

June 15, 2020

The Honorable Jay Clayton
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Comprehensive disclosure requirements to allow investors and the public to analyze companies during the COVID-19 pandemic.

Dear Chairman Clayton,

Investors and the general public are struggling to understand how the COVID-19 pandemic is impacting the economy and the financial markets. At the same time, the federal government is distributing trillions of dollars in financial support to mitigate the economic impact of the pandemic. We urge the Securities and Exchange Commission to institute new disclosure requirements to allow investors and the public to analyze how companies are acting to protect workers, prevent the spread of the virus, and responsibly use any federal aid they receive.

Companies who sell their stock to the public must register with the SEC and fulfill periodic disclosure obligations, as defined by the Commission. These disclosures are available to investors and the general public and help contribute to the public understanding of a company's financial performance and the risks and opportunities that might go along with investing in that company.

In April, you and Director of the Division of Corporate Finance William Hinman provided much-needed guidance by recommending that companies "provide as much information as is practicable" about how they are responding to the pandemic. This was a step in the right direction but more needs to be done to ensure that investors and the public have access to consistent, comprehensive information.

Investors are becoming increasingly aware that businesses that take appropriate action to protect workers and supply chains are ensuring their ability to continue operations at an appropriate capacity through the crisis. Businesses that institute responsible worker safety and health practices are also helping to limit the damage to their suppliers and customers.

Businesses that fail to adequately protect workers risk putting their customers in danger as well. In consumer-facing businesses, for example, if workers are not provided appropriate personal protective equipment or paid sick leave there is risk that they might infect customers as well as be put in danger themselves. Failure to adequately protect workers can also undermine the functioning of supply chains and lead to declines in productivity or, worse, the need to temporarily shut down operations.

Take, for example, the meat-packing industry. Major meat companies have shut down slaughterhouses and processing plants in North America as workers became infected. Workers are understandably reluctant to report back to workplaces with very crowded working conditions.

This has caused major disruptions in the meat supply chain; as a consequence, hog farmers around the country are expected to lose around \$5 billion this year.

The impact of the losses on shareholders will be significant. Investors, however, are being forced to rely on news reports to try to understand how the crisis is impacting companies in their portfolios and how those companies are responding. The SEC must act to require companies to provide consistent, reliable data to investors about the economic impact of the pandemic on their business, human capital management practices, and supply chain risks. These disclosures should include:

- Workplace COVID-19 Prevention and Control Plan – Companies should disclose a written infectious disease prevention and control plan including information such as the company's practices regarding hazard identification and assessment, employee training, and provision of personal protective equipment.
- Identification, Contact Tracing, and Isolation – Companies should disclose their policies for identifying employees who are infected or symptomatic, contact tracing and notification for potentially exposed employees and customers, and leave policies for infected employees who are isolating.
- Compliance with Quarantine Orders and phased reopening orders – Companies should disclose how they are complying with federal, state, and local government quarantine orders and public health recommendations to limit operations.
- Financial Implications – Companies should disclose the impact of the COVID-19 pandemic on their cash flows and balance sheet as well as steps taken to preserve liquidity such as accessing credit facilities, government assistance, or the suspension of dividends and stock buybacks.
- Executive Compensation – Companies should promptly disclose the rationale for any material modifications of senior executive compensation due to the COVID-19 pandemic, including changes to performance targets or issuance of new equity compensation awards.
- Employee Leave – Companies should disclose whether or not they provide paid sick leave to encourage sick workers to stay home, paid leave for quarantined workers, paid leave at any temporarily closed facilities, and family leave options to provide for childcare or sick family members.
- Health Insurance – Companies should disclose the health insurance coverage ratio of their workforce and whether the company has a policy to provide employer-paid health insurance for any employees who are laid off during the COVID-19 pandemic.
- Contingent Workers – Companies should disclose if part-time employees, temporary workers, independent contractors, and subcontracted workers receive all the protections and benefits provided to full-time company employees, including those outlined above.

- Supply Chains – Companies should disclose whether they are current on payments to their supply chain vendors. Timely and prompt payments to suppliers will help retain suppliers’ workforces and ensure that a stable supply chain is in place for business operations going forward.
- Workers’ Rights – Companies should disclose their policies for protecting employees who raise concerns about workplace health and safety from retaliation, including whistleblower protections and contractual provisions protecting workers’ rights to raise concerns about workplace conditions.
- Political activity - Companies should disclose all election spending and lobbying activity, especially money spent through third parties like trade associations and social welfare 501(c)4 organizations.

Prior to the onset of COVID-19, it was often argued that human rights, worker protection and supply chain matters were moral issues not relevant to a company’s financial performance. As millions of workers are laid off and supply chains unravel, the pandemic has proven that view wrong. Businesses that protect workers and consumers will be better positioned to continue operations and respond to consumer demand throughout the pandemic. The disclosures outlined above will provide investors with important information to help them understand how COVID-19 is impacting the companies they are invested in. In addition, by requiring these disclosures, the Commission has the opportunity to encourage companies to review their current practices and consider whether updates are necessary in light of recent events. The process of preparing these disclosures may help some public companies to recognize that their current practices are not sufficiently robust to protect their workers, consumers, supply chains and, as a result, their investors’ capital given the impact of the pandemic.

For these reasons, we urge the SEC to require all public companies to disclose comprehensive information about how they are responding to the pandemic and how it is impacting their businesses, as outlined above. If you have any questions, please contact Heather Slavkin Corzo (heather@ourfinancialsecurity.org).

Sincerely,

Adrian Dominican Sisters, Portfolio Advisory Board

AFL-CIO

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Americans for Financial Reform Education Fund

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US SIF: The Forum for Sustainable and Responsible Investment

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cc:

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