Corporate Governance: The Growing Importance of Human Capital Management

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Institutional investor guidance and a number of publicized business scandals have highlighted the importance of a company's workforce culture and human capital management (HCM) on its operations, long-term performance and shareholder value.

In August 2019, members of Semler Brossy, an independent executive compensation consulting firm, and lawyers from Latham & Watkins met with a group of UCLA School of Law corporate and tax law professors at a roundtable breakfast co-sponsored by UCLA Law's Lowell Milken Institute on Business Law and Policy and Semler Brossy. The purpose of the roundtable was to assess the status of company and investor HCM concerns, the law relating to a board's HCM responsibilities and company disclosure obligations, and the actions companies should consider taking with respect to HCM in the current environment.

Summary

1. Over the last several years, investors and proxy advisory firms have increasingly focused their attention on environmental, social and governance (ESG) and human capital management (HCM) issues. While there is no one definition of HCM, the term is widely used to cover a very broad range of workforce matters that are of concern to investors and the public as they focus on building long-term value and reducing business and reputational risks. These concerns have resulted in calls for enhanced company disclosures about their HCM practices and processes.
2. Under Delaware and federal law, directors have no duties that are specifically focused on HCM. However, under Delaware law and that of many other states, directors have duties of care, loyalty and oversight that can under certain circumstances apply to HCM matters and can result in director liability.
3. While federal securities laws and rules contain several corporate disclosure requirements that apply to employees and touch on HCM issues, current laws and rules are not as robust or focused as many investors would like and have proposed. In response to rulemaking and other investor requests, the U.S. Securities and Exchange Commission has proposed amendments to its disclosure rules that would expressly require companies to describe their human capital resources to the extent that they are material to an understanding of a company's business as a whole.
4. Some public companies have already articulated board responsibilities for oversight of HCM matters; some have renamed and expanded the responsibilities of their compensation committees to reflect their expanded focus; and some have disclosed their HCM polices and efforts in their securities law filings and other publications.
5. Separate and apart from the legal requirements that apply to corporate board duties and corporate disclosure requirements, there are important business, governance and reputational reasons for boards and companies to care about and address HCM matters.
6. While there is no one-size-fits-all approach to board oversight of HCM matters, areas for possible board attention are (i) diversity and inclusion, (ii) employee satisfaction and engagement, (iii) succession and talent management, (iv) attrition and retention, and (v) ethics, workforce culture and risk.

Assessment of the HCM Corporate Governance Landscape

1. What is HCM and what concerns have investors and others expressed about HCM matters?

- Over the last several years, investors have increasingly focused on topics related to ESG, such as environmental harm, climate change, demographic change, human rights and political spending. HCM is often included among ESG topics, but it is increasingly discussed and analyzed as its own separate topic, as we have done.
- While there is no agreed-upon legal definition of HCM, HCM is generally defined as the process of managing human capital. Human capital consists of the skills, knowledge and abilities that employees and other service providers bring to their jobs. Human capital is managed by hiring, training, managing and retaining such workforce so as to create long-term value for the company and to reduce the risk of liabilities and losses to the company and its shareholders. HCM embraces concerns specifically relating to diversity and inclusion, gender opportunity, pay equity, sexual harassment, worker training and advancement, and workforce culture and ethics.[1] Some investors have stated that HCM is a key focus area for creating long-term sustainable value for shareholders. Additionally, investment management companies are building investment products to respond to and stimulate consumer demand for ESG and HCM-focused investment funds.
- In July 2017, the Human Capital Management Coalition, which represents union pension and welfare benefit plans, state and local government benefit plans and other institutional investors with over $2.8 trillion in assets, submitted a rulemaking petition to the SEC that persuasively contended that HCM is important to company bottom lines and is essential to long-term value creation. The coalition then requested that the SEC adopt rules that would require public companies to disclose nine categories of HCM information, discussed below. [2]
- In response to 2018 proxy disclosures regarding the ratio of the chief executive officer's total compensation to that of the company's median employee, a consortium of institutional investors and advisors representing $3.3 trillion in assets urged companies to place the proxy-disclosed CEO pay ratio in the broader context of the company's overall compensation philosophy and HCM. The investors requested detailed supplemental disclosures including (i) the median employee's job function, (ii) tenure and experience of the workforce, (iii) breakdown of the workforce by job function and/or business unit, (iv) workforce education levels and skillsets, (v) geographic location of the median employee, (vi) the company's overall compensation philosophy, (vii) a country-level breakdown of global employee headcount, (viii) employee compensation mix (benefits and incentives), (ix) a breakdown of full-time vs. part-

