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May 2023

Asset Stewardship

# Guidance on Human Capital Management Disclosures & Practices

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In 2021, State Street Global Advisors' Asset Stewardship team sought to strengthen our perspective on human capital management. We conducted over 185 engagements with investee companies on this topic in markets across the world, including a proactive engagement campaign targeting the largest employers in our portfolios. Our team also initiated conversations with experts on the topic of human capital management to enhance our understanding of this essential topic.

Our intended outcome through these engagements was to develop expectations for companies' disclosures on human capital management, and to share our insights regarding best practices and areas for improvement for portfolio companies (please see our complementary [Human Capital Management Insights](#) page for more on this topic).

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**Our Expectations  
for Human Capital  
Management  
Disclosures**

While there are many material dimensions of human capital management, our engagements and analysis suggest that five areas are particularly meaningful components of a successful human capital management strategy across industries. As a starting point, we expect all companies to provide public disclosure on::

- 1. Board Oversight** Methods outlining how the board oversees human capital-related risks and opportunities;
- 2. Strategy** Approaches to human capital management and how these advance the long-term business strategy;
- 3. Compensation** Strategies throughout the organization that aim to attract and retain employees, and incentivize contribution to an effective human capital strategy;
- 4. Voice** Channels to ensure the concerns and ideas from workers are solicited and acted upon, and how the workforce is engaged and empowered in the organization; and
- 5. Diversity, equity, and inclusion** Efforts to advance diversity, equity, and inclusion (see our complementary [Guidance on Diversity Disclosures and Practices](#) for additional context).

We expect public disclosures to contain specific information about these essential dimensions of human capital management. For example, instead of disclosing that “employees are surveyed regularly,” companies could consider describing survey frequency, examples of questions asked, and actions taken in response to employee feedback where relevant.

We understand that this is an evolving topic and we will continue to engage with companies to develop our expectations and inform our stewardship efforts in this space. We also encourage companies to consider emerging disclosure frameworks, including those required by regulators.

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**Voting  
Incorporating Our  
Expectations into  
Our Proxy Voting and  
Engagement Practices**

With respect to voting on shareholder proposals related to human capital management, we will first engage with companies related to our human capital management-related disclosure and oversight expectations outlined herein, focusing on companies and industries with the greatest risk and opportunity.

Below is the approach when voting on human capital management-related shareholder proposals:

- **FOR** We will consider voting for shareholder proposals that we believe will lead to increased alignment with our expectations for human capital-related disclosures and oversight;
- **ABSTAIN** We will consider voting abstain when we support some elements of a proposal’s request, or recognize a company’s commitment to implement related disclosure and/or oversight practices.

- **AGAINST** We will vote against shareholder proposals that we believe are immaterial, overly prescriptive or would not further our disclosure and oversight expectations.

For more information on our voting policies related to diversity, equity, and inclusion, please see our [Guidance on Diversity Disclosures & Practices](#). For example, we will take voting action against chairs of the Nominating Committees at S&P 500 companies that do not disclose EEO-1 reports.

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**Thought Leadership**  
Human Capital  
Management Insights

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As part of our increased focus on human capital management, we conducted over 150 engagements on this topic in markets across the world in 2021, including a proactive engagement campaign targeting 60 of the largest employers in our portfolio across the Americas, EMEA, and APAC regions. Please see our [Human Capital Management Insights for insights](#) from these engagements.

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**Conclusion**

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We encourage companies in our portfolios to align their disclosures and practices with our expectations. Please reach out to State Street Global Advisors' Asset Stewardship Team at [GovernanceTeam@ssga.com](mailto:GovernanceTeam@ssga.com) to request an engagement on this important topic.

For additional context regarding our perspective on labor rights as an essential dimension of human rights, please see our [Guidance on Human Rights Disclosures & Practices](#).

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\* Pensions & Investments Research Center, as of December 31, 2021.

<sup>†</sup> This figure is presented as of March 31, 2023 and includes approximately \$65.03 billion USD of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited.

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The returns on a portfolio of securities which exclude companies that do not meet the portfolio's specified ESG criteria may trail the returns on a portfolio of securities which include such companies.

A portfolio's ESG criteria may result in the portfolio investing in industry sectors or securities which underperform the market as a whole.

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