



# AFL-CIO

AMERICA'S UNIONS

**American Federation  
of Labor and  
Congress of Industrial  
Organizations**

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March 21, 2019

Mr. Brent J. Fields, Secretary  
Securities and Exchange Commission  
100 F St NE  
Washington, DC 20549-1090

**Re: Request for Comment on Earnings Releases and  
Quarterly Reports [File Number S7-26-18]**

Dear Mr. Fields,

On behalf of the American Federation of Labor and Congress of Industrial Organizations (the "AFL-CIO"), I welcome this opportunity to provide comments to the Securities and Exchange Commission on Earnings Releases and Quarterly Reports, File Number S7-26-18. The AFL-CIO is a voluntary federation of 55 national and international labor unions that represent 12.5 million working people. Union members participate in the capital markets as individual investors as well as participants in pension and retirement savings plans. In our view, reducing quarterly reporting burdens for corporate issuers should not take precedence over investor protection.

We believe that the Commission should continue to require that corporate issuers disclose quarterly financial data on company performance in Form 10-Q reports. Form 8-K quarterly earnings releases vary in their presentation and are not a good substitute for the uniform presentation of financial results in Form 10-Q filings. Quarterly reporting to investors is enhanced by the fact that Form 10-Q filings must be reviewed by an auditor, follow Generally Accepted Accounting Principles, and must be certified by the principal executive and financial officers of the reporting company. For these reasons, the Form 10-Q disclosure requirements serve an invaluable role by providing transparency to investors.

We acknowledge that an excessive focus on short-term financial results is a real concern for corporate issuers and investors. However, we do not believe that short-termism is caused by mandatory quarterly financial reporting. Rather, the myopic focus on quarterly earnings is driven in large part by the perceived need for corporate issuers to achieve earnings guidance targets. For this reason, we question the value of companies issuing quarterly earnings forecasts, and note that many corporate issuers have moved away from issuing earnings guidance. In our view, eliminating short-term earnings guidance can help reduce pressure on corporate issuers to make shortsighted business decisions.

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For these reasons, we oppose relaxing the Regulation S-X requirement that corporate issuers file quarterly reports on Form 10-Q. These quarterly financial reports provide investors with timely information that is necessary to assess company performance and accurately price its securities. Moving to an annual or semi-annual disclosure requirement will provide less transparency to investors. We also believe that a “supplemental approach” where Form 10-Q reports fill in information that is not provided in Form 8-K earnings releases creates the potential for misleading investors. Corporate issuers should disclose their quarterly financial results in a full and complete manner to investors, not strewn across multiple documents.

Reducing short-termism in our capital markets is an important goal that cannot be achieved simply by reducing the frequency or quality of quarterly financial reporting to investors. We note that U.S. corporate issuers have been disclosing quarterly reports on Form 10-Q for many decades dating back to passage of the Securities Exchange Act of 1934. Concern about corporate short-termism is a more recent development driven by a combination of misaligned executive compensation incentives and market structure changes that include high frequency trading, an increase in short selling, and the rise of short-term investors like hedge funds. We urge the Commission to examine these root causes of short-termism in the U.S. capital markets.

Rather than eliminate quarterly reporting requirements, the Commission should focus on ways to enhance the quality of information that corporate issuers disclose to investors. For example, investors have petitioned the Commission for enhanced environmental, social, and governance (ESG) disclosure (File Number 4-730), information about human capital management policies, practices and performance (File Number 4-711), and on the use of corporate resources for political activities (File Number 4-637). In our view, these types of enhanced disclosure will better focus corporate issuers on achieving long-term and sustainable goals.

Thank you for considering our views on corporate issuer earnings releases and quarterly reporting requirements. If the AFL-CIO can provide any additional information on this issue, please contact me at [REDACTED] or [REDACTED].

Sincerely,

A handwritten signature in black ink, appearing to read 'Brandon J. Rees', written in a cursive style.

Brandon J. Rees  
Deputy Director,  
Corporations and Capital Markets