[1] For a discussion on HCM generally, see Aaron Bernstein et al., *Human Capital Management: Why investors should care and what they should look for in corporate disclosure*, International Corporate Governance Network (Oct. 2018), *available at* https://www.icgn.org/human-capital-management-viewpoint

[2] Letter from Human Capital Management Coalition to SEC (July 6, 2017) available at https://www.sec.gov/rules/petitions/2017/petn4-711.pdf

time employment status, (x) use or non-use of subcontracted workers, (xi) the alignment of CEO pay practices with pay practices for other employees, and (xii) the use of temporary or seasonal employees.[3]

- In January 2019, Larry Fink, the CEO of BlackRock, sent his annual letter to CEOs entitled "Purpose & Profit," arguing that companies should focus on long-term profitability over short-term results, and that companies should focus on stagnant wages, worker retirement and the effect of technology on jobs.[4] Fink's January 2020 annual letter to CEOs and BlackRock's January 2020 client letter both focus on sustainability, especially with respect to climate risk, emphasizing that "[w]e believe that sustainability should be our new standard for investing."
- In January 2019, Cyrus Taraporevala, the president and CEO of State Street Global Advisors, sent a letter to independent chairs and lead independent directors advising board members to oversee and articulate corporate culture as a key directive.[5] In particular, Taraporevala emphasized that corporate culture and corporate strategy should be aligned and, as a starting point, companies should improve reporting so that directors can discuss their role in influencing and monitoring corporate culture.
- ESG research and focus on ESG reports and ratings have increased in response to investor interest in measuring ESG performance at companies. Beginning in 2018, Institutional Shareholder Services (ISS) included in its proxy voting research reports E&S QualityScores, described as a "data-driven approach to measuring the quality of corporate disclosures on environmental and social issues, including sustainability and governance, and to identify key disclosure omissions." ISS has also strengthened the factors it considers with respect to environmental and social issues and now considers items including labor, health and safety, and compensation/remuneration in evaluating a company's ESG risk. Effective November 2019, ISS announced updates to its Governance QualityScore methodology[6] to include two new compensation/remuneration factors that evaluate whether companies disclose any environmental and social performance measures for their short-term incentive plan for executives, and for any long-term incentive plan for executives granted in the prior fiscal year. The new factors capture the level of disclosure companies provide around these measures and also whether companies are aligning executive compensation with sustainability goals.
- Glass Lewis evaluates ESG risk based on data and ratings from Sustainalytics, a company that provides ESG and corporate governance research and ratings of public companies.[7] Based on

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[3] Letter to Board of Directors (Dec. 2018), *available at* https://nacdblog.site/wp-content/uploads/2018/12/PayRatioLetter.pdf

[4] Letter from Larry Fink to Chief Executive Officers, *Purpose & Profit*, BlackRock (Jan. 2019), *available at* https://www.blackrock.com/americas-offshore/2019-larry-fink-ceo-letter. See also Letter from Larry Fink to Chief Executive Officers, *A Fundamental Reshaping of Finance*, BlackRock (Jan. 2020) letter *available at* https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter

[5] Letter from Cyrus Taraporevala to Board Members, State Street Global Advisors (Jan. 15, 2019), *available at* https://www.ssga.com/investment-topics/environmental-social-governance/2019/01/2019%20Proxy%20Letter-Aligning%20Corporate%20Culture%20with%20Long-Term%20Strategy.pdf

[6] *Available at* https://www.issgovernance.com/file/products/qualityscore-techdoc.pdf

[7] For more information regarding ISS' ESG guidance, see "*Environmental, Social, and Governance QualityScores to be Reflected in ISS Proxy Research Reports*," ISS (Feb. 5, 2018), available at https://www.issgovernance.com/iss-announces-launch-of-environmental-social-

their respective guidelines, proxy advisory firms can identify material oversight issues related to ESG risk, based on the quality of ESG practices and disclosures provided by companies, which investors may rely on as part of their investment decision-making.

