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To the Subcommittee on Investor Protection, Entrepreneurship and Capital Markets

Of the House Committee on Financial Services

On Examining the Impacts of the COVID-19 Pandemic on US Capital Markets

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Thank you for the opportunity to participate in today's round table. The PRI is the world's leading proponent of responsible investment. Globally, more than 3000 investors, with more than $90 trillion in assets under management, have signed onto the principles aimed at helping them invest more sustainably. I welcome the opportunity to speak to you, as the pandemic evolves from a health crisis into an economic one.

The impact the pandemic has had on our financial system is evolving. The Federal Reserve's actions have helped to stabilize financial markets. This stability, however, does not reflect the economy as it's experienced by everyday people. Thirty-eight million workers have filed for unemployment since pandemic-related shutdowns began. Major American retail, entertainment, and oil and gas companies have filed for bankruptcy.

As economists increasingly warn that the US economy will not experience a "V-shaped recovery," individuals and businesses will increasingly be unable to pay their bills. This will impact the financial markets, though nobody knows how deep the losses will be. Long before the pandemic, leading economists began raising alarms that businesses had taken on too much debt and that would make the next downturn more difficult. The crisis is exacerbating existing weaknesses in the financial system and the broader economy.

The investors I speak to tell me that they are realizing that business practices they always thought of as moral issues – like healthcare, paid leave, and worker pay – are turning out to impact their investments. And they know that future crises, like climate change, will as well.

We have the opportunity to rebuild a system that is better. One that is more sustainable and fair. This makes moral sense and economic sense. This means:

- Better reporting on how companies are protecting their workers;
- Requiring companies that receive government financial support to retain workers, provide paid sick and family leave, and institute practices for worker safety and health;
- Requiring companies that receive aid to adopt responsible practices including limitations on executive pay, bans on stock buybacks and practices that mitigate their carbon footprint; and
- Focusing stimulus on projects that build a more sustainable economy.

Governments will have to act to address climate change. The PRI has developed the Inevitable Policy Response, which recommends policies and estimates their economic impact. The longer we wait, the more costly the transition will be. Let's start now.

There are some who are advocating deregulation of securities markets and rolling back investor rights in response to the crisis. This is the wrong way to proceed. Investor confidence depends on fair, transparent markets where there are strong mechanisms to make their voices heard during times of crisis.

Policy responses must be aimed at creating a better, stronger, more sustainable, resilient economy.