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May 1, 2020

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

Dear Chairman Clayton:

We are writing on behalf of the Human Capital Management Coalition ([HCMC](#)) to commend you and William Hinman, Director of the Division of Corporation Finance, for your April 8, 2020 [public statement](#), *The Importance of Disclosure – For Investors, Markets, and Our Fight Against COVID-19*, and to express our appreciation for the upcoming Investor Advisory Committee meeting on COVID-19 disclosures.

Established in 2013, the HCMC is a cooperative effort among 28 institutional investors representing over \$4 trillion in assets under management to further elevate human capital management as a key contributor to the creation of long-term value. Recently, the HCMC referenced your public statement in letters to 56 companies in which we requested that the Chair address COVID-19 related financial and operational information at upcoming annual meetings of shareholders (AGMs).

Consistent with the April 8 public statement, our request asked that the following five topics be addressed at AGMs:

- 1) Enterprise risk management, business and supply chain continuity and pandemic planning**, including the company's conformity with CDC, WHO and other guidelines. We indicated that investors would also appreciate information about the firm's enterprise risk management, which business units are continuing to function during this crisis and recovery, and which business units continue to face challenges.
- 2) Financial implications**, including COVID-19's likely impact on balance sheet resiliency, revenue, liquidity, capital allocation, executive compensation, and near-term recovery.
- 3) Workforce composition and adjustments** for full-time, part-time and contingent workforce members, including furloughs, layoffs and changes in work schedules and pay. In



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addition, we asked companies to address any expected changes to the workforce once stay-at-home orders are lifted.

4) Employee benefits and protections, including paid sick leave and any associated qualifying conditions for employees, as well as the company's protections for whistleblowers or any worker exercising their federally protected rights.

5) Workplace health and safety, including measures taken to determine the physical and mental health of the workforce, safety equipment provisions, and measures to enable social distancing.

To date, companies have been responsive in their AGM remarks, but we are keenly aware that this crisis underscores the need to broaden disclosure on human capital as well as the importance of consistent and uniform disclosure.

Without baselines for items such as workforce size or supply chain sustainability, investors cannot adequately assess new information related to business risks and workforce impacts.

The HCMC's July 2017 petition for rulemaking and its subsequent Comment to the SEC related to S-K modernization underscores the need for the disclosure of four key metrics to be uniformly disclosed by all companies.¹ Those metrics are: (i) workforce composition, (ii) turnover and stability measures, (iii) total cost of the workforce, and (iv) diversity by seniority. These uniform metrics can be supplemented by additional disclosures such as health and safety and human rights on a company-by-company basis to reflect factors important to particular industries or sectors.

For example, the explosion of ecommerce stimulated by the pandemic offers unprecedented opportunities to Amazon. The quality of its human capital management will play a significant role in whether it can meet the challenges of profitably fulfilling the new orders it is receiving. To take one data point, Amazon has announced it is filling 175,000 new positions to meet customer demand. On its face, the number appears significant, but since the company has not disclosed workforce turnover or absenteeism rates either before or during the

¹ See [2017 HCMC Rulemaking Petition](#); [Comments on the Petition](#); [Investor Advisory Committee recommendation to SEC on Human Capital Management Disclosures, March 28, 2019](#); [Letter from HCMC in Support of IAC Recommendation, March 22, 2019](#); and [HCMC Response to SEC Rulemaking Release re: Modernization of Regulation S-K](#).



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pandemic, investors have no context with in which to evaluate the figure. Press reports suggest that turnover rates were near 100% per year in Amazon warehouses prior to the pandemic and absenteeism rates have been 30% since the pandemic began.²

If these numbers are correct, Amazon was hiring close to 400,000 workers per year before the pandemic, and now it could be scrambling to maintain its workforce rather than expanding it. The point is not that Amazon is or is not struggling to meet the demands of the pandemic. The point is that Amazon does not disclose any of the metrics the HCMC has advocated, and thus investors do not have the information they need to evaluate a material aspect of the company's response to the pandemic.

We applaud the efforts of the Investor Advisory Committee in its attention to these issues and offer our assistance in providing examples and data to support the need for both rules-based and principles-based disclosures of human capital information.

The current crisis emphasizes the importance of this work and we appreciate your efforts in continuing to focus on the stabilization and recovery of our markets, our investments, and the well-being of our companies' employees.

Sincerely,

The Human Capital Management Coalition

Cc: William Hinman, Director
SEC Division of Corporation Finance

Anne Sheehan, Chair
SEC Investor Advisory Committee

² Irene Tung and Deborah Berkowitz, "Amazon's Disposable Workers: High Injury and Turnover Rates at Fulfillment Centers in California," *National Employment Law Project* (blog), March 6, 2020, <https://www.nelp.org/publication/amazons-disposable-workers-high-injury-turnover-rates-fulfillment-centers-california/>; Karen Weise and Kate Conger, "Gaps in Amazon's Coronavirus Response Fuel Warehouse Workers' Demands," *The New York Times*, April 5, 2020, <https://www.nytimes.com/2020/04/05/technology/coronavirus-amazon-workers.html>.