2. *What are the legal duties of boards with respect to HCM matters?*

- Currently, boards do not have any specific legal duties under federal or Delaware law that expressly cover HCM. However, boards are subject to fiduciary duties under Delaware law and similar state laws that generally apply with respect to other corporate assets and liabilities. Such duties could apply to HCM under certain circumstances, including, for example, where violations of law and company policies by employees and other workers or poor workforce cultures expose the company to risks of substantial liabilities and losses.
- Under Delaware corporate law, directors owe a corporation and its stockholders fiduciary duties of care and loyalty. The latter includes a duty of oversight, which is a duty to implement and oversee "information and reporting systems… that are reasonably designed to provide … timely, accurate information sufficient to allow management and the board… to reach informed judgments concerning … the corporation's... business performance." This oversight duty was expressly enunciated in the case of *In re Caremark Int'l Inc. Derivative Litigation*, 698 A.2d 959, 956 (Del. Ch. 1996). This duty is the subject of "*Caremark* claims" in many lawsuits that have been brought against directors in the wake of corporate business or reputational traumas that damage a company and its shareholder value.
- Directors should oversee systems that are designed to provide them with timely and accurate information regarding any violations of law and company policies by their employees and other workers that could expose the company to risks of substantial liabilities and losses.

3. *What disclosure obligations do corporations have with respect to HCM and related matters?*

- There are only a few existing disclosure requirements under the Securities Exchange Act that touch on HCM. For example, Regulation S-K requires disclosure regarding the total number of employees and full-time employees,[8] risks arising from compensation policies or practices that are reasonably likely to result in a material adverse effect,[9] the CEO pay ratio,[10] and the board's role in risk oversight.[11] In general, today's disclosure requirements fall short of requiring meaningful disclosure on the key HCM topics that have been of interest to investors and other stakeholders in recent years.

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qualityscore-corporate-profiling-solution/, and for more information on Glass Lewis' approach to ESG guidance, see "*ESG Profiles*," Glass Lewis (2019), available at https://www.glasslewis.com/understanding-esg-content/

[8] *See* Regulation S-K, Item 101(c)(xiii).

[9] *Id.* at Item 402(s).

[10] *Id.* at Item 402(u).

[11] *Id.* at Item 407(h).

- In its July 2017 rulemaking petition to the SEC, the Human Capital Management Coalition requested that the SEC adopt rules that would require public companies to disclose nine categories of HCM information. The broad categories of information requested included workforce demographics, workforce stability, workforce composition, workforce skills and capabilities, workforce culture and empowerment, workforce health and safety, workforce productivity, human rights and workforce compensation and incentives.[12]
- In March 2019, an Investor Advisory Committee to the SEC recommended that the SEC consider requiring disclosure of information related to public companies' HCM strategies. Thereafter, public comments by SEC Chair Jay Clayton suggested that any SEC-required disclosure would likely be more principles-based than focused on formulaic HCM metrics.[13] In these remarks, Clayton reiterated his general framework for disclosure rules, noting that disclosures should be rooted in principles of materiality, comparability, flexibility, efficiency and responsibility. Accordingly, in his view, the disclosure rules should be limited to require disclosure of material information that a reasonable investor would need in order to make informed investment and voting decisions.
- In August 2019, the SEC proposed amendments to Regulation S-K that required disclosures regarding business, legal proceedings and risk, with the stated purpose of simplifying and modernizing such disclosures.[14] Consistent with Clayton's prior comments, the proposed amendments would reduce the number of currently required disclosures and would generally move to principles-based disclosure. Importantly, the proposed amendments would replace the current requirement to disclose the number of a company's employees with a requirement to describe the company's human capital resources to the extent that they are material to an understanding of a company's business as a whole. According to the SEC, such a description of human capital resources could include descriptions of any human capital measures or objectives that management focuses on in managing a company's business. The SEC acknowledged that because human capital measures and objectives that are material to a company's business would vary over time and would depend on the company's industry, business and workforce, the SEC was not proposing any fixed or specific line-item disclosures, but rather principles-based disclosures. Possible areas of HCM materiality and disclosure are discussed below.

