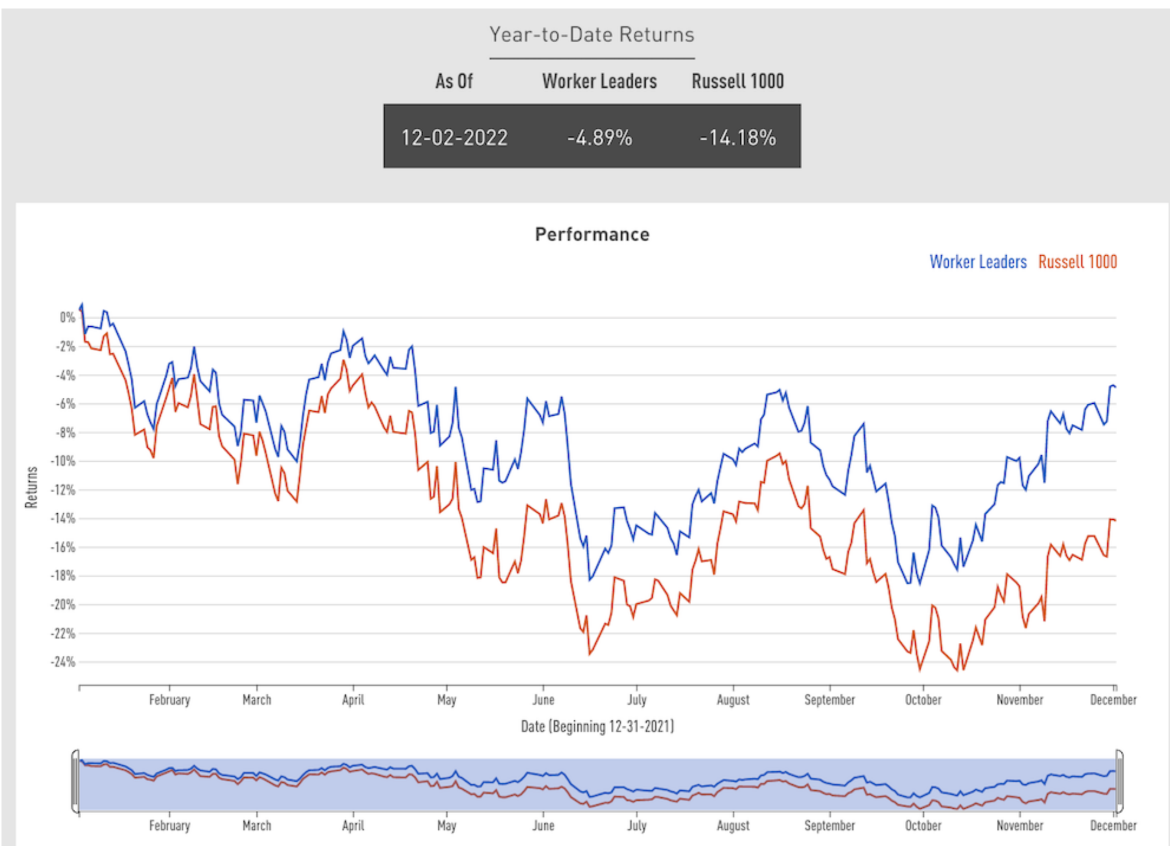
## Appendix 10




**Note:** This chart is based on JUST Capital's evaluation of companies Russell 1000 Index featured in our 2020, 2021, and 2022 Rankings of America's Most JUST Companies. Companies are required to submit (though not publicly disclose) EEO-1 Component 1 reports to the EEOC, featuring data by gender by race/ethnicity by 10 standardized job categories. Intersectional data includes workforce demographics by gender by race (and sometimes select job categories).

**Source:** JUST Capital's corporate demographic datasets, with data as of September 2021.

## Appendix 11



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