4. *What actions have companies and boards taken with respect to HCM oversight and company disclosures?*

- An increasing number of boards have expanded the oversight responsibilities of their compensation committees and reformulated them into broader human resources

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[12] Letter from Human Capital Management Coalition to William Hinman, Director, Division of Corporation Finance, Securities and Exchange Commission (July 6, 2017), *available at* https://www.sec.gov/rules/petitions/2017/petn4-711.pdf

[13] SEC Chairman Jay Clayton, Remarks for Telephone Call with SEC Investor Advisory Committee Members (Feb. 6, 2019), *available at* https://www.sec.gov/news/public-statement/clayton-remarks-investor-advisory-committee-call-020619

[14] Modernization of Regulation S-K Items 101, 103, and 105, Proposed Rule, U.S. Securities and Exchange Commission (Aug. 8, 2019), *available at* https://www.sec.gov/rules/proposed/2019/33-10668.pdf

committees, under various names. To varying degrees, boards are considering an expanded purview that includes such HCM items as talent and compensation planning beyond the C-suite, succession planning, gender pay equity, diversity and inclusion, leadership development, broad-based compensation philosophy, organizational culture and ethics, a global approach to compensation strategy, attrition and retention, workforce composition and employee health and safety.

- The names of the compensation committees of many of the Fortune 100 companies include additional terms, such as "human resources" and "development." For example, the following companies have named their compensation committees as follows:
  - Wells Fargo: Human Resources Committee
  - General Electric: Management Development and Compensation Committee
  - Caterpillar: Compensation and Human Resources Committee
  - JP Morgan Chase: Compensation and Management Development Committee
  - MasterCard: Human Resources and Compensation Committee
- Additionally, some companies have amended their compensation committee charters to include provisions relating to HCM matters, as follows:
  - MSCI: "The Committee shall assist in Board oversight of the Company's talent management process. In fulfilling its duties, the Committee shall: (a) annually review talent management for the Company's CEO, other Executives and, from time to time, other key talent, as the Committee may determine in its discretion; (b) periodically evaluate open senior management roles and future talent needs; (c) at least annually review the Company's diversity and inclusion programs including their key performance metrics; and (d) periodically review the Company's corporate culture and learning and development programs and the results of the Company's employee engagement survey."[15]
  - MasterCard: "Periodically review key diversity initiatives and Human Resources policies and practices, including those related to organizational engagement and effectiveness and employee development programs."[16]
  - Abercrombie & Fitch: "Reviewing and discussing with the Company's management the Company's organizational structure and key reporting relationships, along with development of strategies and practices relating to recruitment, retention and development of the Company's associates as needed."[17]

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[15] Compensation and Talent Management Committee Charter, MSCI (Oct. 20, 2019), *available at* http://ir.msci.com/static-files/166b68bf-784d-4a0a-bb04-49ce59890701

[16] Human Resources and Compensation Committee Charter, Mastercard Incorporated (Sept. 2019), *available at* https://s2.q4cdn.com/242125233/files/doc_downloads/2019/governance/10/2019-Mastercard-Incorporated-HRCC-Charter(394091.1).pdf

[17] Compensation and Organization Committee Charter, Abercrombie & Fitch Co. (Aug. 22, 2019), *available at* https://abercrombieandfitchcompany.gcs-web.com/static-files/a8dcdf59-6c50-4eff-b618-34576ce02fbb/

- Wells Fargo: "The HRC shall oversee the Company's culture, including management's efforts to foster a culture of ethics throughout the Company."[18]

- Some companies have also provided enhanced disclosures to shareholders and others about their HCM policies and efforts. These disclosures are often included in a company's proxy statement as part of a general disclosure on employees (see Microsoft and Salesforce) or as part of an expanded section on CEO pay ratio (see CVS Health), in Corporate Social Responsibility reports (see Target), or in some cases as supplemental disclosures on company websites (see Boston Scientific), as illustrated by the following disclosures:

  - Microsoft: "The Board, the Compensation Committee, and the Regulatory and Public Policy Committee engage with the SLT and Human Resources executives across a broad range of human capital management topics including culture, succession planning and development, compensation, benefits, employee recruiting and retention, and diversity and inclusion."[19]
  - CVS Health: "We made significant investments in our colleagues including increasing the starting wage to at least $11 per hour…"[20]
  - Salesforce: "Equality is a core value of Salesforce. We have spearheaded human capital management…this includes ongoing public commitment to eliminate gender-based wage disparities in our workforce. In fiscal 2017 we have initiated our Equal Pay Assessment…."[21]
  - Target: "We took a leadership position in 2017 with our commitment to pay all U.S. team members a minimum hourly wage of at least $15 by the end of 2020. In 2018, we advanced to a $12 minimum starting hourly rate, and in June 2019, we increased that rate again to $13 as we steadily rise to $15." And, "Target strives to ensure that our team members benefit from equitable experiences and compensation…we do not ask questions about prior salary when recruiting new employees to avoid perpetuating previous pay gaps…we are committed to our ongoing efforts across hiring, promotion, pay and other talent programs…."[22]
  - Boston Scientific: "Boston Scientific conducted its first independent, third party pay equity analyses in 2014, and has run analyses every year since that time studying our global salaried and sales populations. We check for pay equity using regression analysis…."[23]

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[18] Human Resources Committee Charter, Wells Fargo & Company (Feb. 25, 2020), *available at* Wells Fargo Media website

[19] "*Culture, Workplace, and Succession Planning*," 2019 Proxy Statement, Microsoft Corp. (Oct. 16, 2019), *available at* https://www.sec.gov/Archives/edgar/data/789019/000119312519268531/d791036ddef14a.htm

[20] "*CEO Pay Ratio*," 2019 Proxy Statement, CVS Health Corporation (Apr. 5, 2019), *available at* https://www.sec.gov/Archives/edgar/data/64803/000120677419001240/cvs3508731-def14a.htm

[21] "*Sustainability, Equality, and Philanthropy at Salesforce – Fostering Employee Success*," 2019 Proxy Statement, salesforce.com, inc. (Apr. 25, 2019), *available at* https://www.sec.gov/Archives/edgar/data/1108524/000119312519119702/d664082ddef14a.htm

[22] "*Economic Attainment and Well-Being*," 2019 Target Corporate Responsibility Report, Target (2019), *available at* https://corporate.target.com/corporate-responsibility/goals-reporting

[23] "*Ensuring Equal Pay for Equal Work*," Boston Scientific (2019), *available at* https://www.bostonscientific.com/content/gwc/en-US/careers/working-here/diversity-and-inclusion/equal-pay.html

- The NASDAQ Center for Corporate Governance's June 2019 report, "Where Board & Investor Priorities Intersect," states that 51% of the most recent proxy statements of the S&P 100 disclose HCM as a priority and 48% note that their boards are paying attention to HCM matters.[24]

5. *Beyond the legal requirements that may apply to board duties and company disclosure obligations, why should boards and companies care about HCM matters?*

- Effective oversight of HCM matters is good corporate governance and is valuable to companies, their shareholders and boards. A company's employees are an important asset and effective HCM can increase their value as well as reduce the risk that poor HCM practices could create liabilities or result in a business scandal.
- HCM is important in building a company's long-term value and developing policies and practices relating to issues such as health and safety, training and employee compensation, incentives, diversity, inclusion and well-being, which are key aspects of a company's competitive strategy. For example, in 2018, McKinsey published a study that found that companies in the top-quartile for gender diversity on executive teams were 21% more likely to outperform on profitability.[25] Another study found that companies included in Fortune magazine's "100 Best Companies to Work For" lists earned, over the long-term, excess risk-adjusted returns of 3.5%.[26]
- Given the high levels of media and political scrutiny of HCM topics, negative public perceptions of a company's HCM can have a measurable impact on a company's brand and ability to recruit and retain employees.
- Investors are increasingly taking an active role on HCM issues, including gender pay equity. While most of the attention has been focused on large, bellwether companies, we expect that the broader market will also be impacted.
- A collaborative review of HCM matters that informs and aligns senior management and the company's directors is a good corporate governance practice, and empowers management to effectively address potential pressure points, build value and head off problems.
- By engaging with investors on HCM, which is of keen interest to many investors, boards can create goodwill and positive relationships that can be very valuable for discussing other matters of mutual interest, especially if the company is targeted by activist investors focused on short-term stock performance or is impacted by a corporate trauma.

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[24] Where Board & Investor Priorities Interest: 2019 Review of S&P 100 Governance Disclosures, Nasdaq Center for Corporate Governance (Jun. 2019), *available at* https://www.nasdaq.com/governance-center/board-and-investor-priorities-report

[25]Vivian Hunt et al., *Delivering through Diversity*, McKinsey & Company (Jan. 2018), *available at* https://www.mckinsey.com/~/media/mckinsey/business%20functions/organization/our%20insights/delivering%20through%20diversity/delivering-through-diversity_full-report.ashx

[26]Alex Edmans, "*Does the Stock Market Fully Value Intangibles*," Journal of Financial Economics 101 (2011): 621-640.

- To be most effective, a board's involvement in HCM should reflect its fiduciary oversight role, with management retaining ownership of operations and day-to-day management of HCM matters. As boards become increasingly engaged in HCM oversight, striking the right balance can be a potential point of tension between the board and management.

6. How can companies expand board and committee HCM oversight?

- If, for the many reasons discussed above, a board decides to expand its oversight of HCM matters beyond determining officer compensation, it should prioritize key human capital areas based on the company's particular facts and circumstances, and amend the compensation or other committee's charter to carefully define its oversight responsibilities and adopt procedures that make clear the depth and frequency of its oversight engagement. Any resulting investor reports and engagements could be informational, and could be prepared and disseminated without requiring board or committee approval.
- Based on our experience and a review of what investors are requesting, below are five categories of HCM matters for consideration by boards that are interested in expanding their HCM oversight. At first, these matters may be reviewed at a high level, with management providing reports of process and key findings for discussion with either the appropriate committee or the entire board. Then, depending on the issues that emerge and their importance to the company, the reports can and often would become more action-oriented by focusing management's attention on specific issues and requesting periodic progress reports, which could be offered = more frequently. If these processes disclose issues that could potentially expose the company, its business or its reputation to material risks, then more urgent and aggressive action should be considered.

    - <u>Diversity and Inclusion</u>: May include reviewing gender and diversity pay equality and structural diversity (i.e., at the management and leadership levels). Generally, directors review findings from management-led or commissioned studies and determine the frequency of follow-up reports and reviews based on findings of the initial study.
    - <u>Employee Satisfaction and Engagement</u>: May include reviewing employee satisfaction and engagement surveys, overview of compensation vs. key competitors, and broad-based benefits and perquisites, including utilization. Some companies in tight talent markets supplement executive benchmarking reviews with details on broader positioning and context.
    - <u>Succession and Talent Management</u>: May include reviewing organizational structure and next-in-line succession candidates. Boards can expand the typical succession process to cover the broader executive team, allowing the board to more fully assess a company's talent pipeline, and work with management on identifying any talent needs.
    - <u>Attrition and Retention</u>: May include reviewing voluntary attrition rates, regrettable departures of key officers or employees, trends and reasons for involuntary terminations, and employee tenure trends. An annual review of key employee

population metrics can help identify any notable year-over-year changes, acting as a canary in the coal mine for potential human capital challenges.

  - Ethics, Workforce Culture and Risk: May include reviewing exit survey highlights, compensation governance and control processes, and notable incidents to understand trends and reasons for involuntary terminations. Risk reviews typically cover whistleblowing and other program structures and governance processes (i.e., what triggers review and who reviews incidents). Ethics and workforce culture are often and increasingly included as possible risk areas.

- Companies that expand board and compensation committee oversight of HCM matters should consider how to disclose the material terms of their oversight processes and metrics to their investors and others.

Conclusions

Our August 2019 roundtable discussion made it abundantly clear that in recent years HCM has emerged as an important business and corporate governance concern for investors, proxy advisors, companies, boards and others, and requires board oversight and enhanced corporate disclosures.

Since then, the Business Roundtable issued its Statement on the Purpose of a Corporation, asserting that corporations have responsibilities to all stakeholders, including employees. According to the Business Roundtable, corporations should invest in employees by compensating them fairly, providing them with important benefits through training and education, and by fostering diversity, inclusion, dignity and respect. In addition, the Delaware Chancery Courts have denied motions to dismiss *Caremark* claims in two important cases involving Blue Bell Creameries and Clovis Oncology that put companies on notice that boards need to be mindful of their oversight duties with respect to workforce ethics and culture. Moreover, 2020 election year politics are likely to focus the public's attention on issues like income inequality, gender equity and the purpose of corporations, serving to increase investor and public scrutiny on HCM. Finally, and perhaps most importantly, the rapidly unfolding COVID-19 pandemic and its repercussions present an opportunity — and a demanding test — for companies in managing their human capital matters. As the health and economic crisis unfolds and as companies recover, investors and the public can be expected to watch and judge how companies treat their employees and other workers and how they manage this important asset.

The bottom line is clear: HCM is important. How boards and companies respond to all of these developments and challenges will likely become a threshold point of distinction for board and company leaders and impact their brands for years to come.